Single Audit Report

Cleveland State University
Year Ended June 30, 2007

0709-0865890

Mary Taylor, CPA
Auditor of State

Board of Trustees
Cleveland State University
Keith Bldg., Rm 1335
2121 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Report of Independent Auditors* of the Cleveland State University, Cuyahoga County, prepared by Ernst & Young LLP, 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. The Cleveland State University is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 19, 2007

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Cleveland State University

Single Audit Report

Year Ended June 30, 2007

Contents

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Report of Independent Auditors

Board of Trustees
Cleveland State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the Cleveland State University (University), a component unit of the State of Ohio, as of and for the years then ended June 30, 2007 and 2006, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of The Cleveland State University Foundation or the Euclid Avenue Housing Corporation, discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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 Federal of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the University's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Cleveland State University as of June 30, 2007 and 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 8 are not a required part of the basic financial statements but are supplementary 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 required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Our audit was conducted for the purpose of forming an opinion that collectively comprised the University's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2007 is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

October 10, 2007

CLEVELAND STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the University) as of and for the years ended June 30, 2007 and 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The University was established in 1964 by action of the Ohio General Assembly, and is part of the State of Ohio's (the State) system of State supported and State assisted institutions of higher education. It is one of the 13 state universities in Ohio. By statute it is a body politic and corporate and an instrumentality of the State. Located in the City of Cleveland, the University is an urban institution. A majority of the University's students commute daily from their homes in the Cleveland metropolitan area.

Using the Annual Financial Report

The University's financial report includes financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These principles require that financial statements be presented on a consolidated basis to focus on the financial condition, the changes in financial condition, and the cash flows of the University as a whole. Many other non-financial factors also must be considered in assessing the overall health of the University, such as enrollment trends, student retention, strength of the faculty, condition of the buildings, and the safety of the campus.

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They 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.

Under the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Cleveland State University Foundation, Inc. (the Foundation) and the Euclid Avenue Housing Corporation (the Corporation) are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from Management's Discussion and Analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Mather Mansion Room 105, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and liabilities– net assets– is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2007, 2006 and 2005 is as follows:

	2007	2006	2005
Current assets	$ 35,149,262	$ 43,810,861	$ 69,675,273
Noncurrent assets:			
Capital assets, net	321,735,130	294,288,485	260,821,145
Other	187,337,097	141,709,585	141,741,656
Total assets	544,221,489	479,808,931	472,238,074
Current liabilities	40,739,396	38,974,623	31,915,119
Noncurrent liabilities	181,012,582	129,884,147	133,529,399
Total liabilities	221,751,978	168,858,770	165,444,518
Net assets	$ 322,469,511	$ 310,950,161	$ 306,793,556

Current assets consist primarily of cash, operating investments, accounts and notes receivable, prepaid expenses, deferred charges and inventories. Current liabilities consist primarily of accounts payable, accrued payroll and other liabilities, deferred revenue and the current portion of long-term debt.

Current assets decreased in 2007 from 2006 by $8.7 million, or 19.8%, due primarily to a decrease in short-term investments. The University had more of its investments in STAR Ohio in 2007 than in 2006 ($16.4 million versus $10.6 million), and STAR Ohio is classified as a long-term investment.

Current assets decreased in 2006 from 2005 by $25.9 million, or 37.1%, due primarily to a decrease in short-term investments of $28.5 million. Long-term investments, which are classified as other noncurrent assets in the above schedule, increased by essentially the same amount ($28.4 million) as the University implemented a new investment strategy. Total other noncurrent assets remained flat because the increase in long-term investments was offset by a decrease in investments of bond proceeds due to construction activity.

Net capital assets increased in 2007 from 2006 by $27.4 million, or 9.3%, and in 2006 from 2005 by $33.5 million, or 12.8%. Both increases were due to construction in progress. Projects under construction include a new recreation center, a new administration building, a new parking garage, and rehabilitation of Fenn Tower into student housing.

In 2007, other assets increased by $45.6 million, or 32.2%, due primarily to an increase in investments of bond proceeds. During 2007, the University sold Series 2007A and 2007B general receipts bonds in the total amount of $51.3 million, which are included in restricted investments. Other assets did not change significantly in 2006 from 2005.

Current liabilities increased in 2007 from 2006 by $1.8 million, or 4.5%, and in 2006 from 2005 by $7.1 million, or 22.1%. The increases in both years were in accounts payable and were attributable mainly to construction activity.

Noncurrent liabilities increased in 2007 from 2006 by $51.1 million, or 39.4%, due to the sale of the Series 2007A and 2007B bonds. In 2006, noncurrent liabilities decreased from 2005 by $3.6 million, or 2.7%, due to the scheduled retirement of capital leases and the Series 1996, 2003A, 2003B and 2004 bonds.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled $44.3 million in 2007, $48.5 million in 2006, and $22.8 million in 2005. Capital retirements totaled $4.9 million in 2007, $2.5 million in 2006, and $2.5 million in 2005. Capital additions and retirements for 2007 exclude transfers from construction in progress to buildings in the amount $46.0 million. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to $6.8 million in 2007, $6.5 million in 2006, and $1.3 million in 2005.

In 2007, long-term debt, which consists primarily of bonds payable, increased from 2006 by $49.6 million, or 44.1%. In 2006, long-term debt decreased from 2005 by $1.8 million. On April 23, 2007, the University issued Series 2007A general receipts bonds in the amount of $42.1 million, and on May 1, 2007, the University issued Series 2007B general receipts bonds in the amount of $9.2 million. The proceeds of the Series 2007A and 2007B bonds will be used to pay construction costs for a new Student Union building and a new building to house the College of Education and Human Services. These projects are important pieces of the University's Campus Master Plan, which was adopted by the Board of Trustees in 2003.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2007, 2006 and 2005 are summarized as follows:

	2007	2006	2005
Invested in capital assets, net of related debt	$ 242,380,365	$ 236,602,952	$ 234,580,570
Restricted	15,684,053	15,961,327	16,821,944
Unrestricted	64,405,093	58,385,882	55,390,992
Total net assets	$ 322,469,511	$ 310,950,161	$ 306,793,556

Net assets invested in capital assets, net of related debt represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net assets are due to the net effect of additions to, disposals of, and depreciation on capital assets and payment of debt. In both 2007 and 2006, additions exceeded disposals and depreciation, resulting in an increase in this category of net assets.

Restricted net assets are subject to externally imposed restrictions governing their use or endowment funds held by the University. Restricted net assets have not changed significantly between 2005 and 2007.

Unrestricted net assets are not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of $4.7 million at June 30, 2007, $4.8 million at June 30, 2006, and $5.1 million at June 30, 2005.

For the year ended June 30, 2007, the University had an increase in total net assets of $11.5 million, or 3.7%. Net assets invested in capital assets, net of related debt, increased by $5.8 million, or 2.4%, due to construction activity. Unrestricted net assets increased by $6.0 million, or 10.3%, due primarily to increased revenues from student fees (which grew from $105.4 million in 2006 to $111.4 million in 2007) and to increased investment income (which grew from $3.5 million in 2006 to $10.4 million in 2007).

For the year ended June 30, 2006, the University had an increase in total net assets of $4.2 million, or 1.4%. The growth was primarily in unrestricted net assets, which increased by $3.0 million, or 5.4%, due to increased revenues from student fees (which grew from $102.0 million in 2005 to $105.4 million in 2006), and cost containment measures in unrestricted operations (including a freeze on hiring, which was in place for most of 2006).

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on State aid. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenues, expenses, and changes in net assets for the years ended June 30, 2007, June 30, 2006 and June 30, 2005 are as follows:

	2007	2006	2005
Operating revenues:			
Net student tuition and fees	$ 111,443,432	$ 105,435,745	$ 101,993,591
Grants and contracts	22,396,749	25,969,516	27,126,718
Other	17,263,760	16,523,306	15,197,130
Total operating revenue	151,103,941	147,928,567	144,317,439
Operating expenses:			
Educational and general	209,136,093	210,895,877	205,612,143
Auxiliary enterprises	20,267,901	15,581,267	14,819,276
Depreciation and amortization	16,888,402	15,102,608	15,051,884
Total operating expenses	246,292,396	241,579,752	235,483,303
Operating loss	(95,188,455)	(93,651,185)	(91,165,864)
Nonoperating revenues, net:			
State appropriations	69,739,627	69,978,333	70,512,253
Other	30,077,495	21,265,588	23,945,105
Gain (loss) before other changes	4,628,667	(2,407,264)	3,291,494
Other changes	6,890,683	6,563,869	1,636,023
Increase in net assets	11,519,350	4,156,605	4,927,517
Net assets at beginning of year	310,950,161	306,793,556	301,866,039
Net assets at end of year	$ 322,469,511	$ 310,950,161	$ 306,793,556

Total revenue and other changes in fiscal 2007, 2006 and 2005 were $259.7 million, $246.1 million, and $240.8 million, respectively. The most significant sources of 2007 operating revenues for the University were student tuition and fees of $111.4 million, grants and contracts of $22.4 million, and auxiliary services of $12.5 million.

Revenues from tuition and fees (net of scholarship allowances) increased in 2007 from 2006 by $6.0 million, or 5.7%, due to a drop in enrollment offset by an increase in tuition rates. Headcount enrollment decreased by 2.6% from the prior year, while full-time equivalent enrollment decreased by 0.7% from the prior year. Tuition rates increased by 7.84% effective for the 2006 Fall semester, in part to offset the continued decline in support from the State.

Revenues from tuition and fees (net of scholarship allowances) increased in 2006 from 2005 by $3.4 million, or 3.4%, due to a drop in enrollment offset by an increase in tuition rates. Headcount enrollment decreased by 1.0% from the prior year, while full-time equivalent enrollment decreased by 2.4% from the prior year. Tuition rates increased by 8.13% effective for the 2005 Fall semester, in part to offset the continued decline in support from the State.

Total expenses in fiscal 2007, 2006 and 2005 were $248.2 million, $241.9 million, and $235.9 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Increases in operating expenses of $4.7 million (1.9%) in 2007 and $6.1 million (2.6%) in 2006 were due primarily to salary increases granted to University employees, increases in the cost of medical insurance and other fringe benefits, and rising costs for energy.

Sources of nonoperating revenue include State appropriations of $69.8 million in 2007, $70.0 million in 2006, and $70.5 million in 2005; grants and contracts of $14.9 million in 2007, $14.4 million in 2006, and $14.1 million in 2005; gifts of $6.7 million in 2007, $3.8 million in 2006, and $3.7 million in 2005; and investment income of $10.4 million in 2007, $3.5 million in 2006, and $2.2 million in 2005. Fiscal year 2007 was the sixth consecutive year during which the State's funding of the University declined.

