

CENTRAL STATE UNIVERSITY
Wilberforce, Ohio

FINANCIAL STATEMENTS
June 30, 2018 and 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Central State University, Greene County, prepared by Crowe LLP, for the audit period July 1, 2017 through June 30, 2018. 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.

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

Dave Yost
Auditor of State

November 9, 2018

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CENTRAL STATE UNIVERSITY

Wilberforce, Ohio

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Central State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University'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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Central State University and its discretely presented component unit as of June 30, 2018 and 2017, and the respective changes in 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.

(Continued)

Emphasis of a Matter

As discussed in Note 1 to the financial statements, Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the University's fiscal year ending June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to postretirement benefits other than pensions. As a result, net position was restated by \$9,617,613 as of July 1, 2017, for the cumulative effect of the application of this pronouncement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 10, the Schedules of the University's Proportionate Share of the Net Pension Liability, the Schedules of the University's Pension Contributions, the Schedules of the University's Proportionate Share of the Net OPEB Liability, and the Schedules of the University's OPEB Contributions, collectively on pages 52 to 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who 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 supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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 information 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 the same date as this report 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, and 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 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.


Crowe LLP

Columbus, Ohio
October 31, 2018

CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

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, 2018, 2017, and 2016. 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*, Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* as amended by Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosure*

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, deferred outflows, liabilities and deferred inflows of the University. Changes in net position 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 and facility changes.

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.

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CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

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.

During fiscal year 2018, the University adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. The provisions of this Statement were effective for periods ending June 30, 2015. These changes were not reflected retroactively due to the unavailability of the information from the pension plans.

Analysis of Results of Operations

Total revenue for the years ended June 30, 2018 and 2017 was \$66.4 million and \$59.0 million, respectively, of which operating revenue totaled \$35.8 million and \$29.6 million, respectively. Operating revenue in fiscal year 2018 increased \$6.2 million, or 21.1 percent, when compared with fiscal year 2017.

Total revenue for the years ended June 30, 2017 and 2016 was \$59.0 million and \$57.2 million, respectively, of which operating revenue totaled \$29.6 million and \$27.0 million, respectively. Operating revenue in fiscal year 2017 increased \$2.6 million, or 9.6 percent, when compared with fiscal year 2016.

Total operating expenses for the years ended June 30, 2018 and 2017 were \$54.7 million and \$54.3 million, respectively. Operating expenses increased \$0.4 million, or 0.6 percent, when compared with fiscal year 2017.

Total operating expenses for the years ended June 30, 2017 and 2016 were \$54.3 million and \$52.1 million, respectively. Operating expenses increased \$2.2 million, or 4.2 percent, when compared with fiscal year 2016.

The University's operating loss totaled \$18.8 million during 2018 compared to \$24.7 million in 2017, which represented a favorable decrease in the operating loss of \$5.9 million, or 23.9 percent.

The University's operating loss totaled \$24.7 million during 2017 compared to \$25.1 million in 2016, which represented a favorable decrease in the operating loss of \$0.4 million, or 1.6 percent.

The University's total net position increased \$2.1 million during 2018 compared to an increase of \$4.0 million during 2017, which represents a difference of \$1.9 million.

The University's total net position increased \$4.0 million during 2017 compared to an increase of \$4.5 million during 2016, which represents a difference of \$0.5 million.

The \$6.2 million increase in operating revenue was related to increases of \$1.2 million in tuition and fees, \$1 million in Federal grants and contracts, \$1.6 million in State, local and private grants and contracts, \$1.5 million in auxiliary activities, \$0.8 million from other sources and \$0.1 million from indirect cost recovery.

Student enrollment increased 2 percent in fall fiscal year 2018 compared to fall fiscal year 2017 and increase in spring fiscal year 2018 compared with spring fiscal year 2017. Tuition and fees did not increase due state tuition freeze and room and board also did not increase.

(Continued)

CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

The \$2.6 million increase in operating revenue in 2017 was related to increases of \$2.2 million in Federal grants and contracts, \$1 million in State, local and private grants and contracts and \$1.6 million from other sources; this was offset by decreases in tuition and fees of \$1.7 million and \$0.5 million in auxiliary revenue.

Student enrollment increased 5.9 percent in fall fiscal year 2017 compared to fall fiscal year 2016; tuition and fees did not increase due state tuition freeze and room and board also did not increase. The Out of State surcharge was reduced from \$3841 to \$925 for all incoming freshmen and transfer students and from \$3,841 to \$50 for all continuing students with effect from the Fall 2016 semester.

A breakdown and comparison of operating revenues are provided below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenue (in millions)			
Tuition and fees - Net	\$ 6.0	\$ 4.9	\$ 6.5
Federal grants and contracts	10.2	9.2	7.0
State, local, and private grants and contracts	3.9	2.3	1.2
Indirect cost recovery	0.4	0.3	0.4
Auxiliary activities - Net	10.6	9.1	9.7
Other sources	<u>4.7</u>	<u>3.8</u>	<u>2.2</u>
Total	<u>\$ 35.8</u>	<u>\$ 29.6</u>	<u>\$ 27.0</u>

A breakdown and comparison of non-operating revenue are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Non-operating Revenue (Expenses) (in millions)			
Federal Pell grant appropriations	\$ 6.8	\$ 6.3	\$ 6.2
State appropriations	16.0	16.5	17.7
Interest expense	(0.7)	(0.7)	(0.6)
Gain on disposal of capital assets, net	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Total	<u>\$ 22.3</u>	<u>\$ 22.3</u>	<u>\$ 23.5</u>

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:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
State Appropriations (in millions)			
State Share of Instructional Support	\$ 4.2	\$ 5.5	\$ 6.6
Central State supplement	<u>11.8</u>	<u>11.0</u>	<u>11.1</u>
Total	<u>\$ 16.0</u>	<u>\$ 16.5</u>	<u>\$ 17.7</u>

The decrease in State of Ohio funding from 2017 to 2018 was primarily due to State Share of Instructional Support decrease of \$1.3 million, or 23.6 percent, offset by an increase Central State supplement of \$0.8 million or 7.3 percent.

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CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

The decrease in State of Ohio funding from 2016 to 2017 was primarily due to Central State supplement decrease of \$1.1 million, or 16.7 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)	<u>2018</u>	<u>2017</u>	<u>2016</u>
Instruction	\$ 10.0	\$ 9.5	\$ 9.6
Research	2.8	1.6	1.1
Student services	3.9	3.8	3.1
Academic support	5.8	5.7	5.4
Public services	4.5	3.3	2.3
Institutional administration	1.2	4.4	5.7
Operation and maintenance of plant	6.2	5.5	4.7
Auxiliary enterprises	11.5	11.6	12.3
Student aid	2.3	3.1	2.7
Depreciation	<u>6.5</u>	<u>5.8</u>	<u>5.2</u>
Total	<u>\$ 54.7</u>	<u>\$ 54.3</u>	<u>\$ 52.1</u>

Central State University's operating expenses during 2018 reflected a \$0.4 million increase in operating expenses, totaling \$54.7 million in 2018 as compared to \$54.3 million in 2017. The increase in expenses was primarily related to an increase in instruction (\$0.5 million), research (\$1.2 million), student services (\$0.1m), academic support (\$0.1 million), public services (\$1.2 million), operation of plant (\$0.7 million) and depreciation (\$0.7 million) and offset by a decrease in institutional support (\$3.2 million), auxiliary enterprises (\$0.1 million),and student aid (\$0.8 million).

Central State University's operating expenses during 2017 reflected a \$2.1 million increase in operating expenses, totaling \$54.3 million in 2017 as compared to \$52.1 million in 2016. The increase in expenses was primarily related to an increase in research (\$0.5 million), student services (\$0.7m), academic support (\$0.3 million), public services (\$1.0 million), operation of plant (\$0.8 million), student services (\$0.4 million), depreciation (\$0.6 million) and offset by a decrease in instruction (\$0.1 million) institutional support (\$1.3 million) and auxiliary enterprises (\$0.7 million).

Analysis of Overall Financial Position

At June 30, 2018, current assets totaled \$11.2 million, as compared to \$11.9 million at June 30, 2017, a decrease of \$0.7 million. The decrease in current assets was primarily attributable to a \$1.6 million decrease in cash and cash equivalents, offset by an increase in amounts due from accounts receivable of \$0.6 million and \$0.3 million due from CSU Foundation. Current liabilities at June 30, 2018, as compared to June 30, 2017, totaled \$9.9 million and \$7.6 million, respectively, an increase of \$2.3 million. The increase in current liabilities was primarily attributable to an increase of \$0.5 million in other unearned revenue, \$1.4 million in other liabilities and \$1 million in accounts payable, offset by a decrease of \$0.1 million in accrued salaries, wages and benefits and \$0.5 million in unearned student revenue.

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CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

At June 30, 2017, current assets totaled \$11.9 million, as compared to \$21.3 million at June 30, 2016, a decrease of \$9.2 million. The decrease in current assets was primarily attributable to a \$2.2 million decrease in cash and cash equivalents and a decrease in accounts receivable of \$7.6 million offset by a \$0.4 million increase in amounts due from CSU Foundation. The decrease in accounts receivable is due to timing differences in billing and a change in collection policies, together with a more aggressive approach to enforcing these policies. Current liabilities at June 30, 2017, as compared to June 30, 2016, totaled \$7.6 million and \$18.0 million, respectively, a decrease of \$10.4 million. The decrease in current liabilities was primarily attributable to a decrease of \$9.8 million in unearned student fee revenue, \$0.3 million in other unearned revenue, \$0.2 million in accrued salaries, wages and benefits, and \$0.1 million in accounts payable. The decrease in unearned student fee revenue is due to a change in timing of invoicing for fall tuition and fees. The University's working capital ratios at June 30, 2017 and 2016 were 1.59 and 1.18, respectively.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The \$7.7 million increase in the University's noncurrent assets, which total \$133.1 million at June 30, 2018 and \$125.4 million at June 30, 2017, is associated with an \$8 million increase in buildings, equipment, and construction in progress offset by a decrease in restricted cash and cash equivalents of \$0.3 million.

Noncurrent assets are comprised of capital assets and restricted cash and cash equivalents. The \$3.4 million increase in the University's noncurrent assets, which total \$125.4 million at June 30, 2017 and \$122 million at June 30, 2016, is associated with a \$3.4 million increase in buildings, equipment, and construction in progress.

The University's noncurrent liabilities at June 30, 2018 total \$57.5 million, as compared to \$59.1 million at June 30, 2017. The \$1.6 million decrease is primarily attributed to a decrease in long-term debt of \$1.6 million.

The University's noncurrent liabilities at June 30, 2017 total \$59.1 million, as compared to \$54.0 million at June 30, 2016. The \$5.1 million increase is primarily attributed to an increase in the net pension liability of \$6.6 million, primarily due to assumption changes made by OPERS, offset by a decrease in long-term debt of \$1.5 million.

The University's net position was \$78.9 million at June 30, 2018 and \$77 million at June 30, 2017. The University's net position was \$77 million at June 30, 2017 and \$72.8 million at June 30, 2016.

Net OPEB Liability

During fiscal year 2018, the University adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than pensions. These statements significantly revise accounting for OPEB costs and liabilities. As a result of implementing GASB 75, the University is reporting a net OPEB liability and deferred outflows and deferred inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at July 1, 2018 from \$76,818,769 to \$67,201,156. See Note 10 for more detailed information on the adoption of GASB 75.

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CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

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 2018, the University utilized \$8.2 million in state capital appropriations. During 2017, the University utilized \$6.4 million in state capital appropriations.

The University's long-term debt is comprised of notes payable to the Department of Education, bonds issued during 2013 under the State of Ohio Air Quality Development Authority Tax Exempt Revenue Bond program for \$16.6 million and a loan payable obtained during fiscal year 2016 from The Bank of New York Mellon Trust of \$13.1 million. During 2017, this was transferred to Regions Bank. The University completed their capital lease obligations in fiscal year 2016. During 2016, the University paid \$1.6 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, 2018, 2017, and 2016 are provided below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance Sheet (in millions)			
Assets:			
Current assets	\$ 11.1	\$ 12.1	\$ 21.3
Noncurrent assets:			
Restricted cash and equivalents	1.8	2.1	2.0
Capital assets - Net	<u>131.3</u>	<u>123.3</u>	<u>120.0</u>
Total assets	<u>144.2</u>	<u>137.5</u>	<u>143.3</u>
Deferred outflows of resources	7.7	8.2	5.3
Liabilities:			
Current	9.8	7.6	18.0
Noncurrent	<u>57.5</u>	<u>59.1</u>	<u>54.0</u>
Total liabilities	<u>67.3</u>	<u>66.7</u>	<u>72.0</u>
Deferred Inflows of Resources	5.7	2.0	3.8
Net position:			
Invested in capital assets	106.3	97.2	92.0
Restricted - expendable			
Unrestricted	<u>(27.4)</u>	<u>(20.2)</u>	<u>(19.2)</u>
Total net position	<u>78.9</u>	<u>\$ 77.0</u>	<u>\$ 72.8</u>

Statement of Cash Flows

Net cash used in operating activities was \$16.4 million, \$20.2 million, and \$19.2 million in 2018, 2017, and 2016, respectively. In 2018, cash flows from operating activities were primarily comprised of tuition and fees (\$8.8 million), grants and contracts (\$8.2 million), auxiliary enterprise charges (\$4.9 million) and other receipts of (\$4.7 million), which were offset by payments to suppliers and employees of \$43 million.

