

# *Central State University*

*Financial Statements and Single Audit  
Reports for the Years Ended June 30, 2001  
and 2000 and Independent Auditors' Report*





**STATE OF OHIO**  
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To the President and Board of Trustees  
Central State University  
1400 Brush Row Rd.  
Wilberforce, OH 45384

We have reviewed the independent auditor's report of Central State University, Greene County, prepared by Deloitte & Touche, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

December 19, 2001

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# CENTRAL STATE UNIVERSITY

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## INDEPENDENT AUDITORS' REPORT

To the President and Board of Trustees of  
Central State University and Mr. Jim Petro,  
Auditor of State, State of Ohio:

We have audited the accompanying balance sheets of Central State University (the "University"), a component unit of the State of Ohio, as of June 30, 2001 and 2000, and the related statements of changes in fund balances and current fund revenues, expenditures and other changes for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of Central State University at June 30, 2001 and 2000, and the changes in fund balances and the current fund revenues, expenditures and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Central State University taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2001 is presented for the purpose of additional analysis as required by *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. The information in such schedule is the responsibility of the University's management. Such information has been subjected to the auditing procedures applied in our audit of the 2001 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2001 basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2001, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

October 18, 2001

**Deloitte  
Touche  
Tohmatsu**

# CENTRAL STATE UNIVERSITY

## BALANCE SHEETS

JUNE 30, 2001 AND 2000

	ASSETS		LIABILITIES AND FUND BALANCES	
	2001	2000	2001	2000
CURRENT FUNDS:			CURRENT FUNDS:	
Unrestricted:			Unrestricted:	
Educational and general:			Educational and general:	
Cash and cash equivalents (Note D)	\$ 4,458,969	\$ 3,520,539	Accounts payable	\$ 559,315
State Senate Bill 6 receivable	479,457	1,361,753	Accrued payroll, taxes and benefits	1,207,431
Accounts receivable, net - students	1,264,347	559,215	Due to endowment funds (Note B)	1,919,381
Inventories		6,670	Due to loan fund	4,800
Prepaid expenses	221,244	266,340	Deferred fee income	932,304
Due from endowment funds	57,869	57,869	Accrued vacation and sick leave	1,111,045
Due from current restricted funds	663,461	1,871,175	Due to the Central State University Foundation	150,000
Due from loan funds	101,490		Other accrued liabilities	<u>146,855</u>
			Total liabilities	5,881,131
			Fund balance	<u>1,365,706</u>
Total educational and general	<u>7,246,837</u>	<u>7,643,561</u>	Total educational and general	<u>7,246,837</u>
Auxiliary enterprises:			Auxiliary enterprises:	
Cash and cash equivalents (Note D)	2,005,486	1,271,205	Accounts payable	82,499
Other receivables	26,644	12,167	Accrued payroll, taxes and benefits	10,328
			Accrued vacation and sick leave	51,974
			Deferred fee income	149,324
			Other accrued liabilities	<u>35,070</u>
			Total liabilities	329,195
Total auxiliary enterprises	<u>2,032,130</u>	<u>1,283,372</u>	Fund balance	<u>1,702,935</u>
Total unrestricted	<u>\$ 9,278,967</u>	<u>\$ 8,926,933</u>	Total auxiliary enterprises	<u>2,032,130</u>
			Total unrestricted	<u>\$ 9,278,967</u>

See notes to financial statements.

# CENTRAL STATE UNIVERSITY

## BALANCE SHEETS

JUNE 30, 2001 AND 2000

ASSETS			LIABILITIES AND FUND BALANCES		
	2001	2000		2001	2000
Restricted:			Restricted:		
Cash and cash equivalents (Note D)	\$ 2,267,854	\$ 1,038,239	Accounts payable	\$ 1,312,565	\$ 475,286
Accounts receivable, net	2,938,676	4,225,103	Accrued payroll, taxes and benefits	23,964	8,029
Other receivables	43,507	53,539	Deferred revenue	3,735,607	3,455,084
			Due to loan fund	2,307	
			Due to current unrestricted funds	663,461	1,871,175
			Other accrued liabilities	<u>213,931</u>	<u>602,597</u>
			Total restricted	5,951,835	6,412,171
			Fund deficit	<u>(701,798)</u>	<u>(1,095,290)</u>
Total restricted	<u>5,250,037</u>	<u>5,316,881</u>	Total restricted	<u>5,250,037</u>	<u>5,316,881</u>
TOTAL CURRENT FUNDS	<u>\$ 14,529,004</u>	<u>\$ 14,243,814</u>	TOTAL CURRENT FUNDS	<u>\$ 14,529,004</u>	<u>\$ 14,243,814</u>
LOAN FUNDS:			LOAN FUNDS:		
Cash and cash equivalents (Note D)	\$ 356,515	\$ 205,488	Excess liquid capital liability	\$ 224,607	\$ 179,959
Notes receivable, net	324,384	367,054	Due to current unrestricted funds	101,490	
Due from current funds	<u>7,107</u>	<u>1,688</u>	Fund balance - Perkins Loan Fund	<u>361,909</u>	<u>394,271</u>
TOTAL LOAN FUNDS	<u>\$ 688,006</u>	<u>\$ 574,230</u>	TOTAL LOAN FUNDS	<u>\$ 688,006</u>	<u>\$ 574,230</u>
ENDOWMENT AND SIMILAR FUNDS:			ENDOWMENT AND SIMILAR FUNDS:		
Cash and cash equivalents (Note D)	\$ 823,845	\$ 778,403	Accounts payable	\$	\$ 68
Investments (Note D)	216,083	198,473	Due to current unrestricted funds	57,869	57,869
Due from current unrestricted funds (Note B)	<u>1,919,381</u>	<u>1,919,381</u>			
			Total liabilities	57,869	57,937
			Fund balance	<u>2,901,440</u>	<u>2,838,320</u>
TOTAL ENDOWMENT AND SIMILAR FUNDS	<u>\$ 2,959,309</u>	<u>\$ 2,896,257</u>	TOTAL ENDOWMENT AND SIMILAR FUNDS	<u>\$ 2,959,309</u>	<u>\$ 2,896,257</u>

