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

Financial Report
with Supplemental Information
June 30, 2013

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University, Greene County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

October 29, 2013

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Central State University

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Independent Auditor's Report

To the Board of Trustees
Central State University

Report on the Financial Statements

We have audited the accompanying financial statements of Central State University and its discretely presented component unit (the "University"), as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise Central State University's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Central State University

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central State University and its discretely presented component unit as of June 30, 2013 and 2012 and the changes in its financial position and, where applicable, cash flows thereof, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2012, the University adopted new accounting guidance under GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central State University's basic financial statements. The 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 required part of the basic financial statements.

To the Board of Trustees
Central State University

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of Central State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 15, 2013

This section of Central State University's (the "University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2013, 2012, and 2011. This discussion should be read in conjunction with the accompanying financial statements and notes. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the University's administration.

Using this Report

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

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

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

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

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

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

The University follows GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. As such, Central State University Foundation's (the "Foundation") financial statements and notes have been discretely incorporated into the University's financial statements.

Analysis of Results of Operations

Total revenue for the years ended June 30, 2013 and 2012 was $56.5 million and $65.8 million, respectively, of which operating revenue totaled $31.4 million and $37.5 million, respectively. Operating revenue in fiscal year 2013 decreased $6.1 million, or 16.3 percent, when compared with fiscal year 2012.

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

Total expenses for the years ended June 30, 2013 and 2012 were $63.4 million and $64.7 million, respectively. Operating expenses decreased $1.3 million, or 2.0 percent, when compared with fiscal year 2012.

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

The University's operating loss totaled $32.0 million during 2013 compared to $27.2 million in 2012, which represented an unfavorable increase of $4.8 million, or 17.8 percent.

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

The University's total net position for 2013 decreased $6.9 million during 2013 compared to an increase of $1.0 million during 2012, which represents an unfavorable decrease of $7.9 million.

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

Student enrollment decreased 14 percent in fall fiscal year 2013 compared to fall fiscal year 2012; tuition and fees, rates, room and board increased 3.5 percent for 2013 when compared to 2012 amounts.

The $6.1 million decrease in operating revenue was related to decreases of $1.9 million in tuition and fees due to the 14 percent reduction in enrollment; $2.4 million in federal grants due to the conclusion in 2012 of multiple federal grants including those from the U.S. Department of Interior/National Park Service ($1.3 million) and the College Cost Reduction Access Act ($0.3 million); $1.7 million in auxiliary activities; and $.1 million in indirect cost recovery while other sources, and state, local, and private grants and contracts remained flat.

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

A breakdown and comparison of operating revenues are provided below:

Operating Revenue (in millions)	2013	2012	2011
Tuition and fees - Net	$ 9.1	$ 10.9	$ 9.3
Federal grants and contracts	8.1	10.5	9.2
State, local, and private grants and contracts	.9	1.0	1.0
Indirect cost recovery	.7	.8	.6
Auxiliary activities - Net	10.4	12.1	10.3
Other sources	2.2	2.2	2.7
Total	**$ 31.4**	**$ 37.5**	**$ 33.1**

A breakdown and comparison of nonoperating revenue are as follows:

Nonoperating Revenue (Expenses) (in millions)	2013	2012	2011
Federal Pell grant appropriations	$ 7.7	$ 10.0	$ 9.8
Federal fiscal stabilization funds	-	-	.9
State appropriations	17.2	17.6	17.7
Interest expense	(.1)	(.1)	(.1)
Loss on disposal of capital assets	-	-	(.3)
Total	**$ 24.8**	**$ 27.5**	**$ 28.0**

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

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

State Appropriations (in millions)	2013	2012	2011
State Share of Instructional Support	$ 6.3	$ 6.1	$ 5.6
Central State Supplement	10.9	11.5	12.1
Total	**$ 17.2**	**$ 17.6**	**$ 17.7**

The change in State of Ohio funding from 2013 to 2012 was primarily due to Central State supplement decrease of $0.6 million, or 5.0 percent slightly offset by SSIS increase by $0.2 million, or 3.7 percent.

The change in State of Ohio funding from 2012 to 2011 was primarily due to Central State supplement decrease of $0.6 million, or 5.0 percent offset by SSIS increase by $0.5 million, or 8.9 percent.

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

Expenses (in millions)	2013	2012	2011
Instruction	$ 12.0	$ 11.8	$ 12.3
Research	2.0	1.7	1.6
Student services	3.4	3.6	3.5
Academic support	7.2	7.2	6.3
Public services	2.8	3.2	1.9
Institutional administration	9.1	8.8	6.7
Operation and maintenance of plant	5.7	5.6	6.7
Auxiliary enterprises	13.3	14.5	12.4
Student aid	3.8	4.5	5.2
Depreciation	4.1	3.8	3.4
Total	**$ 63.4**	**$ 64.7**	**$ 60.0**

Central State University's operating expenses during 2013 reflected a $1.3 million decrease in operating expenses, totaling $63.4 million in 2013 as compared to $64.7 million in 2012. The decrease in expenses was primarily related to a decrease in auxiliary enterprises ($1.1 million), student aid ($0.7 million), public services ($0.4 million), and student services ($0.2 million) offset by an increase in instruction ($0.2 million), research ($0.2 million), institutional administration ($0.3 million), operation, maintenance of plant ($0.1 million) and depreciation ($0.3 million). Expenses in academic support remained flat. The changes reflect ongoing realignment of funds to fulfill the tenets and compelling priorities of the University while striving to sustain a balanced budget position by reducing daily operating expenditures.

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

Analysis of Overall Financial Position

At June 30, 2013, current assets totaled $19.6 million, as compared to $24.9 million at June 30, 2012, a decrease of $5.3 million. The decrease in current assets was primarily attributable to a $4.2 million decrease in cash and cash equivalents, $1.0 million decrease in accounts receivable, and a $0.1 million decrease in inventory. Current liabilities at June 30, 2013, as compared to June 30, 2012, totaled $15.4 million and $16.2 million, respectively, a decrease of $0.8 million. The decrease in current liabilities was primarily attributable to a decrease of $1.2 million in unearned revenues and $0.7 million in unearned student fee revenue. The decreases were offset by increases of $0.5 million in other liabilities, $0.3 million in current portion of long-term debt, and a $0.3 million in accrued salaries and wages. The University's working capital ratios at June 30, 2013 and June 30, 2012 were 1.27 and 1.54, respectively.

The University's current assets at June 30, 2012 totaled $24.9 million, as compared to $21.8 million at June 30, 2011, which represents an increase of $3.1 million. Current liabilities at June 30, 2012 as compared to June 30, 2011 totaled $16.2 million and $13.5 million, respectively, an increase of $2.7 million.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The $14.2 million increase in the University's noncurrent assets, which total $92.5 million at June 30, 2013 and $78.3 million at June 30, 2012, is associated primarily with a $16.2 million increase in restricted cash and a $2.0 million increase in buildings, equipment, and construction in progress, which was offset by a $4.0 million increase in accumulated depreciation.

Noncurrent assets at June 30, 2012 were $78.3 million, as compared to $77.2 million at June 30, 2011. The increase was primarily associated with a $4.6 million increase in buildings, equipment, and construction in progress which was offset by a $3.5 million increase in accumulated depreciation.

The University's noncurrent liabilities at June 30, 2013 total $20.1 million, as compared to $3.6 million at June 30, 2012. The $16.5 million increase is attributed to an increase in long-term debt of $16.1 million and an increase in long-term liabilities of $0.4 million.

Noncurrent liabilities at June 30, 2012 were $3.6 million, as compared to $3.1 million at June 30, 2011. The $0.5 million decrease is attributed to an increase in long-term liabilities of $0.3 million and an increase in long-term debt of $0.2 million.

The University's net assets were $76.6 million at June 30, 2013 and $83.4 million at June 30, 2012.

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

Capital Assets and Long-term Debt Activity

The University utilizes state capital appropriations for capital asset expenditures. State capital appropriations are on a biennium basis, and individual institutions' capital funding allocations are based largely on enrollment as well as appropriations for new facilities. During 2013, the University utilized $0.3 million in state capital appropriations. During 2012, the University utilized $0.8 million in state capital for construction.

The University's long-term debt is comprised of notes payable to the Department of Education and bonds issued during 2013 under the State of Ohio Air Quality Development Authority Tax Exempt Revenue Bond program for $16.6 million. During 2013, the University issued a new capital lease obligation of $0.06 million and paid $0.3 million in connection with debt maturities. The University is in compliance with all of its contractual long-term debt requirements and covenants.

A breakdown and comparison of the University's balance sheet as of June 30, 2013, 2012, and 2011 are provided below:

Balance Sheet (in millions)	2013	2012	2011
Assets			
Current assets	$ 19.6	$ 24.9	$ 21.8
Noncurrent assets:			
Restricted cash and equivalents	17.4	1.2	1.2
Capital assets - Net	75.1	77.1	76.0
Total assets	**$ 112.1**	**$ 103.2**	**$ 99.0**
Liabilities			
Current	$ 15.4	$ 16.2	$ 13.5
Noncurrent	20.1	3.6	3.1
Total liabilities	35.5	19.8	16.6
Net Position			
Invested in capital assets - Net	72.7	75.2	74.5
Restricted - Expendable	.1	.1	-
Unrestricted	3.8	8.1	7.9
Total net position	76.6	83.4	82.4
Total liabilities and net position	**$ 112.1**	**$ 103.2**	**$ 99.0**

Statement of Cash Flows

Net cash used in operating activities was $27.5 million, $22.0 million, and $25.6 million in 2013, 2012, and 2011, respectively. In 2013, cash flows from operating activities were primarily comprised of tuition and fees ($14.8 million), grants and contracts ($8.5 million), other receipts ($2.2 million), and auxiliary enterprise charges ($2.3 million), which were offset by payments to suppliers and employees of $55.3 million.

Cash flows from noncapital financing activities were $24.9 million, $27.5 million, and $28.4 million in 2013, 2012, and 2011, respectively. In 2013, these were comprised of State of Ohio appropriations of $17.2 million, Federal Pell Grants of $7.7 million, and offsetting federal loan receipts and disbursements.

