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

Financial Report
Including Supplemental Information
June 30, 2012

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 18, 2012

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Independent Auditor's Report

To the Board of Trustees
Central State University

We have audited the accompanying financial statements of Central State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These basic financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component unit as of June 30, 2012 and 2011 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.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 12, 2012 on our consideration of Central State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2012. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
Central State University

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 3-11, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

October 12, 2012

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2012, 2011, and 2010. This discussion should be read in conjunction with the accompanying financial statements and footnotes. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

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

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

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

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

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

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

The University follows GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As such, Central State University Foundation's (the "Foundation") financial statements and notes have been discretely incorporated into the University's financial statements.

Analysis of Results of Operations

Total revenue for the years ended June 30, 2012 and 2011 was $65.8 million and $65.1 million, respectively, of which operating revenue totaled $37.5 million and $33.1 million, respectively. Operating revenue in fiscal year 2012 increased $4.4 million, or 13.3 percent, when compared with fiscal year 2011.

Total revenue for the years ended June 30, 2011 and 2010 was $65.1 million and $64.3 million, respectively, of which operating revenue totaled $33.1 million and $31.5 million, respectively. Operating revenue in fiscal year 2011 increased $1.6 million, or 5.1 percent, when compared with fiscal year 2010.

Total expenses for the years ended June 30, 2012 and 2011 were $64.7 million and $60.0 million, respectively. Operating expenses increased $4.7 million, or 7.8 percent, when compared with fiscal year 2011.

Total expenses for the years ended June 30, 2011 and 2010 were $60.0 million and $63.5 million, respectively. Operating expenses decreased $3.5 million, or 5.5 percent, when compared with fiscal year 2010.

The University's operating loss totaled $27.2 million during 2012 compared to $26.8 million in 2011, which represented an unfavorable increase of $.4 million, or 1.5 percent.

The University's operating loss totaled $26.8 million during 2011 compared to $31.9 million in 2010, which represented a favorable decrease of $5.1 million, or 16.0 percent.

The University's total net assets for 2012 increased $1.0 million during 2012 compared to an increase of $5.1 million during 2011, which represents an unfavorable decrease of $4.1 million.

The University's total net assets for 2011 increased $5.1 million during 2011 compared to an increase of $0.8 million during 2010, which represents a favorable increase of $4.3 million.

Student enrollment increased 9 percent in fall fiscal year 2012 compared to fall fiscal year 2011; tuition and fees rates, room, and board were increased 3.5 percent for 2012 when compared to 2011 amounts.

The $4.4 million increase in operating revenue was related to increases of $1.6 million in tuition and fees; $1.3 million in federal grants; $1.8 million in auxiliary activities; $.2 million in indirect cost recovery; and a $.5 million decrease in other sources while state, local, and private grants and contracts remained flat.

Student enrollment decreased 6 percent in fall of fiscal year 2011 compared to fall of fiscal year 2010; tuition and fees along with room and board for 2011 were increased by 3.5 percent when compared to 2010 amounts.

A breakdown and comparison of operating revenues are provided below:

Operating Revenue (in millions)	2012	2011	2010
Tuition and fees - Net	$ 10.9	$ 9.3	$ 9.4
Federal grants and contracts	10.5	9.2	8.1
State, local, and private grants and contracts	1.0	1.0	1.5
Indirect cost recovery	.8	.6	.6
Auxiliary activities - Net	12.1	10.3	10.3
Other sources	2.2	2.7	1.6
Total	**$ 37.5**	**$ 33.1**	**$ 31.5**

A breakdown and comparison of nonoperating revenue are as follows:

Nonoperating Revenue (Expenses) (in millions)	2012	2011	2010
Federal Pell grant appropriations	$ 10.0	$ 9.8	$ 9.4
Federal fiscal stabilization funds	-	.9	.9
State appropriations	17.6	17.7	19.6
Investment income	-	-	-
Interest expense	(.1)	(.1)	(.1)
Loss on disposal of capital assets	-	(.3)	-
Total	**$ 27.5**	**$ 28.0**	**$ 29.8**

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

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

State Appropriations (in millions)	2012	2011	2010
State Share of Instructional Support	$ 6.1	$ 5.6	$ 5.7
Central State supplement	11.5	12.1	12.1
Speed to Scale	-	-	1.8
Total	**$ 17.6**	**$ 17.7**	**$ 19.6**

The change in State of Ohio funding from 2012 to 2011 was primarily due to Central State supplement decrease of $.6 million, or 5.0 percent offset by SSIS increase by $.5 million, or 8.9 percent.

The change in State of Ohio funding from 2011 to 2010 was primarily due to the ending of the Speed to Scale with a final decrease of $1.8 million. The SSIS also decreased by $0.1 million, or 1.8 percent.

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

Expenses (in millions)	2012	2011	2010
Instruction	$ 11.8	$ 12.3	$ 12.4
Research	1.7	1.6	1.8
Student services	3.6	3.5	4.3
Academic support	7.2	6.3	6.6
Public services	3.2	1.9	1.9
Institutional administration	8.8	6.7	10.0
Operation and maintenance of plant	5.6	6.7	6.1
Auxiliary enterprises	14.5	12.4	12.6
Student aid	4.5	5.2	4.4
Depreciation	3.8	3.4	3.4
Total	**$ 64.7**	**$ 60.0**	**$ 63.5**

Central State University's operating expenses during 2012 reflected a $4.7 million increase in operating expenses, totaling $64.7 million in 2012 as compared to $60.0 million in 2011. The increase in expenses was primarily related to an increase in institutional administration ($2.1 million), auxiliary enterprises ($2.1 million), public services ($1.3 million), academic support ($.9 million), research ($0.1 million), student services ($0.1 million), and depreciation ($0.4 million) offset by an decrease in student aid ($0.7 million) and operation, maintenance of plant ($1.1 million) and instruction ($0.5 million). The changes reflect ongoing realignment of funds to meet the current Strategic Academic Enrollment Management (SAEM) strategies.

Central State University's operating expenses during 2011 reflected a $3.5 million decrease in operating expenses, totaling $60.0 million in 2011 as compared to $63.5 million in 2010. The decrease in expenses was primarily related to a decrease in institutional administration ($3.3 million), student services ($0.8 million), academic support ($0.3 million), auxiliary enterprises ($0.2 million), research ($0.2 million), and instruction ($0.1 million) offset by an increase in student aid ($0.8 million) and operation and maintenance of plant ($0.6 million). The changes reflect ongoing realignment of funds to meet the current SAEM strategies, including increased student aid while working within the budgetary confinements through increased operational efficiencies.

Analysis of Overall Financial Position

At June 30, 2012, current assets totaled $24.9 million, as compared to $21.8 million at June 30, 2011, an increase of $3.1 million. The increase in current assets was primarily attributable to a $1.8 million increase in cash and cash equivalents, $1.1 million increase in accounts receivable, and a $0.2 million increase in inventory. Current liabilities at June 30, 2012, as compared to June 30, 2011, totaled $16.2 million and $13.5 million, respectively, an increase of $2.7 million. The increase in current liabilities was primarily attributable to an increase of $1.4 million in deferred revenues, $0.9 million increase in deferred student fee revenue, $0.1 million increase in accounts payable, $0.1 million increase current portion of long-term debt, and a $.7 million increase accrued salaries and wages. The increases were offset by a $0.5 million decrease in other liabilities and $0.1 million decrease in deposits. The University's working capital ratios at June 30, 2012 and June 30, 2011 were 1.54 and 1.61, respectively.

The University's current assets at June 30, 2011 totaled $21.8 million, as compared to $22.0 million at June 30, 2010, which represents an decrease of $0.2 million. Current liabilities at June 30, 2011 as compared to June 30, 2010 totaled $13.5 million and $15.4 million, respectively, an decrease of $1.9 million.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The $1.1 million increase in the University's noncurrent assets, which total $78.3 million at June 30, 2012 and $77.2 million at June 30, 2011, is associated primarily with a $4.6 million increase in buildings, equipment, and construction in progress, which was offset by a $3.5 million increase in accumulated depreciation.