# CENTRAL STATE UNIVERSITY

## BALANCE SHEETS

JUNE 30, 2001 AND 2000

ASSETS		LIABILITIES AND FUND BALANCES			
	2001	2000		2001	2000
PLANT FUNDS:			PLANT FUNDS:		
Retirement of indebtedness -			Retirement of indebtedness - Fund balance:		
Cash and cash equivalents (Note D)	\$ <u>806,350</u>	\$ <u>904,070</u>	Restricted	\$ 280,172	\$ 221,070
			Unrestricted	<u>526,178</u>	<u>683,000</u>
Total retirement of indebtedness	<u>806,350</u>	<u>904,070</u>	Total retirement of indebtedness	<u>806,350</u>	<u>904,070</u>
Investment in Plant:			Investment in Plant:		
Land	308,650	308,650	Notes payable (Note G)	2,553,920	2,634,922
Building and improvements (Note F)	89,197,031	85,168,763	Bonds payable (Note G)	793,000	938,000
Construction in progress	1,391,059			<u>                    </u>	<u>                    </u>
Equipment	<u>10,267,351</u>	<u>8,648,481</u>	Total liabilities	3,346,920	3,572,922
	<u>                    </u>	<u>                    </u>	Net investment in plant	<u>97,817,171</u>	<u>90,552,972</u>
Total investment in plant	<u>101,164,091</u>	<u>94,125,894</u>	Total investment in plant	<u>101,164,091</u>	<u>94,125,894</u>
TOTAL PLANT FUNDS	<u>\$ 101,970,441</u>	<u>\$ 95,029,964</u>	TOTAL PLANT FUNDS	<u>\$ 101,970,441</u>	<u>\$ 95,029,964</u>

See notes to financial statements.

# CENTRAL STATE UNIVERSITY

## STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2001

	<u>Current Funds</u>		Perkins Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	\$28,141,230	\$	\$	\$	\$
Endowment income				63,479	
State appropriations		2,053,093			
Federal grants and contracts		13,811,780			
Private gifts, grants and contracts		895,790			
Additions of plant facilities					7,195,355
Other			<u>199,168</u>		<u>48,454</u>
Total revenues and other additions	28,141,230	16,760,663	199,168	63,479	7,243,809
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	23,022,074				
Auxiliary enterprise expenditures	4,114,153				
Current restricted grant fund		16,266,734			
Expended for plant facilities and debt					166,107
Disposal of plant facilities					
Excess liquid capital			224,607		157,158
Increase in loan loss reserve			9,230		
Other				<u>359</u>	
Total expenditures and other deductions	27,136,227	16,266,734	233,837	359	323,266
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):					
Mandatory transfers - principal and interest	(245,936)				245,936
Nonmandatory - restricted funds	98,130	(100,437)	2,307		
Total transfers	(147,806)	(100,437)	2,307		245,936
NET INCREASE (DECREASE) IN FUND BALANCE (DEFICIT):					
	857,197	393,492	(32,362)	63,120	7,166,479
FUND BALANCE (DEFICIT):					
June 30, 2000	2,211,444	(1,095,290)	394,271	2,838,320	91,457,042
June 30, 2001	<u>\$ 3,068,641</u>	<u>\$ (701,798)</u>	<u>\$ 361,909</u>	<u>\$2,901,440</u>	<u>\$98,623,521</u>

See notes to financial statements.

# CENTRAL STATE UNIVERSITY

## STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2000

	<u>Current Funds</u>		Perkins Loan Funds	Endowment and Similar Funds	Plant Funds
	Unrestricted	Restricted			
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	\$26,914,700	\$	\$	\$	\$
Endowment income				44,597	
State appropriations		1,062,984			
Federal grants and contracts		11,514,866			
Private gifts, grants and contracts		251,096			
Additions of plant facilities					750,420
Other			<u>23,205</u>		<u>48,558</u>
Total revenues and other additions	26,914,700	12,828,946	23,205	44,597	798,978
EXPENDITURES AND OTHER DEDUCTIONS:					
Educational and general expenditures	22,047,830				
Auxiliary enterprise expenditures	3,645,820				
Current restricted grant fund		11,912,725			
Expended for plant facilities and debt					171,764
Disposal of plant facilities					510,000
Excess liquid capital			179,958		
Reduction of loan loss reserve			(88,122)		
Other				<u>186</u>	<u>3,675</u>
Total expenditures and other deductions	25,693,650	11,912,725	91,836	186	685,439
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):					
Mandatory transfers - principal and interest	(219,075)				219,075
Nonmandatory - restricted funds	<u>524,541</u>	<u>(524,541)</u>			
Total transfers	305,466	(524,541)			219,075
NET INCREASE (DECREASE) IN FUND BALANCE (DEFICIT):					
	1,526,516	391,680	(68,631)	44,411	332,614
FUND BALANCE (DEFICIT):					
June 30, 1999	<u>684,928</u>	<u>(1,486,970)</u>	<u>462,902</u>	<u>2,793,909</u>	<u>91,124,428</u>
June 30, 2000	<u>\$ 2,211,444</u>	<u>\$ (1,095,290)</u>	<u>\$ 394,271</u>	<u>\$ 2,838,320</u>	<u>\$ 91,457,042</u>

See notes to financial statements.

