

Cleveland State University

**Financial Report
Including Supplemental Information
June 30, 2011**



Dave Yost • Auditor of State

Board of Trustees
Cleveland State University
2121 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Cleveland State University, Cuyahoga County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 12, 2011

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Independent Auditor's Report

To the Board of Trustees
Cleveland State University

We have audited the basic financial statements of Cleveland State University, a component unit of the State of Ohio, as of and for the years ended June 30, 2011 and 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2011. Those basic financial statements are the responsibility of the management of Cleveland State University. Our responsibility is to express an opinion on these basic financial statements based on our audits. We did not audit the financial statements of Cleveland State University Foundation, Inc. and Euclid Avenue Housing Corporation, which represent all of the assets and revenue of the presented component units ("component units"). Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, based on our audits and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Cleveland State University and its presented component units as of June 30, 2011 and 2010 and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 28, 2011 on our consideration of Cleveland 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 years ended June 30, 2011 and 2010. 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 audits.

To the Board of Trustees
Cleveland State University

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

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

Plante & Moran, PLLC

Toledo, Ohio
October 28, 2011

CLEVELAND STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

Using the Annual Financial Report

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

The financial statements prescribed by GASB Statement No. 35 (the statement of net assets, the statement of revenue, expenses and changes in net assets, and the statement of cash flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby 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.

Under the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Cleveland State University Foundation, Inc. (the "Foundation") and the Euclid Avenue Housing Corporation (the "Corporation") are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from the management's discussion and analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Keith Building Room 300, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Statement of Net Assets

The statement of net assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and liabilities - net assets - is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2011, 2010 and 2009 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 49,912,965	\$ 51,420,926	\$ 48,233,371
Noncurrent assets:			
Capital assets, net	481,088,738	460,153,549	379,904,921
Other	<u>89,488,453</u>	<u>99,693,462</u>	<u>150,479,231</u>
Total assets	620,490,156	611,267,937	578,617,523
Current liabilities	43,914,067	42,131,497	42,170,066
Noncurrent liabilities	<u>229,838,876</u>	<u>232,077,323</u>	<u>223,189,761</u>
Total liabilities	<u>273,752,943</u>	<u>274,208,820</u>	<u>265,359,827</u>
Net assets	\$ <u>346,737,213</u>	\$ <u>337,059,117</u>	\$ <u>313,257,696</u>

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

Current assets decreased in 2011 from 2010 primarily due to a decrease in investments, which was partially offset by an increase in cash.

Current assets increased in 2010 from 2009 primarily due to an increase in cash and cash equivalents, which was partially offset by a decrease in investments. In 2010, the University kept most of its cash on deposit with the bank, because the rate of interest paid by the bank was greater than other short-term investment vehicles.

Net capital assets increased in 2011 from 2010 by \$20.9 million, or 4.5%, and in 2010 from 2009 by \$80.2 million, or 21.1%. Both increases were due to construction on the University's campus. Projects under construction during these years include a new student center building and a new building to house the College of Education and Human Services.

Other assets decreased in 2011 from 2010 by \$10.2 million or 10.2%. The decrease was due primarily to the spending of bond proceeds on construction.

Other assets decreased in 2010 from 2009 by \$50.8 million, or 33.7%. The decrease was due primarily to the spending of bond proceeds on construction.

Liabilities decreased in 2011 from 2010 by .5 million or .02%. Liabilities increased in 2010 from 2009 by \$8.8 million, or 3.3%, due primarily to a \$14.5 million capital lease for a new parking garage that was entered into in 2010.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled \$45.7 million in 2011, \$100.4 million in 2010, and \$57.1 million in 2009. Capital retirements totaled \$5.9 million in 2011, \$6.0 million in 2010, and \$25.7 million in 2009. Capital additions and retirements for 2011, 2010 and 2009 exclude transfers from construction in progress to buildings in the amounts of \$87.0 million, \$31.3 million and \$0.7 million, respectively. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to \$4.6 million in 2011, \$20.0 million in 2010, and \$15.1 million in 2009.

In August 2009, the University entered into a capital lease with the Corporation in the amount of \$14.5 million. The lease covers a parking garage that was constructed by the Corporation on the University's campus. The lease requires the University to operate and maintain the garage, and to make periodic payments to the Corporation equal to its required debt service payments.

In March 2009, the University entered into a capital lease in the amount of \$42.8 million. Proceeds will be used to fund a variety of energy conservation projects on the University's campus. When the projects are complete, energy savings will be sufficient to fund the lease payments.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2011, 2010 and 2009 are summarized as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Invested in capital assets, net of related debt	\$ 249,745,249	\$ 254,199,231	\$ 246,794,695
Restricted - expendable	17,002,312	15,128,293	17,078,592
Restricted - nonexpendable	1,256,241	1,100,356	917,117
Unrestricted	<u>78,733,411</u>	<u>66,631,237</u>	<u>48,467,292</u>
Total net assets	<u>\$ 346,737,213</u>	<u>\$ 337,059,117</u>	<u>\$ 313,257,696</u>

Net assets invested in capital assets, net of related debt represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net assets are due to the net effect of additions to, disposals of, and depreciation on capital assets. In both 2011 and 2010, additions exceeded disposals and depreciation.

Restricted - expendable net assets are subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenue and expenses in funds provided by donors and grantors. Restricted - nonexpendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in both 2011 and 2010.

Unrestricted net assets are not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of \$5.3 million at June 30, 2011, \$4.5 million at June 30, 2010, and \$4.0 million at June 30, 2009. The changes in value from year to year are due to gains or losses on investments.

For the year ended June 30, 2011, the University had an increase in total net assets of \$9.6 million, or 2.9%. Net assets invested in capital assets, net of related debt, decreased by \$4.4 million, or -1.7%, because deductions and depreciation expense exceeded capital asset additions. Unrestricted net assets increased by \$12.1 million or 18.2%, due primarily to increases in net tuition income (which went from \$126.2 million in 2010 to \$140.7 million in 2011) and in investment income (which went from \$7.7 million in 2010 to \$13.2 million in 2011), and increased operating expenses (which went from \$269.7 million in 2010 to \$292.2 million in 2011). Expenses for salaries and wages, and depreciation were higher in 2011 than 2010.

For the year ended June 30, 2010, the University had an increase in total net assets of \$23.8 million, or 7.6%. Net assets invested in capital assets, net of related debt, increased by \$7.4 million, or 3.0%, because capital asset additions exceeded deductions and depreciation expense. Unrestricted net assets increased by \$18.2 million, or 37.5%, due primarily to increases in net tuition income (which went from \$115.3 million in 2009 to \$126.2 million in 2010) and in investment income (which went from \$6.5 million in 2009 to \$7.7 million in 2010), along with a decrease in operating expenses in 2010 from 2009 of \$0.2 million. The decrease in operating expenses was the result of a freeze on salaries and wages and energy conservation efforts.

Statement of Revenue, Expenses and Changes in Net Assets

The statement of revenue, expenses and changes in net assets presents the revenue earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on State assistance. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenue, expenses, and changes in net assets for the years ended June 30, 2011, June 30, 2010 and June 30, 2009 are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenue:			
Net student tuition and fees	\$ 140,713,140	\$ 126,182,341	\$ 115,263,410
Grants and contracts	19,208,702	20,480,512	18,788,895
Other	<u>25,643,144</u>	<u>21,103,594</u>	<u>20,712,482</u>
Total operating revenue	185,564,986	167,766,447	154,764,787
Operating expenses:			
Educational and general	236,226,386	226,629,451	226,598,855
Auxiliary enterprises	31,200,532	23,386,092	25,553,858
Depreciation and amortization	<u>24,818,443</u>	<u>19,722,338</u>	<u>17,742,326</u>
Total operating expenses	<u>292,245,361</u>	<u>269,737,881</u>	<u>269,895,039</u>
Operating loss	(106,680,375)	(101,971,434)	(115,130,252)
Nonoperating revenue, net:			
State appropriations	63,544,555	63,692,313	79,056,333
Other	<u>48,198,477</u>	<u>42,102,246</u>	<u>12,664,624</u>
Gain (loss) before other changes	5,062,657	3,823,125	(23,409,295)
Other changes	<u>4,615,439</u>	<u>19,978,296</u>	<u>15,081,561</u>
Increase (decrease) in net assets	9,678,096	23,801,421	(8,327,734)
Net assets at beginning of year	<u>337,059,117</u>	<u>313,257,696</u>	<u>321,585,430</u>
Net assets at end of year	<u>\$ 346,737,213</u>	<u>\$ 337,059,117</u>	<u>\$ 313,257,696</u>

Total revenue and other changes in fiscal 2011, 2010 and 2009 were \$311.4 million, \$298.8 million, and \$264.9 million, respectively. The most significant sources of 2011 operating revenue for the University were student tuition and fees of \$140.7 million, grants and contracts of \$19.2 million, and auxiliary services of \$20.8 million.

Revenue from tuition and fees (net of scholarship allowances) increased in 2011 from 2010 by \$14.5 million, or 11.5% due to an increase in enrollment and an increase in tuition rates. Headcount enrollment increased by 5.3% from the prior year, while full-time equivalent enrollment increased by 6.1% from the prior year. A tuition increase of 3.3% was implemented in the Fall 2011 semester.

Revenue from tuition and fees (net of scholarship allowances) increased in 2010 from 2009 by \$10.9 million, or 9.5%, due to an increase in enrollment and an increase in tuition rates. Headcount enrollment increased by 6.9% from the prior year, while full-time equivalent enrollment increased by 7.4% from the prior year. A tuition increase of 3.5% was implemented in the Spring 2010 semester.