Noncurrent assets at June 30, 2011 were $77.2 million, as compared to $74.3 million at June 30, 2010. The increase was primarily associated with a $6.7 million increase in buildings and equipment which was offset by a $3.4 million increase in accumulated depreciation.

The University's noncurrent liabilities at June 30, 2012 total $3.6 million, as compared to $3.1 million at June 30, 2011. The $0.5 million increase is attributed to an increase in long-term liabilities of $0.3 million and an increase in long-term debt of $0.2 million.

Noncurrent liabilities at June 30, 2011 were $3.1 million, as compared to $3.6 million at June 30, 2010. The $0.5 million decrease is attributed to a decrease in long-term liabilities of $0.4 million and a decrease in long-term debt of $0.1 million.

The University's net assets were $83.4 million at June 30, 2012 and $82.4 million at June 30, 2011.

The University's net assets were $82.4 million and $77.3 million at June 30, 2011 and 2010.

<u>Capital Assets and Long-term Debt Activity</u>

The University utilizes state capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2012, the University utilized $0.8 million in state capital appropriations. During 2011, the University utilized $3.9 million in state capital for construction.

The University's long-term debt is comprised of notes payable to the Department of Education. During 2012, the University issued a new capital lease obligation of $0.6 million and paid $0.2 million in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

A breakdown and comparison of the University's balance sheet as of June 30, 2012, 2011, and 2010 are provided below:

Balance Sheet (in millions)	2012	2011	2010
Assets:			
Current assets	$ 24.9	$ 21.8	$ 22.0
Noncurrent assets:			
Restricted cash and equivalents	1.2	1.2	1.2
Capital assets - Net	77.1	76.0	73.1
Total assets	**$ 103.2**	**$ 99.0**	**$ 96.3**
Liabilities:			
Current	$ 16.2	$ 13.5	$ 15.4
Noncurrent	3.6	3.1	3.6
Total liabilities	**19.8**	**16.6**	**19.0**
Net assets:			
Invested in capital assets - Net	75.2	74.5	71.4
Restricted - Expendable	.1	-	1.2
Unrestricted	8.1	7.9	4.7
Total net assets	83.4	82.4	77.3
Total liabilities and net assets	**$ 103.2**	**$ 99.0**	**$ 96.3**

Statement of Cash Flows

Net cash used in operating activities was $22.0 million, $25.6 million, and $27.1 million in 2012, 2011, and 2010, respectively. In 2012, cash flows from operating activities were primarily comprised of tuition and fees ($16.7 million), grants and contracts ($13.6 million), other receipts ($2.2 million), and auxiliary enterprise charges ($3.5 million), which were offset by payments to suppliers and employees of $58.0 million.

Cash flows from noncapital financing activities were $27.5 million, $28.4 million, and $29.9 million in 2012, 2011, and 2010, respectively. In 2012, these were comprised of State of Ohio appropriations of $17.6 million, Federal Pell Grants of $9.9 million, and offsetting federal loan receipts and disbursements.

Net cash used in capital and related financing activities for 2012, 2011, and 2010 was $3.7 million, $2.9 million, and $2.3 million, respectively. In 2012, cash flows from purchase of capital assets and construction were $4.8 million. This was offset by $0.8 million in capital grants and gifts, principal payment of capital lease of $0.1 million, principal payment on capital debt $0.1 million, and interest on capital debt and capital lease $0.1 million. The change in cash flows from 2011 to 2010 decreased from purchase of capital assets and construction by $1.7 million which was offset by the decrease of $1.1 million in capital grants and gifts.

The net increase in cash and cash equivalents was $1.8 million in 2012 with a decrease of $0.1 million and an increase of $0.5 million in 2011 and 2010, respectively. Year-end cash and cash equivalents for 2012, 2011, and 2010 were $12.5 million, $10.7 million, and $10.8 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2012, 2011, and 2010 are provided below:

Cash Flows Activities (in millions)	2012	2011	2010
Cash flows from operating activities	$ (22.0)	$ (25.6)	$ (27.1)
Cash flows from noncapital financing activities	27.5	28.4	29.9
Cash flows from capital and related financing activities	(3.7)	(2.9)	(2.3)
Cash flows from investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	1.8	(.1)	.5
Cash and cash equivalents - Beginning of year	10.7	10.8	10.3
Cash and cash equivalents - End of year	**$ 12.5**	**$ 10.7**	**$ 10.8**

Factors Impacting Future Periods

Central State University makes continuous strides to be a premier historically black university in the 21st century. This vision is being pursued within the framework of the institution's core values of honesty, hard work, caring, and excellence. The leadership of President John W. Garland has supported the University's vision for the past 14 years. The President's tenure has positioned the University for continued growth and fulfillment of its mission. In recognition of his contributions and service to the University, the Central State University Board bestowed the title of President Emeritus to Dr. Garland.

Dr. Cynthia Jackson-Hammond became the eighth President of Central State University on July 1, 2012. Madame President has identified service, protocol, and civility as the key tenants in defining the Central State Man and the Central State Woman.

In accordance with Ohio Amended Substitute House Bill 153, the University has been working with the Chancellor of the Board of Regents to develop a plan that assures the Central State Supplement will be used to promote the goals of increasing enrollment, improving course completion, and increasing the number of degrees conferred at Central State University. The plan has been divided into three phases with the last phase implementation occurring during the 2012-2013 academic year. As part of the Chancellor's plan, the University has identified the following compelling priorities: quality academic experiences, targeted student enrollment, better retention rates, reduced time to degree, efficiency and effective institutional operations, and graduated with knowledge skill discipline (KSD) for professional schools as careers. This plan will redefine the appropriate sizing of the student population, student recruitment criteria, and continue emphasizing operational efficiencies.

On June 13, 2012, the Ohio House of Representatives approved Senate Concurrent Resolution 30 that would designate Central State University as Ohio's second Land Grant Institution under the Morrill act of 1890. This resolution allows the University to proceed with request 1890 Land Grant status from the federal government. Becoming a Land Grant institution will allow the University to grow in new ways and students will be afforded many more opportunities.

Statement of Net Assets
University

	June 30	
	2012	2011
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 11,299,923	$ 9,478,045
Accounts receivable - Net of allowance of approximately $9.6 million at June 30, 2012 and $8.2 million at June 30, 2011 (Note 3)	13,066,714	11,931,294
Notes receivable - Net of allowance of approximately $948,000 at June 30, 2012 and 2011 (Note 3)	-	-
Inventory	569,727	352,164
Prepaid assets	17,746	32,830
Total current assets	24,954,110	21,794,333
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	1,219,679	1,221,370
Capital assets - Net (Note 4)	77,060,801	75,981,896
Total noncurrent assets	78,280,480	77,203,266
Total assets	**$ 103,234,590**	**$ 98,997,599**
Liabilities and Net Assets		
Current Liabilities		
Deposits	$ 183,650	$ 285,081
Accounts payable	911,030	783,461
Accrued salaries, wages, and benefits	4,188,971	3,525,526
Deferred student fee revenue	6,342,743	5,430,788
Current portion of long-term debt (Note 6)	116,065	109,935
Current portion of capital lease (Note 7)	109,224	-
Other liabilities	849	482,346
Other deferred revenue	4,321,915	2,918,222
Total current liabilities	16,174,447	13,535,359
Noncurrent Liabilities		
Long-term debt (Note 6)	1,287,758	1,403,823
Long-term capital lease (Note 7)	350,598	-
Long-term liabilities (Note 5)	1,943,639	1,666,879
Total noncurrent liabilities	3,581,995	3,070,702
Total liabilities	19,756,442	16,606,061
Net Assets		
Invested in capital assets - Net of related debt	75,197,156	74,468,139
Restricted for expendable - Grants	175,514	68,669
Unrestricted	8,105,478	7,854,730
Total net assets	83,478,148	82,391,538
Total liabilities and net assets	**$ 103,234,590**	**$ 98,997,599**