# CENTRAL STATE UNIVERSITY

## STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2001

	Unrestricted	Restricted	Total Funds
<b>REVENUES AND OTHER ADDITIONS:</b>			
Tuition and fees	\$ 4,745,946	\$	\$ 4,745,946
Senate Bill 6 revenue	254,265		254,265
Federal grants and contracts	43,361	13,811,780	13,855,141
State appropriations	18,256,914	2,053,093	20,310,007
Private gifts and grants		895,790	895,790
Sales and services	3,441,355		3,441,355
Indirect costs	567,367		567,367
Other sources	832,022		832,022
 Total revenues	<u>28,141,230</u>	<u>16,760,663</u>	<u>44,901,893</u>
 <b>EXPENDITURES AND MANDATORY TRANSFERS:</b>			
Educational and general:			
Instruction	5,882,842	72,371	5,955,213
Research	260,634	671,232	931,866
Public service	367,233	6,756,397	7,123,630
Academic support	1,656,154	3,951,892	5,608,046
Student service	2,245,749	715,214	2,960,963
Institutional support	6,421,724	747,284	7,169,008
Operation and maintenance of plant	4,406,181		4,406,181
Scholarships and fellowships	<u>1,781,557</u>	<u>3,352,344</u>	<u>5,133,901</u>
 Total educational and general	<u>23,022,074</u>	<u>16,266,734</u>	<u>39,288,808</u>
 Auxiliary Enterprises:			
Student services	4,114,153		4,114,153
Mandatory transfers for principal and interest	<u>245,936</u>		<u>245,936</u>
 Total auxiliary enterprises	<u>4,360,089</u>		<u>4,360,089</u>
 Total expenditures and mandatory transfers	<u>27,382,163</u>	<u>16,266,734</u>	<u>43,648,897</u>
 NONMANDATORY TRANSFERS	<u>98,130</u>	<u>(100,437)</u>	<u>(2,307)</u>
 NET INCREASE IN FUND BALANCE	<u>\$ 857,197</u>	<u>\$ 393,492</u>	<u>\$ 1,250,689</u>

See notes to financial statements.

# CENTRAL STATE UNIVERSITY

## STATEMENT OF CURRENT FUNDS, REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2000

	Unrestricted	Restricted	Total Funds
REVENUES AND OTHER ADDITIONS:			
Tuition and fees	\$ 4,785,121	\$	\$ 4,785,121
Senate Bill 6 revenue	527,917		527,917
Federal grants and contracts	39,833	11,485,474	11,525,307
State appropriations	17,665,248	1,062,984	18,728,232
Private gifts and grants		280,488	280,488
Sales and services	2,966,955		2,966,955
Indirect costs	480,467		480,467
Other sources	449,159		449,159
 Total revenues	 <u>26,914,700</u>	 <u>12,828,946</u>	 <u>39,743,646</u>
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and general:			
Instruction	5,627,134	240,511	5,867,645
Research	78,797	198,308	277,105
Public service	478,316	6,318,437	6,796,753
Academic support	1,899,683	1,426,086	3,325,769
Student service	2,214,727	652,715	2,867,442
Institutional support	6,343,808	37,057	6,380,865
Operation and maintenance of plant	3,762,484	513	3,762,997
Scholarships and fellowships	<u>1,642,881</u>	<u>3,039,098</u>	<u>4,681,979</u>
 Total educational and general	 <u>22,047,830</u>	 <u>11,912,725</u>	 <u>33,960,555</u>
Auxiliary Enterprises:			
Student services	3,645,820		3,645,820
Mandatory transfers for principal and interest	<u>219,075</u>		<u>219,075</u>
 Total auxiliary enterprises	 <u>3,864,895</u>		 <u>3,864,895</u>
 Total expenditures and mandatory transfers	 <u>25,912,725</u>	 <u>11,912,725</u>	 <u>37,825,450</u>
NONMANDATORY TRANSFERS	<u>524,541</u>	<u>(524,541)</u>	
NET INCREASE IN FUND BALANCE	<u>\$ 1,526,516</u>	<u>\$ 391,680</u>	<u>\$ 1,918,196</u>

See notes to financial statements.

# CENTRAL STATE UNIVERSITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2001 AND 2000

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements follow the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity,” in that the financial statements include all organizations, activities, functions and component units for which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit’s board, and either (1) the University’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the University.

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

*Accounting Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures and other changes in fund balances during the reporting period. Actual results could differ, although management believes that such estimates and assumptions are reasonable.

*Basis of Presentation* – The accompanying financial statements of the University have been prepared on an accrual basis in accordance with the principles of fund accounting. The accounts of the University are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. For reporting purposes, funds with similar characteristics are combined in fund groups and all financial transactions are recorded by such fund groups, described as follows:

**Current Funds:**

*Unrestricted:* The unrestricted fund is used to account for transactions related to the primary and supporting missions of an educational institution. Assets of the unrestricted fund include operating resources that are not restricted to use by either a donor or an external agency.

*Restricted:* The restricted fund accounts for resources that are available to finance current operations of the University, but whose use has been restricted to some designated activity by donors and other external agencies.

*Auxiliary Enterprises:* An auxiliary enterprise is an accounting entity within the current fund for activities conducted primarily to provide goods, facilities and services to and generate revenue from students, faculty, and staff and, to a lesser extent, the general public. The distinguishing characteristic of an auxiliary enterprise is that it is managed as, and intended to be, an essentially self-supporting activity.

**Loan Funds** include resources available for loans to students. Loans granted are receivables of the Fund until repaid, at which time the money is repaid to the federal government. At June 30, 2001 and 2000, all outstanding loans are Perkins loans.

**Endowment Funds** include resources invested with only the investment income available for purposes established by the donor, or in the case of funds functioning as endowment, by the University. These purposes include loans, scholarships, and departmental support. All realized gains and losses of investments in this fund group are treated as principal transactions.

**Plant Funds** include funds restricted or designated for retirement of indebtedness incurred in connection with the acquisition of properties, reserves for repairs and replacements, and the University's investment in institutional properties and related indebtedness.

**Cash and Cash Equivalents** include cash on hand, interest bearing money market accounts, and short-term investments with an original maturity of three months or less from the date of acquisition.

**Accounts and Notes Receivable** include student accounts receivable, notes receivable (Perkins Loans) and other receivables recorded net of allowances for doubtful accounts. Below is a summary of the allowances for doubtful accounts by fund:

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Student accounts receivable - current unrestricted fund	\$5,009,671	\$ 4,697,003
Notes receivable - loan fund	1,017,847	1,136,521
Accounts receivable - restricted fund	701,798	850,987

Transactions between funds outstanding at June 30, 2001 and 2000 are referred to as "due to/from other funds."

**Property, Plant and Equipment** are recorded at cost or, if acquired by gift, at an appraisal value at the date of the gift. Subsequent additions are recorded at cost. When assets are sold or otherwise disposed of, the net investment in the plant fund is reduced accordingly. The University follows the predominant present public educational institution practice of not providing for depreciation.

**Deferred Fee Income** consists of student tuition and fees for the summer quarter received prior to commencement of classes. It is based on students who are registered or have pre-registered for the summer quarter prior to fiscal year-end.