Net nonoperating revenue increased in 2007 from 2006 by $8.6 million, or 9.4%, due primarily to increased investment income (which grew from $3.5 million in 2006 to $10.4 million in 2007). Net nonoperating revenue decreased in 2006 from 2005 by $3.2 million, or 3.4%, because 2005 included the PeopleSoft settlement in the amount of $4.2 million.

Other changes consist primarily of State capital appropriations of $6.8 million in 2007, $6.5 million in 2006, and $1.3 million in 2005.

Credit Rating

The University's bonds are rated "A" by Standard & Poor's. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong considering this rating.

Looking Ahead

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support, and the cost of health care, utilities, employee compensation and unfunded State and Federal mandates.

Paramount to the University's continuing success is its accreditation by the North Central Association of Colleges and Schools, which in 2000 awarded the University a ten-year renewal with enthusiasm and without condition.

The University faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increasing costs of medical care and prescription drugs, volatile energy prices, and others.

A critical element to the University's future is its relationship with the State. There is a direct relationship between the level of State support and the University's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. The State's capital appropriations continue to support construction and renovation of the University's facilities. Economic pressures affecting the State may affect the State's future support of the University.

Cleveland State University
Statement of Net Assets
June 30, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 3,477,087	$ 2,978,182
Investments	8,935,224	18,849,479
Accounts Receivable, Net	18,452,864	17,115,396
Notes Receivable, Net	2,116,747	2,480,563
Accrued Interest Receivable	85,000	856,591
Prepaid Expenses, Deferred Charges and Inventories	2,082,340	1,530,650
Total Current Assets	35,149,262	43,810,861
Noncurrent Assets:		
Restricted Investments	86,482,295	61,394,546
Long-Term and Endowment Investments	87,880,564	68,896,306
Notes Receivable, Net	11,197,654	10,118,223
Deferred Bond Premium and Issuance Costs	1,776,584	1,300,510
Capital assets - non-depreciable	82,477,938	113,878,613
Capital assets - depreciable, net	239,257,192	180,409,872
Total Noncurrent Assets	509,072,227	435,998,070
Total Assets	544,221,489	479,808,931
LIABILITIES		
Current Liabilities:		
Accounts Payable	12,447,002	14,202,187
Construction Accounts Payable	4,724,747	3,438,905
Accrued Liabilities	9,496,654	8,461,726
Accrued Interest Payable	614,130	426,030
Deferred Revenue	8,421,300	7,972,815
Compensated Absences - Current Portion	734,693	646,000
Obligations Under Capital Leases - Current Portion	689,937	805,519
Long-Term Debt - Current Portion	3,610,933	3,021,441
Total Current Liabilities	40,739,396	38,974,623
Noncurrent Liabilities:		
Accrued Liabilities	11,225,507	10,902,018
Compensated Absences	9,760,941	7,313,981
Obligations Under Capital Leases	1,513,259	2,191,707
Long-Term Debt	158,512,875	109,476,441
Total Noncurrent Liabilities	181,012,582	129,884,147
Total Liabilities	221,751,978	168,858,770
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	242,380,365	236,602,952
Restricted:		
Expendable	14,158,336	14,586,482
Nonexpendable	1,525,717	1,374,845
Unrestricted	64,405,093	58,385,882
Total Net Assets	$ 322,469,511	$ 310,950,161

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

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 9,198,419	$ 4,847,438
Accounts Receivable	152,042	55,057
Contributions Receivable, Net of Allowance for Uncollectible Contributions	773,630	1,334,265
Total Current Assets	10,124,091	6,236,760
Noncurrent Assets:		
Contributions Receivable, Net of Allowance for Uncollectible Contributions	5,326,034	6,942,800
Long-Term Investments, at Fair Market Value	35,189,396	27,014,464
Funds Held on Behalf of Others:		
Cleveland State University	2,638,750	2,451,224
Cleveland State University Alumni Association	485,328	435,420
Total Noncurrent Assets	43,639,508	36,843,908
Total Assets	$ 53,763,599	$ 43,080,668
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 14,520	$ 17,235
Payable to Cleveland State University	2,655,297	177,383
Annuities Payable	25,430	26,345
Total Current Liabilities	2,695,247	220,963
Noncurrent Liabilities:		
Payable to Cleveland State University	84,731	108,701
Annuities Payable	116,730	127,526
Funds Held on Behalf of Others:		
Cleveland State University	2,638,750	2,451,224
Cleveland State University Alumni Association	485,328	435,420
Total Noncurrent Liabilities	3,325,539	3,122,871
Total Liabilities	6,020,786	3,343,834
NET ASSETS		
Unrestricted	246,009	322,328
Unrestricted - Designated for Scholarships	198,942	180,612
Total Unrestricted	444,951	502,940
Temporarily Restricted	21,490,888	14,965,852
Permanently Restricted	25,806,974	24,268,042
Total Net Assets	47,742,813	39,736,834
Total Liabilities and Net Assets	$ 53,763,599	$ 43,080,668

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

Euclid Avenue Housing Corporation
Statement of Financial Position
June 30, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 581,003	$ -
Cash Held by University	104,085	-
Total Cash	685,088	-
Bond Proceeds/Investments	4,283,505	10,806,240
Student Accounts Receivable, Net of Allowance for Uncollectible Accounts	16,002	-
Rent Receivable	10,385	-
Accrued Interest Receivable	17,500	42,654
Prepaid Expenses	3,000	-
Total Current Assets	5,015,480	10,848,894
Noncurrent Assets:		
Deferred Bond Issuance Costs	1,930,340	1,996,713
Capital Assets, Net of Accumulated Depreciation	28,121,486	-
Construction in Progress	-	23,513,795
Total Noncurrent Assets	30,051,826	25,510,508
Total Assets	$ 35,067,306	$ 36,359,402
LIABILITIES		
Current Liabilities:		
Current Portion of Bonds Payable	$ 455,000	$ -
Accounts Payable	242,546	1,316,954
Accrued Interest	657,448	657,448
Accrued Payroll	9,610	-
Security Deposits	64,800	-
Deferred Revenue	25,437	-
Total Current Liabilities	1,454,841	1,974,402
Noncurrent Liabilities:		
Bonds Payable, Less Current Portion	33,930,000	34,385,000
Total Liabilities	35,384,841	36,359,402
NET ASSETS		
Unrestricted	(317,535)	-
Total Liabilities and Net Assets	$ 35,067,306	$ 36,359,402

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

Cleveland State University
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2007 and 2006

	2007	2006
Revenues		
Operating Revenues:		
Student Tuition and Fees	$ 124,820,488	$ 117,079,083
Less Scholarship Allowances	13,377,056	11,643,338
Net Student Tuition and Fees	111,443,432	105,435,745
Federal Grants and Contracts	15,397,584	16,166,211
State Grants and Contracts	3,844,052	6,444,889
Local Grants and Contracts	710,880	565,416
Private Grants and Contracts	2,444,233	2,793,000
Sales and Services	4,343,482	4,412,667
Auxiliary Enterprises	12,459,588	11,510,285
Other Sources	460,690	600,354
Total Operating Revenues	151,103,941	147,928,567
Expenses		
Operating Expenses:		
Instruction	89,712,836	86,756,552
Research	13,848,298	12,480,204
Public Service	11,879,739	16,974,128
Academic Support	21,731,234	23,082,980
Student Services	18,574,001	18,452,112
Institutional Support	24,548,102	24,588,976
Operation and Maintenance of Plant	17,411,061	16,795,203
Scholarships and Fellowships	11,430,822	11,765,722
Auxiliary Enterprises	20,267,901	15,581,267
Depreciation and Amortization	16,888,402	15,102,608
Total Operating Expenses	246,292,396	241,579,752
Operating Loss	(95,188,455)	(93,651,185)
Nonoperating Revenues (Expenses)		
State Appropriations	69,739,627	69,978,333
Federal Grants and Contracts	11,076,772	10,579,828
State Grants and Contracts	3,784,350	3,796,202
Gifts	6,728,117	3,797,905
Investment Income	10,369,966	3,456,712
Interest on Debt	(1,881,710)	(365,059)
Net Nonoperating Revenues	99,817,122	91,243,921
Gain (Loss) Before Other Changes	4,628,667	(2,407,264)
Other Changes		
State Capital Appropriations	6,847,883	6,525,659
Capital Gifts	42,800	38,210
Increase in Net Assets	11,519,350	4,156,605
Net Assets		
Net Assets at Beginning of Year	310,950,161	306,793,556
Net Assets at End of Year	$ 322,469,511	$ 310,950,161

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

The Cleveland State University Foundation, Inc.
Statement of Activities
Years Ended June 30, 2007 and 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Totals	2006 Totals
Revenues					
Contributions	$ 144,134	$ 8,084,612	$ 1,494,503	$ 9,723,249	$ 4,958,173
Management Fee	28,170			28,170	26,905
Investment Income, Including Realized and Unrealized Gains, Net	211,470	4,989,012		5,200,482	2,270,642
Net Assets Released from Restrictions:					
Change in Donor Restrictions		(44,429)	44,429	-	-
Released from Donor Restrictions	6,504,159	(6,504,159)			-
Total Revenues	6,887,933	6,525,036	1,538,932	14,951,901	7,255,720
Expenses					
Program Services:					
Instruction	610,408			610,408	645,282
Research	424,145			424,145	194,135
Public Service	671,377			671,377	986,378
Academic Support	130,998			130,998	140,310
Financial Aid	1,089,174			1,089,174	861,660
Institutional Support	238,121			238,121	218,521
Auxiliary Enterprises	3,274,457			3,274,457	646,010
	6,438,680			6,438,680	3,692,296
Management and General	422,045			422,045	359,472
Fund Raising	85,197			85,197	69,794
Total Expenses	6,945,922			6,945,922	4,121,562
Change in Net Assets	(57,989)	6,525,036	1,538,932	8,005,979	3,134,158
Net Assets at Beginning of Year	502,940	14,965,852	24,268,042	39,736,834	36,602,676
Net Assets at End of Year	$ 444,951	$ 21,490,888	$ 25,806,974	$ 47,742,813	$ 39,736,834

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

Euclid Avenue Housing Corporation
Statement of Activities
Years Ended June 30, 2007 and 2006