Central State University

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

	Year Ended June 30 2012	Year Ended June 30 2011
Operating Revenue		
Tuition and fees	$ 17,039,368	$ 14,843,871
Less grants and scholarships	(6,095,916)	(5,492,138)
Federal grants and contracts	10,484,407	9,164,972
State, local, and private grants and contracts	953,302	996,239
Indirect cost recovery	754,643	596,451
Auxiliary activities	17,983,171	15,906,768
Less grants and scholarships	(5,862,716)	(5,558,618)
Other sources	2,208,814	2,686,459
Total operating revenue	37,465,073	33,144,004
Operating Expenses		
Instruction	11,803,045	12,271,769
Research	1,720,535	1,629,008
Student services	3,617,424	3,458,855
Academic support	7,202,220	6,347,872
Public services	3,190,196	1,941,744
Institutional administration	8,846,119	6,665,132
Operation and maintenance of plant	5,605,895	6,723,332
Auxiliary enterprises	14,478,266	12,354,015
Student aid	4,455,753	5,187,965
Depreciation	3,751,224	3,394,205
Total operating expenses	64,670,677	59,973,897
Operating Loss	(27,205,604)	(26,829,893)
Nonoperating Revenue (Expenses)		
Federal Pell Grant appropriations	9,979,852	9,766,370
Federal fiscal stabilization funds	-	941,536
State appropriations	17,556,760	17,705,124
Investment income	16,603	13,368
Interest expense	(98,523)	(86,617)
Loss on disposal of capital assets	-	(308,550)
Net nonoperating revenue	27,454,692	28,031,231
Income - Before other revenue	249,088	1,201,338
Other Revenue - State capital appropriations/capital gifts	837,522	3,935,121
Increase in Net Assets	1,086,610	5,136,459
Net Assets - Beginning of year	82,391,538	77,255,079
Net Assets - End of year	**$ 83,478,148**	**$ 82,391,538**

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

Statement of Cash Flows
University

	Year Ended June 30	
	2012	2011
Cash Flows from Operating Activities		
Tuition and fees	$ 16,714,474	$ 15,200,204
Grants and contracts	13,596,044	9,544,417
Payments to suppliers and employees	(58,016,022)	(56,698,800)
Auxiliary enterprise charges	3,504,905	3,642,039
Other	2,208,814	2,686,459
Net cash used in operating activities	(21,991,785)	(25,625,681)
Cash Flows from Noncapital Financing Activities		
Federal Pell grant	9,979,852	9,766,370
Federal fiscal stabilization funds	-	941,536
State appropriations	17,556,760	17,705,124
Federal loan receipts	22,775,987	20,873,599
Federal loan disbursements	(22,775,987)	(20,873,599)
Net cash provided by noncapital financing activities	27,536,612	28,413,030
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts received	837,522	3,935,121
Purchase of capital assets and construction	(4,830,129)	(6,658,716)
Principal paid on capital debt	(109,935)	(104,129)
Principal of capital lease	565,434	-
Principal paid on capital lease	(105,612)	-
Interest paid on capital debt	(98,523)	(86,617)
Net cash used in capital and related financing activities	(3,741,243)	(2,914,341)
Cash Flows from Investing Activities - Interest on investments	16,603	13,368
Net Change in Cash and Cash Equivalents	1,820,187	(113,624)
Cash and Cash Equivalents - Beginning of year	10,699,415	10,813,039
Cash and Cash Equivalents - End of year	**$ 12,519,602**	**$ 10,699,415**

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

Statement of Cash Flows (Continued)
University

	Year Ended June 30	
	2012	2011
Reconciliation of net operating loss to net cash from operating activities:		
Operating loss	$ (27,205,604)	$ (26,829,893)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,751,224	3,394,205
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(1,135,420)	(43,143)
Inventories, prepaids, and other assets	(202,479)	166,932
Accounts payable	127,569	(575,981)
Accrued salaries, wages, and benefits	601,556	(471,900)
Other liabilities	(142,848)	(452,132)
Deferred revenue and student deposits	2,214,217	(813,769)
Net cash used in operating activities	**$ (21,991,785)**	**$ (25,625,681)**

Consolidated Statement of Financial Position
Discretely Presented Component Unit - Foundation

	June 30 2012	June 30 2011
Assets		
Cash and cash equivalents	$ 1,422,577	$ 2,231,245
Investments	3,086,427	2,995,131
Contributions receivable - Net	54,365	87,213
Due from Central State University	-	83,139
Other receivables	43,513	14,727
Prepaid expenses	5,672	5,667
Total current assets	4,612,554	5,417,122
Restricted cash and cash equivalents (Note 2)	3,125,812	3,264,574
Fixed assets - Net (Note 4)	12,767,127	12,912,886
Financing costs - Net	1,428,107	1,527,011
Total assets	**$ 21,933,600**	**$ 23,121,593**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 225,070	$ 267,460
Payable to Central State University	56,129	-
Surplus payable	-	988,427
Accrued interest payable	472,547	481,589
Current portion of long-term debt (Note 6)	455,000	440,000
Total current liabilities	1,208,746	2,177,476
Long-term debt (Note 6)	17,663,222	18,091,088
Total liabilities	18,871,968	20,268,564
Net Assets		
Unrestricted	(747,268)	(1,491,436)
Temporarily restricted	1,799,506	2,198,036
Permanently restricted	2,009,394	2,146,429
Total net assets	3,061,632	2,853,029
Total liabilities and net assets	**$ 21,933,600**	**$ 23,121,593**

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

Central State University

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

	Year Ended June 30	
	2012	2011
Revenue		
Rental revenue	$ 2,917,147	$ 2,808,960
Contributions	993,742	692,318
Other	251,110	624,205
Unrealized (loss) gain on investments	(101,547)	237,755
Investment income	191,700	439,397
Total revenue	4,252,152	4,802,635
Expenses		
Programs:		
Scholarship programs	212,614	316,304
Athletic programs	362,906	353,546
Academic programs	243,516	205,096
Institutional programs	314,265	331,122
Student support programs	2,973	20,941
Support activities:		
Management fees	204,200	196,627
Operating expenses	827,803	788,843
Surplus expense	376,200	988,427
Depreciation expense	491,515	504,511
Interest expense	972,227	991,954
Other	35,330	35,696
Total expenses	4,043,549	4,733,067
Increase in Net Assets	208,603	69,568
Net Assets - Beginning of year	2,853,029	2,783,461
Net Assets - End of year	**$ 3,061,632**	**$ 2,853,029**

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

Note 1 - Basis of Presentation and Significant Accounting Policies

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

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

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

Effective with the 2011 fiscal period, the University has started performing accounting services for the Foundation. The cash receipts for the Foundation are deposited directly to the Foundation bank account; however, disbursements are made by the University on behalf of the Foundation with a monthly cash settlement process.

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

Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating Versus Nonoperating Revenue and Expenses - The University defines operating activities as reported on the statement of revenue, expenses, and changes in net assets as those that generally result from exchange transactions such as payments received for providing goods or services. All of the University's expenses are from exchange transactions. Certain significant revenue streams relied on for operations are reported as nonoperating revenue as required by GASB Statement No. 35, including state appropriations, investment income, and state capital grants. Federal Pell grant revenue is included in nonoperating revenue in accordance with GASB Statement No. 34.

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

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

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

Risk Management - The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the preceding three years. The University is self-insured for student health insurance claims; the recorded liability for these claims is $20,154 and $25,000 as of June 30, 2012 and 2011, respectively.

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

Upcoming Accounting Standards - GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCAs)*, in November 2010. This statement addresses financial reporting related to service concession arrangements, which are a type of public private or public public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA committee on accounting procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. This statement introduced and defined those elements as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The requirements of statements No. 60, No. 62, and No. 63 are effective for financial statements for periods beginning after December 15, 2011.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting components units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The requirements of Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012.

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

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (or June 30, 2014).

University management has not yet determined the impact that implementation of these GASB statements will have on the University's financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Note 2 - Cash and Cash Equivalents and Investments

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

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University did not have any uninsured or uncollateralized cash and cash equivalents at June 30, 2012 or 2011.