Revenue from grants and contracts increased in 2011 by \$3.4 million or 7.5%, and increased in 2010 by \$8.5 million or 23.2%. The increases are due to higher revenue from federal grants and contracts.

Total expenses in fiscal 2011, 2010 and 2009 were \$301.7 million, \$275.0 million, and \$273.3 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. The increase in total expenses of \$26.7 million (10.0%) in 2011 was due primarily to increased interest on debt and depreciation expense. The increase in total expenses of \$1.7 million (0.6%) in 2010 was due primarily to increased interest on debt.

Sources of nonoperating revenue include State appropriations of \$63.5 million in 2011, \$63.7 million in 2010, and \$79.1 million in 2009; grants and contracts of \$29.5 million in 2011, \$24.8 million in 2010, and \$18.0 million in 2009; gifts of \$4.4 million in 2011, \$4.5 million in 2010, and \$4.6 million in 2009; and investment income (loss) of \$13.2 million in 2011, \$7.7 million in 2010, and (\$6.5 million) in 2009. State funding decreased in 2011 by \$.1 million or .23% and by \$15.4 million in 2010, or 19.4%, as the State used federal stimulus dollars to replace State funds. Such federal stimulus funds passed-through the State and received by the University as subsidy amounted to \$10.6 million in 2011 and \$10.4 million in 2010.

Net nonoperating revenue increased in 2011 from 2010 by \$5.9 million, or 5.62%, due primarily to increases in funding for the federal Pell Grants program and an increase in investment income. Net nonoperating revenue increased in 2010 from 2009 by \$14.1 million, or 15.3%, due primarily to increases in funding for the federal Pell Grants program and federal stimulus funds, offset by a decrease in State support.

Other changes consist primarily of State capital appropriations of \$4.6 million in 2011, \$20.0 million in 2010, and \$15.1 million in 2009.

Statement of Cash Flows

The statement of cash flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2011, June 30, 2010 and June 30, 2009 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net cash provided (used) by:			
Operating activities	\$ (86,218,223)	\$ (83,066,244)	\$ (91,764,282)
Noncapital financing activities	108,664,963	103,454,861	101,999,581
Capital financing activities	(46,791,000)	(73,968,302)	(4,261,211)
Investing activities	<u>27,460,659</u>	<u>66,793,739</u>	<u>1,006,976</u>
Net increase in cash	3,116,399	13,214,054	6,981,064
Cash at beginning of year	<u>24,270,510</u>	<u>11,056,456</u>	<u>4,075,392</u>
Cash at end of year	<u>\$ 27,386,909</u>	<u>\$ 24,270,510</u>	<u>\$ 11,056,456</u>

Major sources of cash included student tuition and fees of \$138.2 million in 2011, \$125.2 million in 2010, and \$116.1 million in 2009; State appropriations of \$74.1 million in 2011, \$74.1 million in 2010, and \$79.1 million in 2009; grants and contracts (operating and nonoperating) of \$47.0 million in 2011, \$46.0 million in 2010, and \$38.4 million in 2009; and auxiliary activities of \$20.8 million in 2011, \$15.9 million in 2010, and \$16.7 million in 2009.

The largest payments were for employee compensation and benefits totaling \$165.6 million in 2011, \$163.9 million in 2010, and \$163.8 million in 2009; suppliers of goods and services totaling \$103.0 million in 2011, \$88.8 million in 2010, and \$86.8 million in 2009; and purchases of capital assets totaling \$42.6 million in 2011, \$99.4 million in 2010, and \$60.1 million in 2009.

The change in cash flows from 2011 to 2010 and 2009 to 2010 in the investing category is due primarily to the University electing to leave most of its cash in the bank (because the rate of return was higher than other short-term investment vehicles), which resulted in a decrease in investments purchased.

Credit Rating

The University's bonds are rated "A" by Standard & Poor's, with the most recent rating published on April 14, 2008. An "A" rating indicates a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. This rating is consistent with the years ended June 30, 2010 and 2009. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong.

Looking Ahead

The primary challenge facing Ohio public institutions of higher learning, including Cleveland State University (CSU), is remaining true to their missions in the face of shrinking public assistance. In the State of Ohio's FY12- FY13 budget, CSU lost approximately \$11 million, or 15%, of its State Share of Instruction (SSI) allocation, the major state funding source for state colleges and universities. In order to help offset this significant decline in operating revenue, the University implemented plans for certain revenue enhancements and expense reductions as part of its FY12 Operating Budget plan. Revenue from student instructional fee tuition increased 10.2% in FY11 over FY10 due to a 5% increase in student credit hour enrollment and an increase in undergraduate and graduate tuition rates of 3.3% and an increase in the law tuition rate of 6.75%. Anticipated FY12 tuition revenue should benefit from improved retention of students from FY11 plus an expected increase of approximately 2% in student credit hour enrollment in FY12, along with a tuition rate increase of approximately 5% for undergraduates and graduate courses and a 9% increase in the tuition rate for law courses. However, the FY12 ratio of state funding as a percentage of total operating revenue continued to fall to approximately 29%, giving rise to a heavier reliance on student tuition as the primary source of revenue. The ability of the University to fulfill its mission and execute its strategic plan is even more dependent upon student enrollment and tuition than it was just a year ago.

The University is also affected by decisions at the state level regarding capital funding through the biennial capital appropriations bill. The funds pay for campus renovation and maintenance of existing facilities, as well as refunding debt for state-approved projects that the University has assumed on its own. The State is not expected to provide any capital funding for the capital cycle FY11-FY12. As a result of missing an entire capital funding cycle, the University has begun to reserve operating funds for undertaking necessary capital maintenance and renovation projects on campus. The outlook for the State's FY13-FY14 capital appropriations bill is uncertain at this time. While the State anticipates some level of appropriation, it remains to be seen whether it will be funded at historical levels.

Cleveland State University received continuing accreditation by the North Central Association of Colleges and Schools (NCA), for an additional 10-year period (2011-2020) without any conditions or qualifications. A team from the NCA visited the University in Fall 2010 as part of the standard reaccreditation process.

The University continues to face significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increased costs of employee benefits, most notably medical care and prescription drug coverage, and the cost of energy. The University recently reached labor contract agreements with its three major bargaining units - AAUP (faculty union), SEIU and CWA (clerical and service employees.) These contracts are for a term of three years.

In the summer of 2010, the University's president appointed a budget task force and charged it to make recommendations as to how the University would maintain a balanced budget, pending state reductions in subsidy (SSI) for FY12. Various recommendations to the president were accepted and implemented, resulting in both labor and other expense reductions to the University's FY12 budget. All areas of the University were directed to provide operating plans at reduced budget levels and reductions were made strategically by the president, the senior management team, and with assistance of the Budget Task Force. The core missions of student instruction and student services were essentially preserved with some moderate reductions. Other University support functions contributed more significantly to the budget targets. The University traditionally monitors its revenue sources and the operating budgets of its units very closely. While operating at a lower level of state subsidy in FY12, it appears that, barring unforeseen events, CSU should receive its expected FY12 allocation of subsidy from the State. Instructional fee tuition revenue for the Fall 2011 semester was essentially at the plan level - \$250,000 short of the revenue budget of \$64.6 million, .4% below plan.

Cleveland State University
Statement of Net Assets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 27,386,909	\$ 24,270,510
Investments (Note 2)	9,741	5,018,111
Accounts Receivable, Net (Note 3)	19,897,366	19,417,920
Notes Receivable, Net (Note 3)	1,158,498	1,276,989
Accrued Interest Receivable	2,028	12,491
Prepaid Expenses, Deferred Charges and Inventories	1,458,423	1,424,905
Total Current Assets	49,912,965	51,420,926
Noncurrent Assets:		
Restricted Investments (Note 2)	2,116,457	17,187,619
Long-Term and Endowment Investments (Note 2)	75,302,992	69,840,834
Notes Receivable, Net (Note 3)	9,831,992	10,334,360
Deferred Bond Premium and Issuance Costs	2,237,012	2,330,649
Capital Assets, Net (Note 5)	481,088,738	460,153,549
Total Noncurrent Assets	570,577,191	559,847,011
Total Assets	620,490,156	611,267,937
LIABILITIES		
Current Liabilities:		
Accounts Payable	9,202,832	8,994,419
Construction Accounts Payable	1,029,689	3,933,523
Accrued Liabilities	8,932,323	8,394,846
Accrued Interest Payable	2,893,488	1,439,785
Deferred Revenue	9,558,669	10,279,623
Compensated Absences - Current Portion (Note 6)	902,939	636,708
Obligations Under Capital Leases - Current Portion (Note 6)	6,933,194	3,826,660
Long-Term Debt - Current Portion (Note 6)	4,460,933	4,625,933
Total Current Liabilities	43,914,067	42,131,497
Noncurrent Liabilities:		
Accrued Liabilities (Note 6)	12,387,423	11,199,569
Compensated Absences (Note 6)	8,726,234	8,556,310
Obligations Under Capital Leases (Note 6)	69,096,076	68,231,368
Long-Term Debt (Note 6)	139,629,143	144,090,076
Total Noncurrent Liabilities	229,838,876	232,077,323
Total Liabilities	273,752,943	274,208,820
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	249,745,249	254,199,231
Restricted, Expendable	17,002,312	15,128,293
Restricted, Nonexpendable	1,256,241	1,100,356
Unrestricted	78,733,411	66,631,237
Total Net Assets	\$ 346,737,213	\$ 337,059,117