**Works of Art** – The University has various works of art displayed throughout the campus. These works of art have not been capitalized as they are not held for financial gain.

**Income Taxes** – The University is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The University is subject to taxes on unrelated business income. The University did not have unrelated business income for the years ended June 30, 2001 and 2000.

**Accounting Pronouncements** – GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, became effective July 1, 2000. This statement sets accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. It primarily addresses the timing of recognition of these transactions. A nonexchange transaction would exist when the University gives or receives value without directly receiving or giving essentially equal value in return. Although the University adopted GASB Statement No. 33 for the year ended June 30, 2001, it did not have a material impact on the University’s financial statements.

In November 1999, the GASB issued Statement No. 35, “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities.” This statement requires public colleges and universities to adopt GASB Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.” Statement No. 35 will significantly change certain accounting and financial reporting standards for public colleges and universities. This new standard is designed to provide financial information that responds to the needs of primary users of general-purpose external financial reports. The Statement is effective for fiscal years beginning after June 15, 2001. It is expected that the adoption of Statement No. 35 will have a material effect on the University’s consolidated financial statements. Among other things, net assets (currently referred to as fund balances) will be reduced due to the requirement of this Statement to recognize depreciation on all capital assets. Additionally, the content and presentation of the basic consolidated financial statements will be significantly revised under this Statement, including the addition of management’s discussion and analysis as required supplementary information. The University will implement GASB Statement No. 35 on time.

**Risk Management** – The University is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The University is self-insured for student health insurance claims; the recorded liability for these claims is \$47,285 and \$44,421 as of June 30, 2001 and 2000, respectively.

## **B. ENDOWMENT FUND LOANS**

Due to cash flow shortages and operating deficits, the Board approved borrowing from the Endowment Fund to the Current Unrestricted Fund in fiscal 1993, 1994, and 1995 that totaled approximately \$1,900,000. Repayments have been made to the Endowment Fund in the form of cash transfers and the funding of Endowment Fund expenses by the Current Unrestricted Fund. As of June 30, 2001 and 2000, the net amount due to the Endowment Fund from the Current Unrestricted fund is \$1,919,381. No finalized repayment plan has been approved by the University’s Board of Trustees.

## **C. STATE SUPPORT**

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

In March 1997, the Ohio General Assembly approved a bill providing \$10.3 million in additional appropriations for emergency aid to the University to pay past due bills and provide operating funds. The University made draws for \$393,022 during the year ended June 30, 2001, leaving an undrawn balance of \$1,231,797 as of June 30, 2001. By approval of this bill, the State also forgave a \$1.5 million loan that was made in April 1995 by the State to the University.

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

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

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

## **D. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

In accordance with the State of Ohio's and the University's policy, the University is authorized to invest in obligations of the U.S. Treasury, Agencies and Instrumentalities, Municipal and State Bonds, Certificates of Deposit collateralized at market value, Repurchase Agreements, Reverse Repurchase Agreements and Forward Commitments. Statutes also authorize the University to invest Endowment funds in the above investments, as well as Commercial Paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, Banker's Acceptances, Eurodollars, Corporate Bonds, Common and Preferred Stock, Mutual Funds and Real Estate upon specific authorization of the Board of Trustees. The classification of cash and cash equivalents, and investments in the financial statements is based on the criteria set forth in GASB Statement No. 3. Cash equivalents are defined to include investments with original maturities of three months or less.

The carrying amounts at June 30, 2001 and 2000 of the University's cash deposits, exclusive of money market funds, mutual funds and common stock for all funds, were \$8,989,652 and \$5,992,676, respectively. At June 30, 2001 and 2000, bank balances for all funds, exclusive of money market funds, mutual funds and common stock, were \$10,606,560 and \$7,689,521, respectively. Of this amount, \$302,070 and \$311,550 were covered by federal depository insurance and \$10,304,490 and \$7,377,971 were covered by collateral held in single financial institutions' collateral pools with securities being held by the pledging financial institutions' agent in the pool's name at June 30, 2001 and 2000, respectively. These arrangements are in compliance with Ohio Revised Code.

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

These categories are as follows:

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

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

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

The fair value of investments at June 30, 2001 and 2000 are as follows:

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Money market account	\$1,729,436	\$1,725,268
Mutual Funds	204,453	148,800
Common stock	<u>11,630</u>	<u>49,673</u>
	<u>\$1,945,519</u>	<u>\$1,923,741</u>

The money market investment accounts are held by the custodial banks or their agents who internally designate the investments as owned by or pledged to the University (Category 3). Of the money market accounts held at June 30, 2001 and 2000, \$893,877 and \$935,587, respectively, are restricted for debt reserve payments.

Money market accounts (before netting of outstanding checks) and common stock are allocated among the various funds of the University as follows:

	<u>June 30, 2001</u>			<u>June 30, 2000</u>		
	<b>Money Market Accounts</b>	<b>Mutual Funds</b>	<b>Common Stock</b>	<b>Money Market Accounts</b>	<b>Mutual Funds</b>	<b>Common Stock</b>
Endowment and similar funds	\$ 835,549	\$204,453	\$11,630	\$ 789,681	\$148,800	\$49,673
Plant funds	<u>893,887</u>	<u>          </u>	<u>          </u>	<u>935,587</u>	<u>          </u>	<u>          </u>
Total	<u>\$1,729,436</u>	<u>\$204,453</u>	<u>\$11,630</u>	<u>\$1,725,268</u>	<u>\$148,800</u>	<u>\$49,673</u>

## **E. INTERFUND RECEIVABLES AND PAYABLES**

All interfund borrowings, except the transaction noted in Footnote B, have been made from the unrestricted educational and general fund and are payable currently.

## **F. IMPAIRED VALUE OF ASSETS**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and For Long-Lived Assets to Be Disposed Of", the University identified six buildings, mainly dormitories, that had been impaired and recognized a loss for their impairment. In 1996, the State of Ohio architect indicated that several buildings were in violation of numerous safety code requirements. The impairment amount was based upon the expected future cash flows of the impaired assets. The impairment loss was recorded in the year ended June 30, 1999. The impairment reserve recorded at June 30, 2001 and 2000 for these buildings is \$2,330,000.