Cash flows from noncapital financing activities were \$23 million, \$24.1 million, and \$24.7 million in 2018, 2017, and 2016, respectively. In 2018, these were comprised of State of Ohio appropriations of \$16.0 million, Federal Pell Grants of \$6.8 million and other income of \$0.2 million, and offsetting federal loan receipts and disbursements.

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CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

Cash used in capital and related financing activities for 2018 as \$8.5 million, while net cash flow in 2017 and 2016 was \$4.9 million and \$2.3 million, respectively. In 2018, cash flows from capital grants and gifts was \$8.2 million. This was offset by purchase of capital assets and construction of \$14.4 million, principal payment on capital debt \$1.5 million, and interest on capital debt \$0.7 million. In 2017, these were comprised of State of Ohio appropriations of \$16.5 million, Federal Pell Grants of \$6.3 million, and offsetting federal loan receipts and disbursements. Cash used in capital and related financing activities for 2017 was \$4.9 million, while net cash flow in 2016 and 2015 was \$2.3 million and \$4.1 million, respectively. In 2017, cash flows from capital grants and gifts was \$6.4 million and cash flows from the principal on capital debt was \$13.2 million. This was offset by purchase of capital assets and construction of \$9.2 million, principal payment on capital debt \$1.5 million, and interest on capital debt and capital lease \$0.7 million.

The net change in cash and cash equivalents was an increase of \$1.9 million in 2018, an increase of \$2.2 million in 2017, and a decrease of \$2.6 million in 2016. Year-end cash and cash equivalents for 2018, 2017, and 2016 were \$4.1 million, \$6 million, and \$8.1 million, respectively.

A breakdown and comparison of the University's statement of cash flows for the years ended 2018, 2017, and 2016 are provided below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash Flows Activities (in millions)			
Cash flows from operating activities	\$ (16.4)	\$ (20.2)	\$ (19.2)
Cash flows from noncapital financing activities	23.0	23.0	24.1
Cash flows from capital and related financing activities	<u>(8.5)</u>	<u>(4.9)</u>	<u>(2.3)</u>
Net increase (decrease) in cash and cash equivalents	(1.9)	(2.1)	2.6
Cash and cash equivalents - Beginning of year	<u>6.0</u>	<u>8.1</u>	<u>5.5</u>
Cash and cash equivalents - End of year	<u>\$ 4.1</u>	<u>\$ 6.0</u>	<u>\$ 8.1</u>

Factors Impacting Future Periods

Central State University is an 1890 Land-Grant Institution that aspires to be a premier institution of excellence in teaching and learning that embraces diversity and produces graduates with knowledge, skills, and dispositions to make valuable contributions in a global society. The University's future includes growth in undergraduate research opportunities; new undergraduate and graduate degree programs in STEM-Ag and business; global exchange opportunities for students and faculty with international partner institutions; an expanding footprint both physically and online; extension services and training to local farmers; and working with local businesses to offer professional development services to meet needs of an ever-changing workforce. It is these strategic initiatives that are opening the door to new collaborations and excellence for our students and the state.

The University's Strategic Plan 2014-2020, "Creating a Promising Tomorrow" is our guide for the future. This plan thoroughly integrated with our three tenets; *service, protocol, and civility form our roadmap to the future*. The three tenets along with the Six Compelling Priorities establish the framework around which the University functions. The 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. Each and every initiative and decision must be grounded and tied to these priorities. This correlation keeps our fast moving and rapidly changing plans on track with the strategic plan and University goals.

(Continued)

CENTRAL STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2018 and 2017

The University ended FY2017 with an improvement in fiscal health for the third straight year. Cash balances and monthly expenses met and exceeded original budget projections. In addition, new revenue sources and state capital investment have continued to bolster our capacity and our ability to increase our operating efficiency. The efficiency in FY2017 generated cost savings of over \$3.6 million. This significant investment in physical plant and infrastructures has addressed critical deferred maintenance issues and has been integral to these operational efficiencies. As a result, Central State University SB-6 composite score, excluding GASB 68, was 2.8. This continued strength in the ratio and increase in Net Assets has led to our progress and our ability to meet our stated goals. The significant improvement in the University's fiscal health shows our commitment to our sustainability and that our plans for the future were on track and reachable.

The University is increasing its capacity through capital investment, new programs and enrollment growth. The Fall 18 class was the largest freshman class in the last seven years. This class of over 900 new first time students led to an overall increase in enrollment of 17.7% and 97% occupancy in our on-campus residency. This anticipated growth in enrollment and on-campus residency generates additional revenue and additional financial benefits for the University. This strategic growth plan is balanced with our investment in programs and facilities to meet this demand. The University has invested over \$50 million in small and large capital projects over the last three years and many are still in progress. Projects such as, \$21 million new housing/academic/wellness complex (public/private partnership), \$4.5 million in Library renovations and updates, \$4.0 million in Information Technology upgrades, \$3.8 million in road and sidewalk repairs, \$1.5 million in campus security, \$1.5 million in HVAC updates, \$1.8 million residential Hall updates and refresh and \$3.0 million in Land Grant projects.

In addition, the state has approved \$4.2 million in capital spending for the FY19-FY20 biennium. This new funding will continue to address deferred maintenance issues on campus and assist in our FY19-FY20 operational efficiency goals. The continued reduction in our deferred maintenance issues has a tremendous return on investment in our operational efficiency. We again expect our operational efficiency goal in FY19 to exceed \$3.0 million. The University processes have improved significantly as a result of these strategic and critical capital investments. The investment of these capital funds is essential to the future of the academic enterprise and the programs that the University has identified. Our fiscal accountability continues to be in step with our high standards of academic quality. It is this orchestrated plan that has Central State moving in the right direction.

The Institution is on the right glide path. It is also focused on expanding collaborations and partnerships with local, regional and national partners. These partnerships both formal and informal are key to the future of this community. The University is a valued member of this community and an economic engine for the future. We are continuing our discussions with the local municipality as we form economic plans for the future. Our role as a major employer and partner with the City of Xenia provides countless opportunities for our faculty, staff, students and stakeholders. Our active engagement in this process and having a seat at the table will drive tremendous benefits to the local and state economy. The future for CSU is bright and we are planning to be a part of the change. We are indeed "Creating a Promising Tomorrow". We are indeed leading the change!

CENTRAL STATE UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 2,330,271	\$ 3,933,617
Accounts receivable - Net of allowance of approximately \$14.9 million at June 30, 2018 and \$13.9 million at June 30, 2017	6,909,416	6,335,570
Due from CSU Foundation	1,709,327	1,476,798
Prepaid assets	<u>210,609</u>	<u>173,418</u>
Total current assets	11,159,623	11,919,403
Noncurrent assets		
Restricted cash and cash equivalents	1,807,393	2,065,770
Depreciable capital assets – net	121,102,280	118,904,730
Non-depreciable capital assets	<u>10,158,528</u>	<u>4,385,414</u>
Total noncurrent assets	<u>133,068,201</u>	<u>125,355,914</u>
 Total assets	 <u>\$ 144,227,824</u>	 <u>\$ 137,275,317</u>
Deferred outflows of resources		
Pension	\$ 7,058,594	\$ 8,271,220
OPEB	<u>654,642</u>	<u>-</u>
	7,713,236	8,271,220
Current liabilities		
Deposits		-
Accounts payable	1,306,283	368,445
Accrued salaries, wages, and benefits	2,785,514	2,906,561
Unearned student fee revenue	244,085	755,499
Current portion of long-term debt	1,559,772	1,528,041
Other liabilities	1,474,492	79,748
Other unearned revenue	<u>2,503,549</u>	<u>1,988,728</u>
Total current liabilities	9,873,695	7,627,022
Noncurrent liabilities		
Long-term debt	23,358,825	24,918,597
Long-term liabilities	750,699	729,343
Net pension liability	24,029,320	33,447,272
Net OPEB liability	<u>9,363,451</u>	<u>-</u>
Total noncurrent liabilities	<u>57,502,295</u>	<u>59,095,212</u>
 Total liabilities	 <u>67,375,990</u>	 <u>66,722,234</u>
Deferred inflows of resources		
Pension	4,844,334	2,005,534
OPEB	<u>803,375</u>	<u>-</u>
	5,647,709	2,005,534
Net position		
Net investment in capital assets	106,342,213	97,173,639
Unrestricted	<u>(27,424,852)</u>	<u>(20,354,870)</u>
 Total net position	 <u>\$ 78,917,361</u>	 <u>\$ 76,818,769</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue		
Tuition and fees	\$ 9,565,971	\$ 8,333,744
Less grants and scholarships	<u>(3,563,042)</u>	<u>(3,471,603)</u>
Tuition and fees, net	6,002,929	4,862,141
Federal grants and contracts	10,201,975	9,204,736
State, local, and private grants and contracts	3,858,398	2,274,254
Indirect cost recovery	423,734	313,406
Auxiliary activities	16,428,484	14,812,291
Less grants and scholarships	<u>(5,831,260)</u>	<u>(5,669,283)</u>
Auxiliary activities, net	10,597,224	9,143,008
Other sources	<u>4,749,160</u>	<u>3,782,591</u>
Total operating revenue	35,833,420	29,580,136
Operating expenses		
Instruction	9,956,058	9,508,009
Research	2,779,137	1,640,999
Student services	3,925,226	3,783,794
Academic support	5,742,787	5,675,660
Public services	4,505,648	3,315,945
Institutional administration	1,222,757	4,446,386
Operation and maintenance of plant	6,211,295	5,460,856
Auxiliary enterprises	11,540,650	11,630,598
Student aid	2,301,340	3,059,102
Depreciation	<u>6,475,106</u>	<u>5,786,450</u>
Total operating expenses	<u>54,660,004</u>	<u>54,307,799</u>
Operating loss	(18,826,584)	(24,727,663)
Nonoperating revenue (expenses)		
Federal Pell Grant appropriations	6,826,048	6,306,314
State appropriations	15,965,886	16,531,849
Investment income	67,453	7,168
Interest expense	(713,856)	(717,249)
Other restricted nonoperating revenue	<u>193,134</u>	<u>192,512</u>
Net nonoperating revenue	<u>22,338,665</u>	<u>22,320,594</u>
Income - before other revenue	3,512,081	(2,407,069)
Other revenue - State capital appropriations	<u>8,204,124</u>	<u>6,424,880</u>
Increase (decrease) in net position	<u>11,716,205</u>	<u>4,017,811</u>
Net position - beginning of year as originally stated	76,818,769	72,800,958
Cumulative effect of GASB 75 implementation	<u>(9,617,613)</u>	<u>-</u>
Net position - beginning of year as restated	<u>67,201,156</u>	<u>72,800,958</u>
Net position - end of year	<u>\$ 78,917,361</u>	<u>\$ 76,818,769</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Tuition and fees	\$ 8,763,003	\$ 5,492,457
Grants and contracts	8,229,112	6,663,838
Payments to suppliers and employees	(42,819,807)	(38,520,774)
Auxiliary enterprise charges	4,647,834	2,327,561
Other	<u>4,749,160</u>	<u>3,996,567</u>
Net cash used in operating activities	(16,430,698)	(20,254,327)
Cash flows from noncapital financing activities		
Federal Pell grant	6,826,048	6,306,314
State appropriations	15,965,886	16,531,849
Other	193,134	192,512
Federal loan receipts	14,774,928	13,574,796
Federal loan disbursements	<u>(14,774,928)</u>	<u>(13,574,796)</u>
Net cash from noncapital financing activities	22,985,068	23,030,675
Cash flows from capital and related financing activities		
Capital grants and gifts received	8,204,123	6,424,880
Purchase of capital assets and construction in progress	(14,445,770)	(9,158,155)
Principal paid on capital debt	(1,528,041)	(1,495,604)
Interest paid on capital debt	<u>(713,856)</u>	<u>(717,249)</u>
Net cash used in capital and related financing activities	(8,483,544)	(4,946,128)
Cash flows from investing activities - interest on investments	<u>67,453</u>	<u>7,168</u>
Net change in cash and cash equivalents	(1,861,723)	(2,162,612)
Cash and cash equivalents - beginning of year	<u>5,999,387</u>	<u>8,161,999</u>
Cash and cash equivalents - end of year	<u>\$ 4,137,664</u>	<u>\$ 5,999,387</u>
Reconciliation of net operating loss to net cash from operating activities		
Operating loss	\$ (18,826,584)	\$ (24,727,663)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	6,475,106	5,786,450
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(806,375)	7,268,878
Inventories, prepaids, and other assets	(37,191)	(112,530)
Accounts payable	937,838	(56,435)
Accrued salaries, wages, and benefits	(121,047)	(177,903)
Pension	(5,471,955)	1,824,646
Other liabilities	1,416,101	50,395
Unearned revenue and student deposits	<u>3,407</u>	<u>(10,110,165)</u>
Net cash used in operating activities	<u>\$ (16,430,698)</u>	<u>\$ (20,254,327)</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 1,614,032	\$ 3,193,968
Contributions receivable, net	5,042	5,008
Other receivables	14,130	1,708
Prepaid expenses	<u>6,700</u>	<u>6,233</u>
Total current assets	1,639,904	3,206,917
Investments	3,856,440	3,694,186
Restricted cash and cash equivalents	3,799,825	3,274,192
Capital assets, net	<u>10,722,514</u>	<u>11,146,630</u>
Total assets	<u>\$ 20,018,683</u>	<u>\$ 21,321,925</u>
Liabilities		
Accounts payable	\$ 1,119	\$ 25,323
Payable to Central State University	1,127,168	1,476,798
Accrued interest payable	366,533	380,138
Current portion of long-term debt	<u>600,000</u>	<u>595,000</u>
Total current liabilities	2,094,820	2,477,259
Long-term debt, net of unamortized financing costs of \$854,809 and \$954,083 for 2018 and 2017, respectively	<u>12,454,792</u>	<u>13,330,540</u>
Total liabilities	14,549,612	15,807,799
Net Assets		
Unrestricted	(93,784)	192,547
Temporarily unrestricted	3,065,813	2,724,730
Permanently restricted	<u>2,497,042</u>	<u>2,596,849</u>
Total net assets	<u>5,469,071</u>	<u>5,514,126</u>
Total liabilities and net assets	<u>\$ 20,018,683</u>	<u>\$ 21,321,925</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2018 with comparative totals for 2017