Credit Risk

As discussed above, state law limits investments to U.S., state, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had $8,491,562 and $4,710,737 invested in bank mutual fund pools at June 30, 2012 and 2011, respectively; these funds are not rated by a national rating agency due to the short-term nature of their holdings.

Restricted Cash and Cash Equivalents

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

The Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2012 and 2011:

	2012	2011
Restricted:		
Debt interest account	$ 472,547	$ 481,589
Repair and replacement fund	767,242	906,865
Debt principal fund	455,000	445,000
Debt reserve fund	1,431,023	1,431,120
Total restricted cash	$ 3,125,812	$ 3,264,574

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

Note 2 - Cash and Cash Equivalents and Investments (Continued)

The Foundation reports investments at estimated fair value, in accordance with the fair value hierarchy prescribed by ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157), which requires certain assets and liabilities to be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. This hierarchy was adopted as of July 1, 2008 and involves an analysis of the types of inputs used to derive an asset's reported fair value, as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets that the Foundation has the ability to access. The Foundation's Level 1 investments consist primarily of fixed-income or equity mutual funds. Prices for these investments are widely available through major financial reporting services.

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Foundation's Level 2 investments include government and corporate bonds that do not trade on an exchange.

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset. Often, these assets trade infrequently, or not at all. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions. The Foundation holds common shares in a privately-held company, which is valued based upon Level 3 inputs.

Note 2 - Cash and Cash Equivalents and Investments (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2012

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2012
Private equity investments -				
Common and preferred stock	$ 29,918	$ -	$ 70,451	$ 100,369
Public equity investments - Mutual funds:				
U.S. large-cap equity mutual funds	835,179	-	-	835,179
U.S. mid-cap equity mutual funds	98,298	-	-	98,298
U.S. small-cap equity mutual funds	200,950	-	-	200,950
U.S. realty mutual funds	115,083	-	-	115,083
Emerging markets international equity mutual funds	102,830	-	-	102,830
Global equity mutual funds	255,485	-	-	255,485
Subtotal	1,637,743	-	70,451	1,708,194
Fixed-income investments:				
U.S. agency and instrumentality obligations	-	171,191	-	171,191
U.S. government obligations	-	245,950	-	245,950
Corp bonds and notes	-	402,124	-	402,124
Bond mutual funds	558,968	-	-	558,968
Subtotal	558,968	819,265	-	1,378,233
Total investments	$ 2,196,711	$ 819,265	$ 70,451	$ 3,086,427

Assets Measured at Fair Value on a Recurring Basis at June 30, 2011

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2011
Private equity investments -				
Common and preferred stock	$ -	$ -	$ 72,232	$ 72,232
Public equity investments:				
Common and preferred stock	1,654	-	-	1,654
Mutual funds:				
U.S. large-cap equity mutual funds	869,840	-	-	869,840
U.S. small-cap equity mutual funds	482,376	-	-	482,376
Developed international equity mutual funds	220,692	-	-	220,692
Emerging markets international equity mutual funds	142,530	-	-	142,530
Global equity mutual funds	56,749	-	-	56,749
Subtotal	1,773,841	-	72,232	1,846,073
Fixed-income investments:				
U.S. agency and instrumentality obligations	-	76,090	-	76,090
U.S. government obligations	-	77,807	-	77,807
Corp bonds and notes	-	243,933	-	243,933
Bond mutual funds	751,228	-	-	751,228
Subtotal	751,228	397,830	-	1,149,058
Total investments	$ 2,525,069	$ 397,830	$ 72,232	$ 2,995,131

Note 3 - Receivables

At June 30, 2012 and 2011, receivables consist of the following:

	Year Ended June 30	
	2012	2011
Student accounts receivable	$ 20,381,055	$ 16,019,165
Student notes receivable	947,957	947,982
Grant and contract receivables	1,198,011	2,723,115
Other	1,095,818	1,349,649
Total	23,622,841	21,039,911
Less allowance for doubtful accounts	(10,556,127)	(9,108,617)
Net receivables	$ 13,066,714	$ 11,931,294

Student note receivables represent outstanding loans from the Federal Perkins Loan Program. These loans have been assigned to the Department of Education and are no longer administered by the University. The outstanding balance at June 30, 2012 and 2011 has been reserved in full and is included in the allowance for doubtful accounts.

Note 4 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2012 and 2011 is summarized as follows:

	2012				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 120,558,902	2,495,558	$ -	$ -	$ 123,054,460
Automobiles, machinery, and equipment	18,572,507	1,329,950	(259,412)	3,119,002	22,762,047
Assets under capital lease	-	565,434	-	-	565,434
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	6,778,276	439,186	-	(3,119,002)	4,098,460
Total capital assets	146,218,335	4,830,128	(259,412)	-	150,789,051
Less accumulated depreciation:					
Buildings and improvements	56,040,345	2,687,556	-	-	58,727,901
Automobiles, machinery, and equipment	14,196,094	1,007,124	(259,412)	-	14,943,806
Assets under capital lease	-	56,543	-	-	56,543
Total accumulated depreciation	70,236,439	3,751,223	(259,412)	-	73,728,250
Capital assets - Net	$ 75,981,896				$ 77,060,801

Note 4 - Capital Assets (Continued)

	2011				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 123,157,606	$ 1,447,333	$ (4,046,037)		$ 120,558,902
Automobiles, machinery, and equipment	17,209,098	1,363,409			18,572,507
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	2,930,302	3,847,974	-		6,778,276
Total capital assets	143,605,656	6,658,716	(4,046,037)	-	146,218,335
Less accumulated depreciation:					
Buildings and improvements	57,226,316	2,551,516	(3,737,487)	-	56,040,345
Automobiles, machinery, and equipment	13,353,405	842,689	-	-	14,196,094
Total accumulated depreciation	70,579,721	$ 3,394,205	$ (3,737,487)	$ -	70,236,439
Capital assets - Net	$ 73,025,935				$ 75,981,896

There are no outstanding commitments for construction contracts at June 30, 2012.

Capital assets activity for the Foundation for the years ended June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Land	$ 140,800	$ 140,800
Building	16,034,338	15,787,487
Furniture	896,603	896,603
Total fixed assets	17,071,741	16,824,890
Less accumulated depreciation	(4,304,614)	(3,912,004)
Net	$ 12,767,127	$ 12,912,886

Note 5 - Long-term Liabilities

Long-term liability (other than long-term debt and capital lease) activity for the years ended June 30, 2012 and 2011 is summarized as follows:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 1,946,747	$ 1,033,685	$ 961,469	$ 2,018,963	$ 1,174,130
Other liabilities	760,156	813,068	474,418	1,098,806	-
Total	$ 2,706,903	$ 1,846,753	$ 1,435,887	$ 3,117,769	$ 1,174,130

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 1,957,448	$ 742,708	$ 753,409	$ 1,946,747	$ 1,040,024
Other liabilities	1,194,494	174,458	608,796	760,156	-
Total	$ 3,151,942	$ 917,166	$ 1,362,205	$ 2,706,903	$ 1,040,024

Other long term liabilities include litigation and contingencies as discussed further in Note 11. The current portion of long-term liabilities is included in accrued salaries, wages, and benefits. See Note 8 for description of compensated absences.

Note 6 - Long-term Debt

University

Long-term debt for the University consists of the following for the years ended June 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable:					
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	$1,513,758	$ -	$ 109,935	$1,403,823	$ 116,065
Total	$1,513,758	$ -	$ 109,935	$1,403,823	$ 116,065

Note 6 - Long-term Debt

	2011				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable:					
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	$1,617,887	$ -	$ 104,129	$1,513,758	$ 109,935
Total	$1,617,887	$ -	$ 104,129	$1,513,758	$ 109,935

At June 30, 2012, maturities of long-term debt, including interest payments, are as follows:

Years Ending June 30		Principal	Interest	Total
2013		$ 116,065	$ 75,636	$ 191,701
2014		122,536	69,165	191,701
2015		129,368	62,333	191,701
2016		136,581	55,120	191,701
2017		144,196	47,505	191,701
2018-2022		755,077	203,425	958,502
	Total	$ 1,403,823	$ 513,184	$ 1,917,007

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

The University is required to maintain a debt service payment account and a debt service reserve account under the Department of Education note. The debt service account has been paid in full as of June 30, 2008 and the reserve is no longer required. The University is also required to deposit $28,010 annually into a repair and replacement reserve account until $280,100 has been accumulated in that account ($280,100 accumulated at June 30, 2012 and 2011).