## G. LONG-TERM DEBT

Long-term debt consists of the following:

	<u>June 30,</u> <u>2001</u>	<u>June 30,</u> <u>2000</u>
<b>Central State University Revenue Bonds of 1962</b>		
Revenue Bonds, Series D, 3.5%, payable in varying installments through December 1, 2002	\$ 90,000	\$ 135,000
Revenue Bonds, Series E, 3.4%, payable in varying installments through December 1, 2002	73,000	118,000
<b>Central State University Revenue Bonds of 1970</b>		
Revenue Bonds, Series F, 3.0%, payable in varying installments through December 1, 2010	<u>630,000</u>	<u>685,000</u>
Total bonds payable	<u>\$ 793,000</u>	<u>\$ 938,000</u>
Note payable to HUD, 3.0%, payable in varying installments through June 12, 2010	\$ 214,511	\$ 234,988
Note payable to the Department of Education, 5.5%, payable in varying installments through November 1, 2021	<u>2,339,409</u>	<u>2,399,934</u>
Total notes payable	<u>\$2,553,920</u>	<u>\$2,634,922</u>

At June 30, 2001, maturities of long-term debt, excluding interest payments of approximately \$1,622,305, are as follows:

<b>Fiscal Year</b>	<b>Notes</b>	<b>Bonds</b>
2002	\$ 84,996	\$145,000
2003	89,196	128,000
2004	93,614	60,000
2005	98,263	60,000
2006	103,153	60,000
2007 and thereafter	<u>2,084,698</u>	<u>340,000</u>
	<u>\$2,553,920</u>	<u>\$793,000</u>

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

The University is required to maintain a Debt Service Payment account and a Debt Service Reserve account under the Department of Education note. The University is required to deposit \$23,923 semi-annually in the Debt Service Payment account for the principal and interest payments. The University has accumulated the required reserve in the Debt Service Reserve account (\$191,704). The University is now required to deposit \$28,010 annually into a Repair and Replacement Reserve account until \$280,100 has been accumulated in that account (\$88,468 accumulated at June 30, 2001).

The University is required to provide the Department of Education with audited financial statements within 90 days after year-end.

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

- a. The University is required to make deposits on May 15 and November 15 of each year to the Debt Service Fund, in an amount equal to the principal plus interest payments due in the current year for certain series of revenue bonds.
- b. The Debt Service Reserve Fund is equal to the maximum principal and interest requirements for any consecutive two-year certain series of dormitory revenue bonds.
- c. The Contingency Repair and Replacement Fund is equal to one quarter of one percent of the cost of construction on all dormitory facilities then under construction plus three percent of the cost of movable equipment for all dormitory facilities.

The University is required to provide the trustees and the original purchasers of the bonds with an annual report of the accounts and operations of the dormitory facilities within 120 days after year-end. The University violated this covenant, as this report was not submitted. Because of this violation, the University's lending institutions may declare the University's debt to be immediately due and payable.

## **H. COMPENSATED ABSENCES FOR VACATION AND SICK LEAVE**

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

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

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

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

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

## I. RETIREMENT PLANS

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

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

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

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

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

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

During the year ended June 20, 2001, PERS implemented a temporary employer contribution rollback for calendar year 2000. The 20% rollback resulted in an annualized employer contribution rate of 10.65%.

The University's contributions, representing 100% of employer contributions, for the periods ended June 30, 2001, June 30, 2000 and June 30, 1999, are as follows:

	PERS	STRS
2001	\$581,702	\$670,303
2000	514,817	516,516
1999	999,126	721,499

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

Under the provisions of ARP, the required contribution rates for plan participants are 9.3% and 8.5% of employees' covered compensation for employees who would otherwise participate in STRS and PERS, respectively. The University contributes 8.0% of a participating faculty members' compensation and 13.31% of a participating contract staff member's compensation to the participant's account. The University is also required to contribute an additional 7.57% of employees' covered compensation to STRS. Plan participants' contributions were \$293,381 and \$232,114, and the University's contributions to the ARP were \$437,779 and 257,869, respectively, for the years ended June 30, 2001 and 2000. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$19,697 and \$12,881, respectively, for the years ended June 30, 2001 and 2000.

## **J. OTHER POST-EMPLOYMENT BENEFITS**

PERS currently provides postemployment health care benefits to retirees with ten or more years of qualifying service credit and to primary survivors of those retirees. PERS determines the amount, if any, of the associated health care costs that will be absorbed by PERS. Under Ohio Revised Code (ORC), funding for medical costs paid from the funds of PERS is included in the employer contribution rate. For the fiscal year ended December 31, 2000, PERS allocated 4.3% and 40.38% (27.39% for law enforcement) of the employer contribution rate to fund the health care program and postemployment benefits for retirees, respectively. The contributions allocated to retiree health benefits, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

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

PERS expenditures for postemployment health care benefits during 1999 were \$523.6 million. The unaudited estimated net assets available for these benefits at December 31, 1999 were \$10.8 billion. There were 401,339 active contributing members. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12.5 billion and \$1.7 billion, respectively.

STRS currently provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Pursuant to ORC, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums. Under ORC, medical costs paid from the funds of STRS are included in the employer contribution rate. For the fiscal year ended June 30, 2000, STRS allocated employer contributions equal to 8.0% of covered payroll to a Health Care Reserve Fund (HCRF) from which payments for health care benefits are paid. The balance in the HCRF was \$3.419 billion at June 30, 2000. For the fiscal year ended June 30, 2001, STRS allocated employer contributions equal to 8.0% of covered payroll to the HCRF.

STRS expenditures for postemployment benefits during the year ended June 30, 2000 were \$283 million. There were 99,011 benefit recipients eligible for postemployment benefits at that date.

**K. GRANTS AND CONTRACTS**

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

**L. COMMITMENTS AND CONTINGENCIES**

*Commitments* – The University has encumbered \$4,172,594 and \$5,729,120 of funds as of June 30, 2001 and 2000, 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 balance sheet.