	2018			2017	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue					
Rental revenue	\$ 3,094,086	\$ -	\$ -	\$ 3,094,086	\$ 3,022,440
Contributions	363,513	215,344	4,257	583,113	521,806
Other	319,204	209,881	-	529,085	203,886
Investment income	66,081	305,850	-	371,931	447,419
Net assets released from restrictions	<u>380,062</u>	<u>(380,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	4,222,946	351,013	4,257	4,578,216	4,195,551
Expenses					
Programs:					
Scholarship programs	394,301	-	-	394,301	186,603
Athletic programs	161,578	-	-	161,578	150,643
Academic programs	97,724	-	-	97,724	127,100
Institution programs	157,671	-	-	157,671	285,806
Student support programs	319,549	-	-	319,549	54,452
Housing programs	2,873,855	-	-	2,873,855	2,716,951
Operating expenses	466,187	-	-	466,187	402,345
Fundraising expenses	<u>38,413</u>	<u>-</u>	<u>-</u>	<u>38,413</u>	<u>8,834</u>
Total expenses	<u>4,509,277</u>	<u>-</u>	<u>-</u>	<u>4,509,277</u>	<u>3,932,734</u>
Operating (Loss)/Gain	(286,331)	351,013	4,257	68,939	76,248
Non-operating expenses					
Transfer out of endowment	<u>-</u>	<u>9,930</u>	<u>104,064</u>	<u>113,994</u>	<u>-</u>
(Decrease)/Increase in net assets	(286,331)	341,083	(99,807)	(45,056)	262,817
Net Assets - beginning of year	<u>192,547</u>	<u>2,724,730</u>	<u>2,596,849</u>	<u>5,514,126</u>	<u>5,251,309</u>
Net Assets - end of year	<u>\$ (93,784)</u>	<u>\$ 3,065,813</u>	<u>\$ 2,497,042</u>	<u>\$ 5,469,071</u>	<u>\$ 5,514,126</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
Rental revenue	\$ 3,022,440	\$ -	\$ -	\$ 3,022,440
Contributions	337,477	160,845	23,484	521,806
Other	82,053	121,833	-	203,886
Investment income	34,859	412,560	-	447,419
Net assets released from restrictions	<u>417,721</u>	<u>(417,721)</u>	<u>-</u>	<u>-</u>
Total revenue	3,894,550	277,517	23,484	4,195,551
Expenses				
Programs:				
Scholarship programs	186,603	-	-	186,603
Athletic programs	150,643	-	-	150,643
Academic programs	127,100	-	-	127,100
Institution programs	285,806	-	-	285,806
Student support programs	54,452	-	-	54,452
Housing programs	2,716,951	-	-	2,716,951
Operating expenses	402,345	-	-	402,345
Fundraising expenses	<u>8,834</u>	<u>-</u>	<u>-</u>	<u>8,834</u>
Total expenses	<u>3,932,734</u>	<u>-</u>	<u>-</u>	<u>3,932,734</u>
(Decrease)/Increase in net assets	(38,184)	277,517	23,484	262,817
Net Assets - beginning of year	<u>230,731</u>	<u>2,447,213</u>	<u>2,573,365</u>	<u>5,251,309</u>
Net Assets - end of year	<u>\$ 192,547</u>	<u>\$ 2,724,730</u>	<u>\$ 2,596,849</u>	<u>\$ 5,514,126</u>

See accompanying notes to consolidated financial statements.

CENTRAL STATE UNIVERSITY FOUNDATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Operating gain (loss)	\$ (45,056)	\$ 262,817
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	424,116	424,114
Amortization of issuance costs	99,274	91,374
Amortization of bond discount	16,305	19,000
Contributions restricted for long-term investment	(4,257)	(23,484)
Unrealized gain on investments	(190,651)	(300,733)
Changes in operating assets and liabilities:		
Contributions receivable	(12,923)	(1,214)
Accounts payable	(373,834)	270,935
Accrued interest payable	<u>(13,605)</u>	<u>(13,006)</u>
Net cash from operating activities	(100,630)	747,803
Cash flows from investing activities		
Purchases of investments	(1,287,362)	(3,927,404)
Sale of investments	<u>1,315,759</u>	<u>4,946,464</u>
Net cash from investing activities	28,397	1,019,060
Cash flows from financing activities		
Principal payment on bonds payable	(986,327)	(570,000)
Contributions restricted for long-term investment	<u>4,257</u>	<u>23,484</u>
Net cash from financing activities	<u>(982,070)</u>	<u>(546,516)</u>
Net change in cash and cash equivalents	(1,054,303)	1,220,347
Cash and cash equivalents - beginning of year	<u>6,468,160</u>	<u>5,247,813</u>
Cash and cash equivalents - end of year	<u>\$ 5,413,857</u>	<u>\$ 6,468,160</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 766,600	\$ 773,301

See accompanying notes to consolidated financial statements.

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.

In early 2014, the University was designated as an 1890 land-grant institution which will enable the University to receive the benefits of the Morrill Act of 1890, legislation that provides support for agricultural and scientific research and education.

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

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

The University performs accounting services for the Foundation. 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.

(Continued)

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 Disclosures*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*. 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 (unaudited)
- 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 Nonexpendable: Endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.
 - 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.
- 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 assets are available, the University's policy is to first apply restricted resources.

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

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital Assets: Capital assets are recorded at cost or, if acquired by gift, at acquisition 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.

Pensions: For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net positions of the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS) and additions to/deductions from OPERS and STRS' fiduciary net position have been determined on the same basis as they are reported by these pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Other Postemployment Benefit Costs: For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS and STRS pension plan and additions to/deductions from OPERS and STRS' fiduciary net position have been determined on the same basis as they are reported by these OPEB systems. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The OPEB systems report investments at fair value.

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. Nearly all of the University's expenses are a result of exchange transactions, and therefore classified as operating expenses. Federal grants, except for Pell grants, are considered to be operating revenue. The major recurring nonoperating expense is interest expense on capital asset related debt.

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.

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Foundation 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.

Adoption of New Accounting Pronouncements: During fiscal year 2018, the University implemented the provisions of GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" and GASB No. 85 – "Omnibus 2017". GASB No. 75 replaces the requirements of Statement No. 45 and establishes new accounting and financial reporting requirements for other postemployment benefit plans (OPEB). As a result, the new net OPEB liability and related deferred outflows and inflows of resources have been recorded in the Statement of Net Position. The applicable provisions of GASB No. 85 have been implemented as required in the University's required supplementary schedules.

The University did not retroactively implement these standards as of July 1, 2016 because it was not deemed practical. Net position as of July 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75 as amended by GASB Statement No. 85.

Net position - beginning of year	\$ 76,818,769
Cumulative effect of GASB 75 implementation: Net OPEB liability, deferred inflows and deferred outflows	<u>(9,617,613)</u>
Net position - beginning of year as restated	<u>\$ 67,201,156</u>

In addition, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 86, *Certain Debt Extinguishment Issues* became effective during fiscal year 2018. The adoption of these pronouncements had no impact on the University's financial statements.

Newly Issued Accounting Pronouncements: As of the report date, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations.
- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 87, *Leases*, issued June 2017. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

(Continued)

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued March 2018. The requirements for this Statement are effective for reporting periods beginning after June 15, 2018. The objective of this Statement is to improve the information that is disclosed in notes related to debt.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to simplify accounting for interest cost incurred before the end of construction, requiring them to be expensed as incurred.
- GASB Statement No. 90, *Majority Equity Interests*, issued August 2018. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

The University has not yet determined the effect these Statements will have on the University's financial statements and disclosures.

Reclassifications: Certain prior year amounts have been reclassified for both the University and the Foundation to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net position or total net position or previously reported changes in net position or total net position.

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. Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

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, 2018 and 2017. The Foundation had amounts held in financial institutions that exceeded insured limits by approximately \$2,170,000 and \$2,839,000 at June 30, 2018 and 2017, respectively.

Credit Risk: Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. 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 \$238,287 and \$4,959,518 invested in money market mutual funds at June 30, 2018 and 2017, respectively; these funds are not rated by a national rating agency due to the short-term nature of their holdings. The difference in carrying amount and bank balance is caused by items in transit and outstanding checks.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2018 and 2017, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

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

As required by the bond indenture, the Foundation, through Marauder, maintains restricted cash balances in the following accounts as of August 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Debt interest account	\$ 375,318	\$ 380,326
Debt principal account	600,686	570,254
Redemption fund	847,948	3,703
Repair and replacement fund	632,015	965,744
Debt reserve fund	<u>1,343,858</u>	<u>1,354,165</u>
 Total restricted cash	 <u>\$ 3,799,825</u>	 <u>\$ 3,274,192</u>

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* (formerly SFAS 157), which requires certain assets and liabilities to be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

Level 1 - Observable inputs such as quoted prices in active markets

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly

Level 3 - Unobservable inputs for which there is little or no market data that requires the Foundation to develop assumptions

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Investments of the Foundation include cash equivalents, equity mutual funds, and bond mutual funds. The Foundation records these investments at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the hierarchy.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

If quoted market prices are not available, then fair values are estimated by using quoted market prices of securities with similar characteristics and are classified within Level 2 of the hierarchy. Level 2 securities include U.S. Government Obligations.

