

Cleveland State University

**Financial Report
Including Supplemental Information
June 30, 2008**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Cleveland State University
Keith Bldg., Rm 1335
2121 Euclid Avenue
Cleveland, Ohio 44115

We have reviewed the *Independent Auditor's Report* of the Cleveland State University, Cuyahoga County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

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Auditor of State

February 5, 2009

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Cleveland State University

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Report of Independent Auditors

To the Board of Trustees
Cleveland State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Cleveland State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2008, which collectively comprises the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of Cleveland State University as of June 30, 2007 were audited by other auditors, whose report dated October 10, 2007 expressed an unqualified opinion on those statements. We did not audit the financial statements of The Cleveland State University Foundation, Inc. or the Euclid Avenue Housing Corporation, discretely presented component units of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Cleveland State University

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion that collectively comprised the University's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2008 is presented for the purpose of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 15, 2008

CLEVELAND STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Cleveland State University (the "University") as of and for the year ended June 30, 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

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

Using the Annual Financial Report

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

The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Cleveland State University Foundation, Inc. (the Foundation) and the Euclid Avenue Housing Corporation (the Corporation) are treated as component units of the University. Accordingly, the Foundation and the Corporation are discretely presented in the University's financial statements. The Foundation and the Corporation are excluded from Management's Discussion and Analysis. Financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Mather Mansion Room 105, Cleveland, OH 44115-2214; financial statements for the Corporation can be obtained from the Office of the President at 2121 Euclid Avenue, Administration Center Room 210, Cleveland, OH 44115-2214.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities. The difference between assets and liabilities— net assets— is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2008, 2007 and 2006 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets	\$ 42,052,971	\$ 35,149,262	\$ 43,810,861
Noncurrent assets:			
Capital assets, net	340,451,912	321,735,130	294,288,485
Other	<u>159,028,058</u>	<u>187,337,097</u>	<u>141,709,585</u>
Total assets	541,532,941	544,221,489	479,808,931
Current liabilities	39,590,243	40,739,396	38,974,623
Noncurrent liabilities	<u>180,357,268</u>	<u>181,012,582</u>	<u>129,884,147</u>
Total liabilities	<u>219,947,511</u>	<u>221,751,978</u>	<u>168,858,770</u>
Net assets	<u>\$ 321,585,430</u>	<u>\$ 322,469,511</u>	<u>\$ 310,950,161</u>

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

Current assets increased in 2008 from 2007 by \$6.9 million, or 19.6%, due primarily to an increase in short-term investments of \$5.5 million. During 2008, the University increased its investment in short-term certificates of deposit, because they offered a superior rate of return compared to other investments, such as US agency securities.

Current assets decreased in 2007 from 2006 by \$8.7 million, or 19.8%, due primarily to a decrease in short-term investments. The University had more of its investments in STAR Ohio in 2007 than in 2006 (\$16.4 million versus \$10.6 million), and STAR Ohio is classified as a long-term investment.

Net capital assets increased in 2008 from 2007 by \$18.7 million, or 5.8%, and in 2007 from 2006 by \$27.4 million, or 9.3%. Both increases were due to construction on the University's campus. Projects under construction during these years include a new recreation center, a new administration building, a new parking garage, a new student union, and a new building to house the College of Education and Human Services.

Other assets decreased in 2008 from 2007 by \$28.3 million, or 15.1%. The decrease was the result of two factors: the increased use of short-term certificates of deposit as investments, and the spending of bond proceeds on construction.

In 2007, other assets increased by \$45.6 million, or 32.2%, due primarily to an increase in investments of bond proceeds. During 2007, the University sold Series 2007A and 2007B general receipts bonds in the total amount of \$51.3 million, which are included in restricted investments.

Changes in liabilities in 2008 from 2007 were not significant. Noncurrent liabilities increased in 2007 from 2006 by \$51.1 million, or 39.4%, due to the sale of the Series 2007A and 2007B bonds.