	2007	2006
REVENUES		
Student Rental Income	$ 1,964,606	$ -
Other Operating Income	629,499	-
Interest Income	263,409	-
Total Revenues	2,857,514	-
EXPENSES		
Interest	1,510,009	-
Depreciation and Amortization	929,808	-
Utilities	274,141	-
Payroll	254,695	-
Management Fees	78,925	-
Maintenance	61,611	-
General and Administrative	41,126	-
Other Operating	10,808	-
Marketing	9,248	-
Bad Debt	4,000	-
Insurance	678	-
Total Exenses	3,175,049	-
CHANGE IN NET ASSETS	(317,535)	-
NET ASSETS - BEGINNING OF YEAR	-	-
NET ASSETS - END OF YEAR	(317,535)	-

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

Cleveland State University
Statement of Cash Flows

	Years Ended June 30 2007	Years Ended June 30 2006
Cash Flows from Operating Activities		
Tuition and Fees	$ 111,548,728	$ 105,973,949
Grants and Contracts	21,998,268	22,843,630
Payments to or On Behalf of Employees	(152,567,115)	(150,391,152)
Payments to Vendors	(74,237,818)	(70,437,604)
Loans Issued to Students	(3,579,160)	(3,755,708)
Collection of Loans to Students	3,623,562	3,537,733
Auxiliary Enterprises Charges	11,711,227	11,400,384
Other Receipts	4,804,172	5,013,021
Net Cash Used by Operating Activities	(76,698,136)	(75,815,747)
Cash Flows from Noncapital Financing Activities		
State Appropriations	69,739,627	69,978,333
Grants and Contracts	14,861,122	14,376,030
Gifts	6,728,117	3,797,905
Cash Provided by Stafford and PLUS Loans	77,080,028	70,895,314
Cash Used by Stafford and PLUS Loans	(76,852,901)	(70,823,842)
Cash Provided by Agency Fund Activities	620,427	469,629
Cash Used by Agency Fund Activities	(642,922)	(401,696)
Net Cash Provided by Noncapital Financing Activities	91,533,498	88,291,673
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	52,678,807	115,655
Capital Appropriations	6,847,883	6,525,659
Capital Gifts and Grants	42,800	38,210
Purchases of Capital Assets	(44,589,214)	(49,652,488)
Principal Paid on Capital Debt and Leases	(3,846,911)	(2,587,944)
Interest Paid on Capital Debt and Leases	(6,880,425)	(5,060,355)
Net Cash Provided (Used) by Capital Financing Activities	4,252,940	(50,621,263)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	(357,417,287)	(282,604,656)
Purchase of Investments	323,259,535	311,315,216
Interest on Investments	15,568,355	7,754,964
Net Cash (Used) Provided by Investing Activities	(18,589,397)	36,465,524
Net Increase (Decrease) in Cash	498,905	(1,679,813)
Cash at Beginning of Year	2,978,182	4,657,995
Cash at End of Year	$ 3,477,087	$ 2,978,182

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2007	**2006**
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating Loss	$ (95,188,455)	$ (93,651,185)
Adjustments:		
Depreciation and Amortization	16,888,402	15,102,608
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(1,559,375)	(2,620,035)
Notes Receivable, Net	44,402	(217,975)
Inventories	(81,091)	45,724
Prepaid Expenses and Deferred Charges	(470,599)	(179,113)
Accounts Payable	(399,999)	5,417,211
Accrued Liabilities	3,620,094	440,085
Deferred Revenue	448,485	(153,067)
Cash Used by Operating Activities	$ (76,698,136)	$ (75,815,747)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Cleveland State University (the University) was established by the General Assembly of the State of Ohio (the State) in 1964 by statutory act under Chapter 3344 of the Ohio Revised Code. As such, the University is a component unit of the State. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the University's financial statements are included, as a discretely presented component unit, in the State's Comprehensive Annual Financial Report.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States, as prescribed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.* GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following 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:**

    Expendable: Net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

    Nonexpendable: Net assets subject to externally-imposed stipulations that they be maintained permanently by the University.

- **Unrestricted:** Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

The accompanying financial statements have been prepared on the accrual basis. The University 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.

FASB Pronouncements

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

Operating Activities

The University's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net assets are those that result from exchange transactions such as payments received for providing services and payments made for goods or services received. The University also classifies as operating revenue grants classified as exchange transactions and auxiliary activities. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, including State appropriations and investment income. Operating expenses include educational resources, administrative expenses and depreciation on capital assets. Under the University's decentralized management structure, it is the responsibility of individual departments to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The principal operating revenue is student tuition and fees. Student tuition and fees revenues are presented net of scholarships and fellowships applied to student accounts.

Summary of Significant Accounting Policies

Cash and Cash Equivalents. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments. Investments are recorded at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University classifies all investments that mature in less than one year as current investments.

Endowment investments are subject to the restrictions of gift instruments, requiring principal to be maintained in perpetuity with only the income from the investments available for expenditure. The University may set aside other assets for the same purposes as endowment investments (quasi-endowment); the University may expend the principal of quasi-endowment at any time.

Inventories. Inventories are reported at cost. Cost is determined on the average cost basis.

Capital Assets. Capital assets are stated at historical cost or at an appraised value at date of donation, if acquired by gift. It is the University's policy to capitalize equipment costing $2,500 or more and buildings and improvements costing $100,000 or more. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (five to forty years) of the respective assets and is not allocated to the functional expenditure categories. Amortization of the capitalized cost of assets held under capital leases is generally computed using the straight-line method over the estimated useful lives of the underlying assets or the term of the lease, whichever is shorter. The University capitalizes but does not depreciate works of art or historical treasures that are held for exhibition, education, research and public service. Deferred bond issuance costs are capitalized and amortized over the life of the bonds using the straight-line method.

Compensated Absences. Classified employees earn vacation at rates specified under State law. Full time administrators and twelve-month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro-rata bases for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury, or within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave up to a maximum of 240 hours.

The University has an accrued liability for all accumulated vacation hours, plus an estimate of the amount of sick leave that will be paid upon retirement. Salary-related fringe benefits have also been accrued.

Deferred Revenue. Deferred revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Summer term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as deferred revenue and prepaid expense in the statement of net assets and will be recognized in the following fiscal year.

Perkins Loan Program. Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collection. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statement of net assets.

Auxiliary Enterprises. Auxiliary enterprise revenues primarily represent revenues generated by parking, residence hall, Wolstein Center, food service, bookstore, recreation center, child care center and intercollegiate athletics.

Scholarship Allowances and Student Aid. Financial aid to students is reported in the statement of revenues, expenses, and changes in net assets under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, to the ratio of aid not considered to be third party aid to total aid.

Budget. The University's annual operating budget is approved by the Board of Trustees and submitted to the Ohio Board of Regents.

Component Units. The Cleveland State University Foundation, Inc. (the Foundation) and the Euclid Avenue Housing Corporation (the Corporation) are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the Corporation's financial information included in the University's financial report for these differences.

Reclassification. Certain reclassifications have been made to the 2006 comparative information to conform with the 2007 presentation.

Accounting Pronouncement. In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement establishes standards for measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The provisions of GASB Statement No. 45 are effective for the fiscal year ending June 30, 2008. Management has not yet determined the impact that GASB Statement No. 45 will have on the University's financial statements and disclosures.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Protection of University cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Under State law, financial institutions must collateralize all public deposits. The value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institution.

At June 30, 2007, the cash and cash equivalents balance of $3,477,087 is after the University recorded an overdraft consisting of items in transit of $7,960,085 in accounts payable. The bank balance at June 30, 2007 was $2,612,839, of which $379,113 was covered by federal depository insurance, and $2,233,726 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

In accordance with the Board of Trustees' resolution, the types of investments that may be purchased by the University include United States treasury securities, federal government agency securities, certificates of deposit, bank repurchase agreements, commercial paper, bonds and other obligations of the State of Ohio or any of its political subdivisions, the State Treasurer's Asset Reserve (STAR Ohio), bankers acceptances, money market funds, common stocks, and corporate bonds. The endowment investments are managed by the Foundation, which can also invest in real estate and alternative investments.

STAR Ohio is an investment pool managed by the Ohio state treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2007 and 2006.

As of June 30, 2007 the University had the following types of investments and maturities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1-5
U.S. agencies	$ 76,555,321	$ 76,555,321	$ -
U.S. obligation mutual fund	218,553	218,553	-
STAR Ohio	35,010,246	-	-
Bond mutual funds	32,292,504	-	32,292,504
Stock mutual funds	39,221,459	-	-
Total	$ 183,298,083	$ 76,773,874	$ 32,292,504

Some of the U.S. agency securities are callable at various dates. The University believes that no securities will be called.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Included in U.S. agencies are debt securities of $38.4 million which are rated AAA by Standard & Poor's and Moody's. The University's investment in STAR Ohio is rated AAA by Standard & Poor's and Moody's. While the University's bond mutual fund investment itself is not rated, the credit quality of the fund's holdings is AA or better, as rated by Standard & Poor's and Moody's. The University has no provisions in its investment policy that would limit its credit risk. The University has no provisions in its investment policy that would limit its credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. At June 30, 2007 the University had no exposure to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy places no limitation on the amount that may be invested in a single issuer. At June 30, 2007, the University did not have more than 5% of its fixed income investments in any single issuer.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Investments include approximately $13.1 million managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2007 and 2006 is summarized as follows:

	2007	2006
Student accounts	$10,199,231	$ 9,030,689
Grants	10,047,540	9,649,059
State Capital	908,125	1,130,032
Other	1,568,218	929,753
Total Accounts Receivable	22,723,114	20,739,533
Less allowance for uncollectable accounts	4,270,250	3,624,137
Accounts Receivable - Net	$18,452,864	$17,115,396

Notes receivable consist primarily of loans to students under the federal Perkins Loan Program. The composition of notes receivable at June 30, 2007 and 2006 is summarized as follows:

	2007	2006
Perkins Loan Program	$13,375,777	$12,540,076
Foundation Capital Campaign	84,731	108,701
Other	647,924	630,833
Total Notes Receivable	14,108,432	13,279,610
Less allowance for uncollectable accounts	794,031	680,824
Notes Receivable - Net	13,314,401	12,598,786
Less Current Portion	2,116,747	2,480,563
Total Noncurrent Notes Receivable	$11,197,654	$10,118,223

NOTE 4 – STATE SUPPORT

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

In addition, the State provides the funding and constructs major plant facilities on the University's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion, the Board of Regents turns over control of the facility to the University. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. The OPFC revenue bonds are currently being funded through appropriations to the Board of Regents by the General Assembly.