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2018</u>				
<u>Assets</u>	<u>Quoted prices in Active markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	<u>Balance</u>
Cash/money market accounts:				
Money market accounts	\$ 145,933	\$ -	\$ -	\$ 145,933
Subtotal	<u>145,933</u>	<u>-</u>	<u>-</u>	<u>145,933</u>
Private equity investments:				
Equity mutual funds	2,002,411	-	-	2,002,411
Subtotal	<u>2,002,411</u>	<u>-</u>	<u>-</u>	<u>2,002,411</u>
Fixed-income investments:				
Bond mutual funds	1,708,096	-	-	1,708,096
Subtotal	<u>1,708,096</u>	<u>-</u>	<u>-</u>	<u>1,708,096</u>
Total investments	<u>\$ 3,856,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,856,440</u>

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2017</u>				
<u>Assets</u>	<u>Quoted prices in Active markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	<u>Balance</u>
Cash/money market accounts:				
Money market accounts	\$ 254,389	\$ -	\$ -	\$ 254,389
Subtotal	<u>254,389</u>	<u>-</u>	<u>-</u>	<u>254,389</u>
Private equity investments:				
Equity mutual funds	1,846,212	-	-	1,846,212
Subtotal	<u>1,846,212</u>	<u>-</u>	<u>-</u>	<u>1,846,212</u>
Fixed-income investments:				
Bond mutual funds	1,593,585	-	-	1,593,585
Subtotal	<u>1,593,585</u>	<u>-</u>	<u>-</u>	<u>1,593,585</u>
Total investments	<u>\$ 3,694,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,694,186</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3 – RECEIVABLES

At June 30, 2018 and 2017, receivables consist of the following:

	<u>2018</u>	<u>2017</u>
Student accounts receivable	\$ 17,666,356	\$ 16,863,795
Student notes receivable	945,980	945,980
Grant and contract receivables	1,473,948	1,190,734
Other	<u>1,686,866</u>	<u>1,269,652</u>
Total	21,773,150	20,270,161
Less allowance for doubtful accounts	<u>(14,863,734)</u>	<u>(13,934,591)</u>
Net receivables	<u>\$ 6,909,416</u>	<u>\$ 6,335,570</u>

Student note receivables represent outstanding loans from the Federal Perkins Loan Program. These loans are in the process of being liquidated and assigned to the Department of Education. The outstanding balance at June 30, 2018 and 2017 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, 2018 and 2017 is summarized as follows:

<u>2018</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Depreciable assets:					
Buildings and improvements	\$ 184,875,142	\$ 3,285,242	\$ -	\$ 1,366,758	\$ 189,527,142
Automobiles, machinery, and equipment	31,684,541	4,020,656	-	-	35,684,447
Assets under capital lease	<u>626,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,933</u>
Total depreciable assets	217,186,616	7,305,898	-	1,366,758	225,859,272
Nondepreciable assets:					
Land improvements	308,650	175,000	-	-	483,650
Construction in progress	<u>4,076,764</u>	<u>6,964,872</u>	<u>-</u>	<u>(1,366,758)</u>	<u>9,674,878</u>
Total nondepreciable assets	<u>4,385,414</u>	<u>7,139,872</u>	<u>-</u>	<u>(1,366,758)</u>	<u>10,158,528</u>
Total capital assets	221,572,030	14,445,770	-	-	236,017,800
Less accumulated depreciation:					
Buildings and improvements	(76,802,157)	(4,646,294)	-	-	(81,448,451)
Automobiles, machinery, and equipment	(20,895,846)	(1,826,763)	-	-	(22,722,609)
Assets under capital lease	<u>(583,883)</u>	<u>(2,049)</u>	<u>-</u>	<u>-</u>	<u>(585,932)</u>
Total accumulated depreciation	<u>(98,281,886)</u>	<u>\$ (6,475,106)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(104,756,992)</u>
Capital assets - Net	<u>\$ 123,290,144</u>				<u>\$ 131,260,808</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4 - CAPITAL ASSETS (Continued)

<u>2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Depreciable assets:					
Buildings and improvements	\$ 183,492,651	\$ 726,868	\$ -	\$ 655,623	\$ 184,875,142
Automobiles, machinery, and equipment	26,449,367	4,738,174	-	497,000	31,684,541
Assets under capital lease	<u>626,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,933</u>
Total depreciable assets	210,568,951	5,465,042	-	1,152,623	217,186,616
Nondepreciable assets:					
Land improvements	308,650	-	-	-	308,650
Construction in progress	<u>1,569,275</u>	<u>3,660,112</u>	<u>-</u>	<u>(1,152,623)</u>	<u>4,076,764</u>
Total nondepreciable assets	<u>1,877,925</u>	<u>3,660,112</u>	<u>-</u>	<u>(1,152,623)</u>	<u>4,385,414</u>
Total capital assets	212,446,876	9,125,154	-	-	221,572,030
Less accumulated depreciation:					
Buildings and improvements	72,278,440	4,523,717	-	-	76,802,157
Automobiles, machinery, and equipment	19,693,756	1,202,090	-	-	20,895,846
Assets under capital lease	<u>523,240</u>	<u>60,643</u>	<u>-</u>	<u>-</u>	<u>583,883</u>
Total accumulated depreciation	<u>92,495,436</u>	<u>\$ 5,786,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>98,281,886</u>
Capital assets - Net	<u>\$ 119,951,440</u>				<u>\$ 123,290,144</u>

The State of Ohio Air Quality Development Authority Tax Exempt Revenue Bonds authorized up to \$16.5 million to be spent on a variety of energy conservation construction projects over fiscal years 2014 and 2015 to include replacing the existing centralized boiler system. These projects were financed from the proceeds of the bond issuance which are maintained with The Huntington National Bank as bond trustee.

Capital assets activity for the Foundation for the years ended June 30, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 140,800	\$ 140,800
Building	16,519,103	16,519,103
Furniture and fixtures	<u>896,603</u>	<u>896,603</u>
Total capital assets	17,556,506	17,556,506
Less accumulated depreciation	<u>(6,833,992)</u>	<u>(6,409,876)</u>
Net capital assets	<u>\$ 10,722,514</u>	<u>\$ 11,146,630</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability (other than long-term debt and capital lease) activity for the years ended June 30, 2018 and 2017 is summarized as follows:

<u>2018</u>	(Restated) Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Compensated absences	\$ 1,379,367	\$ 881,417	\$ 793,249	\$ 1,467,535	\$ 792,164
Other liabilities	145,543	-	70,215	75,328	-
Net pension liability	33,447,272	-	9,417,952	24,029,320	-
OPEB	<u>9,664,816</u>	<u>-</u>	<u>301,365</u>	<u>9,363,451</u>	<u>-</u>
Total	<u>\$ 34,972,182</u>	<u>\$ 2,996,326</u>	<u>\$ (3,032,784)</u>	<u>\$ 34,935,634</u>	<u>\$ 792,164</u>
<u>2017</u>	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Compensated absences	\$ 1,412,375	\$ 760,367	\$ 793,375	\$ 1,379,367	\$ 795,567
Other liabilities	102,127	43,416	-	145,543	-
Net pension liability	<u>26,832,141</u>	<u>8,740,696</u>	<u>2,125,565</u>	<u>33,447,272</u>	<u>-</u>
Total	<u>\$28,346,643</u>	<u>\$ 9,544,479</u>	<u>\$ 2,918,940</u>	<u>\$ 34,972,182</u>	<u>\$ 795,567</u>

NOTE 6 - LONG-TERM DEBT

Long-term debt for the University consists of the following for the years ended June 30, 2018 and 2017:

<u>2018</u>	Beginning Balance	Additions	Reduction	Ending Balance	Current Portion
Notes payable:					
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	\$ 6,354,974	-	\$ 1,030,337	\$ 5,324,637	\$ 1,046,761
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	7,000,000	-	-	7,000,000	-
Loan payable to Regions Bank, 2.426 percent, payable in varying installments through 2043	12,336,586	-	345,468	11,991,118	352,287
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	<u>755,078</u>	<u>-</u>	<u>152,236</u>	<u>602,842</u>	<u>160,724</u>
Total	<u>\$ 26,446,638</u>	<u>\$ -</u>	<u>\$ 1,528,041</u>	<u>\$ 24,918,597</u>	<u>\$ 1,559,772</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 6 - LONG-TERM DEBT (Continued)

<u>2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Current Portion</u>	
Notes payable:						
Bond payable to 1st Niagara, 1.594 percent, payable in varying installments through December 1, 2022	\$ 7,369,145	\$	-	\$ 1,014,171	\$ 6,354,974	\$ 1,030,337
Bond payable to 1st Niagara, 3.7 percent, payable in varying installments through December 1, 2028	7,000,000	-	-	7,000,000	-	-
Loan payable to Regions Bank, 2.426 percent, payable in varying installments through 2043	12,673,823	-	337,237	12,336,586	345,468	
Note payable to the Department of Education, 5.5 percent, payable in varying installments through November 1, 2021	<u>899,274</u>	<u>-</u>	<u>144,196</u>	<u>755,078</u>	<u>152,236</u>	
Total	<u>\$ 27,942,242</u>	<u>\$</u>	<u>-</u>	<u>\$ 1,495,604</u>	<u>\$ 26,446,638</u>	<u>\$ 1,528,041</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 6 - LONG-TERM DEBT (Continued)

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

Fiscal Year	Regions Bank		Note - P142A80004		Bond Series A		Bond Series B		Payment Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 352,287	\$ 290,395	\$ 160,724	\$ 30,976	\$ 1,046,761	\$ 76,532	\$ -	\$ 259,000	\$ 2,216,675
2020	363,281	279,400	169,686	22,015	1,063,446	59,714	-	259,000	2,216,542
2021	371,365	271,317	179,147	12,554	1,080,397	42,627	-	259,000	2,216,407
2022	380,429	262,353	93,285	98,416	1,097,619	25,268	-	259,000	2,216,270
2023	389,714	252,968	-	-	1,036,414	8,260	78,701	257,544	2,023,601
2024-2028	2,094,607	1,118,800	-	-	-	-	5,746,210	752,076	9,711,693
2029-2033	2,363,806	849,602	-	-	-	-	1,175,089	21,739	4,410,236
2034+	5,675,629	751,184	-	-	-	-	-	-	6,426,813
	<u>\$ 11,991,118</u>	<u>\$ 4,075,919</u>	<u>\$ 602,842</u>	<u>\$ 163,961</u>	<u>\$ 5,324,637</u>	<u>\$ 212,401</u>	<u>\$ 7,000,000</u>	<u>\$ 2,067,359</u>	<u>\$ 31,438,237</u>

Revenue from student housing and dining facilities is pledged for the redemption of the DOE 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, which occurred by June 30, 2013.

Pledges of Future Revenues: The University has pledged revenues from student housing and dining facilities to repay the DOE notes. The DOE note was issued to the University and is payable through November 1, 2021. If the pledged revenues from this source are insufficient to provide for the principal and interest payments on the bonds, available operating funds would be used to make the payments. The total principal and interest remaining to be paid on the note is \$766,803. Principal and interest paid for the current year was \$191,700 and the revenues from student housing and dining facilities was \$10,597,224.

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 6 - LONG-TERM DEBT (Continued)

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%, is payable semiannually on December 1 and June 1. Interest expense related to the Series A bonds during the years ended June 30, 2018 and 2017 was \$93,087 and \$109,381, respectively.

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%, is payable semiannually on December 1 and June 1, beginning December 1, 2013. Interest expense related to the Series B bonds during the years ended June 30, 2018 and 2017 was \$259,000 in each year.

On September 24, 2013 The Series A 2013-9 Bond were issued through the Historically Black College and University Capital Loan Financing Program, via the Federal Financing Bank for the Central State University Project. A modification of the loan agreement was necessary due to directives from the Department of Education and the Last Day of Advance were modified on October 21, 2015 which permitted the funding of the loan. Funding by FFB occurred on October 23, 2015, totaling \$13,126,315 and two wires were sent to The Bank of New York Mellon Trust Company, N.A. for this amount.

On October 12, 2016 the loan was assigned from The Bank of New York Mellon Trust Company, N.A to Regions Bank, N.A.

The bonds for this bond issuance mature on December 1 in various amounts ranging from \$287,315 on December 1, 2015 to \$317,500.22 on June 1, 2043. Interest, at 2.426%, is payable semiannually on December 1 and June 1. Interest expense related to the Series A 2013-9 bonds during the year ended June 30, 2018 and 2017 was \$297,214 and \$305,445, respectively.

At June 30, 2018 and 2017, the University was in compliance with all required covenants.

Central State University Foundation

On May 30, 2014, the Foundation obtained a commercial loan in the amount of \$491,326 from PNC Bank to purchase property for use as a Presidential residence and hospitality center. Under the terms of the agreement, the Foundation will make 59 monthly principal payments beginning July 1, 2014 amortized over 20 years with the remaining balance due on the maturity date, May 30, 2019. The terms of the loan include a variable interest rate of five-year COF plus 3%. The loan was paid off in full on May 18, 2018. The balance of the loan at June 30, 2017 was \$416,327.