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

**M. 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. Assets totaling approximately \$2,341,000 and \$2,170,000 as of June 30, 2001 and 2000, respectively, are held by the Foundation and are not recorded in the accompanying balance sheet. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to \$187,643 and \$156,665 for the year ended June 30, 2001 and 2000, respectively.

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**CENTRAL STATE UNIVERSITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2001**

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Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number	Expenditures
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER:</b>		
<b>U.S. Department of Education Direct Programs:</b>		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 554,493
Federal Family Education Loans (Note B)	84.032	
Federal Work Study	84.033	549,607
Federal Perkins Loans (Note C)	84.038	
Federal Pell Grant	84.063	<u>1,715,427</u>
Total U.S. Department of Education - Direct Programs Student Financial Assistance Cluster		<u>2,819,527</u>
 <b>HIGHER EDUCATION - INSTITUTIONAL AID:</b>		
<b>U.S. Department of Education Direct Programs:</b>		
Early Start	84.031B	1,433
Enhancement Performing Arts Department	84.031B	33,591
Faculty Development	84.031B	148,325
First Year Experience	84.031B	189,029
Honors Program	84.031B	24,534
Institutional Advancement	84.031B	114,618
Library Acquisition Enhancement	84.031B	142,996
One Stop Student Service Center	84.031B	145,996
Program Administration	84.031B	105,771
Strengthen Administrators	84.031B	27,299
Student Leadership	84.031B	108,145
Supplemental Instruction	84.031B	119,754
Technology Upgrade	84.031B	180,215
Transfer Articulation	84.031B	<u>111,055</u>
Total U.S. Department of Education Direct Programs		<u>1,452,761</u>
<b>TOTAL HIGHER EDUCATION - INSTITUTIONAL AID</b>		<u>1,452,761</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

# CENTRAL STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

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Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number	Expenditures
<b>TRIO CLUSTER:</b>		
<b>U.S. Department of Education Direct Programs:</b>		
TRIO: Student Support Services	84.042A	\$ 255,890
TRIO: Upward Bound	84.047A	<u>449,832</u>
Total U.S. Department of Education Direct Programs		<u>705,722</u>
<b>TOTAL TRIO CLUSTER</b>		<u>705,722</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER:</b>		
<b>National Aeronautics and Space Administration:</b>		
Ohio Space Grant	43.001	<u>8,536</u>
Total National Aeronautics and Space Administration		<u>8,536</u>
<b>National Oceanic and Atmospheric Administration:</b>		
Global Warming	11.432	160
Identification of Soil	11.432	59
Oak Ridge National Laboratory	11.432	<u>295</u>
Total National Oceanic and Atmospheric Administration		<u>514</u>
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>		<u>9,050</u>
<b>U.S. Department of Education Direct Programs:</b>		
MISP Project	84.120A	20,739
Center for African Studies	84.015A	<u>(4,565)</u>
Total U.S. Department of Education Direct Programs		<u>16,174</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Continued)

# CENTRAL STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

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Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Health and Human Services:</b>		
Family and Community Violence Prevention	93.910	\$ 6,856,178
Family Life Center	93.910	<u>173,109</u>
Subtotal		7,029,287
Center for Substance Abuse Prevention	93.144	3,012
Health Care/Other Facilities	93.887	<u>1,697,827</u>
Total U.S. Department of Health and Human Services		<u>8,730,126</u>
<b>U.S. Department of Energy:</b>		
Student Outreach with Renewable Energy Technology	81.087	94,863
HBCU Photovoltaic Association	81.087	<u>44,058</u>
Total U.S. Department of Energy		<u>138,921</u>
<b>U.S. Department of Defense:</b>		
LEAN Transition	12.000	57,730
Summer Engineering Camp	12.000	18,977
Integrated Product/Process Design	12.000	<u>97,325</u>
Subtotal		174,032
SEMAC Urban Education	12.300	<u>59,163</u>
Total U.S. Department of Defense		<u>233,195</u>
<b>U.S. Department of Environmental Protection Agency</b>		
US EPA Training Program	66.607	<u>16,572</u>
<b>U.S. Department of Housing and Urban Development -</b>		
Tawawa Development Corporation	14.237	<u>12,928</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 14,134,976</u>

See notes to the Schedule of Expenditures of Federal Awards.

(Concluded)

# CENTRAL STATE UNIVERSITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2001

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### A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Central State University under programs financed by the U.S. government for the year ended June 30, 2001, and is prepared on the accrual basis of accounting.

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

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

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

### B. FEDERAL FAMILY EDUCATION LOANS

Federal Family Education Loans (Federal CFDA Number 84.032) processed for students by the University during the year ended June 30, 2001, are summarized as follows:

Federal Stafford Loans	\$1,679,519
Federal Unsubsidized Stafford Loans	1,219,471
Federal Parental Loans for Undergraduate Students (PLUS)	<u>434,591</u>
	<u>\$3,333,581</u>

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

### C. PERKINS LOAN PROGRAM

The University administers the Perkins Loan Program (Federal CFDA Number 84.038). Outstanding loans as of June 30, 2001 were \$1,357,129.

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

To the President and Board of Trustees of  
Central State University and Mr. Jim Petro,  
Auditor of State, State of Ohio:

We have audited the financial statements of Central State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of immaterial noncompliance, which we have reported to management of the College, in a separate letter dated October 18, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we have communicated other observations involving the internal control over financial reporting to the management of the University in a separate letter dated October 18, 2001.

\* \* \* \* \*

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

DELOITTE & TOUCHE LLP

October 18, 2001



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

To the President and Board of Trustees of  
Central State University and Mr. Jim Petro,  
Auditor of State, State of Ohio:

**Compliance**

We have audited the compliance of Central State University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2001. The University's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-1.