Cash flows in capital and related financing activities for 2013 was $14.5 million, while net cash used in 2012 and 2011 was $3.7 million and $2.9 million, respectively. In 2013, cash flows from issuance of bonds and capital lease was $16.6 million and $0.3 million in capital grants and gifts. This was offset by purchase of capital assets and construction of $1.8 million, bond issuance costs of $0.3 million, principal payment of capital lease of $0.1 million, principal payment on capital debt $0.1 million, and interest on capital debt and capital lease $0.1 million. The change in cash flows from 2012 to 2011 decreased from purchase of capital assets and construction by $4.8 million which was offset by the increase of $1.1 million in capital grants and gifts.

The net increase in cash and cash equivalents was $11.9 million and $1.8 million in 2013 and 2012, respectfully, and a decrease of $0.1 million in 2011. Year-end cash and cash equivalents for 2013, 2012, and 2011 were $24.4 million, $12.5 million, and $10.7 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended June 30, 2013, 2012, and 2011 are provided below:

Cash Flows Activities (in millions)	2013	2012	2011
Cash flows from operating activities	$ (27.5)	$ (22.0)	$ (25.6)
Cash flows from noncapital financing activities	24.9	27.5	28.4
Cash flows from capital and related financing activities	14.5	(3.7)	(2.9)
Cash flows from investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	11.9	1.8	(.1)
Cash and cash equivalents - Beginning of year	12.5	10.7	10.8
Cash and cash equivalents - End of year	**$ 24.4**	**$ 12.5**	**$ 10.7**

Factors Impacting Future Periods

Central State University continues to aspire to be a premier historically black university in the twenty-first century. This vision, now under the pioneering leadership of its first female president, is currently undergoing an institutional renaissance that promises to yield, over the next decade, exciting new levels of academic excellence and institutional prominence. Integrated into the fabric of this evolution are our three tenets: service, protocol, and civility. These three tenets, along with the university's six compelling priorities, will drive our growth and change over the next 10 years.

In accordance with HB 153, Central State University and the Chancellor of the Ohio Board of Regents released a plan for advancing progress at the University. This plan affirmed an enrollment attainment of 3,000 over the next few years to allow the University to focus on retention and strategic enrollment strategies rather than an aggressive student enrollment target of 6,000. This refocused strategy is strongly supported by the new leadership's compelling priorities of (1) quality academic experience, (2) targeted student enrollment, (3) reduced time to degree, (4) improved retention rates, (5) development of graduates with knowledge, skills, and disposition for professional placement in schools and professional careers, and (6) efficient and effective operations. This, along with our recent designation as an 1890 Land Grant Institution, will continue to build on a firm foundation for our growth strategies and revenue self-sufficiency. These priorities align directly with the governor's goals for higher education as well as the 2012 Chancellor's Plan for Advancing Progress at Central State.

Central State University, like many institutions of higher learning in Ohio, has significant capital infrastructure deficiencies. As a result, in FY 2013 the University moved aggressively to secure financing to address this issue through a $16.6 million bond acquisition to retrofit the University's energy generating systems and components. This initiative evolved from Ohio House Bill 251, ORC 3345.69 (HB 251) legislation, that mandates each institution of higher education to implement a plan to reduce energy consumption by at least 20 percent by the end of 2014 compared to 2004 as a benchmark year. These bonds obtained through the Ohio Air Quality Development Authority were secured at a very low interest rate. This project, which is a performance contract, estimates savings of $1.1 million per year which will offset the annual principal and interest payments of the bonds. In addition, the University is also pursuing $13.5 million through the HBCU Capital Financing Program to purchase the University's newest residence facilities from the developer. And finally, the University will start the construction on the $33.0 million student center, to be completed in fall semester of FY 2015. These capital improvement projects all fit strategically in the master plan of the institution and are intricate to supporting and fulfilling the tenets and compelling priorities of the University.

Lastly, the University moved quickly in FY 2013 to bring a sustainable balanced budget position, by launching an intensive strategic effort to reduce daily operating expenditures. At all levels of the University, administrators, faculty, and staff worked diligently to identify and implement a variety of cost-saving measures. We added to those long-term efforts to increase productivity and improve financial performance with the introduction of a Voluntary Severance Program (VSP). This project downsized the institution's workforce by 25 employees in an effort to eliminate $1.5 million annually in wages and benefits.

Central State University

Statement of Net Position
University

	June 30 2013	June 30 2012
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 6,971,100	$ 11,299,923
Accounts receivable - Net of allowance of approximately $10.9 million at June 30, 2013 and $9.6 million at June 30, 2012 (Note 3)	12,059,562	13,066,714
Inventory	461,273	569,727
Prepaid assets	68,610	17,746
Total current assets	19,560,545	24,954,110
Noncurrent Assets		
Restricted cash and cash equivalents (Note 2)	17,394,448	1,219,679
Capital assets - Net (Note 4)	74,764,788	77,060,801
Bond issuance costs	383,940	-
Total noncurrent assets	92,543,176	78,280,480
Total assets	**$ 112,103,721**	**$ 103,234,590**
Liabilities and Net Position		
Current Liabilities		
Deposits	$ 204,120	$ 183,650
Accounts payable	934,468	911,030
Accrued salaries, wages, and benefits	4,516,603	4,188,971
Unearned student fee revenue	5,580,745	6,342,743
Current portion of long-term debt (Note 6)	322,536	116,065
Current portion of capital lease (Note 7)	121,820	109,224
Other liabilities (Note 9)	563,019	849
Other unearned revenue	3,171,630	4,321,915
Total current liabilities	15,414,941	16,174,447
Noncurrent Liabilities		
Long-term debt (Note 6)	17,515,223	1,287,758
Long-term capital lease (Note 7)	266,278	350,598
Long-term liabilities (Note 5)	1,365,718	1,943,639
Other long-term liabilities (Note 9)	953,482	-
Total noncurrent liabilities	20,100,701	3,581,995
Total liabilities	35,515,642	19,756,442
Net Position		
Net investment in capital assets	72,715,348	75,197,156
Restricted for expendable - Grants	32,267	175,514
Unrestricted	3,840,464	8,105,478
Total net position	76,588,079	83,478,148
Total liabilities and net position	**$ 112,103,721**	**$ 103,234,590**

Central State University

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

	Year Ended June 30	
	2013	2012
Operating Revenue		
Tuition and fees	$ 14,516,201	$ 17,039,368
Less grants and scholarships	(5,432,597)	(6,095,916)
Federal grants and contracts	8,089,262	10,484,407
State, local, and private grants and contracts	904,149	953,302
Indirect cost recovery	684,621	754,643
Auxiliary activities	15,632,166	17,983,171
Less grants and scholarships	(5,235,996)	(5,862,716)
Other sources	2,202,317	2,208,814
Total operating revenue	31,360,123	37,465,073
Operating Expenses		
Instruction	11,991,876	11,803,045
Research	1,973,435	1,720,535
Student services	3,380,156	3,617,424
Academic support	7,225,956	7,202,220
Public services	2,810,631	3,190,196
Institutional administration	9,141,736	8,846,119
Operation and maintenance of plant	5,707,515	5,605,895
Auxiliary enterprises	13,344,808	14,478,266
Student aid	3,757,991	4,455,753
Depreciation	4,056,401	3,751,224
Total operating expenses	63,390,505	64,670,677
Operating Loss	(32,030,382)	(27,205,604)
Nonoperating Revenue (Expenses)		
Federal Pell Grant appropriations	7,675,866	9,979,852
State appropriations	17,205,778	17,556,760
Investment income	10,259	16,603
Interest expense	(68,670)	(98,523)
Loss on disposal of capital assets	(29,160)	-
Net nonoperating revenue	24,794,073	27,454,692
(Loss) Income - Before other revenue	(7,236,309)	249,088
Other Revenue - State capital appropriations/capital gifts	346,240	837,522
(Decrease) Increase in Net Position	(6,890,069)	1,086,610
Net Position - Beginning of year	83,478,148	82,391,538
Net Position - End of year	**$ 76,588,079**	**$ 83,478,148**

Central State University

Statement of Cash Flows
University

	Year Ended June 30	
	2013	2012
Cash Flows from Operating Activities		
Tuition and fees	$ 14,781,825	$ 16,714,474
Grants and contracts	8,527,748	13,596,044
Payments to suppliers and employees	(55,311,499)	(58,016,022)
Auxiliary enterprise charges	2,287,358	3,504,905
Other	2,202,320	2,208,814
Net cash used in operating activities	(27,512,248)	(21,991,785)
Cash Flows from Noncapital Financing Activities		
Federal Pell Grant	7,675,866	9,979,852
State appropriations	17,205,778	17,556,760
Federal loan receipts	17,952,622	22,775,987
Federal loan disbursements	(17,952,622)	(22,775,987)
Net cash provided by noncapital financing activities	24,881,644	27,536,612
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts received	346,240	837,522
Principal received from bond issuance	16,550,000	-
Purchase of capital assets and construction	(1,789,548)	(4,830,129)
Bond issuance costs	(383,940)	-
Principal paid on capital debt	(116,065)	(109,935)
Principal of capital lease	61,498	565,434
Principal paid on capital lease	(133,224)	(105,612)
Interest paid on capital debt	(68,670)	(98,523)
Net cash provided by (used in) capital and related financing activities	14,466,291	(3,741,243)
Cash Flows from Investing Activities - Interest on investments	10,259	16,603
Net Change in Cash and Cash Equivalents	11,845,946	1,820,187
Cash and Cash Equivalents - Beginning of year	12,519,602	10,699,415
Cash and Cash Equivalents - End of year	**$ 24,365,548**	**$ 12,519,602**

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

Statement of Cash Flows (Continued)
University

	Year Ended June 30	
	2013	2012
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$ (32,030,382)	$ (27,205,604)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	4,056,401	3,751,224
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	1,007,152	(1,135,420)
Inventories, prepaids, and other assets	57,590	(202,479)
Accounts payable	23,438	127,569
Accrued salaries, wages, and benefits	83,583	601,556
Other liabilities	1,181,783	(142,848)
Deferred revenue and student deposits	(1,891,813)	2,214,217
Net cash used in operating activities	**$ (27,512,248)**	**$ (21,991,785)**