Capital and Debt Activities

One critical factor affecting the quality of the University's programs is the development and renewal of its capital assets. Capital additions totaled \$37.4 million in 2008, \$44.3 million in 2007, and \$48.5 million in 2006. Capital retirements totaled \$2.7 million in 2008, \$4.9 million in 2007, and \$2.5 million in 2006. Capital additions and retirements for 2008 and 2007 exclude transfers from construction in progress to buildings in the amounts of \$6.2 million and \$46.0 million, respectively. Capital additions include construction of new facilities, repair and renovation of existing facilities, and acquisition of equipment and library books. Capital asset additions are funded, in part, by capital appropriations from the State. These appropriations amounted to \$3.4 million in 2008, \$6.8 million in 2007, and \$6.5 million in 2006.

In May 2008, the University issued Series 2008 general receipts bonds in the amount of \$20.9 million. Proceeds were used to refund the Series 2003B and Series 2007B general receipts bonds, thereby converting variable rate debt to fixed rate debt.

In 2007, long-term debt, which consists primarily of bonds payable, increased from 2006 by \$49.6 million, or 44.1%. On April 23, 2007, the University issued Series 2007A general receipts bonds in the amount of \$42.1 million, and on May 1, 2007, the University issued Series 2007B general receipts bonds in the amount of \$9.2 million. The proceeds of the Series 2007A and 2007B bonds will be used to pay construction costs for a new Student Union building and a new building to house the College of Education and Human Services. These projects are important pieces of the University's Campus Master Plan, which was adopted by the Board of Trustees in 2003.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2008, 2007 and 2006 are summarized as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Invested in capital assets, net of related debt	\$ 241,694,315	\$ 242,380,365	\$ 236,602,952
Restricted - expendable	16,875,687	14,158,336	14,586,482
Restricted - nonexpendable	1,308,413	1,525,717	1,374,845
Unrestricted	<u>61,707,015</u>	<u>64,405,093</u>	<u>58,385,882</u>
Total net assets	<u>\$ 321,585,430</u>	<u>\$ 322,469,511</u>	<u>\$ 310,950,161</u>

Net assets invested in capital assets, net of related debt represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Changes in this category of net assets are due to the net effect of additions to, disposals of, and depreciation on capital assets. In 2008, disposals and depreciation exceeded additions, while in 2007, additions exceeded disposals and depreciation.

Restricted-expendable net assets are subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenues and expenses in funds provided by donors and grantors. Restricted-nonexpendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in 2007 and negative in 2008.

Unrestricted net assets are not subject to externally imposed stipulations. This category includes funds functioning as endowment (quasi-endowment) of \$4.7 million at June 30, 2008, \$4.9 million at June 30, 2007, and \$4.8 million at June 30, 2006.

For the year ended June 30, 2008, the University had a decrease in total net assets of \$884,000, or 0.3%. Net assets invested in capital assets, net of related debt, decreased by \$686,000, or 0.3%, because depreciation expense exceeded capital asset additions. Unrestricted net assets decreased by \$2.7 million, or 4.2%, due primarily to decreased investment income (which went from \$10.4 million in 2007 to (\$553,000) in 2008), which was partially offset by increased revenues from other sources, particularly student fees (which grew from \$111.4 million in 2007 to \$116.7 million in 2008).

For the year ended June 30, 2007, the University had an increase in total net assets of \$11.5 million, or 3.7%. Net assets invested in capital assets, net of related debt, increased by \$5.8 million, or 2.4%, due to construction activity. Unrestricted net assets increased by \$6.0 million, or 10.3%, due primarily to increased revenues from student fees (which grew from \$105.4 million in 2006 to \$111.4 million in 2007) and to increased investment income (which grew from \$3.5 million in 2006 to \$10.4 million in 2007).