## **Internal Control Over Compliance**

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

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

\* \* \* \* \*

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

DELOITTE & TOUCHE LLP

October 18, 2001

# CENTRAL STATE UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2001

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### Section I – Summary of Auditors' Results

#### Financial Statements

Type of auditor's report issued – Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted – None

#### Federal Awards

Internal control over major programs:

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

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

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

#### Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.038, 84.063	Student Financial Assistance Cluster
93.910	Family and Community Violence Prevention
93.887	Health Care/Other Facilities

Dollar threshold used to distinguish between type A and type B programs: \$424,049

Auditee qualified as low-risk auditee – No

# CENTRAL STATE UNIVERSITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2001

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### Section II – Financial Statement Findings

None

### Section III – Federal Award Findings and Questioned Costs

#### 2001-1

#### **Federal Program:**

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

#### **Requirement:**

Beginning July 1, 2000 a university receiving Federal Work Study funds is required to use seven percent of these funds to compensate students employed in community service activities (34 CFR 675.18(g) ). In meeting the seven percent community service requirement, the university must ensure that one or more of its FWS students is employed as a reading tutor for preschool or elementary school children, or in a Family Literacy Project.

#### **Condition:**

During review of the Activities Allowed or Unallowed for Title IV Programs, noted that the Community Service section of the Federal Work Study program required at least one student to be employed as a reading tutor for preschool or elementary school children, or in a Family Literacy Project. In order to meet this requirement, Central State University had two students lined up to work for the America Reads program, but neither one of the students worked for the program during the 2000-2001 school year.

#### **Context:**

It was determined that no student worked as a reading tutor for preschool or elementary school children, or in a Family Literacy Project, and at least one student is required to work in that capacity.

#### **Cause:**

The University did not ensure that at least one student worked as a reading tutor for preschool or elementary school children, or in a Family Literacy Project during the 2000-2001 school year.

#### **Recommendation:**

The University should ensure that at least one student receiving wages through the Federal Work Study program works as a reading tutor for preschool or elementary school children, or in a Family Literacy Project during the required school year

#### **Management Response:**

See corrective action plan on page 29.

# CENTRAL STATE UNIVERSITY

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2001

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### 2000-1

#### **Federal Program:**

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

#### **Condition:**

During testing of the refund calculations, noted that several errors were made in the application of the refund calculation methodology. Errors noted were as follows:

- Misapplication of the pro-rata refund percentages for two students
- Failure to properly accumulate University charges for three students
- Refund calculation performed, but not posted to student's account

**Current Year Status:** The University has implemented two steps intended to correct this issue and they are 1) implement a new DOE refund policy that is not dependent upon charges, 2) perform quarterly secondary reviews by the cash management to help ensure refund calculations are correct. CSU has the new DOE refund system in place and will be ready to implement it when the Fall 2001 quarter begins. The new system does not require a secondary review, but CSU is going to have cash management review the refund calculations when they are calculated to ensure they are correct. In addition, University personnel have attended several conferences for employee training.

# CENTRAL STATE UNIVERSITY

## CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2001

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<b>Issue 2001-1</b>	<b>Action Step</b>	<b>Individual Responsible</b>	<b>Estimated Completion Date</b>
1. No student receiving wages through the Federal Work Study program worked as a reading tutor for preschool or elementary school children, or in a Family Literacy Project during the 2000-2001 school year.	<ul style="list-style-type: none"><li>• Employ multiple students in the America Reads program and ensure at least one student remains employed for the entire school year.</li></ul>	D. Merchant	Fall 2001



# ***WCSU-FM***

*A Public Telecommunications Entity  
Operated by Central State University  
Report on Audit of Financial Statements for  
the Year Ended June 30, 2001*

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

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Central State University:

We have audited the accompanying balance sheet of WCSU-FM, a public telecommunications entity operated by Central State University, as of June 30, 2001, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year 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 audit.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of WCSU-FM at June 30, 2001, and the changes in revenues, expenses and fund balance and financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in such schedule is the responsibility of WCSU-FM's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2001, on our consideration of WCSU-FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

October 18, 2001

# WCSU-FM

## A Public Telecommunications Entity Operated by Central State University

### BALANCE SHEET

JUNE 30, 2001

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<b>ASSETS</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
Current assets - due from University	\$ 130,096	\$ 49,591	\$ 179,687
Property and equipment	<u>299,766</u>	<u>          </u>	<u>299,766</u>
Total assets	<u>\$ 429,862</u>	<u>\$ 49,591</u>	<u>\$ 479,453</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Current liabilities:			
Accounts payable	\$ 32,676	\$ 2,886	\$ 35,562
Deferred revenues	<u>62,079</u>	<u>46,705</u>	<u>108,784</u>
Total current liabilities	94,755	49,591	144,346
Fund balance	<u>335,107</u>	<u>          </u>	<u>335,107</u>
Total liabilities and fund balance	<u>\$ 429,862</u>	<u>\$ 49,591</u>	<u>\$ 479,453</u>

See notes to financial statements.

# WCSU-FM

## A Public Telecommunications Entity Operated by Central State University

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2001

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	Unrestricted	Restricted	Total
REVENUES:			
Corporation for Public Broadcasting	\$ 141,350	\$ 16,185	\$ 157,535
State Network Commission	37,830		37,830
Contributed services	112,384		112,384
Miscellaneous	<u>3,460</u>	<u>          </u>	<u>3,460</u>
Total revenues	<u>295,024</u>	<u>16,185</u>	<u>311,209</u>
UNIVERSITY SUPPORT:			
Direct	175,052		175,052
Indirect	<u>220,673</u>	<u>          </u>	<u>220,673</u>
Total University support	<u>395,725</u>	<u>          </u>	<u>395,725</u>
TOTAL REVENUES AND UNIVERSITY SUPPORT	<u>690,749</u>	<u>16,185</u>	<u>706,934</u>
EXPENSES:			
Programs services:			
Programming, production and broadcasting	372,522	16,185	388,707
Public information and promotion	<u>25,416</u>	<u>          </u>	<u>25,416</u>
Total program services	397,938	16,185	414,123
Supporting services - management and general	<u>266,558</u>	<u>          </u>	<u>266,558</u>
TOTAL EXPENSES	<u>664,496</u>	<u>16,185</u>	<u>680,681</u>
REVENUES AND UNIVERSITY SUPPORT IN EXCESS OF EXPENSES	26,253		26,253
FUND BALANCE:			
Beginning year	<u>308,854</u>	<u>          </u>	<u>308,854</u>
End of year	<u>\$ 335,107</u>	<u>\$          </u>	<u>\$ 335,107</u>

See notes to financial statements.