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 6 - LONG-TERM DEBT (Continued)

Marauder Development, LLC has the following debt related to the financing of student dormitories. Information is for the subsidiary's year ended August 31, 2018 and 2017:

	<u>Interest Rate</u>	<u>Maturity</u>	Balance September 1, <u>2017</u>	<u>Additions</u>	<u>Payments</u>	Balance August 31, <u>2018</u>
Revenue Bonds Series 2002	3.0%-5.625%	2030	\$ 5,101,307	\$ 5,446	\$ (260,000)	\$ 4,846,753
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>9,361,989</u>	<u>10,859</u>	<u>(310,000)</u>	<u>9,062,848</u>
Total			<u>\$ 14,463,296</u>	<u>\$ 16,305</u>	<u>(570,000)</u>	13,909,601
Less current portion						600,000
Less unamortized financing costs						<u>854,809</u>
Long-term portion						<u>\$ 12,454,792</u>

	<u>Interest Rate</u>	<u>Maturity</u>	Balance September 1, <u>2016</u>	<u>Additions</u>	<u>Payments</u>	Balance August 31, <u>2017</u>
Revenue Bonds Series 2002	3.0%-5.625%	2030	\$ 5,338,507	\$ 7,800	\$ (245,000)	\$ 5,101,307
Revenue Bonds Series 2004	3.3%-5.1%	2035	<u>9,650,789</u>	<u>11,200</u>	<u>(300,000)</u>	9,361,989
Total			<u>\$ 14,989,296</u>	<u>\$ 19,000</u>	<u>(545,000)</u>	14,463,296
Less current portion						<u>570,000</u>
Long-term portion						<u>\$ 13,893,296</u>

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

	<u>Series 2002 Bonds</u>		<u>Series 2004 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Year ending August 31,					
2019	\$ 275,000	\$ 261,103	\$ 325,000	\$ 456,494	\$ 1,317,597
2020	285,000	246,053	340,000	440,725	1,311,328
2021	300,000	230,331	360,000	422,775	1,313,106
2022	320,000	213,669	375,000	404,400	1,313,069
2023	335,000	196,066	395,000	385,150	1,311,216
2024-2028	2,000,000	671,312	2,290,000	1,599,265	6,560,577
2029-2033	1,370,000	112,781	2,940,000	936,870	5,359,651
2034-2036	<u>-</u>	<u>-</u>	<u>2,145,000</u>	<u>167,662</u>	<u>2,312,662</u>
Total	<u>\$ 4,885,000</u>	<u>\$ 1,931,315</u>	<u>\$ 9,170,000</u>	<u>\$ 4,812,891</u>	<u>\$ 20,799,206</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 6 - LONG-TERM DEBT (Continued)

During 2002, Marauder issued \$8,870,000 of Student Housing Revenue Bonds, Series 2002, to retire commercial loans used to finance the construction of the 2002 University Housing Project. The unamortized bond discount is \$38,247 and \$43,693 at August 31, 2018 and 2017, 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 \$275,000 on September 1, 2018, to \$415,000 on September 1, 2030, subject to prior mandatory sinking fund redemptions.

During 2004, Marauder issued \$12,150,000 in University Housing Revenue Bonds, Series 2004, to finance construction of the 2004 University Housing Project. The unamortized bond discount is \$107,152 and \$118,011 at August 31, 2018 and 2017, 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 \$325,000 on September 1, 2018, 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 Development, LLC, will charge rates sufficient for the excess of revenues 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). As of June 30, 2018 and 2017, Marauder Development, LLC was in compliance with these requirements.

On September 4, 2018, \$415,000 of the Housing Revenue Bonds, Series 2002 bonds due on September 1, 2030 and \$425,000 of bonds due on September 1, 2029 were called and retired.

NOTE 7 - CAPITAL LEASE OBLIGATIONS

The University entered into various non-cancellable equipment lease agreements during 2012 and 2013. These leases are accounted for as capital leases and the final principal payments of \$120,817 were made under the agreements during the year ended June 30, 2016.

The cost of the assets was \$626,933 and accumulated depreciation totaled \$585,932 and \$583,883 at June 30, 2018 and 2017, respectively.

NOTE 8 - COMPENSATED ABSENCES FOR VACATION AND SICK LEAVE

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

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

(Continued)

NOTE 8 - COMPENSATED ABSENCES FOR VACATION AND SICK LEAVE (Continued)

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

Plan Descriptions: University faculty are provided with pensions through the State Teachers Retirement System of Ohio (STRS). Substantially all other University employees are provided with pensions through the Ohio Public Employees Retirement System (OPERS). Both OPERS and STRS are statewide cost-sharing multiple employer defined benefit pension plans. Authority to establish and amend benefits for OPERS and STRS are authorized [by Chapters 145 and 3307, respectively, of] the Ohio Revised Code. Both OPERS and STRS issue publicly available financial reports. The OPERS report can be obtained at <https://www.opers.org/investments/cafr.shtml>. The STRS report can be obtained at <https://www.strsoh.org/publications/annualreports/cafrs.html>.

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

OPERS and STRS Defined Benefit Plans pay service retirement benefits using a fixed formula based on age, years of service and salary. In addition to service retirement, participants are eligible for disability and survivor benefits.

OPERS Member-Directed Plan and STRS Defined Contribution Plan are optional alternative retirement plans available to new members. Participants allocate both member and employer contributions in investment choices provided by STRS Ohio. Benefits are based on the member's account value.

OPERS and STRS Combined Plans offer features of both a defined benefit plan and a member-directed or defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit along with disability and survivor benefits.

Benefits Provided: OPERS and STRS provide retirement, disability, annual cost-of-living adjustments, and survivor benefits for plan members and beneficiaries. The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

OPERS Benefits

Under OPERS, retirement benefits are specific to each plan and members must meet the eligibility requirements based on their age and years of service within the plan. Retirement eligibility also varies by division and transition group.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

Members who were eligible to retire under law in effect prior to SB 343 before January 7, 2023 are included in transition Groups A and B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

State and Local members in transition groups A and B are eligible for retirement benefits at age 60 with 5 years of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service.

Under the Traditional Plan, for Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Under the Combined Plan, the benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's final average salary and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Member-Directed participants must have attained the age of 55, have money on deposit in the Defined Contribution Plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts.

The OPERS law enforcement program consists of two separate divisions: Law Enforcement and Public Safety. Both groups of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Public Safety Group members may file an application for full retirement benefits at age 48 or older with 25 or more years of credited service or 52 or older with 15 or more years of credited service for Groups A and B. Public Safety Group C is eligible for benefits at age 52 or older with 25 years or at age 56 or older with 15 years. Those members classified as Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits under both divisions are calculated by multiplying 2.5% of final average salary by the actual years of service for the first 25 years of service credit, and 2.1% of final average salary for each year of service over 25 years. In the Combined Plan, the benefit formula for the defined benefit component of the plan for state and local members in transition Groups A and B applies a factor of 1.0% to the member's FAS and the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. Law Enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Law Enforcement and Public Safety personnel are eligible for survivor benefits immediately upon employment.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit.

STRS Benefits

Under the Defined Benefit Plan, on or before July 1, 2015, benefits are based on 2.2% of final average salary for the three highest years of earnings, multiplied by years of total Ohio service credit. The percentages increase if the member has 35 or more years of contributing service credit. Effective Aug. 1, 2015, benefits are based on an annual amount equal to 2.2% of final average salary for the five highest years of earnings, multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective Aug. 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on Aug. 1, 2026.

Under the Combined Plan, member contributions are allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular Defined Benefit Plan. Benefits are based on the balance in the member's defined contribution account plus an annual amount equal to 1% of final average salary for the three highest paid years multiplied by years of total Ohio service credit. Effective Aug. 1, 2015, final average salary will be average of the member's five highest salary years. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the Combined Plan may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

The Defined Contribution Plan allows members to place all their member and 9.5% of employer contributions into an investment account. Investment allocation decisions are determined by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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NOTE 9 - RETIREMENT PLANS (Continued)

A Defined Benefit Plan or Combined Plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits. Disability benefits are determined in the same manner as retirement benefits. Members in the Defined Contribution Plan who become disabled are entitled only to their account balance. If a member of the Defined Contribution Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Under the Defined Benefit Plan, members will receive a 2% annual cost of living adjustment beginning on the fifth anniversary of retirement. Under the Combined Plan, a cost of living adjustment is not available on the service retirement benefit. For disability and survivor benefits, the basic benefit is increased each year by 2% of the original base benefit.

Contributions

OPERS Contributions

Employer and member contribution rates are established by the OPERS Board subject to limits per Chapter 145 of the Ohio Revised Code. Under the OPERS plans, the employee contribution rate for the years ended June 30, 2018 and 2017 is 10% for all employees with the exception of law enforcement. The law enforcement contribution rate was 12.6% through December 31, 2013 and increased to 13% effective January 1, 2014. The employer contribution rate is 14% for all employees with the exception of law enforcement whose rate is 18.1%. For Member-Directed Plans, for the years ended June 30, 2017 and 2016, 13.23% was paid into the member's member-directed account and the remaining .77% was paid to OPERS, as required by state legislation, to cover unfunded liabilities.

The University's contributions to OPERS were \$1,313,611 and \$1,273,018 for the fiscal years ended June 30, 2018 and 2017, respectively. The University's contributions were equal to the required contributions for each year as set by state statute.

STRS Contributions

Employer and member contribution rates are established by the STRS Board and limited by Chapter 3307 of the Ohio Revised Code. Under the STRS plans, the employee contribution rate is 14%, for years ended June 30, 2018 and 2017. Under the Combined Plan, 1% of the employee contribution is to fund the defined benefit. The employer contribution rate is 14%. Under the Defined Contribution Plan, 4.5 percent of the employer contribution is used to amortize the unfunded actuarial accrued liability of the defined benefit plan.

The University's contributions to STRS for the years ended June 30, 2018 and 2017, respectively, were \$855,709 and \$852,547. The University's contributions were equal to the required contributions as set by state statute.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

OPERS Pension Costs

At June 30, 2018 and 2017, the University reported a liability of \$10,822,136 and \$14,074,575, respectively for its proportionate share of the OPERS net pension liability. The net pension liability was measured as of December 31, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's long-term share of contributions to OPERS relative to the total projected long-term employer contributions received from all of OPERS' participating employers. At December 31, 2017 and 2016, the University's proportion was 0.0693% and 0.0621%, respectively, representing a 0.0072% change in proportionate share. At December 31, 2016 and 2015, the University's proportion was 0.0621% and 0.0615%, respectively, representing a 0.006% change in proportionate share.

The net pension liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2017 and 2016, and the total pension liabilities were determined by an actuarial valuation as of that date.

For the years ended June 30, 2018 and 2017, the University recognized pension expense of \$1,336,952 and \$1,828,332, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,935	\$ 230,422
Changes of assumptions	1,304,856	-
Net difference between projected and actual earnings on pension plan investments	-	2,343,683
Changes in proportion and differences between the difference between actual and proportionate share of contributions	788,485	26,199
University contributions subsequent to the measurement date	<u>709,540</u>	<u>-</u>
Total	<u>\$ 2,814,546</u>	<u>\$ 2,600,304</u>
<u>2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,802	\$ 96,478
Changes of assumptions	2,242,436	-
Net difference between projected and actual earnings on pension plan investments	2,105,812	-
Changes in proportion and differences between the difference between actual and proportionate share of contributions	50,690	179,478
University contributions subsequent to the measurement date	<u>660,839</u>	<u>-</u>
Total	<u>\$ 5,079,578</u>	<u>\$ 275,955</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 9 - RETIREMENT PLANS (Continued)

For 2018, deferred outflows of resources includes the University's proportionate share of the effects of changes in assumptions resulting from OPERS experience study for the period 2011 through 2015. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the expected rate of investment return from an 8.0% actuarially assumed rate of return down to 7.5%, for the defined benefit investments.

At June 30, 2018, the University reported \$709,540 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPERS pensions will be recognized in pension expense as follows for the year ended June 30, 2018:

2019	\$ 1,357,241
2020	145,084
2021	(1,032,361)
2022	(963,432)
2023	(900)
Thereafter	(930)

STRS Pension Costs

At June 30, 2018 and 2017, the University reported a liability of \$13,207,184 and \$19,372,697, respectively, for its proportionate share of the STRS net pension liability. The net pension liability was measured as of July 1, 2017 and July 1, 2016 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's long-term share of contributions to the pension plan relative to the total employer contributions from all participating STRS employers. At June 30, 2018 and 2017, the University's proportion was 0.0556% and 0.0579%, respectively, representing a 0.0023% change in proportionate share. At June 30, 2017 and 2016, the University's proportion was 0.0579% and 0.0586%, respectively, representing a (0.007) % change in proportionate share.

For the years ended June 30, 2018 and 2017, the University recognized pension expense of \$(6,703,290) and \$(3,676), respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 509,999	\$ 106,445
Change in assumptions	2,888,556	-
Net difference between projected and actual earnings on pension plan investments	-	435,853
Changes in proportion and differences between the difference between actual and proportionate share of contributions	-	1,701,732
University contributions subsequent to the measurement date	<u>845,493</u>	<u>-</u>
Total	<u>\$ 4,244,048</u>	<u>\$ 2,244,030</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 9 - RETIREMENT PLANS (Continued)

<u>2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 782,750	\$ -
Net difference between projected and actual earnings on pension plan investments	1,608,454	-
Changes in proportion and differences between the difference between actual and proportionate share of contributions	-	1,729,399
University contributions subsequent to the measurement date	<u>800,437</u>	<u>-</u>
Total	<u>\$ 3,191,642</u>	<u>\$ 1,729,399</u>

At June 30, 2018, the University reported \$845,493 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to STRS pensions will be recognized in pension expense as follows for the year ended June 30, 2018:

2019	\$ (101,818)
2020	491,092
2021	668,243
2022	97,008

Actuarial Assumptions

OPERS Actuarial Assumptions

The total pension liability in the December 31, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2017</u>	<u>2016</u>
Inflation	3.25%	3.25%
Salary increases		
(average, including inflation)	3.25%-10.75%	3.25%-10.75%
Investment rate of return	7.50%	7.50%
Cost of living adjustment		
(simple)	3.00%	3.00%

Mortality rates are based on the RP-2014 Healthy Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 9 - RETIREMENT PLANS (Continued)

The actuarial assumptions used in the December 31, 2017 and 2016 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2011 and 2010, respectively.