Consolidated Statement of Financial Position
Discretely Presented Component Unit - Foundation

	June 30	
	2013	2012
Assets		
Cash and cash equivalents	$ 587,885	$ 1,422,577
Investments (Note 2)	3,788,952	3,086,427
Contributions receivable - Net	26,856	54,365
Other receivables	1,557	43,513
Prepaid expenses	5,672	5,672
Total current assets	4,410,922	4,612,554
Restricted cash and cash equivalents (Note 2)	3,661,620	3,125,812
Fixed assets - Net (Note 4)	12,352,263	12,767,127
Financing costs - Net	1,330,289	1,428,107
Total assets	**$ 21,755,094**	**$ 21,933,600**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 45,480	$ 225,070
Payable to Central State University	27,608	56,129
Accrued interest payable	462,934	472,547
Current portion of long-term debt (Note 6)	475,000	455,000
Total current liabilities	1,011,022	1,208,746
Long-term debt (Note 6)	17,213,556	17,663,222
Total liabilities	18,224,578	18,871,968
Net Assets		
Unrestricted	(635,159)	(747,268)
Temporarily restricted	1,661,219	1,799,506
Permanently restricted	2,504,456	2,009,394
Total net assets	3,530,516	3,061,632
Total liabilities and net assets	**$ 21,755,094**	**$ 21,933,600**

Central State University

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

	Year Ended June 30	
	2013	2012
Revenue		
Rental revenue	$ 2,587,274	$ 2,917,147
Contributions	993,839	993,742
Other	320,340	251,110
Unrealized gain (loss) on investments	149,748	(101,547)
Investment income	189,650	191,700
Total revenue	4,240,851	4,252,152
Expenses		
Programs:		
Scholarship programs	334,039	212,614
Athletic programs	299,094	362,906
Academic programs	130,433	243,516
Institutional programs	323,929	314,265
Student support programs	21,466	2,973
Support activities:		
Management fees	181,109	204,200
Operating expenses	824,107	827,803
Surplus expense	149,365	376,200
Depreciation expense	512,682	491,515
Interest expense	951,202	972,227
Other	44,541	35,330
Total expenses	3,771,967	4,043,549
Increase in Net Assets	468,884	208,603
Net Assets - Beginning of year	3,061,632	2,853,029
Net Assets - End of year	**$ 3,530,516**	**$ 3,061,632**

Note 1 - Basis of Presentation and Significant Accounting Policies

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

The Central State University Foundation (the "Foundation") is being discretely presented as part of the University reporting entity (although it is a legally separate entity and governed by its own board of directors) because its sole purpose is to provide support for the University in accordance with GASB Statement No. 61. Separate statements for the Foundation may be obtained through the State of Ohio auditor's web site. The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under the GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

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

The University performs accounting services for the Foundation. The cash receipts for the Foundation are deposited directly to the Foundation bank account; however, disbursements are made by the University on behalf of the Foundation with a monthly cash settlement process.

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

Financial Statement Presentation

The accompanying financial statements have been prepared using the total economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure,* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The College follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the University's financial statements:

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

Net position is classified into three major categories:

- **Net Investment in Capital Assets** - Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.
- **Restricted** - Owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net position category is subdivided further into expendable and nonexpendable.
    - **Restricted Expendable** - May be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
    - **Restricted Nonexpendable** - Endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.

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

- **Unrestricted** - Resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. They are used for the general obligations of the University and may be used at the discretion of the board of trustees for any purpose furthering the University's mission.

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management - The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; employee injuries and illnesses; national disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the preceding three years. The University is self-insured for student health insurance claims; the recorded liability for these claims is $9,127 and $20,154 as of June 30, 2013 and 2012, respectively.

Subsequent Events - The University entered into an agreement after year end to finance two 99-bed student residence facilities in the total amount of approximately $13,488,000.

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

Newly Adopted Accounting Pronouncements

Effective July 1, 2012, the University implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement introduces and defines those elements as a consumption of net assets by the University that are applicable to a future reporting period, and an acquisition of net asset by the University that are applicable to a future reporting period, respectively. The standards also incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Newly Issued Accounting Pronouncements, Not Yet Adopted

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

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

Note 2 - Cash and Cash Equivalents and Investments

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a policy restricting custodial credit risk. The University did not have any uninsured or uncollateralized cash and cash equivalents at June 30, 2013 or 2012.

Credit Risk

As discussed above, state law limits investments to U.S., state, and municipal government obligations. The University has no investment policy that would further limit its investment choices. The University had $3,106,227 and $8,491,562 invested in bank mutual fund pools at June 30, 2013 and 2012, respectively; these funds are not rated by a national rating agency due to the short-term nature of their holdings.

Restricted Cash and Cash Equivalents

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

The Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2013 and 2012:

	2013	2012
Restricted:		
Debt interest account	$ 523,513	$ 472,547
Repair and replacement fund	899,675	767,242
Redemption fund	336,994	-
Debt principal fund	475,039	455,000
Debt reserve fund	1,426,399	1,431,023
Total restricted cash	$ 3,661,620	$ 3,125,812

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

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

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

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

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

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset. Often, these assets trade infrequently, or not at all. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions. During 2013, the Foundation disposed of their common shares in a privately held company, which was valued at June 30, 2012 based upon Level 3 inputs.

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

Assets Measured at Fair Value on a Recurring Basis at June 30, 2013

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2013
Private equity investments:				
Common and preferred stock	$ 294,841	$ -	$ -	$ 294,841
Mutual funds:				
U.S. large-cap equity mutual funds	982,874	-	-	982,874
U.S. mid-cap equity mutual funds	179,621	-	-	179,621
U.S. small-cap equity mutual funds	224,450	-	-	224,450
U.S. realty mutual funds	136,314	-	-	136,314
Emerging markets international equity mutual fund	126,542	-	-	126,542
Global equity mutual funds	342,129	-	-	342,129
Subtotal	2,286,771	-	-	2,286,771
Fixed-income investments:				
U.S. agency and instrumentality obligations	-	17,767	-	17,767
Bond mutual funds	1,484,414	-	-	1,484,414
Subtotal	1,484,414	17,767	-	1,502,181
Total investments	$ 3,771,185	$ 17,767	$ -	$ 3,788,952

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

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

Note 3 - Receivables

At June 30, 2013 and 2012, receivables consist of the following:

	2013	2012
Student accounts receivable	$ 20,709,048	$ 20,381,055
Student notes receivable	950,216	947,957
Grant and contract receivables	1,260,242	1,198,011
Other	1,028,970	1,095,818
Total	23,948,476	23,622,841
Less allowance for doubtful accounts	(11,888,914)	(10,556,127)
Net receivables	$ 12,059,562	$ 13,066,714

Student note receivables represent outstanding loans from the Federal Perkins Loan Program. These loans have been assigned to the Department of Education and are no longer administered by the University. The outstanding balance at June 30, 2013 and 2012 has been reserved in full and is included in the allowance for doubtful accounts.

Note 4 - Capital Assets

Capital assets activity for the University for the years ended June 30, 2013 and 2012 is summarized as follows:

	2013				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 126,173,462	$ 118,876	$ (32,400)	$ -	$ 126,259,938
Automobiles, machinery, and equipment	19,643,045	1,063,266	-	31,612	20,737,923
Assets under capital lease	565,434	61,500	-	-	626,934
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	4,098,461	545,906	-	(31,612)	4,612,755
Total capital assets	150,789,052	1,789,548	(32,400)	-	152,546,200
Less accumulated depreciation:					
Buildings and improvements	58,727,902	2,773,829	(3,240)	-	61,498,491
Automobiles, machinery, and equipment	14,943,806	1,167,436	-	-	16,111,242
Assets under capital lease	56,543	115,136	-	-	171,679
Total accumulated depreciation	73,728,251	$ 4,056,401	$ (3,240)	$ -	77,781,412
Capital assets - Net	$ 77,060,801				$ 74,764,788

Note 4 - Capital Assets (Continued)

	2012				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Depreciable assets:					
Buildings and improvements	$ 120,558,902	2,495,558	$ -	$ -	$ 123,054,460
Automobiles, machinery, and equipment	18,572,507	1,329,950	(259,412)	3,119,002	22,762,047
Assets under capital lease	-	565,434	-	-	565,434
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	6,778,276	439,187	-	(3,119,002)	4,098,461
			-		
Total capital assets	146,218,335	4,830,129	(259,412)	-	150,789,052
Less accumulated depreciation:					
Buildings and improvements	56,040,345	2,687,556	-	-	58,727,901
Automobiles, machinery, and equipment	14,196,094	1,007,124	(259,412)	-	14,943,806
Assets under capital lease	-	56,544	-	-	56,544
Total accumulated depreciation	70,236,439	3,751,224	(259,412)	-	73,728,251
Capital assets - Net	$ 75,981,896				$ 77,060,801

The State of Ohio Air Quality Development Authority Tax Exempt Revenue Bonds authorized up to $16.6 million to be spent on a variety of energy conservation construction projects over the next two years which includes replacing the existing centralized boiler system. These projects will be financed from the proceeds of the bond issuance, as described in Note 6.

A construction-manager-at-risk contract has been entered into for the construction of the University Center. The State of Ohio has encumbered the funds through capital budgeting to pay for this project. On-site construction is scheduled to begin in mid to late fiscal year 2014.