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

NOTE 5 – CAPITAL ASSETS

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

	2007 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2007 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 53,629,808	$ 63,181	$ -	$ 53,692,989
Construction in Progress	53,146,648	14,114,039	45,986,307	21,274,380
Capitalized Collections	7,102,155	-	-	7,102,155
Intangible Assets	-	408,414	-	408,414
Depreciable:				
Land Improvements	16,392,841	312,985	-	16,705,826
Buildings	350,498,938	68,047,001	-	418,545,939
Equipment	51,325,740	4,505,222	4,632,280	51,198,682
Library Books	57,428,247	2,791,656	289,323	59,930,580
Total Capital Assets	589,524,377	90,242,498	50,907,910	628,858,965
Less Accumulated Depreciation:				
Land Improvements	8,572,250	720,326	-	9,292,576
Buildings	199,212,403	10,326,882	-	209,539,285
Equipment	43,458,748	3,318,428	4,632,280	42,144,896
Library Books	43,992,491	2,443,910	289,323	46,147,078
Total Accumulated Depreciation	295,235,892	16,809,546	4,921,603	307,123,835
Capital Assets, Net	$ 294,288,485	$ 73,432,952	$ 45,986,307	$ 321,735,130

	2006 Beginning Balance	Additions	Retirements	2006 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	$ 53,617,958	$ 11,850	$ -	$ 53,629,808
Construction in Progress	15,190,004	37,956,644	-	53,146,648
Capitalized Collections	7,102,155	-	-	7,102,155
Depreciable:				
Land Improvements	16,392,841	-	-	16,392,841
Buildings	345,784,562	4,922,426	208,050	350,498,938
Equipment	50,467,687	2,784,478	1,926,425	51,325,740
Library Books	54,931,722	2,823,109	326,584	57,428,247
Total Capital Assets	543,486,929	48,498,507	2,461,059	589,524,377
Less Accumulated Depreciation:				
Land Improvements	7,785,779	786,471	-	8,572,250
Buildings	190,790,276	8,630,177	208,050	199,212,403
Equipment	42,175,237	3,209,936	1,926,425	43,458,748
Library Books	41,914,492	2,404,583	326,584	43,992,491
Total Accumulated Depreciation	282,665,784	15,031,167	2,461,059	295,235,892
Capital Assets, Net	$ 260,821,145	$ 33,467,340	$ -	$ 294,288,485

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following as of June 30, 2007 and June 30, 2006:

	Due Dates	Interest Rate-%	2007 Beginning Balance	Additions	Reductions	2007 Ending Balance	Current
1996 Bonds Payable	1997-11	5.25-5.25	$ 1,435,000	$ -	$ 260,000	$ 1,175,000	$ 275,000
2003A Bonds Payable	2007-33	2.5-5.25	33,555,000	-	1,335,000	32,220,000	1,365,000
2003B Bonds Payable	2006-33	Variable	14,200,000	-	345,000	13,855,000	355,000
2003A Bond Premium			682,002	-	25,337	656,665	25,338
2004 Bonds Payable	2005-34	2.25-5.25	61,335,000	-	1,010,000	60,325,000	1,500,000
2004 Bonds Premium			1,290,880	-	46,103	1,244,777	46,103
2007A Bonds Payable	2010-36	4.00-5.75	-	42,110,000	-	42,110,000	-
2007B Bonds Payable	2011-36	Variable	-	9,210,000	-	9,210,000	-
2007A Bond Premium			-	1,334,782	7,416	1,327,366	44,492
Capital Leases	2007-15	1.68-7.74	2,997,226	24,025	818,055	2,203,196	689,937
Total Debt			115,495,108	52,678,807	3,846,911	164,327,004	4,300,870
Perkins Student Loans			10,422,023	2,683,448	2,406,808	10,698,663	-
Deposits			479,995	3,549,632	3,502,783	526,844	-
Compensated Absences			7,959,981	3,270,346	734,693	10,495,634	734,693
			134,357,107	$ 62,182,233	$ 10,491,195	186,048,145	$ 5,035,563
Less Current Portion long-term liabilities			(4,472,960)			(5,035,563)	
Long-Term Liabilities			$ 129,884,147			$ 181,012,582	

	Due Dates	Interest Rate-%	2006 Beginning Balance	Additions	Reductions	2006 Ending Balance	Current
1996 Bonds Payable	2003-11	5.00-5.25	$ 1,680,000	$ -	$ 245,000	$ 1,435,000	$ 260,000
2003A Bonds Payable	2007-33	2.00-5.00	34,305,000	-	750,000	33,555,000	1,335,000
2003B Bonds Payable	2006-33	Variable	14,535,000	-	335,000	14,200,000	345,000
2003A Bond Premium			707,340	-	25,338	682,002	25,338
2004 Bonds Payable	2005-34	2.25-5.25	61,700,000	-	365,000	61,335,000	1,010,000
2004 Bonds Premium			1,336,982	-	46,102	1,290,880	46,103
Capital Leases	2006-15	1.68-10.50	3,703,075	115,655	821,504	2,997,226	805,519
Total Debt			117,967,397	115,655	2,587,944	115,495,108	3,826,960
Perkins Student Loans			10,257,628	2,746,982	2,582,587	10,422,023	-
Deposits			336,543	3,793,937	3,650,485	479,995	-
Compensated Absences			8,005,374	600,607	646,000	7,959,981	646,000
			136,566,942	$ 7,257,181	$ 9,467,016	134,357,107	$ 4,472,960
Less Current Portion long-term liabilities			(3,037,543)			(4,472,960)	
Long-Term Liabilities			$ 133,529,399			$ 129,884,147	

During the year ended June 30, 2007, the University issued Series 2007A and 2007B general receipts bonds. The 2007A general receipts bonds were issued for $42,110,000, bear interest rates between 4% and 5.75% and mature in 2036. Proceeds will be used to fund the construction of a new Student Center.

The Series 2007B general receipts bonds were issued for $9,210,000. They bear variable interest rates that reset weekly and mature in 2036. The interest rate is set at rates based upon yield evaluations at par of comparable securities (3.73% at June 30, 2007). Proceeds will be used to fund the construction of a new building on the University's campus to house the College of Education and Human Services.

In August 2004, the University issued general receipts bonds in the amount of $62,000,000. The General Receipts Series 2004 Bonds were issued as fixed rate bonds with serial maturities through 2008 and term bonds maturing in 2014, 2019, 2024, 2029 and 2034. The proceeds of the bonds were used to pay the cost of a variety of projects, including construction of a student center, parking facilities and a bookstore, renovations to a portion of Fenn Tower, and landscaping and other permanent site improvements to the main plaza.

In June 2003, the University issued Series 2003A and 2003B (Series 2003) general receipts bonds to currently refund outstanding Series 1993 general receipts bonds, rehabilitate the Howe Mansion, construct an Administrative Center and construct a Recreation and Fitness Center. The variable interest rate is set weekly at rates based upon yield evaluations at par of comparable securities (3.73% at June 30, 2007).

The University issued $3,430,000 of general receipts bonds on November 1, 1996 (Series 1996). The proceeds were used to refinance existing debt and to renovate existing buildings. The bonds have various call provisions.

Interest expense on indebtedness was $1,881,710 in fiscal 2007 and $365,058 in fiscal 2006. On construction-related debt, interest cost of $5,107,959, net of $2,673,160 of interest earned on invested proceeds, was capitalized in fiscal 2007 and $4,666,763, net of $3,036,387 of interest earned on invested proceeds, was capitalized in fiscal 2006.

The University leases various pieces of equipment which have been recorded as capital leases in amounts representing the present value of future minimum lease payments. Capital lease obligations are collateralized by equipment with an aggregate net book value of $951,738 at June 30, 2007 and $1,984,883 at June 30, 2006.

Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Bonds Payable		**Capital Leases**	
	Principal	**Interest**	**Principal**	**Interest**
2008	$ 3,495,000	$ 7,268,766	$ 689,937	$ 84,504
2009	3,475,000	7,161,011	235,316	66,426
2010	4,370,000	7,051,329	240,780	55,346
2011	4,720,000	6,894,674	234,680	44,026
2012	4,570,000	6,719,275	240,560	32,837
2013-2017	22,735,000	30,480,653	561,923	30,438
2018-2022	25,450,000	24,651,049	-	-
2023-2027	30,350,000	18,225,737	-	-
2028-2032	38,150,000	10,471,921	-	-
2033-2036	21,580,000	1,999,698	-	-
	$ 158,895,000	$ 120,924,113	$ 2,203,196	$ 313,577

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2007 and 2006 amounted to $1,448,187 and $1,021,742, respectively.

Future minimum operating lease payments as of June 30, 2007 are as follows:

Year Ending June 30	**Operating Leases**
2008	$ 1,018,936
2009	1,026,437
2010	1,030,628
2011	1,051,217
2012	1,055,936
2013-2017	3,300,253
Thereafter	8,967,257
	$ 17,450,664

NOTE 7 – EMPLOYMENT BENEFIT PLANS

Retirement Plans

Substantially all non-student University employees are covered by either the State Teachers Retirement System of Ohio (STRS) or the Ohio Public Employees Retirement System (OPERS). Both systems are cost-sharing, multiple-employer, defined benefit plans.

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the State Teachers Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2007, 2006, and 2005 were $7,323,571, $7,199,927, and $7,193,773, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

OPERS is a statewide retirement plan, which covers non-teaching University employees. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the Ohio Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Effective January 1, 2007, employees contribute 9.50% of covered payroll and employers contribute 13.77% of covered payroll. Prior to January 1, 2007, employees contributed 9.0% of covered payroll and employers contributed 13.54% of covered payroll. The University's contributions to OPERS for the years ending June 30, 2007, 2006, and 2005 were $6,628,311, $6,380,2599, and $6,113,287, respectively, equal to the required contributions for each year. OPERS issues a stand-alone financial report. The report may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Alternative Retirement Plans

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 5.76% of earned compensation for those employees participating in the alternative retirement program. The University’s contributions for the years ended June 30, 2007, 2006 and 2005 were $309,874, $274,505 and $221,946, respectively, which equal 5.76% of earned compensation.

Post Employment Benefits

STRS provides other post employment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer’s contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1.0% of the total 14.00%, while the OPERS rate was 4.5% of the total 13.31% for the year ended June 30, 2006.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement healthcare under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to $3.5 billion at June 30, 2006 (the latest information available). The number of benefit recipients eligible for OPEB was 119,184 for STRS at June 30, 2006. The amount contributed by the University to STRS to fund these benefits was $523,112 for the year ended June 30, 2007, and $2,314,262 for the year ended June 30, 2006.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2005 (the latest information available) is $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.3 billion and $20.2 billion, respectively. Significant actuarial assumptions include an 6.5% investment return, a 4% individual pay increases, and a 4% increase in health care costs. All investments are carried at market value. For actuarial valuations purposes, a smoothed market approach is used. The number of OPERS active contributing participants was 369,214 for the year ended December 31, 2006. The amount contributed by the University to OPERS for OPEB funding was $2,184,545 for the year ended June 30, 2007 and $2,376,436 for the year ended June 30, 2006.