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. As a public institution, the University is dependent on State aid. This dependency contributed toward an operating deficit because the financial reporting model classifies State appropriations as nonoperating revenue. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life. Summarized revenues, expenses, and changes in net assets for the years ended June 30, 2008, June 30, 2007 and June 30, 2006 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues:			
Net student tuition and fees	\$ 116,662,514	\$ 111,443,432	\$ 105,435,745
Grants and contracts	23,506,162	22,396,749	25,969,516
Other	<u>20,310,456</u>	<u>17,263,760</u>	<u>16,523,306</u>
Total operating revenue	160,479,132	151,103,941	147,928,567
Operating expenses:			
Educational and general	215,684,519	209,136,093	210,895,877
Auxiliary enterprises	23,215,882	20,267,901	15,581,267
Depreciation and amortization	<u>18,363,172</u>	<u>16,888,402</u>	<u>15,102,608</u>
Total operating expenses	<u>257,263,573</u>	<u>246,292,396</u>	<u>241,579,752</u>
Operating loss	(96,784,441)	(95,188,455)	(93,651,185)
Nonoperating revenues, net:			
State appropriations	72,934,809	69,739,627	69,978,333
Other	<u>19,348,092</u>	<u>30,077,495</u>	<u>21,265,588</u>
Gain (loss) before other changes	(4,501,540)	4,628,667	(2,407,264)
Other changes			
	<u>3,617,459</u>	<u>6,890,683</u>	<u>6,563,869</u>
Increase (decrease) in net assets	(884,081)	11,519,350	4,156,605
Net assets at beginning of year	<u>322,469,511</u>	<u>310,950,161</u>	<u>306,793,556</u>
Net assets at end of year	<u>\$ 321,585,430</u>	<u>\$ 322,469,511</u>	<u>\$ 310,950,161</u>

Total revenue and other changes in fiscal 2008, 2007 and 2006 were \$259.3 million, \$259.7 million, and \$246.1 million, respectively. The most significant sources of 2008 operating revenues for the University were student tuition and fees of \$116.7 million, grants and contracts of \$23.5 million, and auxiliary services of \$15.3 million.

Revenues from tuition and fees (net of scholarship allowances) increased in 2008 from 2007 by \$5.2 million, or 4.7%, due to an increase in enrollment and an increase in tuition rates. Headcount enrollment increased by 1.6% from the prior year, while full-time equivalent enrollment increased by 3.5% from the prior year. For the 2007 Fall semester, tuition rates for undergraduate students were not changed, but tuition rates were increased for graduate and law students by 6% and 10%, respectively.

Revenues from tuition and fees (net of scholarship allowances) increased in 2007 from 2006 by \$6.0 million, or 5.7%, due to a drop in enrollment offset by an increase in tuition rates. Headcount enrollment decreased by 2.6% from the prior year, while full-time equivalent enrollment decreased by 0.5% from the prior year. Tuition rates increased by 7.84% effective for the 2006 Fall semester, in part to offset the continued decline in support from the State.

Total expenses in fiscal 2008, 2007 and 2006 were \$260.2 million, \$248.2 million, and \$241.9 million, respectively. Operating expenses include the costs of instruction, research, public service, general administration, utilities, libraries, and auxiliary services. Operating expenses also include depreciation and amortization. Increases in operating expenses of \$11.0 million (4.5%) in 2008 and \$4.7 million (1.9%) in 2007 were due primarily to salary increases granted to University employees, increases in the cost of medical insurance and other fringe benefits, rising costs for energy, and increased depreciation expense.

Sources of nonoperating revenue include State appropriations of \$72.9 million in 2008, \$69.8 million in 2007, and \$70.0 million in 2006; grants and contracts of \$16.4 million in 2008, \$14.9 million in 2007, and \$14.4 million in 2006; gifts of \$6.4 million in 2008, \$6.7 million in 2007, and \$3.8 million in 2006; and investment (loss) income of (\$553,000) in 2008, \$10.4 million in 2007, and \$3.5 million in 2006. Fiscal year 2008 was the first year during which the State's funding of the University increased since fiscal year 2001.

Net nonoperating revenue decreased in 2008 from 2007 by \$7.5 million, or 7.5%, due primarily to the decline in investment income. Net nonoperating revenue increased in 2007 from 2006 by \$8.6 million, or 9.4%, due primarily to increased investment income (which grew from \$3.5 million in 2006 to \$10.4 million in 2007).