Capital assets activity for the Foundation for the years ended June 30, 2013 and 2012 is summarized as follows:

	2013	2012
Land	$ 140,800	$ 140,800
Building	16,034,338	16,034,338
Furniture and fixtures	896,603	896,603
Total fixed assets	17,071,741	17,071,741
Less accumulated depreciation	(4,719,478)	(4,304,614)
Net fixed assets	$ 12,352,263	$ 12,767,127

Note 5 - Long-term Liabilities

Long-term liability (other than long-term debt and capital lease) activity for the years ended June 30, 2013 and 2012 is summarized as follows:

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 2,018,963	$ 575,435	$ 797,063	$ 1,797,335	$ 1,196,554
Other liabilities	1,098,806	7,460	341,329	764,937	-
Total	$ 3,117,769	$ 582,895	$ 1,138,392	$ 2,562,272	$ 1,196,554

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

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

Note 6 - Long-term Debt

University

Long-term debt for the University consists of the following for the years ended June 30, 2013 and 2012:

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable:					
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	$ -	$ 9,550,000	$ -	$ 9,550,000	$ 200,000
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	-	7,000,000	-	7,000,000	-
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	1,403,823	-	116,064	1,287,759	122,536
Total	$ 1,403,823	$ 16,550,000	$ 116,064	$ 17,837,759	$ 322,536

Note 6 - Long-term Debt (Continued)

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

At June 30, 2013, maturities of long-term debt, including interest payments, are as follows:

Years Ending	DOE Note		Bond Series A		Bond Series B		
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	$ 122,536	$ 69,165	$ 200,000	$ 156,976	$ -	$ 269,792	$ 818,468
2015	129,368	62,333	982,596	141,208	-	259,000	1,574,505
2016	136,581	55,119	998,259	125,420	-	259,000	1,574,379
2017	144,196	47,504	1,014,171	109,381	-	259,000	1,574,252
2018	152,236	39,464	1,030,337	93,087	-	259,000	1,574,124
2019-2023	602,842	163,961	5,324,637	212,402	78,701	1,293,544	7,676,087
2024-2028	-	-	-	-	6,921,299	773,815	7,695,114
Total	$ 1,287,759	$ 437,546	$ 9,550,000	$ 838,473	$ 7,000,000	$ 3,373,151	$ 22,486,929

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

The University is required to maintain a debt service payment account and a debt service reserve account under the Department of Education note. The debt service account has been paid in full as of June 30, 2008 and the reserve is no longer required. The University is also required to deposit $28,010 annually into a repair and replacement reserve account until $280,100 has been accumulated in that account ($280,100 accumulated at June 30, 2013 and 2012).

During 2013, the University issued $16,550,000 of Ohio Air Quality Development Authority bonds, in two series of $9,550,000 and $7,000,000, respectively. Both series are to be used to finance the costs of the acquisition, construction, and installation of personal property comprising "air quality facilities" as defined in Section 3706.01 of the Ohio Revised Code.

The Series A bonds were dated May 3, 2013 and issued at par; therefore, no bond discount was recorded. The bonds mature on December 1 in various amounts ranging from $200,000 on December 1, 2013 to $1,036,414 on December 1, 2022. Interest, at 1.594 percent, is payable semiannually on December 1 and June 1.

Note 6 - Long-term Debt (Continued)

The Series B bonds were dated May 3, 2013 and issued at par; therefore, no bond discount was recorded. The Series B bonds mature after the Series A bonds are fully redeemed. The Series B bonds mature on December 1 in various amounts ranging from $78,701 on December 1, 2022 to $1,175,089 on December 1, 2028. Interest, at 3.7 percent, is payable semiannually on December 1 and June 1, beginning December 1, 2013.

Central State University Foundation

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's years ended August 31, 2013 and 2012:

	Interest Rate	Maturity	Balance August 31, 2012	Additions	Payments	Balance August 31, 2013
Revenue Bonds Series 2004	3.3%-5.1%	2035	$ 10,672,982	$ 12,359	$ (250,000)	$ 10,435,341
Revenue Bonds Series 2002	3.0%-5.625%	2032	7,445,240	12,975	(205,000)	7,253,215
Total			$ 18,118,222	$ 25,334	$ (455,000)	17,688,556
Less current portion						475,000
Long-term portion						$ 17,213,556

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

Note 6 - Long-term Debt (Continued)

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2014	$ 215,000	$ 392,564	$ 260,000	$ 522,899	$ 1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016	235,000	371,056	285,000	498,995	1,390,051
2017	245,000	359,056	300,000	485,683	1,389,739
2018	260,000	346,431	310,000	471,498	1,387,929
2019-2023	1,515,000	1,504,409	1,795,000	2,109,094	6,923,503
2024-2028	2,000,000	1,028,500	2,290,000	1,599,265	6,917,765
2029-2033	2,640,000	391,781	2,940,000	936,870	6,908,651
2034-2036	-	-	2,145,000	167,662	2,312,662
Total	$ 7,335,000	$ 4,776,072	$ 10,600,000	$ 7,303,389	$ 30,014,461

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was $81,785 and $94,760 at August 31, 2013 and 2012, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $215,000 on September 1, 2013 to $620,000 on September 1, 2032, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled $287,699, with an amortized balance of $164,659 and $177,018 at August 31, 2013 and 2012, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from $260,000 on September 1, 2013 to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building and restricted cash held as required by the bond agreement.

Note 6 - Long-term Debt (Continued)

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

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

	2013	2012
Change in member's capital	$ 30,286	$ 75,474
Add items to convert net income to pledged revenue:		
Interest expense on bonds	951,202	972,227
Management fees	181,109	204,200
Surplus expense	165,961	418,063
Depreciation and amortization expense	495,951	480,520
Net pledged revenue as defined (1)	$ 1,824,509	$ 2,150,484
Debt service requirement on bonds (2)	$ 1,390,480	$ 1,394,136
Coverage ratio (1/2)	131%	154%
Required coverage ratio	120%	120%

Note 7 - Capital Lease Obligations

The University entered into various noncancelable equipment lease agreements during 2013 and 2012. These leases are accounted for as capital leases (total net book value at June 30, 2013 and 2012 was $455,253 and $508,890, respectively) and principal payments of $133,224 and $105,612 were made under the agreements during the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments subsequent to June 30, 2013 are summarized as follows:

Years Ending June 30	Principal	Interest	Total
2014	$ 121,820	$ 11,832	$ 133,652
2015	126,017	7,635	133,652
2016	130,359	3,294	133,653
2017	9,902	373	10,275
Total	$ 388,098	$ 23,134	$ 411,232

Note 8 - Compensated Absences for Vacation and Sick Leave

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

Classified employees are nonacademic, permanent, full-time employees. Classified employees are entitled to vacation leave based upon length of service. The employees may accumulate up to a maximum of 30 to 75 days of vacation leave, depending on number of years of service. Vacation leave becomes payable upon termination or retirement. Employees may accumulate an unlimited amount of sick leave. One-third of accumulated sick leave, not to exceed one-third of 120 days, is payable to classified employees with 10 years or more of service upon termination or retirement.

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

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

Note 9 - Retirement Plans

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

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

Defined Benefit Plans

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

Note 9 - Retirement Plans (Continued)

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

The Ohio Revised Code provides OPERS and STRS statutory authority over employer and employee contributions. The required actuarially determined contribution rates (as a percentage of covered payroll) for the employee and the University are as follows for the year ended June 30, 2013:

	OPERS Classified, Contract Employee	OPERS Law Enforcement Employee	STRS Faculty
Employee Share			
July 1, 2012 -December 31, 2012	10.00%	12.10%	10.00%
January 1, 2013 - June 30, 2013	10.00%	12.60%	10.00%
Employer Share			
July 1, 2012 - June 30, 2013	14.00%	18.10%	14.00%

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

The University's contributions, representing 100 percent of the employer contributions for the year ended June 30, 2013 and for each of the two preceding years, are as follows:

	OPERS	STRS
2013	$ 1,564,828	$ 1,020,285
2012	1,543,647	1,062,756
2011	1,492,864	1,003,964

Note 9 - Retirement Plans (Continued)

OPERS and STRS provide postretirement and postemployment health care benefits in addition to the retirement benefits described above. OPERS's other postemployment benefits (OPEB) are advance funded on an actuarially determined basis. The assumptions and calculation below were based on the system's latest actuarial review performed as of December 31, 2011. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. At December 31, 2011, the actuarial funding value of the retirement system's net assets available for OPEB was $12.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $30.5 billion and $18.2 billion, respectively. There were 349,189 active contribution participants as of December 31, 2011. Of the $1,564,828 University employer contributions to OPERS for 2013, $542,995 was to fund OPEB.

STRS has discretionary authority, pursuant to the Ohio Revised Code, over how much, if any, of the healthcare costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the healthcare cost in the form of a monthly premium. The balance in the Health Care Stabilization Fund was $3.1 billion at June 30, 2012 (the latest information available). For the year ended June 30, 2012, the net healthcare costs paid by STRS were $628 million. There were 143,256 eligible benefit recipients.

Defined Contribution Plans

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

At June 30, 2013, there were 89 members of the plan. During 2013, 2012, and 2011, the employer contributions were $732,882, $730,866, and $749,761, respectively. The employer contribution rate for participants (other than law enforcement) electing out of OPERS and STRS was 14 percent for 2013. For law enforcement staff, the employer contribution was 18.1 percent for 2013.

Note 9 - Retirement Plans (Continued)

Combined Plans

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

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

Voluntary Severance Program

The University offered a voluntary severance program during fiscal year 2013, of which 25 employees participated. The plan was available to full-time employees with 10 or more years of service with the University or those with at least five years of service who met the qualification for full or reduced retirement benefits under STRS or OPERS. Employees were required to retire no later than June 30, 2013.

The plan's benefits depended on the employee class of the participating members. Faculty electing the plan were eligible to receive 100 percent of their fiscal year 2013 base salary not to exceed $75,000, plus their applicable contractual sick leave pay. Contract employees were eligible to receive 100 percent of their fiscal year 2013 base salary, not to exceed $80,000, plus their applicable contractual sick leave pay. Classified employees were eligible to receive 100 percent of their fiscal year 2013 base salary, not to exceed $30,000, plus their applicable contractual sick leave pay. All participants receive their total benefit over five years, divided into 60 equal monthly payments made to the participant's postemployment 403(b) account of their choice. The plan is administered by a third party, Educators Preferred Corporation, which also acts as a trustee for the escrowed severance payout amounts.