Note 6 - Long-term Debt (Continued)

Central State University Foundation

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2012 and 2011:

	Interest Rate	Maturity	Balance September 1, 2011	Additions	Payments	Balance August 31, 2012
Revenue Bonds Series 2004	3.3%-5.1%	2035	$ 10,905,398	$ 12,584	($ 245,000)	$ 10,672,982
Revenue Bonds Series 2002	3.0%-5.625%	2032	7,625,690	14,550	(195,000)	7,445,240
Total			$ 18,531,088	$ 27,134	($ 440,000)	18,118,222
Less current portion						455,000
Long-term portion						$ 17,663,222

	Interest Rate	Maturity	Balance September 1, 2010	Additions	Payments	Balance August 31, 2011
Revenue Bonds Series 2004	3.3%-5.1%	2035	$ 11,127,582	$ 12,816	($ 235,000)	$ 10,905,398
Revenue Bonds Series 2002	3.0%-5.625%	2032	7,799,730	15,960	(190,000)	7,625,690
Total			$ 18,927,312	$ 28,776	($ 425,000)	18,531,088
Less current portion						440,000
Long-term portion						$ 18,091,088

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2013	$ 205,000	$ 402,121	$ 250,000	$ 533,359	$ 1,390,480
2014	215,000	392,564	260,000	522,899	1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016	235,000	371,056	285,000	498,995	1,390,051
2017	245,000	359,056	300,000	485,683	1,389,739
2018-2022	1,440,000	1,583,338	1,710,000	2,195,441	6,928,779
2023-2027	1,895,000	1,135,403	2,180,000	1,712,203	6,922,606
2028-2032	2,460,000	534,943	2,795,000	1,083,112	6,873,055
2033-2036	620,000	17,437	2,795,000	293,633	3,726,070
Total	$ 7,540,000	$ 5,178,193	$ 10,850,000	$ 7,836,748	$ 31,404,941

Note 6 - Long-term Debt (Continued)

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was $94,760 and $109,310 at June 30, 2012 and 2011, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $205,000 on September 1, 2012 to $620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled $287,699, with an amortized balance of $177,018 and $189,602 at June 30, 2012 and 2011, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from $250,000 on September 1, 2012 to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

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

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

	2012	2011
Change in member's capital	$ 75,474	$ (709,882)
Add items to convert net income to pledged revenue:		
Interest expense on bonds	972,227	991,954
Management fees	204,200	196,627
Surplus expense	418,063	1,098,252
Depreciation and amortization expense	480,520	504,075
Net pledged revenue as defined (1)	$ 2,150,484	$ 2,081,026
Debt service requirement on bonds (2)	$ 1,394,136	$ 1,396,445
Coverage ratio (1/2)	154%	149%
Required coverage ratio	120%	120%

Note 7 - Capital Lease Obligations

The University has entered into various noncancelable equipment lease agreements during 2012. These leases are accounted for as capital leases (total net book value at June 30, 2012 of $508,890) and principal payments of $105,612 were made under the agreements during the year ended June 30, 2012.

Future minimum lease payments subsequent to June 30, 2012 are summarized as follows:

Years Ending June 30		Principal	Interest	Total
2013		$ 109,224	$ 14,154	$ 123,378
2014		112,959	10,419	123,378
2015		116,822	6,556	123,378
2016		120,817	2,561	123,378
	Total	$ 459,822	$ 33,690	$ 493,512

Note 8 - Compensated Absences for Vacation and Sick Leave

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

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

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

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

Note 9 - Retirement Plans

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

Retirement benefits are available for substantially all employees under one of several contributory retirement plans. Certified teachers are covered by the State Teachers Retirement System (STRS). Noncertified employees are covered by the Ohio Public Employees Retirement System (OPERS). Both STRS and OPERS are statewide systems that offer three separate plans (1) a defined benefit plan, (2) a defined contribution plan, and (3) a combined plan. Each of the three options is discussed in greater detail in the following sections.

Defined Benefit Plans

The OPERS and STRS plans are cost-sharing, multiple-employer, defined benefit, public-employee retirement systems. Each provides retirement, disability, and survivor benefits to plan members and beneficiaries. These plans also provide healthcare benefits to vested retirees. Benefits provided under the plans are established by state statute.

Both plans issue separate, publicly available financial reports that include financial statements and required supplemental information. These reports may be obtained by contacting each system as follows: Public Employee Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642, Telephone (800) 222-7377; State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, Telephone (888) 227-7877.

The Ohio Revised Code provides OPERS and STRS statutory authority over employer and employee contributions. The required actuarially determined contribution rates (as a percentage of covered payroll) for the employee and the University are as follows for the year ending June 30, 2012:

	OPERS Classified, Contract Employee	OPERS Law Enforcement Employee	STRS Faculty
Employee Share			
July 1, 2011 - June 30, 2012	10.00%	11.60%	10.00%
Employer Share			
July 1, 2011 - June 30, 2012	14.00%	18.10%	14.00%

The portion of the University's contribution in the previous table applied toward healthcare funding is 5 percent for OPERS and 1 percent for STRS.

Note 9 - Retirement Plans (Continued)

The University's contributions, representing 100 percent of the employer contributions for the year ended June 30, 2012 and for each of the two preceding years are as follows:

	OPERS	STRS
2012	$ 1,543,647	$ 1,062,756
2011	1,492,864	1,003,964
2010	1,449,991	986,839

OPERS and STRS provide postretirement and postemployment health care benefits in addition to the retirement benefits described above. OPERS other postemployment benefits (OPEB) is advance funded on an actuarially determined basis. The assumptions and calculation below were based on the system's latest actuarial review performed as of December 31, 2010. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. At December 31, 2010, the actuarial funding value of the retirement system's net assets available for OPEB was $11.3 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $26.9 billion and $15.6 billion, respectively. There were 356,734 active contribution participants as of December 31, 2010. Of the $1,543,647 University employer contributions to OPERS for 2012, $535,645 was to fund OPEB.

STRS has discretionary authority, pursuant to the Ohio Revised Code, over how much, if any, of the healthcare costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the healthcare cost in the form of a monthly premium. The balance in the Health Care Stabilization Fund was $3.2 billion at June 20, 2011 (the latest information available). For the year ended June 30, 2011, the net healthcare costs paid by STRS were $228.1 million. There were 138,088 eligible benefit recipients.

Defined Contribution Plans

On June 23, 1998, pursuant to Ohio House Bill 586, the University created an Ohio Alternative Retirement Plan (ARP), which is designed to aid the University in recruiting and retaining employees by offering a portable retirement option. The ARP is a defined-contribution plan that provides full and immediate vesting of all contributions made on behalf of the participant. Contributions are directed to one of eight investment management companies, which allows the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 120 days from the date of hire to elect the ARP option. Once this window has passed, the employee will not have the option to elect into the ARP.

Note 9 - Retirement Plans (Continued)

At June 30, 2012, there were 86 members of the plan. During 2012, 2011, and 2010, the employer contributions were $730,866, $749,761, and $807,334, respectively. The employer contribution rate for participants (other than law enforcement) electing out of OPERS and STRS was 14 percent for 2012. For law enforcement staff, the employer contribution was 18.1 percent for 2012.

Combined Plans

STRS offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan received postretirement healthcare benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan received postretirement healthcare benefits. OPERS provides retirement, disability, survivor, and postretirement health benefits to qualifying members of the combined plan.

Note 10 - Grants and Contracts

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

Note 11 - Commitments and Contingencies

Commitments - The University has encumbered $904,242 and $725,145 of funds as of June 30, 2012 and 2011, respectively. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year end. These are not included as liabilities in the statement of net assets.