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board as outlined in the annual investment plan. The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2017 and 2016 and the long-term expected real rates of return:

<u>Asset Class Return</u>	<u>2017 Target Allocation</u>	<u>2017 Long-Term Expected Real Rate of Return</u>
Fixed income	23.00%	2.20%
Domestic equity	19.00	6.37
International equity	20.00	7.88
Real estate	10.00	5.26
Private equity	10.00	8.97
Other	<u>18.00</u>	5.26
Total	<u>100.00%</u>	

<u>Asset Class Return</u>	<u>2016 Target Allocation</u>	<u>2016 Long-Term Expected Real Rate of Return</u>
Fixed income	23.00%	2.75%
Domestic equity	20.70	6.34
International equity	18.30	7.95
Real estate	10.00	4.75
Private equity	10.00	8.97
Other	<u>18.00</u>	4.92
Total	<u>100.00%</u>	

STRS Actuarial Assumptions

The total pension liability in the July 1, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2017</u>	<u>2016</u>
Inflation	2.50%	2.75%
Salary increases (average, including inflation)	12.50% at age 20 to 2.50% at age 70	12.25% at age 20 to 2.75% at age 70
Investment rate of return	7.45%	7.75%
Cost of living adjustment (simple)	none	2.00%

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 9 - RETIREMENT PLANS (Continued)

In March 2017, the STRS Ohio Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Ohio Board voted to suspend cost of living adjustments granted on or after July 1, 2017. The above changes resulted in a significant decrease in the University's proportionate share of the liability.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the July 1, 2017 and 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The table below is representative of estimates for both the 2017 and 2016 valuation years. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class Return</u>	<u>2017 Target Allocation</u>	<u>2017 Long-Term Expected Real Rate of Return</u>
Domestic equity	28.00%	7.35%
International equity	23.00	7.55
Fixed income	21.00	3.00
Alternatives	17.00	7.09
Real estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00%</u></u>	
<u>Asset Class Return</u>	<u>2016 Target Allocation</u>	<u>2016 Long-Term Expected Real Rate of Return</u>
Fixed income	18.00%	1.25%
Domestic equity	31.00	5.50
International equity	26.00	5.35
Alternative investments	14.00	5.50
Real estate	10.00	4.25
Liquidity reserves	<u>1.00</u>	0.50
Total	<u><u>100.00%</u></u>	

Discount rate: The discount rate used to measure OPERS total pension liability was 7.5% as of December 31, 2017 and 2016. The projection of cash flows used to determine the discount rates assumed that employee and University contributions will be made at the statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 9 - RETIREMENT PLANS (Continued)

The discount rate used to measure STRS total pension liability was 7.45% as of June 30, 2017 and 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017 and 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017 and 2016.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate: The following presents the University's proportionate share of the OPERS pension plans net pension liability calculated using the discount rate of 7.5% at December 31, 2017 and 2016, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2018</u>	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
University's proportionate share of the net pension liability	\$ 19,284,369	\$ 10,822,136	\$ 3,770,691

<u>2017</u>	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
University's proportionate share of the net pension liability	\$ 21,541,871	\$ 14,074,575	\$ 7,853,504

The following presents the University's proportionate share of the STRS pension plans net pension liability calculated using the discount rate of 7.45% at June 30, 2017 and 7.75% at June 30, 2016, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2018</u>	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
University's proportionate share of the net pension liability	\$ 18,932,049	\$ 13,207,184	\$ 8,384,844

<u>2017</u>	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of the net pension liability	\$ 25,744,741	\$ 19,372,697	\$ 13,997,504

Pension plan fiduciary net position: Detailed information about OPERS and STRS fiduciary net position is available in the separately issued financial reports. Financial reports for OPERS may be obtained at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642. Financial reports for STRS may be obtained at strsoh.org or by writing to State Teachers Retirement System of Ohio, Attn: Chief Financial Officer, 275 E. Broad St., Columbus, OH 43215-3771.

(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 20 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1.0% in 2017 and 2.0% in 2016. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the University's fiscal year 2017, 2016 and 2015 contributions required and made to OPERS used to fund post-retirement benefits was \$47,974, \$23,880 and \$23,489, respectively.

State Teachers Retirement System (STRS Ohio): STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for the year ended June 30, 2014. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The portion of the University's fiscal years 2018, 2017 and 2016 contributions required and made to STRS Ohio used to fund post-employment benefits was \$0 in all three years.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPERS OPEB Costs

At June 30, 2018, the University reported a liability of \$7,194,262 for its proportionate share of the OPERS net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability was based on the University's long-term share of contributions to OPERS relative to the total projected long-term employer contributions received from all of OPERS' participating employers. At December 31, 2017, the University's proportion was 0.0663%.

The net OPEB liability and asset for the Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2017, and the total OPEB liabilities were determined by an actuarial valuation as of that date.

For the years ended June 30, 2018, the University recognized OPEB expense of \$556,491. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

<u>2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,604	\$ -
Changes of assumptions	523,819	-
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>535,924</u>
Total	<u>\$ 529,423</u>	<u>\$ 535,924</u>

Amounts reported as deferred outflows and inflows of resources related to OPERS OPEB will be recognized in OPEB expense as follows for the year ended June 30, 2018:

2019	\$ 119,137
2020	119,137
2021	(110,795)
2022	(133,980)
2023	-
Thereafter	-

STRS OPEB Costs

At June 30, 2018 the University reported a liability of \$2,169,189 for its proportionate share of the STRS net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability was based on the University's share of contributions to the respective retirement systems relative to the contributions of all participating entities. At June 30, 2018 the University's proportion was 0.0556%.

For the year ended June 30, 2018, the University recognized OPEB income of \$(661,920). At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 125,219	\$ -
Changes of assumptions	-	174,735
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>92,716</u>
Total	<u>\$ 125,219</u>	<u>\$ 267,451</u>

(Continued)

CENTRAL STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Amounts reported as deferred outflows and inflows of resources related to STRS OPEB will be recognized in OPEB expense as follows for the year ended June 30, 2018:

2019	\$	(31,432)
2020		(31,432)
2021		(31,432)
2022		(31,432)
2023		(8,252)
Thereafter		(8,252)

Actuarial Assumptions

OPERS Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Single Discount Rate	3.85%
Investment rate of return	6.50%
Wages inflation	3.25%
Municipal Bond Rate	3.31%
Projected Salary increases	3.25% to 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trends	7.50% initial, 3.25% ultimate in 2028

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The actuarial assumptions used in the December 31, 2017 valuations were based on the results of an actuarial experience study for the 2-year periods ending December 31, 2015. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The long-term expected rate of return is arithmetic and determined using a building block method in which best estimate ranges of expected future real rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected best estimates of arithmetical rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

<u>Asset Class Return</u>	<u>2017 Target Allocation</u>	<u>2017 Long-Term Expected Real Rate of Return</u>
Fixed income	34.00%	1.88%
Domestic equity	21.00	6.37
International equity	22.00	7.88
Real estate	6.00	5.91
Other	<u>17.00</u>	5.39
Total	<u><u>100.00%</u></u>	

STRS Actuarial Assumptions

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50%
Salary increases	
(average, including inflation)	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Cost of living adjustment	
(simple)	0.00%
Blended discount rate of return	4.13%
Health Care Cost Trends	6.00 to 11.00% initial, 4.50% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. The long-term expected rate of return is geometric and determined using a building block method in which best estimate ranges of expected future real rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected best estimates of geometric rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class Return</u>	<u>2017 Target Allocation</u>	<u>2017 Long-Term Expected Real Rate of Return</u>
Domestic equity	28.00%	7.35%
International equity	23.00	7.55
Fixed income	21.00	3.00
Alternatives	17.00	7.09
Real estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u>100.00%</u>	

Discount rate:

OPERS discount rate

A single discount rate of 3.85% was used to measure the OPERS OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The 3.31% was based on an index of 20-year general obligation bonds with an average AA credit rating. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

STRS discount rate

The discount rate used to measure the total STRS OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the University's proportionate share of the OPERS net OPEB liability to changes in the discount rate and health care trend rates: The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

<u>2018</u>	<u>1% Decrease</u> <u>(2.85%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (3.85%)</u>	<u>1% Increase</u> <u>(4.85%)</u>
Sensitivity of University's proportionate share of the net OPEB liability to changes in discount rate	\$ 9,557,888	\$ 7,194,262	\$ 5,282,113
	<u>1% Decrease</u>	<u>Current</u> <u>Rate</u>	<u>1% Increase</u>
Sensitivity of University's proportionate share of the net OPEB liability to changes in the health care cost trend rate	\$ 6,883,375	\$ 7,194,262	\$ 7,515,400

The following table represents the University's share of the STRS net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

<u>2018</u>	1% Decrease <u>(3.13%)</u>	Current Discount Rate <u>(4.13%)</u>	1% Increase <u>(5.13%)</u>
Sensitivity of University's proportionate share of the net OPEB liability to changes in discount rate	\$ 2,912,102	\$ 2,169,189	\$ 1,582,046
	<u>1% Decrease</u>	Current Rate	<u>1% Increase</u>
Sensitivity of University's proportionate share of the net OPEB liability to changes in the health care cost trend rate	\$ 1,507,060	\$ 2,169,189	\$ 3,040,629

Pension plan fiduciary net position: Detailed information about OPERS and STRS fiduciary net position is available in the separately issued financial reports. Financial reports for OPERS may be obtained at www.opers.org or by writing to Ohio Public Employees Retirement System, Director-Finance, 277 East Town Street, Columbus, Ohio 43215-4642. Financial reports for STRS may be obtained at strsoh.org or by writing to State Teachers Retirement System of Ohio, Attn: Chief Financial Officer, 275 E. Broad St., Columbus, OH 43215-3771.

NOTE 11 - 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 12 - COMMITMENTS AND CONTINGENCIES

Commitments: The University has encumbered \$1,903,826 and \$2,083,398 of funds as of June 30, 2018 and 2017, 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 have been properly reflected in the financial statements of the University.

The University has accrued \$1,398,316 for liabilities related to an audit finding for the period July 1, 2015 through June 30, 2016 for programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. 1070 et seq. (Title IV, HEA programs). 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 this matter. The University administration believes that the ultimate disposition of these matters have been properly reflected in the financial statements of the University.

(Continued)

CENTRAL STATE UNIVERSITY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2018 and 2017

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 \$41,709 and \$74,983 for the years ended June 30, 2018 and 2017, 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 \$980,222 and \$1,234,173 for the years ended June 30, 2018 and 2017, respectively. The University paid Marauder Development, LLC \$3,042,486 and \$3,022,440 for the years ended June 30, 2018 and 2017, respectively. These payments were primarily student residence hall fees.

Details of the Foundation's restricted net assets at June 30, 2018 and 2017 are as follows:

<u>2018</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Academic	\$ 557,568	\$ 648,777
Scholarship	1,077,853	997,331
Other general funds	<u>1,430,392</u>	<u>850,934</u>
Total net assets	<u>\$ 3,065,813</u>	<u>\$ 2,497,042</u>
<u>2017</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Academic	\$ 481,960	\$ 758,582
Scholarship	1,074,940	995,752
Other general funds	<u>1,167,830</u>	<u>842,515</u>
Total net assets	<u>\$ 2,724,730</u>	<u>\$ 2,596,849</u>

Net assets released from restriction totaled \$380,062 and \$417,721 at June 30, 2018 and 2017, respectively.

NOTE 14 – RISK MANAGEMENT

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.