The University chose to fund the $1,637,790 of severance payouts in three even installments of $545,930 payable in September 2013, 2014, and 2015. The payout amounts were determined by the trustee based on salary amounts provided by the University and the agreed-upon fees per the plan agreement.

Note 9 - Retirement Plans (Continued)

	Benefit Amount	Trustee Fees	Total
Year 1	$ 513,364	$ 32,566	$ 545,930
Year 2	513,364	32,566	545,930
Year 3	513,364	32,566	545,930
Total	$ 1,540,092	$ 97,698	$ 1,637,790

The severance payout amount has been recognized as an expense as of June 30, 2013 due to the irrevocable agreement with the retiring employees. OPEB obligations are not presented as these benefits are not affected by this plan.

Note 10 - Grants and Contracts

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

Note 11 - Commitments and Contingencies

Commitments - The University has encumbered $578,367 and $904,242 of funds as of June 30, 2013 and 2012, respectively. These encumbrances represent purchase orders and other commitments for materials or services not received as of fiscal year end. These are not included as liabilities in the statement of net position.

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

Note 12 - Classification of Net Assets

Details of the Foundation's restricted net assets at June 30, 2013 and 2012 are as follows:

	2013	
	Temporarily Restricted	Permanently Restricted
Academic	$ 427,466	$ 636,525
Scholarship	531,733	1,163,605
Other general funds	702,020	704,326
Total net assets	$ 1,661,219	$ 2,504,456

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

Note 13 - Related Organization

The University is the sole beneficiary of the Central State University Foundation (the "Foundation"), a separate, not-for-profit entity governed by a separate board of trustees, organized for the purpose of promoting educational and research activities. Amounts received by the University from the Foundation in the form of private gifts, grants, and contracts amounted to $0 and $17,502 for the years ended June 30, 2013 and 2012, respectively.

The Foundation established and owns Marauder Development, LLC, which owns two residence halls (Foundation I and Foundation II) located on the University's campus. The University receives an annual management fee and the reimbursement of operating expenses from Marauder Development, LLC. These fees and reimbursement amounted to $1,005,216 and $1,032,003 for the years ended June 30, 2013 and 2012, respectively. The University paid Marauder Development, LLC $2,587,274 and $2,917,147 for the years ended June 30, 2013 and 2012, respectively. These payments were primarily student residence hall fees.

Note 14 - Bureau of Workers' Compensation

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

Supplemental Information

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

Independent Auditor's Report

To Management and the Board of Trustees
Central State University

We have audited, in accordance with the 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, the financial statements of the Univeristy and the discretely presented component unit of Central State University (the "University") as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2013-001, that we consider to be a significant deficiency.

To Management and the Board of Trustees
Central State University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central State University's financial statements are free from 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.*

Central State University's Response to Finding

Central State University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Central State University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Columbus, Ohio
October 15, 2013

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Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Central State University

Report on Compliance for Each Major Federal Program

We have audited Central State University's (the "University") compliance 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, 2013. Central State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Central State University's major federal programs based on our audit of the types of compliance requirements referred to above.

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 Central 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Central State University's compliance.

To the Board of Trustees
Central State University

Opinion on Each Major Federal Program

In our opinion, Central State University complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Central State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2013-002 and 2013-003, that we consider to be significant deficiencies.

Central State University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Central State University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

To the Board of Trustees
Central State University

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

Columbus, Ohio
October 15, 2013

Central State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters:		
Student Financial Aid Cluster - U.S. Department of Education -		
Direct Programs:		
Federal SEOG FY 2012	84.007	$ 500
Federal SEOG FY 2013	84.007	673,962
Federal Work Study FY 2012	84.033	2,096
Federal Work Study FY 2013	84.033	398,988
Federal Pell Grant FY 2012	84.063	75,806
Federal Pell Grant FY 2013	84.063	7,600,060
Direct Loan Plus FY 2011	84.268	(64)
Direct Loan Plus FY 2012	84.268	3,669
Direct Loan Subsidized FY 2012	84.268	164,948
Direct Loan Unsubsidized FY 2012	84.268	295,436
Direct Loan Plus FY 2012-2013	84.268	1,391,932
Direct Loan Subsidzied FY 2012-2013	84.268	6,898,276
Direct Loan Unsubsidized FY 2012-2013	84.268	9,193,792
TEACH Grant FY 2012	84.379	2,000
TEACH Grant FY 2013	84.379	70,472
Total Student Financial Aid Cluster		26,771,873
Research and Development Cluster:		
National Aeronautics and Space Administration - Direct Programs:		
Ohio Space Grant	43.001	22,111
OSGC Education Scholarship	43.001	4,000
Properties of Carbon Nanotubes	43.001	4,500
National Science Foundation - Direct Programs:		
Modeling Equil of Marcomolecules	47.041	21,954
Benjamin Banneker's Scholarship Program	47.076	102,846
Molecular Interaction	47.076	116,659
Center for Cyber Sensors	47.076	165,302
National Science Foundation - Passed-through Programs:		
Advanced Energy Workforce	47.041	18,146
Center for Layered Polymeric Systems (CLiPS)	47.049	832
Robotic Group for Invasive	47.070	85,605
ADVANCE	47.076	72,447
Assessment of GeoThermal Potential	47.076	437
Jamaican Thermal Waters	47.076	1,776
Researching Leading Women's Center	47.076	2,081
Senegal Biology Research Project	47.079	37,168
ARRA SPINS Program	47.082	398
U.S. Department of Health and Human Services -		
Center for Allaying Health Disparities Through Research and Ed.	93.307	801,551
U.S. Department of Defense -		
Central State University Center of Excellence in STEM Education (CSU-STEM-X-ED)	12.630	970,944
Total Research and Development Cluster		2,428,757
TRIO Cluster - U.S. Department of Education - Direct Programs:		
TRIO: Student Support Services	84.042A	370,105
TRIO: Upward Bound Program	84.047	(465)
TRIO: Upward Bound Program	84.047	239,122
Total TRIO Cluster		608,762

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters (Continued):		
Highway Planning and Construction Cluster:		
U.S. Department of Transportation - Passed-through Programs:		
FHWA Summer Tranportation Program 2012	20.205	$ 19,123
FHWA Summer Tranportation Program 2013	20.205	30,929
Total Highway Planning and Construction Center		50,052
Other federal programs:		
U.S. Department of Education Direct Programs -		
Higher Education - Institutional Aid - Direct Programs:		
Library Acquisition Enhancement	84.031B	16,683
Program Administration	84.031B	56,532
SAEM	84.031B	68,889
Strengthening Academic Success through Counseling Services	84.031B	53,084
K-16 Higher Education Access	84.031B	70,386
SAFRA: 10-11 UCLC Resource Room	84.031B	5,018
SAFRA: Enhancing Library Services	84.031B	110,917
SAFRA: Program Adminstration 2012-2013	84.031B	5,000
SAFRA: Center for Global Education 2012-2013	84.031B	81,179
SAFRA: Enchancing Online Learning 2012-2013	84.031B	93,024
SAFRA: Theatre Arts 2012-2013	84.031B	175,816
SAFRA: University College Center 2012-2013	84.031B	875
SAFRA: Academic Planning and Assessment	84.031B	116,006
SAFRA: TEAP Center	84.031B	85
Center for Academic Success	84.031B	175,853
Enhancing Institutional Advancement	84.031B	22,994
Enhancing Stock Trading Room	84.031B	8,957
Enhancing Institutional Advancement Tech 2011-2012	84.031B	535,376
Enhancing Teacher Education	84.031B	13,520
Pre Law Program	84.031B	50,249
Part F: Center for Global Education 2011-2012	84.031B	31,267
Part F: Enhance Online Learning 2011-2012	84.031B	113,046
Part F: Theatre Arts 2011-2012	84.031B	63,151
Part F: University College Learning 2011-2012	84.031B	17,215
Part F: Academic Planning and Assessment 2011-2012	84.031B	35,250
Part F: Augmentation of Services	84.031B	80,526
IT Infrastructure Enhancements	84.031B	38,255
Project Management 2012-2013	84.031B	177,561
Improving Institutional Advancement 2012-2013	84.031B	67,214
Improving University College 2012-2013	84.031B	308,255
Improving Academic Planning 2012-2013	84.031B	289,210
Counseling Center 2012-2013	84.031B	151,351
Prelaw 2012-2013	84.031B	142,462
Music Mentors	84.031B	44,473
TEAP-C	84.031B	59,646
Program Accreditation Travel	84.031B	9,741
UC Retention Activities	84.031B	1,428
Total U.S. Department of Education Direct Programs		3,290,494

See Notes to Schedule of Expenditures
of Federal Awards.

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal programs (Continued):		
U.S. Department of Education Direct Programs -		
Minority Science Improvement Grants - Direct - ExCEL	84.120	$ 140,316
U.S. Department of Health and Human Services:		
Direct Programs - KRUNKED 4 Life	93.910	153,617
Passed-through Programs:		
CSU Expanded Suicide Prevention	93.243	4,435
Rapid Neutralization	93.262	7,000
Total U.S. Department of Health and Human Services		165,052
U.S. Department of Transportation- Passed-through Programs -		
University Transportation Center	20.701	24,153
U.S. Department of Defense - Passed-through Programs:		
Sensors Research	12.000	9,949
Materials and Manufacturing Research	12.000	6,247
Jet EngineTurbine Blade	12.000	9,942
MLP: Density Lithium Ion Battery	12.000	22,614
MLP: Tech Application in Comp Material	12.000	20,527
2012-13 Sensors Nanotechnology Con	12.000	14,877
2012-13 Sensors Nanotechnology	12.000	12,087
SBIR - Floral Disruptor	12.000	25,892
MLP: Human Centric ISR Sensors	12.000	17,160
Total U.S. Department of Defense		139,295
U.S. Department of Energy - Direct Program -		
STEM UP - OUT	81.123	169,148
U.S. Department of Interior - Direct Programs -		
ARRA Emery Hall	15.932	26,931
U.S. Department of Agriculture - Passed-through Programs:		
Ohio Scholarship Program	10.902	7,326
Ohio Scholarship Program 12-14	10.902	13,467
Development of Drought Triggers	10.310	26,050
Total U.S. Department of Agriculture		46,843
Total expenditures of federal awards		$ 33,861,676

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central State University under programs of the federal government for the year ended June 30, 2013. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Central State University Center for Excellence in STEM Education (CSU-STEM-X-ED)	12.630	$ 162,500
Center for Cyber Sensors	47.076	27,500
Center for Allaying Health Disparities Through Research and Ed.	93.307	48,520
Total		$ 238,520

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

All programs with identifiable CFDA numbers have been listed separately.