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

Note 12 - Classification of Net Assets

Details of the Foundation's restricted net assets at June 30, 2012 and 2011 are as follows:

	2012	
	Temporarily Restricted	Permanently Restricted
Academic	$ 441,579	$ 366,463
Scholarship	450,358	1,064,876
Other general funds	907,569	578,055
Total net assets	$ 1,799,506	$ 2,009,394

	2011	
	Temporarily Restricted	Permanently Restricted
Academic	$ 648,254	$ 366,463
Scholarship	707,316	685,719
Other general funds	842,466	1,094,247
Total net assets	$ 2,198,036	$ 2,146,429

Note 13 - Related Organization

The University is the sole beneficiary of the Central State University Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational and research activities. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to $17,502 and $85,027 for the years ended June 30, 2012 and 2011, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University's campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to $1,032,003 and $985,470 for the years ended June 30, 2012 and 2011, respectively. The University paid Marauder Development, LLC $2,917,147 and $2,808,960 for the years ended June 30, 2012 and 2011, respectively. These payments were primarily student residence hall fees.

Note 14 - Bureau of Workers' Compensation

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

Supplemental Information

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

Independent Auditor's Report

To the Board of Trustees
Central State University

We have audited the financial statements of Central State University (the "University") and its discretely presented component unit as of and for the year ended June 30, 2012 which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 12, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

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

To the Board of Trustees
Central State University

Compliance and Other Matters

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

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.

Plante & Moran, PLLC

October 12, 2012

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Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees
Central State University

Compliance

We have audited the compliance of Central State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The major federal programs of Central State University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, Central State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

To the Board of Trustees
Central State University

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2012-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Central State University's response to the finding identified in our audit is 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 the response.

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.

Plante & Moran, PLLC

October 12, 2012

Central State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters:		
Student Financial Aid Cluster - U.S. Department of Education -		
Direct Programs:		
Federal SEOG FY 2010	84.007	$ 1,250
Federal SEOG FY 2011	84.007	36,506
Federal SEOG FY 2012	84.007	734,116
Federal Work Study FY 2011	84.033	37,846
Federal Work Study FY 2012	84.033	465,873
Federal Work Study FY 2009	84.033	1,072
Federal Pell Grant FY 2010	84.063	8,544
Federal Pell Grant FY 2011	84.063	173,089
Federal Pell Grant FY 2012	84.063	9,605,444
Federal Pell Grant FY 2008	84.063	(1,616)
Federal Pell Grant FY 2009	84.063	(3,688)
Federal Pell Grant FY 2007	84.063	(636)
Direct Loan Subsidized FY 2011	84.268	191,591
Direct Loan Unsubsidized FY 2011	84.268	319,336
Direct Loan Plus FY 2011	84.268	(3,061)
Direct Loan Summer Plus FY 2011	84.268	97,691
Direct Loan Subsidized FY 2012	84.268	8,289,194
Direct Loan Unsubsidized FY 2012	84.268	10,009,831
Direct Loan Plus FY 2012	84.268	3,838,622
Direct Loan Graduate Plus FY 2012	84.268	32,857
ACG Grant Year 1	84.375	(375)
ACG Grant FY 2011	84.375	(177)
TEACH Grant FY 2011	84.379	4,000
TEACH Grant FY 2012	84.379	58,402
Total Student Financial Aid Cluster		33,895,711
Research and Development Cluster:		
National Aeronautics and Space Administration - Direct Programs -		
Ohio Space Grant	43.001	24,061
U.S. Department of Health and Human Services -		
Center for Allaying Health Disparities Through Research and Ed.	93.307	913,450
U.S. Department of Defense -		
Central State University Center of Excellence in STEM Education (CSU-STEM-X-ED)	12.630	832,757
Total Research and Development Cluster		1,770,268
TRIO Cluster - U.S. Department of Education - Direct Programs:		
TRIO: Student Support Services	84.042A	389,969
TRIO: Upward Bound Program	84.047	219,294
TRIO: Upward Bound Program	84.047	17,570
Total TRIO Cluster		626,833

See Notes to Schedule of Expenditures of Federal Awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters (Continued):		
Highway Planning and Construction Cluster -		
U.S. Department of Transportation - Direct Programs:		
Summer Transportation Program	20.205	$ 47,894
FHWA Summer Tranportation Program 2012	20.205	35,877
Total Highway Planning and Construction Cluster		83,771
Other federal programs:		
U.S. Department of Education Direct Programs -		
Higher Education - Institutional Aid - Direct Programs:		
Library Acquisition Enhancement	84.031B	135,117
Program Administration	84.031B	246,401
SAEM	84.031B	219,522
Strengthening Academic Success through Counseling Services	84.031B	204,181
K-16 Higher Education Access	84.031B	93,908
CCRA - Digital Divide	84.031B	21,599
CCRA CSU Dayton Enhancement	84.031B	210,369
CCRA Library Resource Enhancement	84.031B	1,938
SAFRA 10-11 Center for Global Education	84.031B	56,244
SAFRA 10-11 Program Administration	84.031B	5,000
SAFRA 10-11 Enhance Online Learning	84.031B	79,916
SAFRA 10-11 Theatre Arts	84.031B	47,219
SAFRA 10-11 University College Learning Center	84.031B	62,518
SAFRA 10-11 Academic Planning and Assessment	84.031B	450
CCRA CSU Dayton Campus Academic Coordinator	84.031B	17,207
Center for Academic Success	84.031B	599,031
Effective Management Administrators	84.031B	6
Enhancing Institutional Advancement	84.031B	236,367
Pre Law Program	84.031B	177,344
Data Center Improvements	84.031B	55,748
Enhancing Stock Trading Room	84.031B	353,361
Part F: Program Administration 11-12	84.031B	5,000
Part F: Center for Global Education 11-12	84.031B	23,055
Part F: Enhance Online Learning 11-12	84.031B	73,958
Part F: Theatre Arts 11-12	84.031B	142,173
Part F: University College Learning 11-12	84.031B	5,067
Part F: Academic Planning and Assessment 11-12	84.031B	66,983
SAFRA: 10-11 Library Commons	84.031B	120,530
SAFRA: 10-11 UCLC Resource Room	84.031B	102,404
IT Infrastructure Enhancements	84.031B	154,059
Part F: Augmentation of Services	84.031B	31,555
Total U.S. Department of Education Direct Programs		3,548,230

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal programs (Continued):		
U.S. Department of Education Direct Programs -		
Minority Science Improvement Grants - Direct - ExCEL	84.120	$ 235,409
U.S. Department of Health and Human Services - Direct - KRUNKED 4 Life	93.910	423,737
National Science Foundation - Education and Human Resources:		
Direct Programs:		
Benjamin Banneker's Scholarship Program	47.076	126,004
Molecular Interaction	47.076	41,088
Passed-through Programs:		-
Robotic Group for Invasive	47.070	51,325
ADVANCE	47.076	42,846
Promoting STEM Women through LEADER	47.076	294
ADVANCE: Study of Applications of Groebner Basis Theory	47.076	2,397
Creating a Women's Center	47.076	4,975
Assessment of GeoThermal Potential	47.076	4,563
Wavelength Analysis for Bio Mass	47.076	4,990
Jamaican Thermal Waters	47.076	3,131
Researching Leading Women's center	47.076	2,916
REEL Program	47.049	4,784
ARRA SPINS Program	47.082	2,151
Senegal Biology Research Project	47.079	45,803
Advanced Energy Workforce	47.041	22,231
Total National Science Foundation		359,498
U.S. Department of Transportation - Passed-through Program -		
University Transportation Center	20.701	452
U.S. Department of Defense - Passed-through Programs:		
Sensors Research 2011	12.000	10,142
Materials and Manufacturing Research	12.000	16,174
Sensors Research	12.000	8,786
Materials and Manufacturing Research	12.000	35,780
Lithium Iron Battery	12.000	49,239
Jet EngineTurbine Blade	12.000	40,058
Total U.S. Department of Defense		160,179

See Notes to Schedule of Expenditures of Federal Awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal programs (Continued):		
U.S. Department of Energy - Direct Program -		
STEM UP - OUT	81.123	$ 706,980
U.S. Department of Interior - Direct Programs:		
Applications of Remote Sensing Technology (USBR)	15.504	(318)
ARRA Emery Hall	15.932	1,292,682
Total U.S. Department of Interior		1,292,364
U.S. Department of Agriculture - Passed-through Programs:		
Ohio Scholarship Program	10.902	31,462
Development of Drought Triggers	10.310	4,165
Total U.S. Department of Agriculture		35,627
U.S. Department of Commerce - Monitoring of Lake Erie	11.460	2,897
Total expenditures of federal awards		**$ 43,141,956**

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central State University under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Central State University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Central State University. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Center for Allaying Health Disparities Through Research and Ed.	93.307	$ 96,635
Central State University Center of Excellence in STEM Education (CSU-STEM-X-ED)	12.630	55,000
	Total	$ 151,635

Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers

All programs with identifiable CFDA numbers have been listed separately.