(Continued)

NOTE 14 – RISK MANAGEMENT (Continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL STATE UNIVERSITY
SCHEDULES OF UNIVERSITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
Year ended June 30, 2018

<u>OPERS</u>	<u>2018</u>
College's proportion of the collective net pension liability (asset) - Traditional	0.06933%
College's proportion of the collective net pension liability (asset) - Combined	0.03965%
College's proportionate share of the collective net pension liability (asset)	\$ 10,822,136
College's covered payroll	9,743,188
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	111.07%
Plan fiduciary net position as a percentage of the total pension liability	84.85%
	<u>2017</u>
College's proportion of the collective net pension liability (asset) - Traditional	0.06209%
College's proportion of the collective net pension liability (asset) - Combined	0.04439%
College's proportionate share of the collective net pension liability (asset)	\$ 14,074,575
College's covered payroll	8,946,079
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	157.33%
Plan fiduciary net position as a percentage of the total pension liability	77.38%
	<u>2016</u>
College's proportion of the collective net pension liability (asset) - Traditional	.06153%
College's proportion of the collective net pension liability (asset) - Combined	.05127%
College's proportionate share of the collective net pension liability (asset)	\$ 10,633,211
College's covered payroll	7,925,689
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	134.16%
Plan fiduciary net position as a percentage of the total pension liability	81.19%
	<u>2015</u>
College's proportion of the collective net pension liability (asset) - Traditional	.06570%
College's proportion of the collective net pension liability (asset) - Combined	.04948%
College's proportionate share of the collective net pension liability (asset)	\$ 7,905,345
College's covered payroll	8,232,618
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	96.02%
Plan fiduciary net position as a percentage of the total pension liability	84.00%

Note: The University implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedule is intended to show information for 10 years. The amounts presented for each fiscal year were determined as of December 31 that occurred prior.

(Continued)

CENTRAL STATE UNIVERSITY
SCHEDULES OF UNIVERSITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
Year ended June 30, 2018

<u>STRS Ohio</u>	<u>2018</u>
College's proportion of the collective net pension liability (asset)	0.0556%
College's proportionate share of the collective net pension liability (asset)	\$ 13,207,184
College's covered payroll	6,046,086
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	218.44%
Plan fiduciary net position as a percentage of the total pension liability	75.29%
	<u>2017</u>
College's proportion of the collective net pension liability (asset)	0.0579%
College's proportionate share of the collective net pension liability (asset)	\$ 19,372,697
College's covered payroll	5,757,345
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	297.19%
Plan fiduciary net position as a percentage of the total pension liability	66.8%
	<u>2016</u>
College's proportion of the collective net pension liability (asset)	0.05861%
College's proportionate share of the collective net pension liability (asset)	\$ 16,198,930
College's covered payroll	5,668,086
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	285.79%
Plan fiduciary net position as a percentage of the total pension liability	72.1%
	<u>2015</u>
College's proportion of the collective net pension liability (asset)	0.06772%
College's proportionate share of the collective net pension liability (asset)	\$ 16,471,015
College's covered payroll	5,700,090
College's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	288.96%
Plan fiduciary net position as a percentage of the total pension liability	74.7%

Note: The University implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedule is intended to show information for 10 years. The amounts presented for each fiscal year were determined as of June 30 that occurred prior.

CENTRAL STATE UNIVERSITY
 SCHEDULES OF UNIVERSITY'S PROPORTIONATE SHARE OF
 THE NET OPEB LIABILITY
 Year ended June 30, 2018

<u>OPERS</u>	<u>2018</u>
College's proportion of the collective OPEB liability (asset) - Traditional	0.062230%
College's proportion of the collective OPEB liability (asset) - Combined	0.004020%
College's proportionate share of the collective OPEB liability (asset)	\$ 7,194,262
College's covered payroll	9,743,188
College's proportionate share of the collective OPEB liability as a percentage of the employer's covered payroll	68.68%
Plan fiduciary net position as a percentage of the total OPEB liability	84.85%
<u>STRS Ohio</u>	<u>2018</u>
College's proportion of the collective OPEB liability (asset)	0.0556%
College's proportionate share of the collective OPEB liability (asset)	\$ 2,169,189
College's covered payroll	6,046,086
College's proportionate share of the collective OPEB liability as a percentage of the employer's covered payroll	35.88%
Plan fiduciary net position as a percentage of the total OPEB liability	75.29%

Note: The University implemented GASB No. 75 in fiscal year 2018. The information above is presented for as many years as available. The schedule is intended to show information for 10 years. The amounts presented for STRS Ohio each fiscal year were determined as of June 30 that occurred prior. The amounts presented for OPERS each fiscal year were determined as of December 31 that occurred prior.

CENTRAL STATE UNIVERSITY
SCHEDULES OF UNIVERSITY PENSION CONTRIBUTIONS
Year ended June 30, 2018

<u>OPERS</u>	<u>2018</u>
Statutorily required contribution	\$ 1,313,611
Contributions in relation to the statutorily required contribution	1,313,611
Annual contribution deficiency	-
College's covered payroll	9,743,188
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	13.48%
	<u>2017</u>
Statutorily required contribution	\$ 1,273,018
Contributions in relation to the statutorily required contribution	1,273,018
Annual contribution deficiency	-
College's covered payroll	8,946,079
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	14.23%
	<u>2016</u>
Statutorily required contribution	\$ 1,132,212
Contributions in relation to the statutorily required contribution	1,132,212
Annual contribution deficiency	-
College's covered payroll	7,925,689
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	14.29%
	<u>2015</u>
Statutorily required contribution	\$ 1,174,454
Contributions in relation to the statutorily required contribution	1,174,454
Annual contribution deficiency	-
College's covered payroll	8,232,618
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	14.26%

Notes to required supplemental information:

The University implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedule is intended to show information for 10 years.

During the plan year ended June 30, 2017 there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2% to 0%, the wage inflation dropped from 2.75% to 2.50%, the investment rate of return decreased from 7.75% to 7.45% and the mortality tables used changed from RP-2000 to RP-2014. There were no changes in benefit terms.

During the plan year ended, December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75% to 3.25%, the projected salary increase range changed from 4.25-10.05% to 3.25-10.75% and the mortality tables used changed from RP-2000 to RP-2014. There were no changes in benefit terms.

(Continued)

CENTRAL STATE UNIVERSITY
SCHEDULES OF UNIVERSITY PENSION CONTRIBUTIONS
Year ended June 30, 2018

<u>STRS Ohio</u>	<u>2018</u>
Statutorily required contribution	\$ 855,709
Contributions in relation to the statutorily required contribution	855,709
Annual contribution deficiency	-
College's covered payroll	6,046,086
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	14.15%
	<u>2017</u>
Statutorily required contribution	\$ 852,547
Contributions in relation to the statutorily required contribution	852,547
Annual contribution deficiency	-
College's covered payroll	5,757,345
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	14.81%
	<u>2016</u>
Statutorily required contribution	\$ 794,080
Contributions in relation to the statutorily required contribution	794,080
Annual contribution deficiency	-
College's covered payroll	5,668,086
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	4.01%
	<u>2015</u>
Statutorily required contribution	\$ 799,062
Contributions in relation to the statutorily required contribution	799,062
Annual contribution deficiency	-
College's covered payroll	5,700,090
Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	14.02%

Note: The University implemented GASB No. 68 in fiscal year 2015. The information above is presented for as many years as available. The schedule is intended to show information for 10 years.

CENTRAL STATE UNIVERSITY
 SCHEDULES OF UNIVERSITY OPEB CONTRIBUTIONS
 Year ended June 30, 2018

<u>OPERS</u>	<u>2018</u>
Statutorily required contribution	\$ 47,974
Contributions in relation to the statutorily required contribution	47,974
Annual contribution deficiency	-
College's covered payroll	9,743,188
Contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll	0.0049%

<u>STRS Ohio</u>	<u>2018</u>
Statutorily required contribution	\$ -
Contributions in relation to the statutorily required contribution	-
Annual contribution deficiency	-
College's covered payroll	6,046,086
Contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered employee payroll	N/A

Notes to required supplemental information:

The University implemented GASB No. 75 in fiscal year 2018. The information above is presented for as many years as is available. The schedule is intended to show information for 10 years.

There were no changes in benefit terms or changes of assumptions affecting the STRS and OPERS plans for the years ended June 30, 2017 and December 31, 2017 respectively

SUPPLEMENTARY INFORMATION

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CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

Federal Grant/Pass-through Grant Program Title	CFDA Number	Pass Through Award	Federal Expenditures
STUDENT FINANCIAL ASSISTANCE CLUSTER:			
U.S. Department of Education Direct Programs:			
Federal Pell Grant Program	84.063		\$ 6,921,054
Federal Supplemental Educational Opportunity Grants	84.007		636,182
Federal Work Study	84.033		607,496
TEACH Grant	84.379		20,003
Federal Perkins Loan Program	84.038		945,980
Federal Direct Loan program	84.268		14,684,483
Pell Administrative Cost Allowance	84.063		5,113
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			23,820,311
RESEARCH AND DEVELOPMENT CLUSTER:			
National Aeronautics and Space Administration:			
Using AVIRIS Imagery	43.001		27,016
Total National Aeronautics and Space Administration			27,016
National Science Foundation:			
ADVANCE	47.076	HRD-0810989	5,749
Center for Cyber Sensors	47.076		19,231
Integrated Geoscience Curriculum for Workforce Development for Oil and Gas Industry (IGC)	47.076		10,562
Ohio LSAMP Alliance	47.076	HRD-1304371	67,814
Software Defined Radio Lab Platform	47.076		5,800
Collaborative RET Site	47.041		55,100
Center for Cyber Sensors - Supplemental	47.076		432
Improving Pathways for STEM	47.076		285,533
Northern Ohio AGEP-T	47.076	HRD-1432950	77,361
Multi-Phase porous Media Flows	47.076		61,235
USE4WRM	47.076		50,698
Total National Science Foundation			639,515
U.S. Department of Defense:			
Basic and Applied Scientific Research:			
Sensors Research	12.300	FA8650-13-C-5800	16,265
Instrumentation for Teaching and Research	12.630		5,841
Additive Manufacturing Parts	12.300	FA8650-13-C-5800	15,181
Li-Ion Batteries	12.300	FA8650-13-C-5800	16,258
Total U.S. Department of Defense			53,545

See Notes To Schedule Of Expenditures Of Federal Awards

CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

Federal Grant/Pass-through Grant Program Title	CFDA Number	Pass Through Award	Federal Expenditures
U.S. Department of Agriculture			
Evans-Allen Formula Funds	10.205		\$ 364,463
Enhancement of Farm Productivity	10.205		74,293
Optimal Agronomic Practices	10.205		74,623
Enhanced Crop Production Efficiency	10.205		24,090
Consortium for Advanced Bioeconomy Leaders and Educators (CABLE)	10.310	2017-67009-26770	8,231
Developing a Tool for Growers to Predict Sulfur Availability in their Soils	10.310	2016-68008-25036	7,837
McIntire Sennis Forestry Research	10.202		51,785
Technology Weed Disruption	10.216		52,222
Strengthening Agricultural Geospatial Education and Research at Central State Univeristy	10.216		85,715
Role of Water Quality	10.216		29,939
UAV & Satellite Imagery Evaluation	10.001		98,739
Increase Student Enrollment in College of Science and Engineering	10.216		24,025
Evans-Allen Research 2016-2018	10.205		435,621
Optimal Agronomic Practices	10.205		54,478
Enhancement of Farm Productivity	10.205		108,662
Enhanced Crop Production Efficiency	10.205		61,850
Evans-Allen Research 2017-2019	10.205		1,243
McIntire Sennis Forestry Research 2016-2018	10.202		57,040
Total U.S. Department of Agriculture			1,614,856
TOTAL RESEARCH AND DEVLEOPMENT CLUSTER			2,334,932
TRIO CLUSTER:			
U.S. Department of Education Direct Programs:			
TRIO: Student Support Services	84.042		351,486
TRIO: Upward Bound Program 2012-17	84.047		(5,865)
TRIO: Upward Bound Program 2017-2022	84.047		254,476
TOTAL TRIO CLUSTER			600,097

See Notes To Schedule Of Expenditures Of Federal Awards

CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

Federal Grant/Pass-through Grant Program Title	CFDA Number	Pass Through Award	Federal Expenditures
OTHER FEDERAL PROGRAMS:			
U.S. Department of Education Direct Programs:			
HIGHER EDUCATION - INSTITUTIONAL AID - Direct Program:			
Title III: K-16 Higher Education Access	84.031B		\$ (4)
Title III: Academic Planning and Assessment 14-15	84.031B		(171)
Pre-Law and Pre-Professional Development 15-16	84.031B		648
Title III: Program Administration 16-17	84.031B		52,839
Title III: University College 16-17	84.031B		136,166
Title III: Counseling Center 16-17	84.031B		118,618
Title III: Academic Planning and Assessment 16-17	84.031B		87,252
Title III: Pre-Law and Pre-Professional Development 16-17	84.031B		64,891
Title III: Music Mentors 16-17	84.031B		10,647
Title III: TEAP-C 16-17	84.031B		85,619
Title III: Center for Global Education 16-17	84.031B		32,408
SAFRA: Enhancement of Online Learning 16-17	84.031B		81,397
SAFRA: Theatre Arts 16-17	84.031B		516
University College Renovation	84.031B		27,962
Title III: Safety of the Campus	84.031B		41,547
Title III: Program Administration 17-18	84.031B		160,643
Title III: Undergraduate Student Success Center	84.031B		337,735
Title III: Counseling Center 17-18	84.031B		149,879
Title III: Academic Planning and Assessment 17-18	84.031B		270,374
Title III: Professional Development for Health	84.031B		97,615
Title III: Music Mentors 17-18	84.031B		45,561
Title III: TEAP-C 17-18	84.031B		163,376
SAFRA: Center for Global Education 17-18	84.031B		127,170
SAFRA: Enhancement of Online 17-18	84.031B		317,558
SAFRA: Theatre Arts 17-18	84.031B		80,136
SAFRA: Library Enhancements 17-18	84.031B		70,335
TOTAL HIGHER EDUCATION - INSTITUTIONAL AID			2,560,717