Note 4 - Adjustments and Transfers

During the year ended June 30, 2013, the University transferred $170,640 of the 2012-2013 Federal Work Study (FWS) Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the University also carried back $60,143 of the 2012-2013 FWS funds that were spent during the 2011-2012 award year.

The University carried back $33,977 of the 2013-2014 SEOG funds into 2012-2013 and also carried back $17,215 of the 2012-2013 SEOG funds that were spent during the 2011-2012 award year.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268, 84.379	Student Financial Aid Cluster
Various	Research and Development Cluster

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

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

Section II - Financial Statement Audit Findings

Reference Number	Finding
2013-001	**Finding Type** - Significant deficiency

Criteria - Proper segregation of duties should exist in the accounting and finance department in order to provide an independent review of account reconciliations, journal entries, and supporting schedules.

Condition - There is not an independent review of certain schedules that support entries in the general ledger system in several significant accounting cycles.

Context - During the walkthrough of year-end balances and calculations, it was noted in several areas that no independent review exists including employee compensation accruals and recorded debt values.

Cause - During our testing of account reconciliations, journal entries, and supporting schedules, we noted in the following areas, year-end debt values and employee compensation accruals that no independent review of the transaction activity exists.

Effect - Lack of an independent review could result in a material misstatement to the financial statements if not identified in a timely manner.

Recommendation - A thorough review of processes and procedures should be made to maintain proper segregation of duties amongst new roles and responsibilities in the accounting and finance department.

Views of Responsible Officials and Planned Corrective Actions - The management of Central State University certainly recognizes the need for the review of account reconciliations, journal entries, and supporting schedules. The unexpected departure of our controller, possessing a seven-year tenure at CSU, on June 30, 2013 created a short-term void that is addressed. Considering our student enrollment and state fiscal support reductions, our entire campus operations are going to have to operate in a leaner environment. All personnel must be more proficient and accurate in their daily tasks. A calculation error or misstatement of transaction entries is not necessarily indicative of a “lack of control."

We do take under advisement the need to ensure that where possible in a lean organization, management will delegate the review of those critical material schedules, accruals, and entries as appropriate to a qualified and authorized departmental colleague. We have immediately addressed this particular issue and are developing protocol, along with the master list of those documents to be strictly reviewed and closely monitored by higher management to ensure that the transactions are accurately and properly recorded in the accounting general ledgers.

Section III - Federal Program Audit Findings

Reference Number	Finding
2013-002	**Program Name** - Student Financial Aid Cluster - CFDA No. 84.063, 84.268, 84.379

Pass-through Entity - N/A

Finding Type - Significant deficiency

Criteria - Special tests and provisions compliance requirement - When a recipient of Title IV grant or loan funds withdraws, the amount of Title IV grant or loan assistance earned by the student must be determined. Any unearned Title IV funds must be returned to the applicable Title IV program within 45 days of the date the school determined the student withdrew (34 CFR 668.22(j)). The withdrawal date is the date that the student began the withdrawal process, provided official notification to the school in writing or orally, or ceases attendance (34 CFR § 668.22(c) and (d)).

Condition - The University did not return the proper amounts of Title IV funds to the agency within the 45 days required. This finding was first reported in 2007.

Questioned Costs - All sampled students calculations were completed accurately. Errors in the actual remittance of funds totaling $2,912 were noted and broken out as follows: $824 was not returned timely, $91 was not returned but should have been, and $1,997 of refunds were returned to the agency that were not necessary. The population of Title IV returns tested totaled $93,995 as compared to the University's total Title IV returns and loan adjustments of $133,877 for the year ended June 30, 2013.

Context - Of the 60 students tested, there were four instances of the improper amount of funds being returned. There was one instance of the return not being made timely.

Cause and Effect - The return of Title IV funds was not reviewed adequately to ensure that the correct amounts were remitted to the Department of Education timely.

Recommendation - We recommend that the student financial aid department implement a monitoring process to ensure that the return of Title IV funds are reviewed for timeliness and accuracy.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-002 (Con't)	**Views of Responsible Officials and Planned Corrective Actions** - The University agrees with the recommendation. The University filled key vacancies including an assistant director and financial aid officer and has been training them to assure they understand the R2T4 process in order that the funds are returned accurately and in a timely manner. Furthermore, the University will implement the R2T4 process within BANNER to avoid manual mistakes. Additionally, all R2T4 will be reviewed weekly by the assistant director and director to more vigorously monitor the process and adhere to strict internal deadlines.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-003	**Program Name** - Student Financial Aid Cluster - CFDA No. 84.063, 84.268, 84.379

Pass-through Entity - N/A

Finding Type - Significant deficiency

Criteria - Special tests and provisions compliance requirement - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR § 682.610).

Condition - The University did not report the status changes within the required timeframe.

Questioned Costs - None

Context - Of the 60 students tested for status change testing, seven of those students did not have their status changes reported in a timely manner.

Cause and Effect - The University regularly transmits student enrollment data throughout the year to the Federal Audit Clearinghouse; however, during the reporting process for graduating students, the status change update to NSLDS was not within the required timefame due to a significant reduction in staff.

Recommendation - The financial aid department, along with the registrar's office, should frequently monitor student status changes and enrollment information, and continue to upload information on a monthly basis to ensure compliance with federal regulations.

Views of Responsible Officials and Planned Corrective Actions - The findings relate to a one-time two-day delay in transmitting student enrollment data. The delay occurred in the same time span as the retirement of 75 percent of the registrar's office staff. The University will continue to report updates to the Federal Audit Clearinghouse on a monthly basis and follow a reporting schedule that fulfills reporting guidelines. The registrar's office will ensure that new staff is fully trained on the requirements and deadlines for transmitting student enrollment data.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2012-01	Student Financial Aid Cluster - CFDA No. 84.007,84.033, 84.063, 84.268, 84.375, 84.379	The University did not calculate and return Title IV refunds properly and within the required timeframe.	Finding has not been corrected	See Finding 2013-002

Marauder Development, LLC
(a wholly owned subsidiary of Central State University Foundation)

Financial Report

August 31, 2013

Marauder Development, LLC

Contents

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Independent Auditor's Report

To the Board of Trustees
Marauder Development, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Marauder Development, LLC (Marauder), a wholly owned subsidiary of Central State University Foundation, which comprise the balance sheet as of August 31, 2013 and 2012 and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Marauder Development, LLC

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marauder Development, LLC as of August 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2103 on our consideration of Marauder Development, LLC'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marauder Development, LLC's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 15, 2013

Marauder Development, LLC

Balance Sheet

	August 31 2013	August 31 2012
Assets		
Assets		
Cash and cash equivalents	$ 213,119	$ 723,098
Prepaid expenses	5,672	5,672
Total current assets	218,791	728,770
Restricted Cash and Cash Equivalents (Note 2)	3,661,620	3,125,812
Fixed Assets - Net (Note 3)	11,717,171	12,115,304
Financing Costs - Net	1,330,289	1,428,107
Total assets	**$ 16,927,871**	**$ 17,397,993**
Liabilities and Deficiency in Member's Capital		
Liabilities		
Operating expense payable	$ -	$ 5,000
Payable to Central State University	-	56,129
Interest payable	462,934	472,547
Current portion of long-term debt (Note 4)	475,000	455,000
Total current liabilities	937,934	988,676
Long-term Debt - Net of current portion (Note 4)	17,213,556	17,663,222
Deficiency in Member's Capital	(1,223,619)	(1,253,905)
Total liabilities and deficiency in member's capital	**$ 16,927,871**	**$ 17,397,993**

Marauder Development, LLC

Statement of Operations

	Year Ended August 31 2013	2012
Revenue		
Rental revenue	$ 2,587,274	$ 2,917,147
Interest income	61,342	61,141
Total revenue	2,648,616	2,978,288
Expenses - Housing facilities		
Management fees	181,109	204,200
Operating expenses	824,107	827,804
Surplus expense	165,961	418,063
Depreciation and amortization expense	495,951	480,520
Interest expense	951,202	972,227
Total expenses	2,618,330	2,902,814
Increase in Member's Capital	30,286	75,474
Deficiency in Member's Capital - Beginning of year	(1,253,905)	(1,329,379)
Deficiency in Member's Capital - End of year	**$ (1,223,619)**	**$ (1,253,905)**

See Notes to Financial Statements.

Marauder Development, LLC

Statement of Cash Flows

	Year Ended August 31 2013	2012
Cash Flows from Operating Activities		
Increase in member's capital	$ 30,286	$ 75,474
Adjustments to reconcile increase in member's capital to net cash from operating activities:		
Depreciation	398,133	381,616
Amortization of issuance costs	97,818	98,904
Amortization of bond discount	25,334	27,134
Decrease (increase) in assets:		
Receivables	-	50,763
Prepaid expenses	-	(5)
(Decrease) increase in liabilities:		
Operating expense payable	(5,000)	4,562
Payable to Central State University	(56,129)	56,129
Management fees payable	-	(196,627)
Surplus payable	-	(1,098,252)
Accrued interest payable	(9,613)	(9,042)
Net cash provided by (used in) operating activities	480,829	(609,344)
Cash Flows from Investing Activities - Purchase of fixed assets	-	(246,851)
Cash Flows from Financing Activities - Retirement of notes payable	(455,000)	(440,000)
Net Increase (Decrease) in Cash and Cash Equivalents	25,829	(1,296,195)
Cash and Cash Equivalents - Beginning of year	3,848,910	5,145,105
Cash and Cash Equivalents - End of year	**$ 3,874,739**	**$ 3,848,910**

Cash paid for interest in 2013 and 2012 was $960,815 and $981,269, respectively.