Note 4 - Adjustments and Transfers

During the year ended June 30, 2012, the University transferred $154,353 of the 2011-2012 Federal Work Study (FWS) Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the University also carried backward $59,964 of the 2011-2012 FWS funds that were spent during the 2010-2011 award year.

The University carried backward $17,215 of the 2012-2013 SEOG funds in 2011-2012.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268, 84.375, 84.379	Student Financial Aid Cluster
84.031B	Department of Education - Higher Education, Institiutional Aid
93.910	Department of Health and Human Services - KRUNKED 4 Life
15.932	ARRA - Department of Interior - Emery Hall
81.123	Department of Energy - STEM UP - OUT

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

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

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2012-01	**Program Name** - Student Financial Aid Cluster - CFDA No. 84.007, 84.033, 84.063, 84.268, 84.375, 84.379

Pass-through Entity - N/A

Finding Type - Significant deficiency

Criteria - Special tests and provisions compliance requirement - Returns of Title IV funds are required to be deposited or transferred to the Department of Education accurately as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (34CFR Section 668.173(b)). The withdrawal date is the date that the student began the withdrawal process, provided official notification to the school in writing or orally, or ceases attendance (34 CFR Section 668.22(c) and (d)). If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the University's determination that the student withdrew, the difference must be returned to the Title IV programs. (34 CFR Sections 668.22(a)(1) through (a)(4))

Condition - The University improperly calculated the amount of Title IV funds to be returned and did not return the proper amount within the 45 days required. This finding was first reported in 2007.

Questioned Costs - A total of $10,327, comprised of $6,907 refunds not returned timely, $2,542 of refunds improperly returned, and $878 of refunds that should have been returned. The population of Title IV returns tested totaled $166,783, as compared to the University's total Title IV returns and loan adjustments of $578,406 for the year ended June 30, 2012.

Context - Of the 60 students tested for the return of Title IV funds, there were 59 instances in which a timely remittance was made, but the amount was improperly calculated, as the University did not exclude scheduled breaks when determining the percentage of Title IV aid earned. There were two instances in which a remittance was not timely and was for the incorrect amount.

Cause and Effect - Return of Title IV funds was not monitored adequately to ensure that the calculation was proper and correct amounts were remitted to the Department of Education timely.

Recommendation - We recommend that the student financial aid department implement a monitoring process to ensure that the calculations used to return Title IV funds are based on correct data and calculated properly.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-01 (Con't)	**Views of Responsible Officials and Planned Corrective Actions** - We received guidance from the Department of Education in November that we needed to make adjustments to our calculations to incorporate the value of book advances issued with institutional charges. Due to this change, a total review of all the calculations was completed outside of the University's R2T4 process. Since we were outside of the normal process, the two students affected did not have a timely return. In addition, an error was made in the establishing the FA Access calendar. The program review team from the Chicago Office provided education to staff concerning the correct application of student days off and Saturday classes. We have incorporated both items into our R2T4 procedures for establishing the calendar and corrective re-calculations.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2011-01	Student Financial Aid Cluster - 84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379	The University did not calculate and return Title IV refunds properly and within the proper time frame.	Finding has not been corrected.	See Finding 2012-01
2011-02	Student Financial Aid Cluster - Federal Direct Loans - 84.268	The University did not report student status changes to the NSLDS within the required timeframe.	Corrective action has been taken.	NSLDS submissions are submitted monthly based on an automatic notification in the system and reviewed by the financial aid director prior to submission.

WCSU-FM
(a public telecommunications entity operated by Central State University)

Financial Report

June 30, 2012

Contents

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Independent Auditor's Report

To the Board of Trustees
WCSU-FM

We have audited the accompanying statement of net assets of WCSU-FM (the "Station"), a public telecommunications entity operated by Central State University, as of June 30, 2012 and 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of WCSU-FM's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM as of June 30, 2012 and 2011 and the results of its activities, changes in net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2012 on our consideration of WCSU-FM's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
WCSU-FM

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 3-6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Plante & Moran, PLLC

October 12, 2012

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

The Statement of Net Assets

The statement of net assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net assets - the difference between assets and liabilities - are one way to measure the financial activities of the Station. Unrestricted net assets increased by $26,825 due to increased revenue over expenses incurred by the Station from 2011 to 2012 and increased by $5,056 due to increased revenue over expenses incurred by the Station from 2010 to 2011.

Net assets invested in capital assets increased by $20,357 due primarily to additions in capital assets from 2011 to 2012 and increased by $46,453 due to additions (additions for 2012 and 2011 were primarily an upgrade to the studio) in capital assets from 2010 to 2011. Therefore, total net assets increased $47,182 from 2011 to 2012 and increased by $51,509 from 2010 to 2011.

Total assets increased by $52,702 in 2012 and by $23,550 in 2011; the change in 2012 was related primarily to an increase in the amount due from the University (pooled cash and investments) plus an increase in capital assets. The increase in 2011 was related primarily to an increase in capital assets offset by a decrease in the amount due from the University (pooled cash and investments).

Total liabilities increased by $5,520 in 2012, which is attributed to an increase in accounts payable offset by a decrease in deferred revenue. Total liabilities decreased by $27,959 in 2011, which is attributed to a decrease in both deferred revenue and accounts payable.

	2012	2011	2010
Assets			
Current Assets	$ 191,557	$ 159,212	$ 182,115
Capital Assets - Net of depreciation	95,211	74,854	28,401
Total assets	**$ 286,768**	**$ 234,066**	**$ 210,516**
Liabilities and Net Assets			
Current Liabilities	$ 163,678	$ 158,158	$ 186,117
Net Assets			
Invested in capital assets	95,211	74,854	28,401
Unrestricted	27,879	1,054	(4,002)
Total net assets	123,090	75,908	24,399
Total liabilities and net assets	**$ 286,768**	**$ 234,066**	**$ 210,516**

As described further in Note 2, current assets reflect the amount due to the Station from the University's pooled cash and investment system.

Statement of Revenue, Expenses, and Changes in Net Assets

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

	2012	2011	2010
Operating Revenue			
Corporation for Public Broadcasting	$ 145,063	$ 160,004	$ 101,675
State Network Commission and private grants	28,256	21,100	20,468
Underwriting revenue	10,564	-	-
Contributions	17,490	-	-
Contributed services	87,092	99,546	75,246
Nonoperating Revenue			
Miscellaneous	50	5,689	3,159
University support	423,576	396,925	462,016
Total revenue	712,091	683,264	662,564
Operating Expenses			
Programming and production	315,529	303,527	324,036
Program information and promotion	32,634	29,140	35,541
Management and general	316,746	299,088	316,907
Total operating expenses	664,909	631,755	676,484
Increase (Decrease) in Net Assets	47,182	51,509	(13,920)
Net Assets - Beginning of year	75,908	24,399	38,319
Net Assets - End of year	**$ 123,090**	**$ 75,908**	**$ 24,399**

Operating revenue increased by $7,815, or 3 percent, from 2011 to 2012; Corporation for Public Broadcasting (CPB) decreased by $14,941 (9 percent), State Network Commission, private grants revenue increased by $7,156 (34 percent), contributions increased by $17,490 (100 percent) and contributed services decreased by $12,454 (13 percent). The decrease in CPB is attributed to the end of the one-time Stabilization Grant issued by CPB. This decrease was offset by increases in in-kind support from eTech Ohio and contributions from a fundraising event.