NOTE 8 – RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 1, 1993, the University joined with eleven other state-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurable value to the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of $100,000. The next $250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible limit of $700,000. The commercial property insurer is liable for the amount of any claim in excess of $350,000, or $100,000 in the event the pool has reached its annual limit. There were no significant reductions in coverage from the prior year.

During the normal course of its operations, the University has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the University administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the University. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The University maintains a self-insured dental plan for its employees. The University's risk exposure is limited to claims incurred. The change in the total liability for actual and estimated dental claims for the years ended June 30, 2007 and 2006 are summarized below:

	2007	2006
Liability at beginning of year	$ 143,350	$ 136,443
Claims Incurred	966,043	948,563
Claims Paid	(1,091,584)	(941,656)
Liability at end of year	$ 17,809	$ 143,350

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. The change in the total liability for actual and estimated medical claims for the years ended June 30, 2007 and 2006 are summarized below:

	2007	2006
Liability at beginning of year	$ 873,682	$ 897,785
Claims Incurred	8,053,771	8,017,182
Claims Paid	(7,896,187)	(8,055,503)
IBNR-(Decrease) Increase in estimated claims	(20,764)	14,218
Liability at end of year	$ 1,010,502	$ 873,682

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Assets.

The University participates in a State pool of agencies and universities that pays workers compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers Compensation (the Bureau) based on estimates that incorporate past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers compensation liability based on rates set by the Bureau to collect cash needed in subsequent fiscal years to pay the workers compensation claims of participating state agencies and universities.

NOTE 9 – GRANT CONTINGENCIES

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a material effect on any of the financial statements of the University at June 30, 2007.

NOTE 10 – COMPONENT UNITS

The Foundation and the Corporation are legally separate not-for-profit entities organized for the purpose of providing support to the University. Both the Foundation and the Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of the Foundation is self-perpetuating and consists of business leaders and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Mather Mansion Room 105, Cleveland, OH 44115-2214.

During the years ended June 30, 2007 and 2006, the Foundation paid $6,130,698 and $3,105,964, respectively, to the University. At June 30, 2007 and 2006, the University had receivables from the Foundation totaling $2,740,027 and $286,084, respectively.

As authorized by the Board of Trustees, beginning in Fiscal Year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2007 and 2006, the amount on deposit with the Foundation totaled $2,638,751 and $2,451,224, respectively.

The Corporation was organized primarily to further the educational mission of the University by developing, owning and managing housing for the students, faculty and staff of the University. On March 1, 2005 the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid during fiscal year 2007. On March 1, 2005 the Corporation entered into a Development Agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a Management Agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

On March 17, 2005 the Corporation issued $34,385,000 of Cleveland-Cuyahoga County Port Authority bonds (Series 2005 Bonds) to finance the costs of the Fenn Tower project. The Series 2005 Bonds are serial bonds maturing between 2007 and 2036. Interest rates are fixed and vary from 3.0% to 4.5%. Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Principal	Interest
2008	$ 455,000	$ 1,577,875
2009	515,000	1,564,225
2010	575,000	1,547,488
2011	635,000	1,527,362
2012	660,000	1,503,550
2013-2017	3,705,000	7,107,275
2018-2022	4,775,000	6,154,875
2023-2027	5,970,000	4,841,875
2028-2032	7,600,000	3,215,275
2033-2037	9,495,000	1,319,400
	$ 34,385,000	$ 30,359,200

Complete financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Cleveland, OH 44115-2214.

Cleveland State University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Student Financial Assistance-Cluster			
Department of Education:			
Direct Programs:			
Federal Pell Grant Program	84.063		$ 10,175,757
Federal Work-Study Program	84.033		790,746
Federal Supplemental Educational Opportunity Grants	84.007		463,792
Academic Competitiveness Grants	84.375		144,750
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		206,000
Federal Perkins Loan Program (Note 3)	84.038		–
Federal Family Education Loans (Note 4)	84.032		–
Total Department of Education			11,781,045
Department of Health and Human Services:			
Direct Program:			
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		11,175
Total Student Financial Assistance-Cluster			11,792,220
TRIO-Cluster			
Department of Education:			
Direct Programs:			
TRIO – Student Support Services	84.042		525,977
TRIO – Upward Bound	84.047		320,389
Total TRIO Cluster			846,366
Research and Development-Cluster			
Department of Health and Human Services:			
Direct Programs:			
Research Related to Deafness and Communication Disorders	93.173		36,249
Allied Health Special Projects	93.191		59,292
Minority Health and Health Disparities Research	93.307		418,573
Cancer Detection and Diagnosis Research	93.394		(3,390)
Heart and Vascular Diseases Research	93.837		279,107
Blood Diseases and Resources Research	93.839		192,658
Allergy, Immunology and Transplantation Research	93.855		200,985
Microbiology and Infectious Diseases Research	93.856		166,803
Biomedical Research and Research Training	93.859		106,239
Aging Research	93.866		111,072

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Research and Development-Cluster (continued)			
Department of Health and Human Services (continued):			
Pass Through Programs:			
LifeBanc-Grants to Increase Organ Donations	93.134	1 D71SP04138-01-00	16,322
Constella Group, Inc. – Occupational Safety and Health Programs	93.262	1R01-OH008241-01	20,671
Case Western Reserve University – Cancer Treatment Research	93.395	2 R01 CA-086357-05	54,783
Case Western Reserve University – Cell Biology and Biophysics Research	93.821	P50GM-66309	184,730
MetroHealth thru OSU Research Foundation – Kidney Diseases, Urology and Hematology Research	93.849	5R01DK067528	44,550
Total Department of Health and Human Services			1,888,644
National Aeronautics and Space Administration:			
Direct Programs:			
Aerospace Education Services Program	43.001		6,715
Technology Transfer	43.002		1,639,812
Pass Through Programs:			
Ohio Aerospace Institute – Technology Transfer	43.002	R-300-100375-40102	(12,074)
UES, Inc. – Technology Transfer	43.002	PO # S-468-000-001	256
University of Arizona – Technology Transfer	43.002	NCC8-96	338
Science Applications International Corp. – Technology Transfer	43.002	#4400127038	152,664
University Hospitals of Cleveland – Technology Transfer	43.002	NNC06GA23G	355
Total National Aeronautics and Space Administration			1,788,066
National Science Foundation:			
Direct Programs:			
Engineering Grants	47.041		55,584
Biological Sciences	47.074		55,992
Education and Human Resources	47.076		28,424
Pass Through Program:			
Ohio State University Research Foundation – Mathematical and Physical Sciences	47.049	CHE-05322560	10,446
Total National Science Foundation			150,446
United States Department of Agriculture:			
Direct Program:			
Forestry Research	10.652		1,670
Pass Through Programs:			
University of Toledo thru Ohio Aerospace Institute – Grants for Agricultural Research, Special Research Grants	10.200	2009-38898-03269	8,324
University of South Carolina – Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	43-3AEM-2-80101	(45)
Total United States Department of Agriculture			9,949

Cleveland State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Research and Development-Cluster (continued)			
United States Department of Transportation:			
Direct Programs:			
Highway Research and Development Program	20.200		275,244
Pass Through Programs:			
Ohio Department of Transportation – Highway Research and Development Program	20.200	ODOT # 21457	18,866
Ohio Department of Transportation – Highway Planning and Construction	20.205	ODOT # 20809	35,135
Regional Transit Authority – Federal Transit – Capital Investment Grants	20.500	#2006-14	10,635
Total United States Department of Transportation			339,880
United States Department of Housing and Urban Development:			
Pass Through Programs:			
City of Cleveland – Community Development Block Grants/ Entitlement Grants	14.218	#62807, #65459, #66616	34,577
Cuyahoga Metropilitan Housing Authority – Home Investment Partnerships Program	14.239	#26-767-05	56,317
Housing Advocates, Inc. – Fair Housing Initiatives Program	14.408	FH700G05101	1,500
Total United States Department of Housing and Urban Development			92,394
Department of the Interior			
Pass Through Programs:			
America View – U.S. Geological Survey – Research and Data Collection	15.808	AV05-OH02	91,964
Central State University – Water Reclamation and Reuse Program	15.504	P0036342	31,230
Total Department of the Interior			123,194
United States Department of Defense			
Direct Program:			
Air Force Defense Research Sciences Program	12.800		86
Department of Energy:			
Direct Programs:			
Renewable Energy Research and Development	81.087		78,694
Electricity Delivery and Energy Reliability, Research, Development, and Analysis	81.122		640,553
Pass Through Programs:			
Ohio Department of Development – Conservation Research and Development	81.086	DE-FC36-021D143471	45,639
Clemson University Research Foundation – Fossil Energy Research and Development	81.089	03-01-SR106	69,950
Total Department of Energy			834,836

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Research and Development-Cluster (continued)			
United States-Department of Commerce:			
Direct Program:			
National Technical Information Service	11.650		2,799
National Endowment for the Humanities:			
Direct Program:			
Promotion of the Humanities – Fellowships and Stipends	45.160		5,024
Department of Education:			
Direct Program:			
Business and International Education Projects	84.153		83,655
Pass Through Program:			
Euclid City School District – Fund for the Improvement of Education	84.215	S215X020458	429,156
Total Department of Education			512,811
Election Assistance Commission			
Direct Program:			
Help America Vote Act Requirements Payments	90.401		255,169
Total Election Assistance Commission			255,169
Total Research and Development-Cluster			6,003,298
Other Financial Assistance Programs			
United States Department of Commerce:			
Direct Programs:			
Investments for Public Works and Economic Development Facilities	11.300		(900)
Economic Development – Technical Assistance	11.303		103,853
Pass Through Program:			
National Estuarine Research Reserve System – Costal Zone Management Estuarine Research Reserves	11.420	NA07NOS4200018	1,458
Total United States Department of Commerce			104,411
United States Department of Housing and Urban Development:			
Direct Program:			
Community Development Work-Study Program	14.512		63,481