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

Cleveland State University
Statement of Revenue, Expenses, and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Revenue		
Operating Revenue:		
Student Tuition and Fees	\$ 159,331,825	\$ 143,288,911
Less Scholarship Allowances	18,618,685	17,106,570
Net Student Tuition and Fees	140,713,140	126,182,341
Federal Grants and Contracts	9,944,701	11,992,099
State Grants and Contracts	5,726,269	6,296,917
Local Grants and Contracts	765,192	490,186
Private Grants and Contracts	2,772,540	1,701,310
Sales and Services	4,297,708	4,773,836
Auxiliary Enterprises	20,845,190	15,912,209
Other Sources	500,246	417,549
Total Operating Revenue	185,564,986	167,766,447
Expenses		
Operating Expenses:		
Instruction	94,507,110	92,025,220
Research	12,295,867	9,688,834
Public Service	8,193,701	11,186,289
Academic Support	23,531,908	22,934,405
Student Services	20,953,129	20,105,695
Institutional Support	30,856,817	28,300,239
Operation and Maintenance of Plant	26,045,710	24,816,384
Scholarships and Fellowships	19,842,144	17,572,385
Auxiliary Enterprises	31,200,532	23,386,092
Depreciation and Amortization	24,818,443	19,722,338
Total Operating Expenses	292,245,361	269,737,881
Operating Loss	(106,680,375)	(101,971,434)
Nonoperating Revenue (Expenses)		
State Appropriations	63,544,555	63,692,313
Federal Appropriations	10,567,874	10,367,388
Federal Grants and Contracts	26,129,061	21,555,446
State Grants and Contracts	3,392,498	3,279,699
Gifts	4,390,082	4,477,080
Investment Income	13,179,158	7,698,092
Interest on Debt	(9,460,196)	(5,275,459)
Net Nonoperating Revenue	111,743,032	105,794,559
Gain Before Other Changes	5,062,657	3,823,125
Other Changes		
State Capital Appropriations	4,615,439	19,978,296
Increase in Net Assets	9,678,096	23,801,421
Net Assets		
Net Assets at Beginning of Year	337,059,117	313,257,696
Net Assets at End of Year	\$ 346,737,213	\$ 337,059,117

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

**Cleveland State University
Statement of Cash Flows**

	Years Ended June 30	
	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Tuition and Fees	\$ 138,258,310	\$ 125,222,415
Grants and Contracts	17,524,694	21,194,066
Payments to or on Behalf of Employees	(165,623,922)	(163,937,678)
Payments to Vendors	(103,059,287)	(88,802,575)
Loans Issued to Students	(482,271)	(1,160,506)
Collection of Loans to Students	1,552,483	3,299,546
Auxiliary Enterprises Charges	20,813,816	15,927,103
Other Receipts	4,797,954	5,191,385
Net Cash Used in Operating Activities	<u>(86,218,223)</u>	<u>(83,066,244)</u>
Cash Flows from Noncapital Financing Activities		
State Appropriations	74,112,429	74,059,701
Grants and Contracts	29,521,559	24,835,145
Gifts	4,390,082	4,477,080
Cash Provided by Stafford and PLUS Loans	111,891,358	107,184,246
Cash Used by Stafford and PLUS Loans	(112,000,000)	(107,163,728)
Cash Provided by Agency Fund Activities	(972,680)	(426,322)
Cash Used by Agency Fund Activities	1,722,215	488,739
Net Cash Provided by Noncapital Financing Activities	<u>108,664,963</u>	<u>103,454,861</u>
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	7,459,451	17,680,920
Capital Appropriations	4,615,439	19,978,296
Capital Gifts and Grants	0	0
Purchases of Capital Assets	(42,642,238)	(99,417,276)
Principal Paid on Capital Debt and Leases	(8,114,143)	(6,970,835)
Interest Paid on Capital Debt and Leases	(8,109,509)	(5,239,407)
Net Cash Used in Capital Financing Activities	<u>(46,791,000)</u>	<u>(73,968,302)</u>
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	16,579,507	62,563,273
Purchase of Investments	(1,962,133)	(3,353,487)
Interest on Investments	12,843,285	7,583,953
Net Cash Provided by Investing Activities	<u>27,460,659</u>	<u>66,793,739</u>
Net Increase in Cash	3,116,399	13,214,054
Cash and Cash Equivalents at Beginning of Year	24,270,510	11,056,456
Cash and Cash Equivalents at End of Year	<u>\$ 27,386,909</u>	<u>\$ 24,270,510</u>

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2011	2010
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating Loss	\$ (106,680,375)	\$ (101,971,434)
Adjustments:		
Depreciation and Amortization	24,818,443	19,722,338
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(3,497,203)	(841,231)
Notes Receivable, Net	1,070,212	2,139,040
Inventories	121,900	(29,884)
Prepaid Expenses and Deferred Charges	(155,418)	(104,994)
Accounts Payable	(2,647,476)	(1,919,637)
Accrued Liabilities	1,472,648	(650,335)
Deferred Revenue	(720,954)	589,893
Cash Used by Operating Activities	\$ (86,218,223)	\$ (83,066,244)

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

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,603,609	\$ 5,051,468
Accounts receivable	387,869	220,221
Contributions receivable, net of allowance for uncollectible contributions	1,034,821	912,225
Total Current Assets	7,026,299	6,183,914
Other assets:		
Contributions receivable, net of allowance for uncollectible accounts	6,880,023	4,706,404
Long-term investments	50,974,702	38,383,659
Funds held on behalf of others:		
Cleveland State University (Note 11)	2,590,934	1,993,632
Cleveland State University Alumni Association	366,939	313,317
Total Other Assets	60,812,598	45,397,012
Total Assets	\$ 67,838,897	\$ 51,580,926
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 19,243	\$ 45,814
Payable to Cleveland State University (Note 11)	1,051,798	626,547
Notes Payable	39,996	39,996
Annuities payable	32,517	29,847
Total Current Liabilities	1,143,554	742,204
Noncurrent Liabilities:		
Payable to Cleveland State University (Note 11)	-	36,115
Notes Payable	684,743	724,739
Annuities payable	108,186	101,028
Funds held on behalf of others:		
Cleveland State University (Note 11)	2,590,934	1,993,632
Cleveland State University Alumni Association	366,939	313,317
Total Liabilities	4,894,356	3,911,035
NET ASSETS:		
Unrestricted	(184,387)	(566,725)
Board designated - Scholarships	164,169	140,597
Total unrestricted	(20,218)	(426,128)
Temporarily restricted (Note 10)	22,395,040	14,086,876
Permanently restricted (Note 10)	40,569,719	34,009,143
Total Net Assets	62,944,541	47,669,891
Total Liabilities and Net Assets	\$ 67,838,897	\$ 51,580,926

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

Euclid Avenue Housing Corporation
Statement of Financial Position
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 2,021,827	\$ 1,856,782
Cash held by the University	119,444	49,695
Total Cash	2,141,271	1,906,477
Bond proceeds / Investments	19,951,814	39,745,205
Student accounts receivable, net of allowance for uncollectible accounts of \$40,000 in 2011 and \$15,000 in 2010	89,027	95,330
Other receivable	118,145	96,028
Prepaid Expenses	12,935	13,847
Total Current Assets	22,313,192	41,856,887
Other assets:		
Deferred bond issuance costs, net of accumulated amortization of \$498,372 in 2011 and \$364,838 in 2010	3,073,211	3,206,745
Note receivable	14,500,000	14,500,000
Property:		
Land	1,146,460	1,146,460
Building	54,671,438	28,280,753
Building improvements	98,836	27,446
Furniture, fixtures and equipment	2,217,545	1,230,908
Construction in progress	18,071,217	26,313,263
	76,205,496	56,998,830
Less: Accumulated depreciation	(5,071,764)	(3,482,140)
	71,133,732	53,516,690
Other assets	-	-
Total Other assets	88,706,943	71,223,435
Total Assets	\$ 111,020,135	\$ 113,080,322
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable (Note 11)	\$ 660,000	\$ 735,000
Current portion of notes payable	60,000	60,000
Accounts payable	2,694,757	3,962,015
Accrued interest	1,001,229	642,930
Accrued payroll	50,037	26,517
Deferred revenue	120,679	79,510
Security deposits	147,610	55,680
Total Current Liabilities	4,734,312	5,561,652
Noncurrent Liabilities:		
Deferred revenue	1,351,385	1,388,924
Bonds payable, less current portion (Note 11)	105,050,000	105,610,000
Notes payable, less current portion	1,621,180	1,681,180
Total Liabilities	112,756,877	114,241,756
NET ASSETS (DEFICIT)		
Unrestricted	(1,736,742)	(1,161,434)
Total Liabilities and Net Assets (Deficit)	\$ 111,020,135	\$ 113,080,322

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

The Cleveland State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2011 (with comparative totals for the year ended June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
Revenue					
Contributions	\$ 281,424	\$ 4,642,732	\$ 6,771,394	\$ 11,695,550	\$ 6,718,879
Endowment management fee	22,073	-	-	22,073	24,796
Net assets released from restrictions	4,476,279	(4,476,279)	-	-	-
Total revenue	<u>4,779,776</u>	<u>166,453</u>	<u>6,771,394</u>	<u>11,717,623</u>	<u>6,743,675</u>
Expenses					
Program services:					
Instructions	1,205,368	-	-	1,205,368	1,104,264
Research	277,630	-	-	277,630	238,381
Public service	604,623	-	-	604,623	1,147,565
Academic support	72,434	-	-	72,434	98,608
Financial aid	1,374,347	-	-	1,374,347	1,128,229
Institutional support	118,664	-	-	118,664	99,265
Auxiliary enterprises	786,456	-	-	786,456	668,776
Total program services	<u>4,439,522</u>	<u>-</u>	<u>-</u>	<u>4,439,522</u>	<u>4,485,088</u>
Support services:					
Management and general	523,869	-	-	523,869	497,510
Fundraising	100,671	-	-	100,671	155,970
Total support services	<u>624,540</u>	<u>-</u>	<u>-</u>	<u>624,540</u>	<u>653,480</u>
Gains/(Losses):					
Investment income, including realized and unrealized losses, net	690,196	8,133,747	-	8,823,943	5,497,847
Provision for uncollectible contributions	-	7,964	(210,818)	(202,854)	(187,752)
Total expenses and losses	<u>4,373,866</u>	<u>(8,141,711)</u>	<u>210,818</u>	<u>(3,557,027)</u>	<u>(171,527)</u>
Change in Net Assets	405,910	8,308,164	6,560,576	15,274,650	6,915,202
Net Assets - Beginning of Year	<u>(426,128)</u>	<u>14,086,876</u>	<u>34,009,143</u>	<u>47,669,891</u>	<u>40,754,689</u>
Net Assets - End of Year	<u>\$ (20,218)</u>	<u>\$ 22,395,040</u>	<u>\$ 40,569,719</u>	<u>\$ 62,944,541</u>	<u>\$ 47,669,891</u>