# WCSU-FM

## A Public Telecommunications Entity Operated by Central State University

### STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2001

---

#### FINANCIAL RESOURCES WERE PROVIDED BY:

Increase in revenues and University support over expenses	\$ 26,253
Adjustments to reconcile increase in revenues and University support over expenses to net cash provided by operating activities:	
Changes in assets - due from University	6,947
Changes in liabilities:	
Deferred revenues	(740)
Accounts payable	<u>21,945</u>
Total resources provided by operating activities	<u>54,405</u>

#### FINANCIAL RESOURCES WERE USED FOR - Purchase of property and equipment

(54,405)

#### NET CHANGE IN CASH

-

#### CASH BALANCE:

Beginning of year	<u>-</u>
End of year	<u>\$ -</u>

See notes to financial statements.

# WCSU-FM

## A Public Telecommunications Entity Operated by Central State University

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

---

#### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Description of Entity** – These financial statements reflect only the financial activities of WCSU-FM (the “Station”), a radio station owned and operated by Central State University (the “University”), a state supported public university. The Station is located on the campus of the University in Wilberforce, Ohio.

**Basis of Accounting** – The financial statements of the Station have been prepared on the accrual basis of accounting. The Station prepares its financial statements in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Accounting Principles by Government Entities*. This statement requires that governmental entities that had previously applied not-for-profit accounting and financial reporting principles by following Statement of Position (“SOP”) No. 78-10, as issued by the American Institute of Certified Public Accountants (“AICPA”) must either follow the AICPA not-for-profit model or the governmental model. The Station elected to use the not-for-profit model, which includes the accounting and financial reporting principles contained in SOP 78-10, as modified by all applicable Financial Accounting Standards Board pronouncements issued through November 30, 1989, and as modified by all GASB pronouncements issued after GASB Statement No. 1, *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*.

**Fund Accounting** – To ensure observance of limitations and restrictions placed on the use of resources available to the Station, the accounts of the Station are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balance of the Station are reported in two self-balancing operating funds, which include unrestricted and restricted resources. These funds represent resources available for support for Station operations. Restricted funds consist of funds received from the Corporation for Public Broadcasting, which are restricted for national programming activities.

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

**B. DUE FROM UNIVERSITY**

The financial records for the Station are maintained as a part of the operations of the University. Separate fund account activities are maintained to account for the operations of the Station. Separate cash accounts are not maintained for the Station. Consequently, funds deposited on account for the Station are reflected in the financial statements as due from the University.

**C. PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost. In accordance with the practice of broadcasting stations affiliated with governmental educational institutions, depreciation of equipment is not recorded. Property and equipment balances at June 30, 2001, consist of the following:

Office equipment	\$ 15,082
Telecommunications equipment	<u>284,684</u>
	<u>\$299,766</u>

**D. CORPORATION FOR PUBLIC BROADCASTING GRANTS**

The Station receives grant funding from the Corporation for Public Broadcasting (“CPB”) to assist in the operations of the Station. The CPB grants consist of a Radio Community Service Grant (“CSG”), which is unrestricted in its use, and a National Program Production and Acquisition Grant (“NPPAG”), which is restricted to national programming activities. Recognition of CPB grant revenue is deferred until the expenses are incurred. The CPB grants must be used within a specified two-year period, which for fiscal year 2000 grants was October 1, 1999 to September 30, 2001. The fiscal year 2001 grant period is from October 1, 2000 to September 30, 2001. Any unused grant amounts at the end of the spending period must be returned to the granting agency.

**E. STATE NETWORK COMMISSION GRANT**

The Station receives unrestricted radio station funding through the Ohio Educational Telecommunications Network Commission. During 2001, the Station received cash support of \$54,595 and in-kind contributed services support of \$104,424.

**F. UNIVERSITY SUPPORT ALLOCATION**

The operations of the Station are primarily supported by the general revenues of the University. The University effectively covers all operating costs of the Station in excess of direct support received through grant awards and contributions attributable to the Station’s operations. During 2001, the University’s support allocation amounted to \$395,725: \$175,052 in direct support and \$220,673 in indirect administrative support.

**G. COMMITMENTS**

The Station has encumbered approximately \$11,362 of funds for purchase orders and other commitments for materials and services not received at June 30, 2001. These items are not included as liabilities on the balance sheet.

\* \* \* \* \*

**WCSU-FM****A Public Telecommunications Entity Operated by Central State University****SCHEDULE OF FUNCTIONAL EXPENSES****YEAR ENDED JUNE 30, 2001**

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	<b>Programming Production and Broadcasting</b>	<b>Public Information and Promotion</b>	<b>Total Programs Services</b>	<b>Supporting Services Management and General</b>	<b>Total Expenses</b>
Salaries and wages	\$119,452	\$17,065	\$136,517	\$34,129	\$170,646
Payroll taxes and fringe benefits	38,781	5,540	44,321	11,080	55,401
Information/communication	220		220		220
Professional Services	65,158	1,000	66,158	450	66,608
Supplies	6,300	380	6,680	215	6,895
Travel	4,373		4,373		4,373
Awards	5,800		5,800		5,800
Miscellaneous expenses	36,239	1,431	37,670	10	37,680
Broadcasting transmission	105,424		105,424		105,424
Volunteer service	6,960		6,960		6,960
Indirect administrative support:					
Occupancy				66,667	66,667
Institutional support				<u>154,007</u>	<u>154,007</u>
<b>TOTAL</b>	<u><b>\$388,707</b></u>	<u><b>\$25,416</b></u>	<u><b>\$414,123</b></u>	<u><b>\$266,558</b></u>	<u><b>\$680,681</b></u>



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

To the Board of Trustees of Central State University:

We have audited the financial statements of WCSU-FM as of and for the year ended June 30, 2001, and have issued our report thereon dated October 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

### **Compliance**

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

### **Internal Control Over Financial Reporting**

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

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

DELOITTE & TOUCHE LLP

October 18, 2001

**WCSU-FM**

**A Public Telecommunications Entity Operated by Central State University**

**SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2001**

---

**NONE**

**WCSU-FM**

**A Public Telecommunications Entity Operated by Central State University**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2001**

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**NONE**



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

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**CENTRAL STATE UNIVERSITY**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 3, 2002**