Cleveland State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Other Financial Assistance Programs (continued)			
National Aeronautics and Space Administration:			
Pass Through Program:			
Ohio Space Grant Consortium – Aerospace Education Services Program	43.001	SEED	3,976
National Science Foundation:			
Direct Programs:			
Engineering Grants	47.041		178,615
Biological Sciences	47.074		50,603
Education and Human Resources	47.076		28,793
Pass Through Programs:			
Ohio State University Research Foundation – Education and Human Resources	47.076	47-076	103,201
			131,994
Ohio State University Research Foundation – International Science and Engineering (OISE)	47.079	47-076	103,201
Total National Science Foundation			464,413
Environmental Protection Agency:			
Direct Programs:			
Congressionally Mandated Projects	66.202		143,909
Surveys, Studies, Investigations and Special Purpose Grants	66.606		57,979
Pass Through Programs:			
Boise State University – Water Quality Cooperative Agreements	66.463	CP-73291601	17,072
City of Cleveland – Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.814	#64511	1,145
Total Environmental Protection Agency			220,105
Department of State:			
Direct Program:			
Educational Exchange – University Lecturers (Professors) and Research Scholars	19.401		25,751
Pass Through Program:			
Association Liaison Office – International Visitors Program	19.402	HNE-A-00-97-00059-00	20,080
Total Department of State			45,831

Cleveland State University

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Other Financial Assistance Programs (continued)			
Department of Education:			
Direct Programs:			
Undergraduate International Studies and Foreign Language Programs	84.016		53,255
Higher Education – Institutional Aid	84.031		141,498
Fund for the Improvement of Postsecondary Education	84.116		68,910
Graduate Assistance in Areas of National Need	84.200		37,060
Teacher Quality Enhancement Grants	84.336		192,011
Early Reading First	84.359		778,087
Pass Through Programs:			
Ohio Department of Education – Special Education – Grants to States	84.027	062950-6B*SR-06	37,768
Ohio Master's Network Initiatives in Education – Special Education Grants to States	84.027	OMNIE	9,531
			47,299
Ohio Board of Regents thru University of Akron – Fund for the Improvement of Education	84.215	U215K040292	10,362
Educational Development Center of Cuyahoga County – Fund for the Improvement of Education	84.215	U215X060145	60,873
			71,235
Bowling Green State University – Transition to Teaching	84.350	S350A02128	101,670
Ohio Department of Education – Reading First State Grants	84.357	PO#s AS4153 & #94491P	4,256,690
Ohio Department of Education thru Lesson Lab – Mathematics and Science Partnerships	84.366	SLG045	37,399
Ohio Department of Education – Mathematics and Science Partnerships	84.366	CI667-OSCI-06-06, OSCI 3-	393,850
			431,249
Ohio Board of Regents – Improving Teacher Quality State Grants	84.367	#06-14 & #06-13	20,031
Ohio Department of Education – Improving Teacher Quality State Grants	84.367	HQT Spec Ed	1,508
			21,539
Ohio Department of Education – Troops-To-Teachers Program	84.815	PO# 93299B & PO 93832B	32,087
Total Department of Education			6,232,590
Department of Health and Human Services:			
Direct Programs:			
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		342,455
Blood Diseases and Resources Research	93.839		7,464

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Other Financial Assistance Programs (continued)			
Department of Health and Human Services (continued):			
Pass Through Programs:			
Northeastern Ohio Universities College of Medicine – Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	CEOMPH	3,943
Ohio State University Research Foundation – Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	RF01037247 &	20,787
			24,730
Ohio Department of Job and Family Services – Child Welfare Services – State Grants	93.645	PO G67-06-0340	2,691
Ohio Department of Job and Family Services – Foster Care – Title IV-E	93.658	PO G67-06-0340	2,691
Ohio Department of Job and Family Services – Adoption Assistance	93.659	PO G67-06-0340	2,691
Ohio Department of Job and Family Services – Child Welfare Services Training Grants	93.648	G-04-06-0727	114,933
Ohio Department of Job and Family Services through Ohio Board of Regents – Temporary Assistance for Needy Families	93.558	G994235	94,300
Cleveland Clinic Foundation – Diabetes, Endocrinology, and Metabolism Research	93.847	1R25DK064239	43,962
Total Department of Health and Human Services			635,917
Corporation for National and Community Service:			
Pass Through Program:			
Ohio Department of Education – Learn and Serve America – School and Community Based Programs	94.004	062950 SV-HS-2006	2,633
National Endowment for the Humanities:			
Pass Through Program:			
Ohio Humanities Council-Promotion of the Humanities – Federal/State Partnership	45.129	OHC-M07-057	1,500
US Agency for International Development:			
Pass Through Programs:			
The Urban Institute – USAID Foreign Assistance for Programs Overseas	98.001	#07590-000-00	62,295
World Learning – USAID Foreign Assistance for Programs Overseas	98.001	PTP Program	38,229
Total US Agency for International Development			100,524
Total Other Financial Assistance Programs			7,875,381
Total Expenditures of Federal Awards			$ 26,517,265

Cleveland State University

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant transactions of Cleveland State University (the University) (Employer Identification Number 34-0966056) recorded on the accrual basis of accounting. 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.*

2. Indirect Cost Rates

The University recovers indirect costs by means of predetermined fixed indirect cost rates. The predetermined fixed rates are a result of negotiated agreements with the Department of Health and Human Services. The predetermined fixed rates effective for the year ending June 30, 2007, are 59% for on-campus research and 24% for off-campus research. The base for the predetermined fixed rates is salaries and wages.

3. Federal Perkins Loan Program

The University administers the Federal Perkins Loan Program—Federal Capital Contributions. The outstanding balance as of June 30, 2006 totaled $12,437,856. Loan expenditures for the year ended June 30, 2007 totaled $3,174,948 and are considered current year federal expenditures.

4. Federal Family Loan Program

During the fiscal year ending June 30, 2007, the University processed the following amount of new loans under the Federal Family Education Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate Students). Since this program is administered by an outside financial institution, new loans made in the fiscal year ended June 30, 2007 relating to this program are considered current year federal expenditures, whereas the outstanding loan balances are not. The new loans made in the fiscal year ended June 30, 2007 are not reported in the Schedule of Expenditures of Federal Awards.

	CFDA Number	Amount Processed
Federal Family Education Loans Program	84.032	$ 76,072,164

5. Subrecipients

Of the federal expenditures presented on the schedule of federal expenditures, the University provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
National Aeronautics and Space Administration		
Gedeon Associates	43.002	$ 20,157
International Mezzo Techniques	43.002	60,000
Stirling Technology Company	43.002	20,360
Sunpower, Inc.	43.002	7,802
University of Minnesota	43.002	107,526
Department of Energy		
Vincenzo Liberatore	81.122	25,000
Environmental Protection Agency		
Kirsten Toth	66.606	(12,518)
US Geological Survey		
Ohio Aerospace Institute	15.808	14,905
Youngstown State University	15.808	11,887
Department of Health and Human Services		
MetroHealth	93.191	11,027
Benjamin Rose	93.191	2,000
Peter K. Chelli	93.191	6,500
Teresa Crane	93.191	2,500
Center For Community Solutions	93.307	14,500
St. Vincent Charity Hospital	93.307	82,581

5. Subrecipients (continued)

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Department of Health and Human Services (continued)		
MetroHealth	93.307	2,481
Cleveland Clinic Lerner College of Medicine	93.307	4,691
Carla Carten	93.307	8,553
Election Assistance Commission		
Dora Rose	90.401	19,991
Grand Rapids Community College	90.401	10,000
Grand Rapids Office of the City Clerk	90.401	5,000
Suffolk University	90.401	10,000
City of Boston	90.401	5,000
Cuyahoga County Board of Electors	90.401	5,000
Department of Education		
Montgomery Public Schools	84.116	21,888
Janice M. Gallagher	84.215	38,000
Cuyahoga Valley National Park Association	84.215	55,308
Cleveland Municipal School District	84.336	21,354
University of Akron	84.357	1,406,503
Baldwin Wallace College	84.357	52,894
Heidelberg College	84.357	62,905
John Carroll University	84.357	1,142,956
Wright State University	84.357	41,166
Otterbein College	84.357	69,291
Ohio Northern University	84.357	54,841
Shawnee State University	84.357	34,242
Marietta College	84.357	64,261
Miami University	84.357	69,389
Muskingum College	84.357	39,542
Youngstown State University	84.357	67,827
Barbara Dolejs	84.359	41,083
Berkey Dixon	84.359	3,333
Dora L. Bechtel	84.359	7,333
Evaluation and Research Associates, Inc.	84.359	8,500
Gwendolyn Raines-James	84.359	33,750
Kristen R. Hughes	84.359	2,000
Kyle G. Priestly	84.359	36,667
Latraus Merchant	84.359	16,667
Lindsay Marrone	84.359	33,333
Mary B. Rezek	84.359	36,667
Nancy Klein	84.359	4,520

Cleveland State University

Notes to the Schedule of Expenditures of Federal Awards (continued)

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Department of Education (continued)		
Nancy Seifert-Kesell	84.359	5,000
Sherrae Dorsey	84.359	7,500
Terry Borroni	84.359	25,667
Yvonda McDowell	84.359	40,333
Educational Council	84.366	17,883
John Carroll University	84.366	22,050
Case Western Reserve University	84.366	7,175
Lucas County Educational Service Center	84.366	500
Montgomery County Educational Service Center	84.366	3,195
Hamilton County Educational Service Center	84.366	3,640
Mid-Ohio Educational Service Center	84.366	3,057
Stark County Educational Service Center	84.366	11,576
Perry-Hocking Educational Service Center	84.366	(35,831)
Mahoning County Educational Service Center	84.366	2,591
Total		$ 4,025,499

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Report of Independent Auditors 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*

The Board of Trustees
Cleveland State University

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of Cleveland State University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements and have issued our report thereon dated October 10, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Cleveland State University Foundation and Euclid Avenue Housing Corporation as described in our report on the University's basic financial statements. The financial statements of the Cleveland State University Foundation and Euclid Avenue Housing Development Corporation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the 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 or 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.

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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.

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*.

We noted certain matters that we reported to management of the University in a separate letter dated October 10, 2007.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, 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.

Ernst & Young LLP

October 10, 2007

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

The Board of Trustees
Cleveland State University

Compliance

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

As described in item 07-01 and 07-02 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding Eligibility and Reporting that are applicable to its TRIO Cluster. Also, as described in item 07-04 in the accompanying Schedule of Findings and Questioned Costs, the University did not comply with requirements regarding subrecipient monitoring that are applicable to its Reading First State Grants program. Compliance with such requirements is necessary, in our opinion, for the University to comply with requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the University did not comply in all material respects, with the requirements referred to above that are applicable to TRIO Cluster. In our opinion, except for the noncompliance described in the preceding paragraph, the University complied, in all material respects, with the requirements referred to above that are applicable to its Reading First State Grants program. Also, in our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its other major federal program for the year ended June 30, 2007. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 07-03.