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

Euclid Avenue Housing Corporation
Statement of Activities
Years Ended June 30, 2011 and 2010

	2011	2010
Revenue		
Rental Income:		
Students	\$ 5,703,723	\$ 3,180,061
University	697,988	469,896
Other	176,949	133,094
Maintenance fee - University	234,426	154,305
Interest income	107,827	71,085
Gain on sale of assets	-	1,552,038
Other	210,751	145,664
Total revenue	7,131,664	5,706,143
Expenses		
Interest	3,187,371	1,706,509
Depreciation and Amortization	1,697,200	960,888
Utilities	633,204	432,644
Payroll	1,092,582	611,917
Management fees	238,096	132,066
Maintenance	347,319	221,797
General and administrative	159,900	117,471
Other operating	248,398	32,840
Marketing	41,006	15,450
Accounting	28,820	26,708
Reserve allowance	31,241	8,417
Insurance	1,835	2,205
Total expenses	7,706,972	4,268,912
Change in Net Assets	(575,308)	1,437,231
Net Assets (Deficit) - Beginning of Year	(1,161,434)	(2,598,665)
Net Assets (Deficit) - End of Year	\$ (1,736,742)	\$ (1,161,434)

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

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

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

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

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted, Expendable:** Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Restricted, Nonexpendable:** Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Income generated from these funds may be designated for student scholarships, loans, instruction, research, and other specific University needs.
- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or may otherwise be limited by contractual agreements with outside parties.

The accompanying financial statements have been prepared on the accrual basis. The University reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

FASB Pronouncements

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

Operating Activities

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

Summary of Significant Accounting Policies

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

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

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

Accounts Receivable Allowance. The allowance for bad debt is determined based on historical average and a reasonableness ratio of A/R to bad debt. The objective is to increase the collectibility of current receivables to assist the University's objectives regarding enrollment and retention. As such, we enforce policies that prohibit registration with an unpaid balance over \$1,000 and limit registration for those students with a current unpaid balance between \$200 - \$1,000. The new federal regulations regarding Title IV returns have unfortunately, increased our outstanding of A/R; the ratio between the bad debt allowance and the A/R, however, is still within a reasonable parameter.

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

Capital Assets. Capital assets are stated at historical cost or at an appraised value at date of donation, if acquired by gift. It is the University's policy to capitalize equipment costing \$2,500 or more and buildings and improvements costing \$100,000 or more. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives (5 to 40 years) of the respective assets and is not allocated to the functional expenditure categories. Amortization of the capitalized cost of assets held under capital leases is generally computed using the straight-line method over the estimated useful lives of the underlying assets or the term of the lease, whichever is shorter. The University capitalizes but does not depreciate works of art or historical treasures that are held for exhibition, education, research and public service. Deferred bond issuance costs are capitalized and amortized over the life of the bonds using the straight-line method.

Compensated Absences. Classified employees earn vacation at rates specified under State law. Full-time administrators and 12-month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

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

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

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

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

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

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

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

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

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 accompanying notes. Actual results may differ from those estimates.

Accounting Pronouncements

Service Concession Arrangements: In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. An SCA is an agreement between a College/University and another legally separate College/University or private sector entity in which two things happen. First, the College/University transfers to the other entity the right and related obligation to provide public services through the use of a public asset (such as using a part of a university facility as a bookstore) in exchange for significant consideration from the other entity. In the context of these agreements, the College/University that transfers rights and obligations is referred to as the transferor. The entity to which these rights and obligations are transferred is referred to as the operator. Second, this operator - whether it is in the public or private sector - collects fees from the users or customers of the public asset (for example, students at the university/college). Finally, the transferor maintains control over the services provided. For example, the College/University has the ability to modify or approve the rates that can be charged for the services and the type of services that are provided.

For an SCA that involves an existing facility, the transferor should continue to report the capital asset. For a new facility or an improvement to an existing facility, the transferor should report the new facility or the improvement as a capital asset at fair value when the facility is placed in operation. The transferor should also report any related contractual obligations as liabilities. Finally, the transferor should report the difference between those two amounts as a deferred inflow of resources. This pronouncement must be applied for years that begin after December 15, 2011.

Reporting Entity Standards: In December 2010, the GASB issued Statement No. 61, *Financial Reporting Entity: Omnibus*. This standard is intended to improve the information presented about the financial reporting entity, which is made up of the College/University financial reporting entity and related entities (component units). The statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criteria, a financial benefit or burden relationship is also needed between the College/University and that organization for it to be included in the reporting entity as a component unit. The statement also modifies the criteria for reporting component units as if they were part of the College/University (i.e., blending). Blending should be used when the College/University and the component unit have a financial benefit or burden relationship, or management has operational responsibility for the component units. Additionally, for equity interests in legally separate organizations, the entity is required to report its interest as “restricted net assets – nonspendable.” This standard is effective for financial statements for reporting periods beginning after June 15, 2012; however, earlier application is encouraged.

Private Sector Accounting Rules: In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This changes the requirement for the College/University to apply any private sector accounting guidance that existed as of November 30, 1989 and instead incorporates all such guidance in this statement. The College/University will no longer have the ability to choose to continue to follow FASB statements written after that date, although such guidance still qualifies as “other accounting literature” in the GAAP hierarchy. This pronouncement must be applied for years that begin after December 15, 2011.

Deferred Inflows/Outflows and Net Position: In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides financial reporting guidance for deferred inflows and outflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the College/University that is applicable to a future reporting period, and an acquisition of net assets by the College/University that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. 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 provisions for this standard are effective for financial statements for periods beginning after December 15, 2011.

Derivative Instruments – Termination Provisions: In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53*. This Statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider and sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2011, the cash and cash equivalents balance of \$27,386,909 is after the University recorded an overdraft consisting of items in transit of \$4,622,342 in accounts payable. The bank balance at June 30, 2011 was \$27,280,702, of which \$1,005,778 was covered by federal depository insurance, and \$26,274,924 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

At June 30, 2010, the cash and cash equivalents balance of \$24,270,510 is after the University recorded an overdraft consisting of items in transit of \$5,035,527 in accounts payable. The bank balance at June 30, 2010 was \$24,177,001, of which \$1,255,662 was covered by federal depository insurance, and \$22,921,339 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

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

STAR Ohio is an investment pool managed by the Ohio state treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2011 and 2010.

Restricted investments consist of unspent debt proceeds.

As of June 30, 2011, the University had the following types of investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. obligation mutual fund	\$ 2,116,457	\$ 2,116,457	\$ -
Certificates of Deposit	800,112	-	800,112
STAR Ohio	9,741	-	-
Bond mutual funds	29,707,623	-	29,707,623
Stock mutual funds	44,795,257	-	-
Total	\$ <u>77,429,190</u>	\$ <u>2,116,457</u>	\$ <u>30,507,735</u>

As of June 30, 2010, the University had the following types of investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. obligation mutual fund	\$ 15,139,667	\$ 15,139,667	\$ -
Certificates of Deposit	8,559,294	1,520,021	7,039,273
STAR Ohio	26,791	-	-
Bond mutual funds	30,201,692	-	30,201,692
Stock mutual funds	38,119,120	-	-
Total	\$ <u>92,046,564</u>	\$ <u>16,659,688</u>	\$ <u>37,240,965</u>

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2011 and 2010, the University's investment in STAR Ohio is rated AAA by Standard & Poor's and Moody's. While the University's bond mutual fund investment itself is not rated, the credit quality of the fund's holdings is AA or better, as rated by Standard & Poor's and Moody's.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. At June 30, 2011 and 2010, the University had no exposure to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy places no limitation on the amount that may be invested in a single issuer. At June 30, 2011 and 2010, the University did not have more than 5% of its fixed income investments in any single issuer.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2011 and 2010, investments include approximately \$5.6 million and \$5.2 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

NOTE 3 - RECEIVABLES

The composition of accounts receivable at June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Student accounts	\$ 14,271,525	\$ 11,279,473
Grants	7,977,108	6,293,100
State Capital	398,110	3,415,867
Other	1,890,992	2,379,961
Total Accounts Receivable	<u>24,537,735</u>	<u>23,368,401</u>
Less allowance for uncollectible accounts	<u>4,640,369</u>	<u>3,950,481</u>
Accounts Receivable - Net	<u><u>\$19,897,366</u></u>	<u><u>\$19,417,920</u></u>