Other changes consist primarily of State capital appropriations of \$3.4 million in 2008, \$6.8 million in 2007, and \$6.5 million in 2006.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital financing and investing activities, and helps measure the ability to meet financial obligations as they mature. A summary of the statement of cash flows for the years ended June 30, 2008, June 30, 2007 and June 30, 2006 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net cash provided (used) by:			
Operating activities	\$ (81,468,909)	\$ (76,698,136)	\$ (75,815,747)
Noncapital financing activities	95,514,168	91,533,498	88,291,673
Capital financing activities	(39,231,358)	4,252,940	(50,621,263)
Investing activities	<u>27,699,391</u>	<u>(18,589,397)</u>	<u>36,465,524</u>
Net increase (decrease) in cash	2,513,292	498,905	(1,679,813)
Cash at beginning of year	<u>3,477,087</u>	<u>2,978,182</u>	<u>4,657,995</u>
Cash at end of year	<u>\$ 5,990,379</u>	<u>\$ 3,477,087</u>	<u>\$ 2,978,182</u>

Major sources of cash included student tuition and fees of \$116.1 million in 2008, \$111.6 million in 2007, and \$106.0 million in 2006; State appropriations of \$72.9 million in 2008, \$69.8 million in 2007, and \$70.0 million in 2006; grants and contracts (operating and nonoperating) of \$41.4 million in 2008, \$36.9 million in 2007, and \$37.2 million in 2006; and auxiliary activities of \$14.4 million in 2008, \$11.7 million in 2007, and \$11.4 million in 2006.

The largest payments were for employee compensation and benefits totaling \$163.3 million in 2008, \$152.6 million in 2007, and \$150.4 million in 2006; suppliers of goods and services totaling \$78.9 million in 2008, \$74.2 million in 2007, and \$70.4 million in 2006; and purchases of capital assets totaling \$37.8 million in 2008, \$44.6 million in 2007, and \$49.7 million in 2006.

The changes in cash flows from 2007 to 2008 and from 2006 to 2007 in the capital financing and investing categories are attributable primarily to the sale of the Series 2007A and 2007B bonds in 2007.

Credit Rating

The University's bonds are rated "A" by Standard & Poor's, with the most recent rating published on April 14, 2008. This rating is consistent with the years ended June 30, 2007 and 2006. The highest achievable rating is "AAA." The University's capacity to meet its financial obligations is considered strong considering this rating.

Looking Ahead

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, State support, and the cost of health care, utilities, employee compensation and unfunded State and Federal mandates.

Paramount to the University's continuing success is its accreditation by the North Central Association of Colleges and Schools, which in 2000 awarded the University a ten-year renewal with enthusiasm and without condition.

The University faces significant cost pressures in the future. These relate to attracting and retaining high quality faculty and staff, increasing costs of medical care and prescription drugs, volatile energy prices, and others.

A critical element to the University's future is its relationship with the State. There is a direct relationship between the level of State support and the University's ability to control tuition growth, as declines in State appropriations generally result in increased tuition levels. The State's capital appropriations continue to support construction and renovation of the University's facilities. Economic pressures affecting the State may affect the State's future support of the University.

Cleveland State University
Statement of Net Assets
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,990,379	\$ 3,477,087
Investments (Note 2)	14,483,130	8,935,224
Accounts Receivable, Net (Note 3)	17,889,421	18,452,864
Notes Receivable, Net (Note 3)	1,236,153	2,116,747
Accrued Interest Receivable	632,036	85,000
Prepaid Expenses, Deferred Charges and Inventories	1,821,852	2,082,340
Total Current Assets	42,052,971	35,149,262
Noncurrent Assets:		
Restricted Investments (Note 2)	69,725,474	86,482,295
Long-Term and Endowment Investments (Note 2)	74,567,031	87,880,564
Notes Receivable, Net (Note 3)	12,217,627	11,197,654
Deferred Bond Premium and Issuance Costs	2,517,926	1,776,584
Capital Assets, Net (Note 5)	340,451,912	321,735,130
Total Noncurrent Assets	499,479,970	509,072,227
Total Assets	541,532,941	544,221,489
LIABILITIES		
Current Liabilities:		
Accounts Payable	10,676,405	12,447,002
Construction Accounts Payable	5,163,066	4,724,747
Accrued Liabilities	9,464,598	9,496,654
Accrued Interest Payable	608,152	614,130
Deferred Revenue	7,946,437	8,421,300
Compensated Absences - Current Portion (Note 6)	1,247,930	734,693
Obligations Under Capital Leases - Current Portion (Note 6)	952,722	689,937
Long-Term Debt - Current Portion (Note 6)	3,530,933	3,610,933
Total Current Liabilities	39,590,243	40,739,396
Noncurrent Liabilities:		
Accrued Liabilities (Note 6)	10,729,378	11,225,507
Compensated Absences (Note 6)	7,407,162	9,760,941
Obligations Under Capital Leases (Note 6)	9,038,786	1,513,259
Long-Term Debt (Note 6)	153,181,942	158,512,875
Total Noncurrent Liabilities	180,357,268	181,012,582
Total Liabilities	219,947,511	221,751,978
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	241,694,315	242,380,365
Restricted:		
Expendable	16,875,687	14,158,336
Nonexpendable	1,308,413	1,525,717
Unrestricted	61,707,015	64,405,093
Total Net Assets	\$ 321,585,430	\$ 322,469,511