Internal Control Over Compliance

The management of the 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 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 University's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-01, 07-02, 07-03, and 07-04 significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 07-01, 07-02, and 07-04 to be material weaknesses.

The University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, 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.

Ernst + Young LLP

November 6, 2007

Cleveland State University

Schedule of Findings and Questioned Costs

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	Unqualified Opinion			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards Section

Internal control over major programs:				
Material weakness(es) identified?	X	yes		no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	X	yes		none reported
Type of auditor's report on compliance for major programs:	Student Financial Assistance – Cluster – Unqualified Opinion			
	TRIO – Cluster – Adverse opinion			
	Early Reading First – Unqualified Opinion			
	Reading First State Grants – Qualified Opinion			
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) OMB Circular A-133	X	yes		no

Part I – Summary of Auditor's Results (continued)

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.038, 84.032, 93.925	Student Financial Assistance – Cluster
84.042, 84.047	TRIO – Cluster
84.357	Reading First State Grants
84.359	Early Reading First

Dollar threshold used to distinguish between Type A and Type B programs: $649,626

Auditee qualified as low-risk auditee? ______ yes __X__ no

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

None.

Part III – Schedule of Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133 section .510 (a) (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

Finding 07-01

Federal program information:	TRIO Cluster, CFDA #84.042, 84.047
Criteria or specific requirement:	In accordance with the Department of Education (DOE) regulations 34 CFR Sections 645.3 and 646.3, participating students must meet several specific eligibility requirements in order to participate in each program of the TRIO Cluster.
Condition:	Management has insufficient internal controls to maintain the required documentation to ensure TRIO participants meet the required DOE eligibility requirements.
Questioned costs:	None.
Context:	We reviewed a sample of 50 participant files from programs within the TRIO Cluster, Student Support Services (SSS) and Upward Bound, to test internal controls over eligibility. Management was not able to provide supporting documentation for eligibility related to the TRIO Cluster. No additional sampling to test compliance was performed.
Effect:	Management cannot substantiate that the TRIO participants meet the eligibility requirements to participate in the program.
Cause:	There are insufficient internal controls over the eligibility process. In addition, there are insufficient policies and procedures requiring participant information to be obtained and maintained by the department overseeing the TRIO Cluster.

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Recommendation:	The University should develop policies and procedures related to the eligibility process including required documentation and maintenance of that documentation.
Views of Responsible Officials and Planned Corrective Actions:	Management will ensure that all information related to the program will be filed in each TRIO participant's file to ensure that program eligibility requirements are met and supporting information will be retained in the TRIO offices throughout the period in which the program is funded by the U.S. Department of Education.

Finding 07-02

Federal program information:	TRIO Cluster, CFDA #84.042, 84.047
Criteria or specific requirement:	In accordance with the Department of Education, OMB Nos. 1840-0525 and 1840-0762, TRIO Cluster "grantees must submit an annual performance report to the Department of Education each year of the project period."
Condition:	Management has insufficient controls over the reporting process. Specifically, supporting documentation for the Annual Performance Report was not maintained.
Questioned costs:	None.
Context:	We obtained the Annual Performance Report for the SSS and Upward Bound programs. Management was not able to provide supporting documentation to substantiate financial information reported in the Annual Performance Report for the Upward Bound program.
Effect:	Management cannot substantiate the information in the Annual Performance Report for the Upward Bound Program.

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Cause:	There are insufficient internal controls over the reporting process and the maintenance of supporting documentation.
Recommendation:	The program director should ensure that all information relating to the Annual Performance Report for the Upward Bound program to substantiate that the program information being reported is accurate.
Views of Responsible Officials and Planned Corrective Actions:	Supporting documentation will be retained for all information reported in the Annual Performance Report.

Finding 07-03

Federal program information:	Early Reading First, CFDA #84.359.
Criteria or specific requirement:	In accordance with the requirements of OMB Circular A-110 Subpart A, Section 51, an entity is required to monitor the subrecipient's use of Federal awards through reporting, site visits, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
Condition:	Federal expenditures related to sub recipients were recorded in the main grant general ledger account instead of sub recipient general ledger account.
Questioned costs:	None.

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Context:	We selected a sample of 25 invoices and noted one instance where the expenditure was charged to the main general ledger account versus the general ledger account associated with the individual sub recipient.
Effect:	Management is not in compliance with subrecipeint monitoring regulations. As a result, management could improperly complete financial reports or inaccurately track federal expenditures by sub recipients versus budget.
Cause:	There are insufficient internal controls and procedures over the recording and review of sub recipient invoices.
Recommendation:	Management should review the detail general ledger on a monthly basis to ensure expenditures have been properly charged to the correct general ledger account. In addition, management should ensure that all transactions relating to sub recipients be recorded appropriately in the sub account rather than in the main grant account.
Views of Responsible Officials and Planned Corrective Actions:	All sub recipients' account levels will be monitored and reconciled monthly utilizing internal spreadsheets. A reconciliation report will be given to the Controllers Office monthly to update PeopleSoft.

Finding 07-04

Federal program information:	Reading First, CFDA #84.357.
Criteria or specific requirement:	In accordance with the requirements of OMB Circular A-110 Subpart A, Section 51, an entity is required to monitor the subrecipient's use of Federal awards through reporting, site visits, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
Condition:	Management has insufficient controls in place to ensure A-133 audit reports from subrecipients are received and the results of the subrecipient A-133 audit and related findings are evaluated for their impact on the University's compliance.
Questioned costs:	None.

Part III – Schedule of Federal Award Findings and Questioned Costs (continued)

Context:	We selected a sample of 25 subrecipients totaling $3.4 million in federal awards out of a major program universe of $4.1 million disbursed to subrecipients and noted 9 instances, with disbursements of $1.6 million related to Reading First, where no A-133 audit reports had been received.
Effect:	Management is not in compliance with subrecipeint monitoring regulations.
Cause:	There are insufficient internal controls and procedures over the recording and review of subrecipient A-133 audit reports.
Recommendation:	Management should obtain and review audit reports from subrecipients on a timely basis.
Views of Responsible Officials and Planned Corrective Actions:	All subrecipients' accounts will be monitored and A-133 audit reports will be obtained and results will be evaluated.

Cleveland State University

Summary Schedule of Prior Audit Findings

Findings and Questioned Costs 06-01, 06-02, 06-03

The corrective action plans outlined by management to ensure that all information related to the Programs will be filed in each participant's file and eligibility requirements are met, supporting documentation will be retained for the information reported in the Annual Performance Report, and all subreciepeints account levels be monitored were not implemented as outlined in the University's 2006 corrective action plan.

Findings and Questioned Costs 06-04, 06-05, 06-06

The corrective action plans outlined by management were implemented as intended.

Findings and Questioned Costs 05-01

The corrective action plans outlined by management were implemented as intended.

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Independent Auditors Report on the Application of Agreed-Upon Procedures

Michael Schwartz
Cleveland State University

We have performed the procedures enumerated below, which were agreed to by Cleveland State University (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you in evaluating whether the accompanying Statement of Revenues, Expenditures, and Other Changes for Intercollegiate Athletics (the Statement) of the University is in compliance with the NCAA Bylaw 6.2.3 for the year ended June 30, 2007. The University's management is responsible for the accompanying Statement and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

I. Statement of Revenues, Expenditures, and Other Changes for Intercollegiate Athletics and Internal Controls

1. We obtained the Statement for the year ended June 30, 2007, as prepared by management (Appendix I). We recomputed the subtotal and total line items on the Statement and agreed all amounts on the Statement to management's detailed worksheets. We also agreed amounts on the Statement to the appropriate general ledger accounts in the University's General Ledger System.

2. We performed a comparison of the unrestricted revenues, expenditures, and other changes per the Statement for the year ended June 30, 2007 to the year ended June 30, 2006. We obtained management's explanations for variations greater than $12,000 and 10% of each revenue, expenditure, and other changes line item in the aggregate. We were informed by certain individuals of the Athletic Department (the Department) who have responsibility for financial and accounting matters of the following:

    a. Other sports revenue decreased by approximately $17,000 or 63%, due to the decrease in women's basketball ticket revenue as there were no premier games played in the current year. In fiscal year 2006, the University hosted the University of Connecticut.

b. Revenue from other sources increased by approximately $201,000 or 35%, primarily due to the following factors: an increase in NCAA income related to the grant-in-aid distribution and sport sponsorship; an increase in guarantee income for men's and women's basketball in fiscal year 2007 compared to fiscal year 2006; an increase in the Viking Shop due to the increase in on-line and game day sales, and an increase in sales of additional sponsorships and existing sponsorships.

c. Travel expenditures increased by approximately by $43,000 or 53%. This amount can be attributed to moving expenses related to the replacement of several men's basketball coaches.

d. Public relations expenditures decreased by approximately $37,000 or 61%, due to the decrease in the amount spent to support television production, advertising events, and Web hosting in 2007.

e. Other expenditures decreased by approximately $43,000 or 21%, due to the fact that there were fewer students on grants-in-aid during 2007.

f. Men's basketball expenditures increased by approximately $234,000 or 21%, due to the increased salaries and fringe benefits caused by the salaries of the new coaching staff. In addition, there was an increase in team travel that can be attributed to more road games including a game in California for "Bracket Buster" and a game at Kansas State. There were also more student athletes who received more grants-in-aid.

g. Men's fencing expenditures increased by approximately $23,000 or 118%, due to more money being spent on team travel in fiscal year 2007. In addition, there was an additional student athlete on grant-in-aid.

h. Men's tennis expenditures increased by approximately $17,000 or 18%, primarily due to the increased spending on team travel in fiscal year 2007 including a trip to Hawaii. Also, there was an additional student athlete who received grant-in-aid.

i. Women's golf expenditures increased by approximately $17,000 or 18%, primarily due to an additional student athlete who received grant-in-aid.

j. Women's fencing expenditures increased by approximately $15,000 or 133%, as more money was spent on team travel in fiscal year 2007 due to more extensive travel. Also, there was an additional student athlete who received grant-in-aid.

k. Women's softball decreased by approximately $38,000 or 12%, due to fewer students receiving grants-in-aid. In addition, there was a coaching transition in fiscal year 2007.

l. Women's tennis expenditures increased by approximately $40,000 or 31%, as more money was spent on team travel including a trip to Hawaii. Also, there was an increase in grants-in-aid, which was a result of a reallocation of grants-in-aid to allow for more full grants to be awarded.

m. Women's soccer expenditures increased by approximately $62,000 or 27%, due to more travel including a trip to play in a classic at South Alabama. In addition, there was an increase in grants-in-aid, which was a result of a reallocation of grants-in-aid.