Notes receivable consist primarily of loans to students under the federal Perkins Loan Program. The composition of notes receivable at June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Perkins Loan Program	\$ 11,185,610	\$ 11,932,914
Foundation Capital Campaign	-	36,115
Other	647,828	655,241
Total Notes Receivable	<u>11,833,438</u>	<u>12,624,270</u>
Less allowance for uncollectible accounts	<u>842,948</u>	<u>1,012,921</u>
Notes Receivable - Net	<u>10,990,490</u>	<u>11,611,349</u>
Less Current Portion	<u>1,158,498</u>	<u>1,276,989</u>
Total Noncurrent Notes Receivable	<u><u>\$ 9,831,992</u></u>	<u><u>\$ 10,334,360</u></u>

NOTE 4 - STATE SUPPORT

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

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

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

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2011 and 2010 is summarized as follows:

	2011 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2011 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	\$ 55,597,969	\$ 194,404	\$ 0	\$ 55,792,373
Construction in Progress	87,014,476	0	87,014,476	0
Capitalized Collections	7,102,155	0	0	7,102,155
Depreciable:				
Land Improvements	16,816,867	7,084,700	0	23,901,567
Buildings	502,641,988	120,271,930	0	622,913,918
Equipment	52,508,545	2,508,323	5,322,771	49,694,097
Library Books	67,177,405	2,605,734	579,667	69,203,472
Intangible Assets	483,059	0	0	483,059
Total Capital Assets	<u>789,342,464</u>	<u>132,665,091</u>	<u>92,916,914</u>	<u>829,090,641</u>
Less Accumulated Depreciation:				
Land Improvements	11,234,468	1,066,478	0	12,300,946
Buildings	221,804,941	16,747,642	0	238,552,583
Equipment	42,708,793	3,699,281	5,322,771	41,085,303
Library Books	53,319,948	3,153,719	579,667	55,894,000
Intangible Assets	120,765	48,306	0	169,071
Total Accumulated Depreciation	<u>329,188,915</u>	<u>24,715,426</u>	<u>5,902,438</u>	<u>348,001,903</u>
Capital Assets, Net	<u>\$ 460,153,549</u>	<u>\$ 107,949,665</u>	<u>\$ 87,014,476</u>	<u>\$ 481,088,738</u>

	2010 Beginning Balance	Additions/ Transfers	Retirements/ Transfers	2010 Ending Balance
Capital Assets:				
Non-depreciable:				
Land	\$ 54,783,526	\$ 814,443	\$ -	\$ 55,597,969
Construction in Progress	65,932,640	52,351,979	31,270,143	87,014,476
Capitalized Collections	7,102,155	-	-	7,102,155
Depreciable:				
Land Improvements	17,679,724	-	862,857	16,816,867
Buildings	433,406,782	71,892,144	2,656,938	502,641,988
Equipment	50,725,018	4,080,576	2,297,049	52,508,545
Library Books	64,811,013	2,543,367	176,975	67,177,405
Intangible Assets	483,059	-	-	483,059
Total Capital Assets	694,923,917	131,682,509	37,263,962	789,342,464
Less Accumulated Depreciation:				
Land Improvements	10,788,372	769,667	323,571	11,234,468
Buildings	210,966,012	13,495,867	2,656,938	221,804,941
Equipment	42,362,137	2,643,705	2,297,049	42,708,793
Library Books	50,830,016	2,666,907	176,975	53,319,948
Intangible Assets	72,459	48,306	-	120,765
Total Accumulated Depreciation	315,018,996	19,624,452	5,454,533	329,188,915
Capital Assets, Net	\$ 379,904,921	\$ 112,058,057	\$ 31,809,429	\$ 460,153,549

NOTE 6 - NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following as of June 30, 2011 and June 30, 2010:

	Due Dates	Interest Rate-%	2011 Beginning Balance	Additions	Reductions	2011 Ending Balance	Current
1996 Bonds Payable	1997-11	5.25-5.25	\$ 315,000	\$ -	315,000	\$ -	\$ -
2003A Bonds Payable	2007-33	2.5-5.25	28,270,000	-	1,360,000	26,910,000	1,415,000
2003A Bond Premium			580,653	-	25,338	555,315	25,338
2004 Bonds Payable	2005-34	2.25-5.25	55,685,000	-	1,645,000	54,040,000	1,700,000
2004 Bonds Premium			1,106,468	-	46,103	1,060,365	46,103
2007A Bonds Payable	2010-36	4.00-5.75	41,320,000	-	820,000	40,500,000	850,000
2007A Bond Premium			1,193,888	-	44,492	1,149,396	44,492
2008 Bonds Payable	2008-36	3.00-4.75	20,245,000	-	370,000	19,875,000	380,000
Capital Leases	2010-40	2.33-5.08	72,058,028	7,459,451	3,488,209	76,029,270	6,933,194
Total Debt			220,774,037	7,459,451	8,114,142	220,119,346	11,394,127
Perkins Student Loans			10,306,132	413,345	22,971	10,696,506	-
Deposits			893,437	4,314,186	3,516,706	1,690,917	-
Compensated Absences			9,193,018	436,155	-	9,629,173	902,939
			241,166,624	\$ 12,623,137	\$ 11,653,819	242,135,942	\$ 12,297,066
Less Current Portion long-term liabilities			(9,059,301)			(12,297,066)	
Long-Term Liabilities			\$ 232,107,323			\$ 229,838,876	

	Due Dates	Interest Rate-%	2010 Beginning Balance	Additions	Reductions	2010 Ending Balance	Current
1996 Bonds Payable	1997-11	5.25-5.25	\$ 615,000	\$ -	300,000	\$ 315,000	\$ 315,000
2003A Bonds Payable	2007-33	2.5-5.25	29,580,000	-	1,310,000	28,270,000	1,360,000
2003A Bond Premium			605,991	-	25,338	580,653	25,338
2004 Bonds Payable	2005-34	2.25-5.25	57,275,000	-	1,590,000	55,685,000	1,645,000
2004 Bonds Premium			1,152,571	-	46,103	1,106,468	46,103
2007A Bonds Payable	2010-36	4.00-5.75	42,110,000	-	790,000	41,320,000	820,000
2007A Bond Premium			1,238,380	-	44,492	1,193,888	44,492
2008 Bonds Payable	2008-36	3.00-4.75	20,605,000	-	360,000	20,245,000	370,000
Capital Leases	2010-40	2.33-5.08	56,882,009	17,680,921	2,504,902	72,058,028	3,826,660
Total Debt			210,063,951	17,680,921	6,970,835	220,774,037	8,452,593
Perkins Student Loans			10,333,758	-	27,626	10,306,132	-
Deposits			811,160	3,519,536	3,437,259	893,437	-
Compensated Absences			9,353,995	-	160,977	9,193,018	636,708
			230,562,864	\$ 21,200,457	\$ 10,596,697	241,166,624	\$ 9,089,301
Less Current Portion long-term liabilities			(7,373,103)			(9,089,301)	
Long-Term Liabilities			\$ 223,189,761			\$ 232,077,323	

In May 2008, the University issued general receipts bonds in the amount of \$20,910,000. The General Receipts Series 2008 Bonds were issued as fixed rate bonds maturing in 2013, 2033 and 2036. The proceeds of the bonds were used to refinance the 2003B and 2007B Bonds. The bonds have various call provisions.

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

The Series 2007B general receipts bonds were issued for \$9,210,000. They bear variable interest rates that reset weekly and mature in 2036. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 4.51% at April 24, 2008. Proceeds were used to fund the construction of a new building on the University's campus to house the College of Education and Human Services. This bond was called and refinanced in May 2008, using the proceeds of the General Receipts Series 2008 Bonds.

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

In June 2003, the University issued Series 2003A and 2003B (Series 2003) general receipts bonds. The Series 2003A general receipts bonds were issued for \$35,745,000, bear interest rates between 2.5% and 5.25%, and mature in 2033. Proceeds were used to refund outstanding Series 1993 general receipts bonds, rehabilitate the Howe Mansion and construct an Administrative Center.

Interest expense on indebtedness was \$9,460,196 in fiscal 2011 and \$5,275,459 in fiscal 2010. On construction-related debt, interest cost of \$0 was capitalized in fiscal 2011, and \$4,420,254, net of \$626,222 of interest earned on invested proceeds, was capitalized in fiscal 2010.

The University leases various pieces of equipment which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease obligations are collateralized by equipment with an aggregate net book value of \$37,909,684 at June 30, 2011 and \$46,764,994 at June 30, 2010. The capital leases have varying maturity dates through 2041.

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

	Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2012	\$ 4,345,000	\$ 6,806,085	\$ 6,933,194	\$ 3,082,806
2013	9,635,000	6,629,935	7,224,243	2,618,342
2014	3,935,000	6,230,760	6,280,418	2,319,360
2015	4,135,000	6,033,579	6,064,002	2,057,673
2016	4,355,000	5,820,904	6,215,588	1,798,438
2017-2021	23,620,000	49,271,125	27,226,825	5,099,785
2022-2026	27,360,000	46,914,687	3,295,000	2,021,982
2027-2031	34,715,000	46,934,750	3,785,000	1,547,654
2032-2036	29,225,000	32,660,450	4,385,000	990,043
2037-2041	-	-	4,620,000	321,313
	\$ 141,325,000	\$ 207,302,275	\$ 76,029,270	\$ 21,857,396

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2011 and 2010 amounted to \$2,581,938 and \$1,679,523, respectively. The operating leases have varying maturity dates through 2042.

Future minimum operating lease payments as of June 30, 2011 are as follows:

Year Ending June 30	Operating Leases
2012	\$ 1,991,250
2013	1,747,861
2014	1,403,024
2015	1,397,024
2016	860,900
2017-2021	4,304,500
2022-2026	4,304,500
2027-2031	4,304,500
2032-2036	4,304,500
2037-2041	2,150,791
2042	430,158
	\$ 27,199,008

NOTE 7 - EMPLOYMENT BENEFIT PLANS

Retirement Plans

Substantially all non-student University employees are covered by one of three retirement plans. The university faculty are covered by the State Teachers Retirement System of Ohio (STRS). Non-faculty employees are covered by the Ohio Public Employees Retirement System (OPERS). Employees may opt out of STRS and OPERS and participate in the Alternative Retirement Plan (ARP).