Note 1 - Nature of Entity and Significant Accounting Policies

The financial statements of Marauder Development, LLC (Marauder) have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader. Marauder is a wholly owned subsidiary of Central State University Foundation (the "Foundation"), which was formed for the construction and financing of the Central State University Housing Project. Marauder has entered into a 40-year lease agreement with Central State University (the "University") for land upon which student housing was constructed for use by the University. Marauder also has entered into an agreement with the University for the management of the housing project, for which it pays a fee of 7 percent of gross rental receipts.

The financial operations of the Foundation, which maintains a fiscal year end of June 30, have not been consolidated within these financial statements. The Foundation's financial statements are issued separately from those of Marauder and the University and those statements should be considered in evaluating the financial results of Marauder, the Foundation, and the University, taken as a whole.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, Marauder considers all demand bank deposits as cash. Marauder considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Marauder maintains commercial checking and savings accounts in several financial institutions. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of August 31, 2013 and 2012, amounts held in financial institutions that exceeded insured limits totaled $1,739,951 and $1,968,497, respectively.

Restricted Cash and Cash Equivalents - Restricted assets represent various bond trust account balances established in accordance with bond legislation for specific purposes.

Fixed Assets - Fixed assets include the building and furniture related to the construction of the student housing project. Fixed assets are defined as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of three years. Depreciation is computed on the straight-line basis over the following estimated useful lives:

Building	40 years
Furniture	7 years

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Impairment or Disposal of Long-lived Assets - Marauder reviews the recoverability of long-lived assets, including buildings and equipment, and other assets, when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Financing Costs - The unamortized financing costs include consulting fees, attorneys' fees, and other fees incurred in connection with the bond obligations. These costs are capitalized and amortized using the interest method over the lives of the bonds and are included as amortization expense. Accumulated amortization at August 31, 2013 and 2012 was $984,880 and $887,062, respectively.

Recognition of Revenue - Rental revenue is derived from leasing housing facilities (which were constructed and financed by Marauder as noted previously) to students at Central State University. Rental revenue is recognized when rent becomes due over the terms of the lease.

Surplus Expense - The agreement with the University requires that for fiscal years ending prior to September 30, 2012, the year-end balance in the surplus account held by the trustee, less applicable amounts for management fees that have not been funded to the management fee accounts, is paid at 90 percent to the University as a land/lease payment, with the remaining 10 percent to the Foundation. For fiscal years ending September 30, 2012 or later, 67 percent of the surplus is transferred to the Redemption Fund to be used to redeem the bonds in accordance with Section 4.07 of the Trust Indenture, with the remaining 33 percent paid at 90 percent to the University and 10 percent to the Foundation. The trustee is required to calculate this surplus from the audited financial statements beginning with the August 31, 2005 year end. Based on the information provided by the trustee, the amount paid to the University and Foundation in the years ended August 31, 2013 and 2012 was $165,961 and $418,063, respectively, with $336,994 being deposited into the Redemption Fund as of August 31, 2013.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

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

Management Fee - During the years ended August 31, 2013 and 2012, Marauder incurred a management fee of $181,109 and $204,200, respectively, to the University for administrative services provided.

Income Taxes - Marauder is treated as a pass-through entity for federal income tax purposes. Marauder's taxable income or loss is passed through to the Foundation, which is a tax-exempt entity. The Foundation files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, Marauder is no longer subject to tax examinations by tax authorities for years before June 30, 2010. As of August 31, 2013 and 2012, Marauder's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 15, 2013, which is the date the financial statements were issued.

Note 2 - Restricted Cash and Cash Equivalents

As required by the bond indenture, Marauder maintains restricted cash balances in the following accounts:

	2013	2012
Restricted:		
Debt interest account	$ 523,513	$ 472,547
Repair and replacement fund	899,675	767,242
Debt principal fund	475,039	455,000
Redemption fund (1)	336,994	-
Debt reserve fund	1,426,399	1,431,023
Total restricted	$ 3,661,620	$ 3,125,812

(1) For fiscal years ending September 30, 2012 or later, 67 percent of Marauder's surplus cash is transferred to the Redemption Fund to be used to redeem the bonds in accordance with Section 4.07 of the Trust Indenture. See Note 1 for explanation of the surplus expense.

Note 3 - Fixed Assets

Details of fixed assets are summarized as follows:

	2013	2012
Building	$ 15,513,902	$ 15,513,902
Furniture	859,653	859,653
Total fixed assets	16,373,555	16,373,555
Less accumulated depreciation	(4,656,384)	(4,258,251)
Net	$ 11,717,171	$ 12,115,304

Depreciation expense on property and equipment totaled $398,133 for 2013 and $381,616 for 2012.

Note 4 - Long-term Debt

For the year ended August 31, 2013, changes in debt consisted of the following:

	Interest Rate	Maturity	Balance September 1, 2012	Additions	Payments	Balance August 31, 2013
Revenue Bonds Series 2002	3.0%-5.625%	2032	$ 7,445,240	$ 12,975	$ (205,000)	$ 7,253,215
Revenue Bonds Series 2004	3.3%-5.1%	2035	10,672,982	12,359	(250,000)	10,435,341
Total			$ 18,118,222	$ 25,334	$ (455,000)	17,688,556
Less current portion						475,000
Long-term portion						$ 17,213,556

For the year ended August 31, 2012, changes in debt consisted of the following:

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

Note 4 - Long-term Debt (Continued)

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

Years Ending	Series 2002 Bonds		Series 2004 Bonds		
August 31	Principal	Interest	Principal	Interest	Total
2014	$ 215,000	$ 392,564	$ 260,000	$ 522,899	$ 1,390,463
2015	225,000	382,275	275,000	511,423	1,393,698
2016	235,000	371,056	285,000	498,995	1,390,051
2017	245,000	359,056	300,000	485,683	1,389,739
2018	260,000	346,431	310,000	471,498	1,387,929
2019-2023	1,515,000	1,504,409	1,795,000	2,109,094	6,923,503
2024-2028	2,000,000	1,028,500	2,290,000	1,599,265	6,917,765
2029-2033	2,640,000	391,781	2,940,000	936,870	6,908,651
2034-2036	-	-	2,145,000	167,662	2,312,662
Total	$ 7,335,000	$ 4,776,072	$ 10,600,000	$ 7,303,389	$ 30,014,461

During 2002, Marauder issued $8,870,000 of Student Housing Revenue Bonds, Series 2002, dated December 1, 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The bond discount was $81,785 and $94,760 at August 31, 2013 and 2012, respectively, and is being amortized to interest expense on the interest method over the life of the bonds. The bonds mature on September 1 in various amounts ranging from $215,000 on September 1, 2013 to $620,000 on September 1, 2032, subject to prior mandatory Sinking Fund redemptions. Interest, at rates varying from 3.0 to 5.625 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

During 2004, Marauder issued $12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The original bond discount totaled $287,699, with an amortized balance of $164,659 and $177,018 at August 31, 2013 and 2012, respectively. The discount is being amortized to interest expense over the life of the bonds on the interest method. The bonds mature on September 1 in various amounts ranging from $260,000 on September 1, 2013 to $750,000 on September 1, 2035, subject to prior mandatory sinking fund redemptions. Interest, at rates varying from 3.3 to 5.1 percent per annum, is payable semiannually on March 1 and September 1. The bonds are collateralized by the building.

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

Note 4 - Long-term Debt (Continued)

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

	2013	2012
Change in member's capital	$ 30,286	$ 75,474
Add items to convert net income to pledged revenue:		
Interest expense on bonds	951,202	972,227
Management fees	181,109	204,200
Surplus expense	165,961	418,063
Depreciation and amortization expense	495,951	480,520
Net pledged revenue as defined (1)	$ 1,824,509	$ 2,150,484
Debt service requirement on bonds (2)	$ 1,390,480	$ 1,394,136
Coverage ratio (1/2)	131%	154%
Required coverage ratio	120%	120%

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

Independent Auditor's Report

To Management and the Board of Trustees
Marauder Development, LLC

We have audited, 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, the financial statements of Marauder Development, LLC (Marauder), a wholly owned subsidiary of Central State University Foundation, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marauder Development, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees
Marauder Development, LLC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marauder Development, LLC's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 15, 2013

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WCSU-FM

(a public telecommunications entity operated by Central State University)

Financial Report

June 30, 2013

Contents

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Independent Auditor's Report

To the Board of Trustees
WCSU-FM

Report on the Financial Statements

We have audited the accompanying financial statements of WCSU-FM (the "Station"), a public telecommunications entity (a department of Central State University), as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the WCSU-FM's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
WCSU-FM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WCSU-FM as of June 30, 2013 and 2012 and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note 1, which explains that these financial statements present only WCSU-FM and do not purport to, and do not, present fairly the financial position of Central State University as of June 30, 2013, the changes in its financial position, and the changes in its cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements to the financial statements, effective July 1, 2012, WCSU-FM adopted new accounting guidance under GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. Our opinion is not modified in respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Trustees
WCSU-FM

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 on our consideration of WCSU-FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WCSU-FM's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 15, 2013

The purpose of the annual report is to provide readers with financial information about the activities and financial condition of WCSU-FM (the "Station"), which is owned and operated by Central State University (the "University"). The report consists of three basic financial statements that provide information on the radio station: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These statements begin on page 9 and should be read in conjunction with the notes to the financial statements. The following summary and management's discussion of the results are intended to provide the readers with an overview of the financial statements.

The Statement of Net Position

The statement of net position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private sector institutions. Net position - the difference between assets and liabilities - is one way to measure the financial activities of the Station. Unrestricted net position increased by $19,127 due to increased revenue over expenses incurred by the Station from 2012 to 2013 and increased by $26,825 due to increased revenue over expenses incurred by the Station from 2011 to 2012.

Net investment in capital assets decreased by $24,107 due primarily to depreciation of capital assets from 2012 to 2013 and increased by $20,357 due to additions (additions for 2012 were primarily an upgrade to the studio) in capital assets from 2011 to 2012. Therefore, total net position decreased $4,980 from 2012 to 2013 and increased by $47,182 from 2011 to 2012.