See Notes To Schedule Of Expenditures Of Federal Awards

CENTRAL STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

Federal Grant/Pass-through Grant Program Title	CFDA Number	Pass Through Award	Federal Expenditures
U.S. Department of Transportation:			
FHWA Summer Transportation Institute 2017	20.205	NA	\$ 20,335
Total Highway Planning and Construction Cluster			<u>20,335</u>
USDOT Center for Connected Automated Transportation (CCAT) - Region 5 UTC	20.701	69A3551747105	373
Total U.S. Department of Transportation			<u>20,708</u>
U.S. Department of Agriculture			
Technical Assistance and Financial Education	10.406		68,819
USDA/1890 National Scholars Program	10.001		10,267
USDA/NRCS National Scholars Program	10.001		-
USDA/1890 National Scholars Program	10.001		4,421
USDA/1890 National Scholars Program	10.001		8,152
2014-2017 Facilities Grant	10.500		1,821,629
1890 Capacity Building Grants: A Potential for Building and Strengthening Capacity and Advancing the Quality of Teaching and Extension	10.216		168,779
Agriculture Innovations Plus (AI+)	10.902		193,049
Section 1444 Extension Programs for 1890 Land Grant Colleges	10.500		41,110
Section 1444 Extension Programs for 1890 Land Grant Colleges	10.500		46,375
Smith Lever Act, Expanded Food and Nutrition Education Program (EFNEP)	10.500		73,864
Renewable Resources Extension	10.500		12,521
Pathways to a BA in Agriculture	10.217	2016-70003-24835	5,250
Section 1444 Extension Programs for 1890 Land Grant Colleges 2016-2018	10.500		761,498
Section 1444 Extension Programs for 1890 Land Grant Colleges 2016-2018 - Seed to Bloom	10.500		16,351
Section 1444 Extension Programs for 1890 Land Grant Colleges 2016-2018	10.500		81,681
Section 1444 Extension Programs for 1890 Land Grant Colleges 2017-2019	10.500		188,001
Smith Lever Act, Expanded Food and Nutrition Education Program (EFNEP) 2016-2021	10.500		18,147
Total U.S. Department of Agriculture			<u>3,519,914</u>
U.S. Department of Interior			
Youth Stewardship and Engagement Program	15.954		12,887
Total U.S. Department of Interior			<u>12,887</u>
U.S. Department of Justice			
#KNOWMEANSNO	16.525		5,895
#KNOWMEANSNO	16.575	2018-VOCA-109309216	21,043
Total U.S. Department of Justice			<u>26,938</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 32,896,504</u>

See Notes To Schedule Of Expenditures Of Federal Awards

CENTRAL STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Central State University.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance and instead uses indirect cost rates as follows per the respective grant agreements:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Indirect Cost Rate</u>
ADVANCE	47.076	75%
Center for Cyber Sensors	47.076	43%
Integrated Geoscience Curriculum for Workforce Development for Oil and Gas Industry (IGC)	47.076	43%
Ohio LSAMP Alliance	47.076	45%
Software Defined Radio Lab Platform	47.076	43%
Collaborative RET Site	47.041	45%
Center for Cyber Sensors - Supplemental	47.076	45%
Improving Pathways for STEM	47.076	45%
Northern Ohio AGEP-T	47.076	45%
Multi-Phase porous Media Flows	47.076	45%
USE4WRM	47.076	45%
Sensors Research	12.000	45%
Additive Manufacturing Parts	12.000	45%
Li-Ion Batteries	12.000	45%
TRIO: Student Support Services	84.042	8%
TRIO: Upward Bound Program 2012-17	84.047	8%
TRIO: Upward Bound Program 2017-2022	84.047	8%
University Transportation Center	20.701	43%
FHWA Summer Transportation Institute 2017	20.205	15%
Technical Assistance and Financial Education	10.406	45%
1890 Capacity Building Grants: A Potential for Building and Strengthening Capacity and Advancing the Quality of Teaching and Extension	10.216	43%
Agriculture Innovations Plus (AI+)	10.902	45%
Pathways to a BA in Agriculture	10.217	30%

NOTE 2 – FEDERAL LOAN PROGRAMS

The University participates in the Federal Direct Students Loan Program (84.268) which includes Direct Subsidized Loans, Direct Unsubsidized Loans, and Direct PLUS Loans. The University originates but does not provide funding for Federal Direct Student Loans.

The amount outstanding for the Federal Perkins Loan Program (84.038) at June 30, 2018 is \$945,980. There were no new loans disbursed under the Federal Perkins Loan Program for the fiscal year ended June 30, 2018.

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**INDEPENDENT AUDITOR'S 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**

Management and Board of Trustees
Central State University
Wilberforce, Ohio

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 business-type activities and the discretely presented component unit of Central State University, a component unit of the State of Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 31, 2018.

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 opinion on the effectiveness of Central State University's internal control. Accordingly, we do not express opinion on the effectiveness of Central State University'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 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. We did identify certain deficiencies in internal control, described in finding 2018-001 in the schedule of findings and questioned costs as items that we consider to be material weaknesses.

(Continued)

Compliance and Other Matters

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

University's Response to Findings

The University's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely 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 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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Columbus, Ohio
October 31, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management and Board of Trustees
Central State University
Wilberforce, Ohio

Report on Compliance for Each Major Federal Program

We have audited Central State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Central State University's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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.

(Continued)

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, 2018.

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 in accordance with Uniform Guidance, 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 Central State University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 items 2018-002 and 2018-003, that we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Columbus, Ohio
October 31, 2018

CENTRAL STATE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2018

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

<u> X </u>	Yes	<u> </u>	No
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Significant deficiencies identified not considered to be material weaknesses?

<u> </u>	Yes	<u> X </u>	None reported
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Noncompliance material to financial statements noted?

<u> </u>	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?

<u> </u>	Yes	<u> X </u>	No
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Significant deficiencies identified not considered to be material weakness(es)?

<u> X </u>	Yes	<u> </u>	None reported
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Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

<u> X </u>	Yes	<u> </u>	None reported
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(Continued)

CENTRAL STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

Finding 2018-002

Federal Program Information:	Federal Direct Loan Program, CFDA #84.268 and Federal Pell Grant Program, CFDA #84.063
Criteria:	34 CFR 685.203, Loan Limits, and 34 CFR 690.63, Calculation of a Federal Pell Grant for a Payment Period
Condition:	Federal Direct Loans and Federal Pell Grants were underawarded for a number of students sampled. While there were no questioned costs associated with overawards, the amounts students were underawarded totaled \$6,538.
Context:	<p>a. Four students of 60 tested were under-awarded direct loans for which they were eligible based upon the annual limits associated with their grade level.</p> <p>b. One student of 60 tested received outside scholarships after the awarding process and their subsidized loans were decreased although eligibility for the loans was not impacted by the outside scholarship.</p> <p>c. Two students of 60 tested received direct loan amounts for less than they were eligible for and no documentation was maintained to support the amounts awarded.</p> <p>d. One student of 60 tested was awarded Federal Pell Grant amounts consistent with that of a half-time student, however the student registered for and completed a full-time course load.</p>
Questioned costs:	There were no questioned costs as all of the items above represent underawarded funds
Effect:	In all instances above, the student did not receive the amount of federal aid that they were eligible for.
Cause:	<p>a. Students were awarded direct loans based upon the self-reported grade level rather than their actual grade level status, including all qualified transfer credits.</p> <p>b. Student's packaging was not re-examined to determine if additional outside scholarships had any impact on direct loan eligibility.</p> <p>c. Students requested a lesser amount of direct loans than they were eligible for, however no documentation was maintained.</p> <p>d. The student was only verified for six hours on the census report and had aid adjusted to reflect this. However, the student's transcript indicated the student completed a full-time course load.</p>
Repeat Finding:	No
Recommendation:	We recommend the University implement procedures to ensure students are awarded Federal Student Aid based on all applicable eligibility requirements.
Views of responsible officials and planned corrective actions:	See separate corrective action plan document.

(Continued)

CENTRAL STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2018

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION
(Continued)

Finding 2018-003

Federal Program Information: Federal Direct Loan Program, CFDA #84.268

Criteria: 34 CFR 668.22(a)(5), Treatment of Title IV funds when a student withdraws

Condition: The University did not issue post-withdrawal disbursements to eligible students. While there are no questioned costs, the amounts not disbursed to students in the form of post-withdrawal disbursements totaled \$6,429.

Context: Six students withdrew from the University prior to federal aid being disbursed and in each case, the student was not issued a post-withdrawal disbursement for the amount that was earned based on days attended.

Questioned costs: There were no questioned costs as the University returned all funds to the Department of Education.

Effect: The students did not receive the federal aid that they were eligible for based on the days that were attended.

Cause: The University did not verify attendance as the student was not present on census reporting, however signed withdrawal forms include a withdrawal date indicating attendance during the term.

Repeat Finding: No

Recommendation: The University should review policies to ensure that post-withdrawal disbursements are made when students are eligible.

Views of responsible officials and planned corrective actions: See separate corrective action plan document.

CENTRAL STATE UNIVERSITY
SUMMARY OF PRIOR YEAR FINDINGS
Year ended June 30, 2017

SUMMARY OF PRIOR YEAR FINDINGS

Finding 2017-001

Federal Program Information: Student Financial Aid Cluster

Criteria: Return of Title IV Funds- 34 CFR 668.22

Condition: The University improperly calculated the amount of Title IV funds to return for all official withdrawals.

Status: While the issues that were present last year were corrected, issues still existed with the current year return of Title IV funds calculations. See finding 2018-003.

Finding 2017-002

Federal Program Information: Federal Direct Loan Program – 84.268

Criteria: 34 CFR Section 668.165

Condition: The University did not send loan notifications to recipients of Federal Direct PLUS loans. In addition, there were instances in which other loan notifications were not sent within the required timeframe.

Status: Corrected

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ADMINISTRATION AND FINANCE

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October 31, 2018

CORRECTIVE ACTION PLAN

Finding 2018-001: Financial Reporting Process

The University concurs with the finding. Management is realigning the accounting area to ensure all staff are knowledgeable and trained in the closing and reporting process. Periodic reviews and monthly reconciliations will be performed and verified by upper management. Management will improve documentation of the year-end closing process to make sure all adjustments have been processed in a timely matter. This documentation is being developed and will be incorporated into the monthly financial statement reviews. These new monthly financial statement review meetings will strengthen the financial process and reduce the number of year-end adjusting entries and corrections to the financial ledger.

Responsible Person: Director of Financial Reporting and Internal Controls

Anticipated Completion Date: November 30, 2018

Finding 2018-002: Federal Direct Loan and Federal Pell Grants were under awarded for a number of students in our sample

The University agrees with the finding. The University has reviewed and updated its former award process. It has made changes that provide increased efficiency in student award packaging. The University has also taken steps to hire additional employees to help with improved processes. A new position, Associate Director of Financial Aid and another Financial Aid officer were hired in August 2018. This increase in staffing will help management to more vigorously monitor the awarding process.

Responsible Person: Director of Financial Aid

Anticipated Completion Date: Implemented

Finding 2018-03: The University did not issue post-withdrawal disbursements to eligible students.

The University agrees with the finding. Historically there was some confusion on what was in the best interest of the students regarding explaining to students their options with post withdrawal funds. This confusion was cleared up after discussions with the auditors. The University now has a dedicated financial aid officer who is responsible for R2T4 process including the Post Withdrawal Disbursement (PWD). She weekly reviews official and unofficial withdraws. The wording on the required PWD letters

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has been modified to more clearly explain the options to students regarding accepting PWD. Additionally, the extra staff hired in August 2018 will allow for more oversight of the process.

Responsible Person: Director of Financial Aid

Anticipated Completion Date: Implemented



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 27, 2018**