STRS and OPERS both offer three separate retirement plans: the defined benefit plan, the defined contribution plan, and a combined plan.

Defined Benefit Plans

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the State Teachers Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$7,282,885, \$7,185,855, and \$7,402,446, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

OPERS is a statewide retirement plan, which covers non-teaching University employees. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the Ohio Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to OPERS for the years ended June 30, 2011, 2010, and 2009 were \$7,437,768, \$7,228,118, and \$7,364,278, respectively, equal to the required contributions for each year. OPERS issues a stand-alone financial report. The report may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Defined Contribution Plan

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 3.50% of earned compensation for those employees participating in the alternative retirement program. The University's contributions for the years ended June 30, 2011, 2010 and 2009 were \$371,702, \$347,415 and \$327,263, respectively, which equal 3.50% of earned compensation.

STRS also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 10.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement healthcare benefits.

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement healthcare benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

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 receive 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. OPERS also provides retirement, disability, survivor, and postretirement healthcare benefits to qualified members.

Postemployment Benefits

STRS provides other postemployment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement healthcare coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1.0% of the total 14.00%, while the OPERS rate was 5.0% of the total 14.00% for the year ended June 30, 2010.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement healthcare under STRS is financed on a pay-as-you-go basis. The amount contributed by the University to STRS to fund these benefits for the years ended June 30, 2011, 2010 and 2009 was \$520,206, \$513,275, and \$528,746, respectively.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The amount contributed by the University to OPERS for OPEB funding for the years ended June 30, 2011, 2010 and 2009 was \$3,718,884, \$3,614,059 and \$3,682,139, respectively.

NOTE 8 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. On July 1, 1993, the University joined with 11 other state-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurable value to the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of \$100,000. The next \$250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible limit of \$700,000. The commercial property insurer is liable for the amount of any claim in excess of \$350,000, or \$100,000 in the event the pool has reached its annual limit. There were no significant reductions in coverage from the prior year.

The University maintains a self-insured dental plan for its employees. The University's risk exposure is limited to claims incurred. The changes in the total liability for actual and estimated dental claims for the years ended June 30, 2011 and 2010 are summarized below:

	2011	2010
Liability at beginning of year	\$ 9,961	\$ 7,161
Claims Incurred	1,122,459	1,070,420
Claims Paid	(1,117,414)	(1,067,620)
Liability at end of year	<u>\$ 15,006</u>	<u>\$ 9,961</u>

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. There is a \$150,000 specific stop loss for any given claim. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2011 and 2010 are summarized below:

	2011	2010
Liability at beginning of year	\$ 1,094,764	\$ 1,209,483
Claims Incurred	10,094,073	8,870,542
Claims Paid	(9,321,162)	(8,866,997)
IBNR-(Decrease) Increase in estimated claims	(920,282)	(118,264)
Liability at end of year	<u>\$ 947,393</u>	<u>\$ 1,094,764</u>

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the statement of revenue, expenses and changes in net assets.

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

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

NOTE 9 - GRANT CONTINGENCIES

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a material effect on any of the financial statements of the University at June 30, 2011.

NOTE 10 - NET ASSETS

The temporarily and permanently restricted net assets of the Foundation are balances whose use by the Foundation has been limited by the donors to a specific time period or purpose. Temporarily restricted net assets are available, and permanently restricted net assets are held in perpetuity, for the following purposes:

	Temporarily Restricted	Permanently Restricted
Instruction	\$ 4,897,637	\$ 6,260,536
Research	269,121	\$ 797,032
Public service	4,914,969	50,607
Academic support	1,140,804	2,450,951
Financial aid	8,100,831	29,873,296
Institutional support	2,489,770	1,099,430
Auxiliary enterprises	581,908	37,867
	<u>\$ 22,395,040</u>	<u>\$ 40,569,719</u>

NOTE 11 - COMPONENT UNITS

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

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of the Foundation is self-perpetuating and consists of business leaders and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Keith Building Room 323, Cleveland, OH 44115-2214.

During the years ended June 30, 2011 and 2010, the Foundation paid \$3,802,834 and \$3,880,958, respectively, to the University. At June 30, 2011 and 2010, the University had receivables from the Foundation totaling \$1,051,798 and \$662,662, respectively.

As authorized by the Board of Trustees, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2011 and 2010, the amount on deposit with the Foundation totaled \$2,590,934 and \$1,993,632, respectively.

The Corporation was organized primarily to further the educational mission of the University by developing, owning and managing housing for the students, faculty and staff of the University. On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid during fiscal years 2010 and 2009. On March 1, 2005, the Corporation entered into a Development Agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a Management Agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

On March 17, 2005, the Corporation issued \$34,385,000 of Cleveland-Cuyahoga County Port Authority bonds (Series 2005 Bonds) to finance the costs of the Fenn Tower project. The Series 2005 Bonds are serial bonds maturing between 2007 and 2036. Interest rates are fixed and vary from 3.0% to 4.5%.

On June 1, 2008, the Corporation leased land, owned by the University and located on its campus, from the University. On August 22, 2008, the Corporation entered into a design-build agreement with the Apostolos Group to construct a 623-car parking garage on the site. On July 1, 2008, the Corporation entered into a lease agreement with the University to operate the garage once construction is completed. On July 25, 2008, the Corporation issued \$14,500,000 of tax-exempt bonds with the Cleveland-Cuyahoga County Port Authority to finance construction of the garage. The Series 2008 Bonds are serial bonds maturing between 2009 and 2040. They bear variable interest rates that reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was .09% at June 30, 2011. Construction of the garage was completed in August 2009.

On December 18, 2009, the Corporation leased land, owned by the University and located on its campus, from the University. On August 24, 2009, the Corporation entered into a development agreement with ACC to plan, design and construct 600 beds of student housing and a 300-car parking garage on this land. In addition, the Corporation entered into a management agreement with ACC to manage the student housing. On December 18, 2009, the Corporation issued \$59,005,000 of County of Cuyahoga, Ohio bonds (Series 2009 bonds) to finance the project. The 2009 bonds are serial bonds maturing between 2011 and 2042. They bear variable interest rates that are reset weekly. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was .08% at June 30, 2011. Phase 1 opened in August 2010, and Phase 2 is scheduled to open in August 2011.

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

	Principal	Interest
2012	\$ 1,150,000	\$ 3,904,880
2013	1,190,000	3,870,187
2014	1,520,000	3,824,066
2015	1,665,000	3,774,589
2016	1,825,000	3,717,343
2017-2021	11,765,000	17,422,632
2022-2026	15,195,000	14,855,559
2027-2031	19,205,000	11,605,683
2032-2036	24,275,000	7,610,667
2037-2041	20,975,000	3,193,054
2042-2043	6,945,000	367,865
	<u>\$ 105,710,000</u>	<u>\$ 74,146,525</u>

Complete financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Administration Center Room 209, Cleveland, OH 44115-2214.

NOTE 12 - SUBSEQUENT EVENT

On September 23, 2011, the University issued taxable general receipts bonds in the principal amount of \$5,775,000. The General Receipts Series 2011 Bonds were issued as fixed rate bonds with monthly maturities beginning October 1, 2013 through April 1, 2042. Interest is payable monthly at the rate of 5.32%. The proceeds of the bonds will be used to finance a portion of the costs of public improvements identified as the North Campus Neighborhood - Project Phase I. This phase is the subject of a "project development agreement" dated July 14, 2011 by and between Cleveland State University and CSU Housing, LLC, an Ohio limited liability company which serves as the project developer.

Federal Compliance Audit

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

To the Board of Trustees
Cleveland State University

We have audited the financial statements of Cleveland State University as of and for the year ended June 30, 2011 and have issued our report thereon dated October 28, 2011. Our report was modified to include reference to other auditors. 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. Other auditors audited the financial statements of Cleveland State University Foundation, Inc. and Euclid Avenue Housing Corporation, as described in our report on Cleveland State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity'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 a material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Trustees
Cleveland State University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cleveland 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*.

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

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 28, 2011

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

To the Board of Trustees
Cleveland State University

Compliance

We have audited the compliance of Cleveland State University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of Cleveland 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 Cleveland State University's management. Our responsibility is to express an opinion on Cleveland State 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 Cleveland State 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 Cleveland State University's compliance with those requirements.

This report is replacing a previously issued report in order to include the following paragraph that was inadvertently omitted from the previously issued report to opine on the University's 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, 2011.

In our opinion, the Cleveland 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, 2011.