Total assets decreased by $6,044 in 2013 and increased by $52,702 in 2012; the change in 2013 was related primarily to an excess of depreciation expense over the increase in the amount due from the University (pooled cash and investments). The increase in 2012 was related primarily to an increase in the amount due from the University (pooled cash and investments) plus an increase in capital assets.

Total liabilities decreased by $1,064 in 2013, which is attributed to a decrease in accounts payable offset by an increase in deferred revenue. Total liabilities increased by $5,520 in 2012, which is attributed to an increase in accounts payable offset by a decrease in deferred revenue.

		2013		2012		2011
Assets						
Current Assets	$	209,620	$	191,557	$	159,212
Capital Assets - Net of depreciation		71,104		95,211		74,854
Total assets	**$**	**280,724**	**$**	**286,768**	**$**	**234,066**
Liabilities and Net Position						
Current Liabilities	$	162,614	$	163,678	$	158,158
Net Position						
Net investment in capital assets		71,104		95,211		74,854
Unrestricted		47,006		27,879		1,054
Total net position		118,110		123,090		75,908
Total liabilities and net position	**$**	**280,724**	**$**	**286,768**	**$**	**234,066**

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

Statement of Revenue, Expenses, and Changes in Net Position

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

	2013	2012	2011
Operating Revenue			
Corporation for Public Broadcasting	$ 115,924	$ 145,063	$ 160,004
State Network Commission and private grants	23,950	28,256	21,100
Underwriting revenue	1,835	10,564	-
Contributions	24,113	17,490	-
Contributed services	91,592	87,092	99,546
Nonoperating Revenue			
Miscellaneous	-	50	5,689
University support	426,974	423,576	396,925
Total revenue	684,388	712,091	683,264
Operating Expenses			
Programming and production	336,194	315,529	303,527
Program information and promotion	34,943	32,634	29,140
Management and general	318,231	316,746	299,088
Total operating expenses	689,368	664,909	631,755
(Decrease) Increase in Net Position	(4,980)	47,182	51,509
Net Position - Beginning of year	123,090	75,908	24,399
Net Position - End of year	**$ 118,110**	**$ 123,090**	**$ 75,908**

Operating revenue decreased by $31,051, or 11 percent, from 2012 to 2013; Corporation for Public Broadcasting (CPB) decreased by $29,139 (20 percent), State Network Commission decreased by $4,306 (15 percent), contributions increased by $6,623 (38 percent), and contributed services increased by $4,500 (5 percent). The decrease in CPB is attributed to the end during 2012 of the one-time Stabilization Grant issued by CPB. The decrease in State Network Commission is due to a decrease of State funding from eTech Ohio. These decreases were slightly offset by an increase in in-kind support from Central State University students and contributions from fundraising events.

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

Statement of Cash Flows

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

	2013	2012	2011
Cash Used in Operating Activities	$ (186,123)	$ (119,446)	$ (138,256)
Cash Provided by Noncapital Financing Activities	202,736	192,835	173,362
Cash Used in Capital and Related Financing Activities	-	(41,044)	(58,009)
Increase (Decrease) in Cash	16,613	32,345	(22,903)
Cash - Beginning of year	191,557	159,212	182,115
Cash - End of year	**$ 208,170**	**$ 191,557**	**$ 159,212**

The Station consumed $186,123 and $119,446 in operating activities in 2013 and 2012, respectively. The primary operating cash receipts consist of grants and contracts of $163,307 and $206,892 for 2013 and 2012, respectively. Cash outlays include payments for wages and to vendors of $349,430 and $326,338 for 2013 and 2012, respectively. The primary noncapital financing activities consist of support from the University.

Cash used in capital and related financing activities decreased by $41,044 in 2013 over 2012 due to no capital assets being purchased in 2013. Cash used in capital and related financing activities decreased by $16,965 in 2012 over 2011 due to the purchase of fewer capital assets in 2012.

Economic Factors that Will Affect the Future

While the state and local economies are still static, WCSU-FM had a successful year last year and plans continued growth for the future. The Station upgraded the post-production facility and the multi-track studio was upgraded and we look to replace our HD prototype transmitter this year.

There are several fundraising activities scheduled for fiscal year 2014. They include on-air membership drives as well as two major fundraiser events.

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

Statement of Net Position

	June 30	
	2013	2012
Assets		
Current Assets		
Due from the University (Note 2)	$ 208,170	$ 191,557
Accounts receivable	1,450	-
Total current assets	209,620	191,557
Capital Assets - Net (Note 3)	71,104	95,211
Total assets	**$ 280,724**	**$ 286,768**
Liabilities and Net Position		
Current Liabilities		
Deferred revenue	$ 161,168	$ 146,891
Accounts payable	1,446	16,787
Total liabilities	162,614	163,678
Net Position		
Unrestricted	47,006	27,879
Net investment in capital assets	71,104	95,211
Total net position	118,110	123,090
Total liabilities and net position	**$ 280,724**	**$ 286,768**

WCSU-FM

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2013	2012
Support and Revenue		
Corporation for Public Broadcasting (Note 4)	$ 115,924	$ 145,063
State Network Commission (Note 5)	23,950	28,256
Underwritting revenue	1,835	10,564
Contributions	24,113	17,490
Contributed services (Note 5)	91,592	87,092
Total support and revenue	257,414	288,465
Expenses		
Program services:		
Programming and production	336,194	315,529
Program information and promotion	34,943	32,634
Support services - Management and general	318,231	316,746
Total expenses	689,368	664,909
Operating Loss	(431,954)	(376,444)
Nonoperating Revenue		
Miscellaneous	-	50
University support (Note 6)	426,974	423,576
Total nonoperating revenue	426,974	423,626
(Decrease) Increase in Net Position	(4,980)	47,182
Net Position - Beginning of year	123,090	75,908
Net Position - End of year	**$ 118,110**	**$ 123,090**

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

Statement of Cash Flows

	Year Ended June 30 2013	2012
Cash Flows from Operating Activities		
Grants and contracts	$ 163,307	$ 206,892
Payments to employees and vendors	(349,430)	(326,338)
Net cash used in operating activities	(186,123)	(119,446)
Cash Flows from Noncapital Financing Activities - University support	202,736	192,835
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	-	(41,044)
Increase in Cash	16,613	32,345
Cash - Beginning of year	191,557	159,212
Cash - End of year	**$ 208,170**	**$ 191,557**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (431,954)	$ (376,444)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	24,107	20,687
Noncash indirect institutional support	224,238	230,791
Changes in assets and liabilities:		
Receivables - Net	(1,450)	-
Accounts payable	(15,341)	14,417
Deferred revenue	14,277	(8,897)
Net cash used in operating activities	**$ (186,123)**	**$ (119,446)**

Note 1 - Significant Accounting Policies

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

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

The Station follows all applicable Governmental Accounting Standards Board (GASB) pronouncements.

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

Net Position - Net position is classified into two major categories:

- Investment in capital assets - Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction, or improvement of those assets.

- Unrestricted - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the other two components.

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

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

Note 1 - Significant Accounting Policies (Continued)

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

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

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

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

Newly Adopted Accounting Pronouncements - Effective July 1, 2012, the Station implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement introduces and defines those elements as a consumption of net assets by the Station that are applicable to a future reporting period and an acquisition of net asset by the Station that are applicable to a future reporting period, respectively. The standard also incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Standards - GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* was issued March 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The standard is applicable for periods beginning after December 15, 2012. The Station is currently evaluating the impact this standard will have on the financial statements when adopted during the Station's fiscal year ending June 30, 2014.

Note 2 - Due from the University

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

Note 3 - Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012 are summarized as follows:

	2013			
	Beginning Balance	Additions	Retirements	Ending Balance
Office equipment	$ 15,082	$ -	$ -	$ 15,082
Telecommunications equipment	456,816	-	-	456,816
Total	471,898	-	-	471,898
Less accumulated depreciation:				
Office equipment	15,082	-	-	15,082
Telecommunications equipment	361,605	24,107	-	385,712
Total accumulated depreciation	376,687	24,107	-	400,794
Capital assets - Net	$ 95,211	$ (24,107)	$ -	$ 71,104

Note 3 - Capital Assets (Continued)

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

Note 4 - Corporation for Public Broadcasting Grants

WCSU-FM receives grant funding from the Corporation for Public Broadcasting (CPB) to assist in the operations of WCSU-FM. The CPB grants consist of a Radio Community Service Grant (CSG), which is unrestricted in its use, and a National Program Production and Acquisition Grant (NPPAG), which is restricted to national programming activities. Recognition of the CPB grant revenue is deferred until expenses are incurred. Any unused grant amounts at the end of the spending period must be returned to the granting agency. There were no amounts due to the CPB at June 30, 2013 or 2012.

Note 5 - State Network Commission Grant and Private Grants

WCSU-FM receives unrestricted radio station funding through eTech Ohio (OET). For the years ended June 30, 2013 and 2012, WCSU-FM received cash support of $23,950 and $23,919, respectively. WCSU-FM received in-kind contributed services support from OET of $73,919 and $73,919 during the years ended June 30, 2013 and 2012, respectively.

Note 6 - University Support Allocation

The operations of WCSU-FM are supported primarily by the general revenue of the University. The University effectively covers all operating costs of WCSU-FM in excess of direct support received through grant awards and contributions attributable to WCSU-FM's operations. The University's support allocation totaled $269,403 and $192,785 in direct support for 2013 and 2012, respectively, and $157,571 and $230,791 in indirect administrative support for 2013 and 2012, respectively.

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

Independent Auditor's Report

To Management and the Board of Trustees
WCSU-FM

We have audited, in accordance with the 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, the financial statements of WCSU-FM (the "Station"), a public telecommunications entity (a department of Central State University), which comprise the basic statement of net position as of June 30, 2013 and the related basic statements of revenue, expenses, and changes in net postion and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WCSU-FM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees
WCSU-FM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WCSU-FM's financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 15, 2013

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Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 12, 2013

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