3. We performed a comparison of the restricted revenues, expenditures, and other changes per the Statement for the year ended June 30, 2007 to the year ended June 30, 2006. We obtained management's explanations for variations greater than $12,000 and 10% of each revenue, expenditure, and other changes line item in the aggregate. We were informed by certain individuals of the Department who have responsibility for financial and accounting maters of the following:

   a. Salaries and wages expenditures increased by approximately $21,000, or 26%, due to the wages related to the funding of the University's men's and women's basketball television production from the Viking Club.

   b. Public relations expenditures increased by approximately $80,000, or 57,060%, due to the increased television production costs related to televising more games in 2007 compared to the prior year. In addition, there was better production of the games televised in 2007 as the games were aired on Sports Time Ohio rather than cable access channels.

   c. Supplies expenditures decreased by approximately $41,000, or 71%, due to the purchase of several pieces of equipment for Krenzler Field for use in the field dome and out doors including soccer goals, batting cages and portable pitchers mounds in 2006, which were not purchased again in fiscal year 2007.

   d. Operation and maintenance of plant expenditures decreased by approximately $45,000 or 85%, due to the expenditures incurred in the prior year related to the Krenzler Field renovations; these expenditures did not occur again in fiscal year 2007.

   e. Men's basketball expenditures increased by approximately $112,000 or 1,080%, due to the renovations made to the men's basketball suite as well as new furniture and equipment purchased during 2007.

f. Men's swimming expenditures decreased by approximately $51,000 or 54%, due to decreased number of student athletes receiving grants-in-aid and a decrease in travel expenses, which were partially offset an increase in swimming scholarships given.

g. Men's golf expenditures decreased by approximately $48,000 or 78%, due to fact that the University did not host the NCAA regional tournament in 2007.

h. Women's swimming decreased by approximately $14,000 or 50%, due to fewer student athletes who received grants-in-aid.

i. Women's basketball increased by approximately $17,000 or 2,126%, due to athletic equipment purchased in 2007.

j. Women's fencing decreased by approximately $22,000 or 96%, due to the fact the University did not host the regional fencing championship during the current year combined with the fact that there were less student athletes who received grants-in-aid.

4. We performed a comparison of actual revenues, expenditures, and other changes per the Statement to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than $12,000 and 10% of each revenue, expense, and other changes line item in the aggregate. They included the following:

a. The amount of Men's basketball revenue (including ticket sales and guarantees) exceeded the budgeted amount by approximately $37,000 or 12%, due to the fact that the schedule was completed with two guarantees for Ohio State and Kansas State at amounts greater than what was originally planned for.

b. The amount of other sources of revenue exceeded the budgeted amount by approximately $152,000 or 33%, due to several factors. These factors include a higher than anticipated revenue distribution for sports sponsorship and the grant-in-aid distribution from the NCAA, sales of additional sponsorships and the increase of existing sponsorships, and an increase in facility use income.

c. The amount of supplies expenditures exceeded the budgeted amount by approximately $13,000 or 13%, due to the replacement of several aging computers and the purchase of athletic awards.

d. The amount of travel expenditures exceeded the budgeted amount by approximately $90,000 or 261%, due to increased spending on employee recruiting and moving expenses. These expenditures related to the replacement of several coaches for men's basketball, baseball, softball, and women's basketball. In addition, there was a new assistant athletic trainer and a marketing coordinator hired.

e. The budgeted amount for other expenditures exceeded the actual amount by approximately $64,000 or 28%, due to a large balance in the grant-in-aid contingency line which covers several expenses and allows the University to add grants to sports where it sees more opportunities.

f. The amount of operation and maintenance of plant exceeded the budgeted amount by approximately $403,000 or 150%, due to utility expenses, maintenance and repair charges, and physical plant charges that were not expected.

g. The amount of men's basketball expenditures exceeded the budgeted amount by approximately $224,000 or 20%, due to the transition of the men's basketball coaching staff in late fiscal year 2006. The fiscal year 2007 budget was built based on the former staff's information. In addition, there were increased recruiting costs incurred associated with the replacement of the coaching staff as well as increased team travel.

5. We obtained a description of accounts and compared classifications of revenues and expenditures to NCAA guidelines. We found no exceptions as a result of these procedures.

6. We identified and obtained an understanding of aspects of the University's internal control unique to the Intercollegiate Athletics Programs. We obtained an understanding of the general control environment of the University and internal control procedures unique to Intercollegiate Athletics in order to ensure that recorded revenues are complete and expenditures are properly authorized. We obtained an understanding of specific components of the control environment and accounting system that are unique to intercollegiate athletics that we had not obtained an understanding of in connection with the audit of the financial statements of the University.

7. We obtained from management the men's and women's basketball athletic ticket office reports for home games and agreed the number of tickets sold and the ticket sales amounts reported from Ticketmaster to the University's general ledger.

   We noted that the total possible attendance, which includes tickets sold and complimentary tickets provided, was 36,469, while the total headcount, according to Ticketmaster, was 21,023. Management indicated that the difference of 15,446 tickets is unused complimentary and season tickets.

   We noted that ticket sales per Ticketmaster were less than the General Ledger System by $838.

8. We compared game guarantees that were received from Ohio State University, Kansas State University, and 2006 America's Youth Classic, to the guarantee contract and the University's general ledger. We found no exceptions as a result of these procedures.

9. We obtained agreements for sponsorships and agreed amounts recorded to the sponsorship agreements and the University's general ledger. We noted some instances where signed sponsorship contracts were not maintained.

10. We agreed 2007 NCAA distributions received to the NCAA Division I Distribution Report and to the University's general ledger.

11. We agreed student fees reported by the University in the Statement to the amount budgeted for the year. We found no exceptions as a result of these procedures.

12. We obtained documentation from management of gifts received during fiscal 2007. We reviewed the documentation for any single gift from an "outside organization," with such organization defined by NCAA bylaws as an affiliated foundation, which constituted more than 10% of all gifts donated to the Programs. We vouched those gifts exceeding the threshold and found those amounts in agreement with the documentation.

13. We compared contributions, received directly by the Intercollegiate Athletic Department in excess of 10% of total contributions, to the University's general ledger. We noted no contributions that exceeded 10% of total contributions for the year ended June 30, 2007.

14. We selected a sample of five student aid recipients from various men's and women's sports. We agreed the amount per the Financial Aid award letter to the student account detail. We found no exceptions as a result of these procedures.

15. We selected a sample of five coaches from various men's and women's sports. We agreed amounts paid per the payroll subledger to the financial terms of their contracts. We found no exceptions as a result of these procedures.

16. We obtained and discussed the organization chart of the Intercollegiate Athletics Department with management. We obtained an understanding of the documentation of accounting systems and procedures.

17. We obtained an understanding of the University's recruiting expense and team travel policies, comparing them to the NCAA bylaws.

18. We were informed that the Department follows the University's policies and procedures for acquiring, approving, depreciating, and disposing of assets. Capital assets are recorded at cost at the date of acquisition, or if acquired by gift, at the fair value at the date of donation. The University capitalizes all equipment with a cost of $2,500 or more and an estimated life of greater than one year. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation.

19. Management has represented that there were no booster groups in fiscal 2007.

20. We obtained confirmation from the athletic coaches that during the period of July 1, 2006 to June 30, 2007, there were no disbursements made by individuals or outside organizations to or on behalf of any organization including booster clubs or any individual athlete without proper processing through the University or Cleveland State University Foundation.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Statement included in Appendix I. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and University's management, and is not intended to be, and should not be, used by anyone other than those specified parties.

Ernst & Young LLP

November 13, 2007

Cleveland State University

Statement of Revenues, Expenditures, and Other Changes for Intercollegiate Athletics

Year Ended June 30, 2007

	Unrestricted	Restricted	Total
Revenues:			
Ticket Sales:			
Men's Basketball	$ 180,327	$ –	$ 180,327
Other Sports	9,964	–	9,964
Total Ticket Sales	190,291	–	190,291
NCAA Distributions	156,490	–	156,490
Sponsorships	231,020	–	231,020
Guarantees	170,000	–	170,000
Federal Grants and Contracts	–	17,713	17,713
Private Gifts, Grants, and Contracts	–	616,175	616,175
Other Sources	218,555	–	218,555
Total Revenues	966,356	633,888	1,600,244
Expenditures:			
Administrative and General:			
Salaries and Wages	1,140,478	100,123	1,240,601
Fringe Benefits	307,142	14,800	321,942
Public Relations	23,998	80,024	104,022
Printing	54,138	3,652	57,790
Travel	123,847	6,000	129,847
Supplies	108,619	16,983	125,602
Telephone	39,149	–	39,149
Conference and Meals	13,650	54,065	67,715
Other	167,359	1,089	168,448
Total Administrative and General	1,978,380	276,736	2,255,116
Operation and Maintenance of Plant	671,697	7,724	679,421
Sports:			
Men's Soccer	228,231	13,691	241,922
Men's Basketball	1,359,576	122,312	1,481,888
Men's Wrestling	318,822	11,742	330,564
Men's Swimming	216,917	43,648	260,565
Men's Fencing	42,250	–	42,250
Men's Baseball	322,398	32,281	354,679
Men's Tennis	114,414	–	114,414
Men's Golf	116,576	13,566	130,142
Women's Golf	113,486	–	113,486
Women's Volleyball	339,771	8,971	348,742
Women's Swimming	233,156	14,151	247,307
Women's Basketball	781,718	17,831	799,549
Women's Fencing	25,975	959	26,934
Women's Softball	283,157	42,521	325,678
Women's Tennis	170,107	19,963	190,070
Women's Soccer	290,147	7,602	297,749
Women's Track/Cross Country	32,163	190	32,353
Total Sports	4,988,864	349,428	5,338,292
Total Expenditures	7,638,941	633,888	8,272,829

Cleveland State University

Statement of Revenues, Expenditures, and Other Changes for Intercollegiate Athletics (continued)

	Unrestricted	Restricted	Total
Transfers Among Funds – Additions/(Deductions):			
Nonmandatory Transfers:			
Support From Current Unrestricted Funds	$ 6,227,198	$ –	$ 6,227,198
Other Transfers	445,387	–	445,387
Excess of Transfers to Revenue Over Restricted Receipts	–	(32,511)	(32,511)
Total Transfers	6,672,585	(32,511)	6,640,074
Revenues in Excess of (Less Than) Expenditures and Transfers	$ –	$ (32,511)	$ (32,511)

Mary Taylor, CPA
Auditor of State

CLEVELAND STATE UNIVERSITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 3, 2008

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