To the Board of Trustees
Cleveland State University

Internal Control Over Compliance

The management of Cleveland 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 Cleveland State 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 entity'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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2011-03 and 2011-04. 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

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

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 28, 2011

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Grantor/Program title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Student Financial Aid Cluster			
Department of Education -			
Direct programs:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 463,708
Federal Work-Study Program	84.033		800,229
Federal Pell Grant Program	84.063		24,187,796
Academic Competitiveness Grants	84.375		468,290
National Science and Mathematics Access to Retain Talent (SMART)	84.376		719,500
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		181,384
Federal Perkins Loan Program	84.038		12,760,142
Federal Direct Student Loans	84.268		<u>114,796,482</u>
Total Student Financial Aid Cluster			154,377,531
TRIO Cluster			
Department of Education - Direct programs -			
TRIO Student Support Services	84.042		605,999
TRIO McNair Post-Baccalaureate Achievement	84.217		<u>322,992</u>
Total TRIO Cluster			928,991
State Fiscal Stabilization Fund (SFSF) Cluster			
Pass-through Programs - ARRA-State of Ohio - State Fiscal Stabilization Fund - Education			
State Grants - Recovery Act	84.394		<u>10,567,874</u>
Total State Fiscal Stabilization Fund (SFSF) Cluster			10,567,874
Research and Development Cluster			
Department of Health and Human Services:			
Direct programs:			
ARRA - Trans-NIH Recovery Act Research Support	93.701		174,826
Cardiovascular Diseases Research	93.837		320,809
Blood Diseases and Resources Research	93.839		330,125
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		18,866
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		58,622
Allergy, Immunology and Transplantation Research	93.855		371,995
Biomedical Research and Research Training	93.859		48,491
Aging Research	93.866		60,636
Cleveland Clinic Foundation - Cardiovascular Diseases Research	93.837	IP01HL087018-01A1 & P01HL076491-06A1	193,598
Biomedical Research and Research Training	93.859	GM090383-Barik	24,136
Case Western Reserve University - Geriatric Education Centers	93.969	TRN502747; Prime #: ID31HP08841-01-00 & TRN502747-3	7,912
Pass-through Programs:			
Case Western Reserve University - Minority Health and Health Disparities Research	93.307	2 R01 CA-086357-05	150,946
Minority Health and Health Disparities Research	93.307	RESS05192	6,551
Case Western Reserve University - Cancer Treatment Research	93.395	RESS05392	(1,431)
Case Western Reserve University - Cancer Biology Research	93.396	Sub Award No 4436646; Prime No P01HL076491-06A1, 117SUB, 04- 0953; 11590 FA01/HL074358, & 462074	<u>11,639</u>
Total Department of Health and Human Services			1,777,721

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (Continued)			
Department of Education:			
Direct programs:			
Business and International Education Projects	84.153		\$ 18,359
Education Research, Development and Dissemination	84.305		189,906
Child Care Access Means Parents in School	84.335		108,350
Pass-through Programs -			
Education Research, Development and Dissemination	84.305	IP60MD002264-04 & IP60MD002265	<u>46,792</u>
Total Department of Education			363,407
Federal Transit Administration - Pass-through Programs -			
Regional Transit Authority - Federal Transit-Capital Investment Grants	20.500	Contract No.: 2006-14 P.O. No.: 30702318	<u>80,323</u>
Total Federal Transit Administration			80,323
Institute of Museum and Library Services - Pass-through Programs -			
State Library Board - Grants to States	45.310	VIII-27-10	<u>7,234</u>
Total Institute of Museum and Library Services			7,234
Department of State - Direct Programs -			
Educational Exchange University Lecturers (Professors) and Research Scholars	19.401		<u>3,090</u>
Total Department of State			3,090
National Aeronautics and Space Administration:			
Direct Programs:			
Science	43.001		178
Aeronautics	43.002		256,752
Pass-through Programs:			
Booz Allen Hamilton, Inc. - Aeronautics	43.002	GS-23F-0109L/NNC10BA17B	24,758
U.S. Naval Academy - Aeronautics	43.002	M00189-0-P0904	7,175
University of Arizona - Aeronautics	43.002	NNC07BA14B / NNC07TA7IT 420222118, PO NCC07TA74T & NNC07TA73T & YY503043, NNX08AN49G, NCCB - 096, NNX07AC76A	<u>444,424</u>
Total National Aeronautic and Space Administration			733,287
National Endowment for the Humanities -			
Direct Programs - Promotion of the Humanities - Fellowships and Stipends	45.160		<u>9,019</u>
Total National Endowment for the Humanities			9,019

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (Continued)			
National Science Foundation:			
Direct Programs:			
ARRA - Trans-NSF Recovery Act Research Support	47.082		\$ 630,006
Engineering Grants	47.041		137,358
Computer and Information Science and Engineering	47.070		124,005
Biological Sciences	47.074		87,319
Social, Behavioral, and Economic Sciences	47.075		8,152
Education and Human Resources	47.076		105,428
Pass-through Programs:			
Arizona State University - Engineering Grants	47.041	10-404	7,443
Ohio State University Research Foundation - Mathematical and Physical Sciences	47.049	60004660; PO: RF01042478; Prime #: CHE-05322560	7,363
University of Maine - Computer and Information Science and Engineering	47.070	UMS-746 & UMS-747	12,071
Total National Science Foundation			1,119,145
U.S. Department of Justice - Pass-through Programs -			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	CE10000636-01	32,373
Total U.S. Department of Justice			32,373
U.S. Fish and Wildlife Services - Pass-through Programs -			
Prime Award No.: 30181AG152	15.608		6,197
Total U.S. Fish and Wildlife Services			6,197
U.S. Army Corp of Engineers - Pass-through Programs -			
Aquatic Plant Control	12.100		4,489
Total U.S. Army Corp of Engineers			4,489
U.S. Bureau of Reclamation - Pass-through Programs -			
Central State University - U.S. Bureau of Reclamation Water Reclamation and Reuse Program	15.504	6 USBR 04-FC-81-1041	(3,149)
Total U.S. Bureau of Reclamation			(3,149)
U.S. Department of Commerce - Direct Programs -			
University of Michigan - Economic Adjustment Assistance	11.307	33001346649/06-79-05147-02	61,880
Total U.S. Department of Commerce			61,880
U.S. Department of Defense:			
Direct Programs:			
Research and Technology Development	12.910		(4,444)
Mathematical Sciences Grants Program	12.901		10,476
Military Medical Research and Development	12.420		25,433
Pass-through Programs -			
General Technical Services, LLC - Collaborative Research and Development	12.114	GTS-09-1-261 & GTS-S-11-078	232,360
Total U.S. Department of Defense			263,825

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Research and Development Cluster (Continued)			
U.S. Department of Energy:			
Direct Programs:			
Renewable Energy Research and Development	81.087		\$ 82,840
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122		16,435
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency Response Research, Outreach, Technical Analysis	81.502		109,572
Pass-through Programs -			
Electricity Delivery and Energy Reliability, Research, Development and Analysis	81.122	Subaward No.: A000211517; Prime No.: DE-OE0000427	<u>4,309</u>
Total U.S. Department of Energy			213,156
U.S. Department of Transportation:			
Direct Programs - Highway Research and Development Program			
	20.200		348,604
Pass-through Programs:			
Ohio Department of Transportation - Highway Research and Development Program	20.200	ODOT # 21457	164,239
Ohio Department of Transportation - Highway Research and Development Program	20.205	AWARD #: 22896	<u>7,610</u>
Total U.S. Department of Transportation			520,453
U.S. Environmental Protection Agency:			
Direct Programs - Congressionally Mandated Projects			
	66.202		207,176
Pass-through Programs - Heidelberg College - Great Lakes Program	66.469	GL00E75401/EPA-R5-GL2009-1	<u>(1,605)</u>
Total U.S. Environmental Agency			205,571
U.S. Geological Survey - Pass-through Programs -			
America View - U.S. Geological Survey National Land Remote Sensing Education Outreach and Research	15.815	AV08-OH01_AV08-1 Mod.#2-5, AV08-OH01 Amnd 2-5, & AV08-01	<u>41,144</u>
Total U.S. Geological Survey			41,144
U.S. Department of Housing and Human Development -			
Pass-through Programs - Community Development Block Grants/Entitlement Grants	14.218	CEI000852-01	<u>3,635</u>
Total U.S. Department of Housing and Human Development			<u>3,635</u>
Total Research and Development Cluster			<u>5,442,800</u>

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Other Financial Assistance Programs			
Corporation for National and Community Service -			
Direct Programs - Learn and Serve America School and Community Based Program	94.004		(609)
Pass-through Programs - Learn and Serve America - School and Community Based Program	94.004		(30,298)
Pass-through Programs - Ohio Campus Compact thru Otterbein University - AmeriCorps	94.006	06LHHOH001	1,445
Total Corporation for National and Community Service			(29,462)
Department of Health and Human Services:			
Direct Programs - Blood Diseases and Resources Research	93.839		(1,118)
Pass-through Programs:			
Ohio Department of Job and Family Services - Stephanie Tubbs Jones Child Welfare Services Program	93.645	G89-06-0336/PO-02-0000005261	9,317
Ohio Department of Job and Family Services - Foster Care Title IV-E	93.658	G89-06-0336/PO-02-0000005261	9,317
Ohio Department of Job and Family Services - Adoption Assistance	93.659	G89-06-0336/PO-02-0000005261	9,317
Total Department of Health and Human Services			26,833
National Aeronautics and Space Administration:			
Direct Programs - Science	43.001		17,177
Pass-through Programs - Ohio Space Grant Consortium - Aerospace Education Services Program	43.001	SEED	13,165
Total National Aeronautics and Space Administration			30,342
National Science Foundation - Direct Programs:			
Computer and Information Science and Engineering	47.070		9,274
Education and Human Resources	47.076		183,383
Total National Science Foundation			192,657
U.S. Department of Commerce - Direct Programs -			
Economic Development - Technical Assistance	11.303		156,409
Total U.S. Department of Commerce			156,409
U.S. Environmental Protection Agency - Direct Programs -			
Congressionally Mandated Projects	66.202		(28)
Total U.S. Environmental Protection Agency			(28)
U.S. Small Business Administration - Pass-through Programs -			
Small Business Development Centers	59.037	ECDD 10-176, ECDD 11-278, & ECDD 11-225	171,471
Total U.S. Small Business Administration			171,471

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Entity Identifying Number	Expenditures
Other Financial Assistance Programs (Continued)			
Department of Education:			
Direct Programs:			
Fund for the Improvement of Postsecondary Education	84.116		\$ 111,798
Business and International Education Projects	84.153		57,226
Higher Education Institutional Aid	84.031		973,575
Bilingual Education - Professional Development	84.195		230,146
Graduate Assistance in Areas of National Need	84.200		156,309
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		90,508
Pass-through Programs:			
ARRA - Teacher Quality Partnerships - Recovery Act	84.405	U405A100055	34,673
Ohio Department of Education - Reading First State Grants	84.357	#OA03034; POs #EDU01- 0000002869 & #EDU01- 0000004793	78,548
Educational Services Center of Cuyahoga County - Fund for the Improvement of Education	84.215	U215X060145,U215X8270,U215X 60145	166,164
Total Department of Education			1,898,947
Total Other Financial Assistance Programs			2,447,169
Total Expenditures of Federal Awards			\$ 173,764,365

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Cleveland State University (the "University") under programs of the federal government for the year ended June 30, 2011. 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 Cleveland State University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Cleveland State University. Pass-through entity identifying numbers are presented where available.