Operating revenue increased by $83,261, or 42 percent, from 2010 to 2011; Corporation for Public Broadcasting (CPB) increased by $58,329 (57 percent), State Network Commission and private grants revenue increased by $632 (3 percent), and contributed services increased by $24,300 (32 percent). The increase in CPB was driven through the current period decrease of deferred revenue. In-kind support from eTech Ohio also contributed to the increase.

Statement of Cash Flows

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

	2012	2011	2010
Cash Used in Operating Activities	$ (119,446)	$ (138,256)	$ (194,937)
Cash Provided by Noncapital Financing Activities	192,835	173,362	226,942
Cash Used in Capital and Related Financing Activities	(41,044)	(58,009)	-
Increase (Decrease) in Cash	32,345	(22,903)	32,005
Cash - Beginning of year	159,212	182,115	150,110
Cash - End of year	**$ 191,557**	**$ 159,212**	**$ 182,115**

The Station consumed $119,446 and $138,256 in operating activities in 2012 and 2011, respectively. The primary operating cash receipts consist of grants and contracts of $206,892 and $174,818 for 2012 and 2011, respectively. Cash outlays include payments for wages and to vendors of $326,338 and $313,074 for 2012 and 2011, respectively. The primary noncapital financing activities consist of support from the University.

Cash used in capital activities decreased by $16,965 in 2012 over 2011 due to the purchase of fewer capital assets in 2012.

Economic Factors that Will Affect the Future

While the state and local economies are still static, WCSU-FM had a successful year last year and plans continued growth for the future. The Station upgraded the second studio this year and plans to upgrade the post-production facility and the multi-track studio next year.

There are several fundraising activities scheduled for fiscal year 2013. They include on-air membership drives as well as two major fundraiser events.

The Station is also developing research to identify grant opportunities to help with fundraising in the areas of program and technical support.

Statement of Net Assets

	June 30 2012	June 30 2011
Assets		
Current Assets - Due from the University (Note 2)	$ 191,557	$ 159,212
Capital Assets - Net (Note 3)	95,211	74,854
Total assets	**$ 286,768**	**$ 234,066**
Liabilities and Net Assets		
Current Liabilities		
Deferred revenue	$ 146,891	$ 155,788
Accounts payable	16,787	2,370
Total liabilities	163,678	158,158
Net Assets		
Unrestricted	27,879	1,054
Net investment in capital assets	95,211	74,854
Total net assets	123,090	75,908
Total liabilities and net assets	**$ 286,768**	**$ 234,066**

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

WCSU-FM

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2012	2011
Support and Revenue		
Corporation for Public Broadcasting (Note 4)	$ 145,063	$ 160,004
State Network Commission (Note 5)	28,256	21,100
Underwritting revenue	10,564	-
Contributions	17,490	-
Contributed services (Note 5)	87,092	99,546
Total support and revenue	288,465	280,650
Expenses		
Program services:		
Programming and production	315,529	303,527
Program information and promotion	32,634	29,140
Support services - Management and general	316,746	299,088
Total expenses	664,909	631,755
Operating Loss	(376,444)	(351,105)
Nonoperating Revenue		
Miscellaneous	50	5,689
University support (Note 6)	423,576	396,925
Total nonoperating revenue	423,626	402,614
Increase in Net Assets	47,182	51,509
Net Assets - Beginning of year	75,908	24,399
Net Assets - End of year	**$ 123,090**	**$ 75,908**

Statement of Cash Flows

	Year Ended June 30	
	2012	2011
Cash Flows from Operating Activities		
Grants and contracts	$ 206,892	$ 174,818
Payments to employees and vendors	(326,338)	(313,074)
Net cash used in operating activities	(119,446)	(138,256)
Cash Flows from Noncapital Financing Activities - University support	192,835	173,362
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	(41,044)	(58,009)
Increase (Decrease) in Cash	32,345	(22,903)
Cash - Beginning of year	159,212	182,115
Cash - End of year	**$ 191,557**	**$ 159,212**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (376,444)	$ (351,105)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	20,687	11,556
Noncash indirect institutional support	230,791	229,252
Changes in assets and liabilities:		
Accounts payable	14,417	(4,702)
Deferred revenue	(8,897)	(23,257)
Net cash used in operating activities	**$ (119,446)**	**$ (138,256)**

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

Note 1 - Significant Accounting Policies

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

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

The Station follows all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the Station applies all applicable Financial Accounting Standards Board (FASB) *Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures* issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The Station has elected not to apply FASB pronouncements issued after November 30, 1989.

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

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

- **Invested in Capital Assets** - Capitalized physical assets net of accumulated depreciation

- **Unrestricted** - Net assets that are not subject to externally imposed restrictions. May be designated for specific purposes by the board of trustees.

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

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

Note 1 - Significant Accounting Policies (Continued)

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at fair value at the date of the gift. When capital assets are sold or otherwise disposed of, the net carrying value of such assets is removed from the accounts and the invested in capital assets component of net assets is adjusted as appropriate. Capital assets, with the exception of land, are depreciated on the straight-line method over their estimated useful lives, ranging from 5 to 15 years.

Deferred Revenue - Deferred revenue represents grant money received but not yet expended and as such, revenue will not be recorded until spent.

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

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

Upcoming Accounting Standards - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. This statement introduced and defined those elements as a consumption of net assets by the Station that is applicable to a future reporting period, and an acquisition of net assets by the Station that is applicable to a future reporting period, respectively. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The standard is applicable for periods beginning after December 15, 2011. The Station is currently evaluating the impact this standard will have on the financial statements when adopted during the Station's fiscal year ending June 30, 2013.

Note 2 - Due from the University

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

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2012 and 2011 is summarized as follows:

	2012			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082			$ 15,082
Telecommunications equipment	446,089	41,044	30,317	456,816
Total	461,171	41,044	30,317	471,898
Less accumulated depreciation:				
Office equipment	15,082			15,082
Telecommunications equipment	371,235	20,687	30,317	361,605
Total accumulated depreciation	386,317	20,687	30,317	376,687
Capital assets - Net	$ 74,854	$ 20,357	$ -	$ 95,211

	2011			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	388,080	58,009	-	446,089
Total	403,162	58,009	-	461,171
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	359,679	11,556	-	371,235
Total accumulated depreciation	374,761	11,556	-	386,317
Capital assets - Net	$ 28,401	$ 46,453	$ -	$ 74,854

Note 4 - Corporation for Public Broadcasting Grants

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deferred until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at June 30, 2012 or 2011.

Note 5 - State Network Commission Grant and Private Grants

WCSU-FM receives unrestricted radio station funding through E-Tech Ohio (OET). For the years ended June 30, 2012 and 2011, WCSU-FM received cash support of $23,919 and $22,998, respectively. WCSU-FM received in-kind contributed services support from OET of $73,919 and $89,430 during the years ended June 30, 2012 and 2011, respectively.

Private grants in the amount of $0 and $5,689 in 2012 and 2011, respectively, have been received.

Note 6 - University Support Allocation

The operations of WCSU-FM are supported primarily by the general revenue of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation totaled $192,785 and $167,673 in direct support for 2012 and 2011, respectively, and $230,791 and $229,252 in indirect administrative support for 2012 and 2011, respectively.

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

To the Board of Trustees
WCSU-FM

We have audited the financial statements of WCSU-FM (the "Station") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Station's financial statements will not be prevented or detected and corrected on a timely basis.

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

To the Board of Trustees
WCSU-FM

Compliance and Other Matters

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

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

Plante & Moran, PLLC

October 12, 2012

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Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2012

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