Subrecipients - Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. The University is also the subrecipient of federal funds which have been subject to testing and are reported as expenditures and listed separately as pass-through programs.

Facilities and Administrative Costs - The University has approved predetermined facilities and administrative cost rates, which are 42 percent from July 1, 2010 to June 30, 2011 for on-campus research and instruction and 24 percent from July 1, 2010 to June 30, 2011 for off-campus research.

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 2 - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
U.S. Geological Survey - Nader Management Services	15.815	\$ 35,075
Department of Transportation:		
Nigamanth Sridhar	20.200	27,927
Debbie Jackson	20.200	1,000
Wenbing Zhao	20.200	24,167
Ohio University	20.200	111,146
National Science Foundation - Sean P. Yee	47.076	1,598
Department of Health and Human Services:		
Center for Community Solutions	93.307	30,996
Cuyahoga Community College	93.307	20,336
He Xiaoxing	93.307	7,863
Jang Sung-Gheel	93.307	(1,169)
Sreedhar Madhavara	93.307	7,182
Department of Education:		
Cuyahoga Community College	84.031	280,213
James Harmon	84.305	9,920
Marketa President	84.305	9,920
Alison Mizen	84.305	6,200
Youth Opportunities Unlimited	84.305	20,752
John Carroll University	84.357	43,521
U.S. Small Business Administration:		
Hispanic Business Association	59.037	37,500
Urban League of Greater Cleveland	59.037	49,138

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 2 - Subrecipient Awards (Continued)

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Corporation for National and Community Service:		
Akron Early College High School	94.004	\$ (3,754)
Byron Wasko	94.004	2,000
Charles Partridge	94.004	(2,000)
Clark Montessori Jr/Hs	94.004	(2,250)
Cleveland Heights/University Heights School District	94.004	(1,385)
Darke County Educational Service Center	94.004	(875)
Educational Service Center of Cuyahoga County	94.004	(1,511)
Fairborn High School	94.004	(1,113)
Greenon Local Schools	94.004	(1,416)
Jeane Golgoski	94.004	(4)
Jeff Zullo	94.004	(675)
Karen Majeski	94.004	(2,000)
Kimberly Bash	94.004	(2)
Kimberly Puckett	94.004	(2)
Kristi Scott	94.004	(4)
Matthew Dodd	94.004	(39)
Medina City Schools	94.004	(5,652)
Putnam Elementary School	94.004	(7,813)
Rick Bradley	94.004	(4)
Sebring Local Schools	94.004	(137)
Williamsburg Local Schools	94.004	(123)
Wyoming City Schools	94.004	(1,540)
Total		<u>\$ 692,986</u>

Note 3 - Adjustments and Transfers

During the year ended June 30, 2011, there were the following transfers of grant overpayments:

Transferred from	Amount	Transferred to
Federal Supplemental Educational Opportunity Grant	\$ 7,627	Federal Work Study

The University carried forward Federal Work Study funds awarded in 2009-2010 and spent in the current year in the amount of \$1,364.

Cleveland State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? 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? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.375, 84.376, 84.379, 84.038, 84.268	Student Financial Aid
84.394	State Fiscal Stabilization Fund
various	Research and Development
84.042, 84.217	TRIO
84.031	Title III

Dollar threshold used to distinguish between type A and type B programs: \$581,605

Auditee qualified as low-risk auditee? Yes No

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - Depreciation expense is calculated using certain key components, including a selected depreciation method, acquisition cost, and number of useful years based on asset type.</p> <p>Condition - An incorrect value of useful life was used for the calculation of the current year depreciation expense for various assets, due to a manual keying error.</p> <p>Context - Error resulted in an adjustment of the calculation of approximately \$1,400,000 (total depreciation expense is approximately \$24,715,000).</p> <p>Cause - An incorrect value of useful life was used for the calculation of the current year depreciation expense for various assets. Independent review of the calculation was not performed.</p> <p>Effect - An incorrect value of useful life was used in the calculation of depreciation expense that resulted in an adjustment of the calculation of approximately \$1,400,000.</p> <p>Recommendation - We recommend that during the year-end closing, management should perform an independent review of the depreciation expense calculation related to fixed assets.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Asset lives will be reviewed for reasonableness when the Controller's Office prepares the year-end depreciation calculation. This calculation is based on asset type. This review will be added as another step on the year-end closing checklist for plant assets.</p>

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-02	<p>Finding Type - Significant deficiency</p> <p>Criteria - Financial information should be reported consistently and timely in order to be useful to management, including bank reconciliation information.</p> <p>Condition - During our audit of cash and review of bank reconciliations, we noted an auxiliary bank account reconciliation which did not reconcile to the University's general ledger. Accurate and timely information was not communicated to the controller's office by the auxiliary office for proper reconciliation. Reasonable reconciliation of the difference was subsequently provided.</p> <p>Context - The deposits in transit in question totaled approximately \$287,000 and resulted in the overstatement of cash and auxiliary revenue at year end.</p> <p>Cause - Accurate and timely information was not communicated to the controller's office by the auxiliary office for proper reconciliation.</p> <p>Effect - Cash and auxiliary revenue was overstated by approximately \$287,000 as of June 30, 2011.</p> <p>Recommendation - We recommend that the University and the auxiliary funds improve communication to reconcile data properly.</p> <p>Views of Responsible Officials and Planned Corrective Actions - To ensure information is accrued properly, accurately reported, and timely communicated to the Controller's office, all auxiliaries will provide accurate bank account reconciliations to Campus Support Services, Assistant Director of Fiscal Operations in a timely manner. This will allow for proper financial review and will improve the consistency, comparability and reliability of the data.</p>

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings

Reference
Number

Finding

2011-03

Program Name - Title III - Higher Education Institutional Aid (CFDA 84.031)

Pass-through Entity - Not applicable

Finding Type - Significant deficiency

Criteria - A disbursement charged to a federal grant must be an allowable cost in accordance with OMB Cost Circular A-21 and the federal grant requirements.

Condition - During review of the University's compliance with allowability requirements as outlined by grants within the Title III program, we noted three instances of noncompliance. Three expenditures were applied to unbudgeted line items out of a total of 40 expenditures that were selected for testing. Subsequent budget revisions were approved by the granting agency for one of the items, but was not communicated to the appropriate University grant budgeting office.

Questioned Costs - \$582

Context - Out of a total of 40 disbursements selected for testing in the amount of \$202,048, three of the disbursements included expenses which were applied to line items of the budget which were not budgeted appropriately in the amount of \$582. Total expenditures for this grant were \$973,575.

Cause and Effect - For each of the three, University personnel did not understand the budget, which ultimately led to the errors.

Recommendation - We recommend that all expenditures charged to a grant should be reviewed for allowability per grant requirements and properly reflected in University records. Those expenditures outside of those identified as allowable per the grant agreement should be approved by the grantor.

Views of Responsible Officials and Planned Corrective Actions - Procedures have been put in place to make sure the budgets are correct. For example, this will include informing the Office of Sponsored Programs and Research (OSPR) of any programmatic changes that may also require budget adjustments so that OSPR can make the those budget adjustments in advance of expenditures being incurred.

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-04	<p>Program Name - Research and Development Cluster - Highway Research and Development Program (CFDA 20.200)</p> <p>Pass-through Entity - Not applicable</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Cleveland State University is subject to various reporting requirements as outlined by the individual grants within the Research and Development Cluster.</p> <p>Condition - In reviewing the reporting requirements for the selected sample of grants, one report was not filed by the specified deadline outlined in the filing requirements of the grant agreement.</p> <p>Questioned Costs - None</p> <p>Context - Out of a total of 40 reports selected for testing in the Research and Development Cluster, one of the reports was not filed timely.</p> <p>Cause and Effect - The report was filed late due to a lack of internal procedures to ensure timely reporting. The report was due on August 31, 2011 and as of the testing date of September 21, 2011, this report had not been filed.</p> <p>Recommendation - We recommend the Principal Investigator and the Office of Sponsored Programs and Research office maintain a report tracking mechanism for due dates to ensure timeliness of report submissions per grant reporting requirements.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Office of Sponsored Programs and Research agrees with the recommendation. It has enhanced its narrative report reminder procedure which will be put into effect during Fiscal Year 2012.</p>

Cleveland State University

Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2010-02	Research and Development Cluster	In reviewing the reporting requirements for a sample of grants, two reports were not filed by the specified deadline outlined in the filing requirements of the grant agreements.	In Process	Office of Sponsored Programs and Research has enhanced its narrative report reminder procedure which will be put into effect during Fiscal Year 2012.



Dave Yost • Auditor of State

CLEVELAND STATE UNIVERSITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2011**