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

Cleveland State University
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2008 and 2007

	2008	2007
Revenues		
Operating Revenues:		
Student Tuition and Fees	\$ 130,867,361	\$ 124,820,488
Less Scholarship Allowances	14,204,847	13,377,056
Net Student Tuition and Fees	116,662,514	111,443,432
Federal Grants and Contracts	15,876,339	15,397,584
State Grants and Contracts	4,713,781	3,844,052
Local Grants and Contracts	655,670	710,880
Private Grants and Contracts	2,260,372	2,444,233
Sales and Services	4,567,254	4,343,482
Auxiliary Enterprises	15,289,171	12,459,588
Other Sources	454,031	460,690
Total Operating Revenues	160,479,132	151,103,941
Expenses		
Operating Expenses:		
Instruction	92,620,024	89,712,836
Research	13,768,194	13,848,298
Public Service	12,505,036	11,879,739
Academic Support	22,213,611	21,731,234
Student Services	18,225,802	18,574,001
Institutional Support	25,885,712	24,548,102
Operation and Maintenance of Plant	18,331,523	17,411,061
Scholarships and Fellowships	12,134,617	11,430,822
Auxiliary Enterprises	23,215,882	20,267,901
Depreciation and Amortization	18,363,172	16,888,402
Total Operating Expenses	257,263,573	246,292,396
Operating Loss	(96,784,441)	(95,188,455)
Nonoperating Revenues (Expenses)		
State Appropriations	72,934,809	69,739,627
Federal Grants and Contracts	12,551,220	11,076,772
State Grants and Contracts	3,886,127	3,784,350
Gifts	6,371,709	6,728,117
Investment Income	(552,911)	10,369,966
Interest on Debt	(2,908,053)	(1,881,710)
Net Nonoperating Revenues	92,282,901	99,817,122
(Loss) Gain Before Other Changes	(4,501,540)	4,628,667
Other Changes		
State Capital Appropriations	3,384,009	6,847,883
Capital Gifts	233,450	42,800
(Decrease) Increase in Net Assets	(884,081)	11,519,350
Net Assets		
Net Assets at Beginning of Year	322,469,511	310,950,161
Net Assets at End of Year	\$ 321,585,430	\$ 322,469,511

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

**Cleveland State University
Statement of Cash Flows**

	Years Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Tuition and Fees	\$ 116,116,258	\$ 111,548,728
Grants and Contracts	24,959,332	21,998,268
Payments to or On Behalf of Employees	(163,274,098)	(152,567,115)
Payments to Vendors	(78,866,013)	(74,237,818)
Loans Issued to Students	(1,863,981)	(3,579,160)
Collection of Loans to Students	2,006,797	3,623,562
Auxiliary Enterprises Charges	14,431,511	11,711,227
Other Receipts	<u>5,021,285</u>	<u>4,804,172</u>
Net Cash Used by Operating Activities	(81,468,909)	(76,698,136)
Cash Flows from Noncapital Financing Activities		
State Appropriations	72,934,809	69,739,627
Grants and Contracts	16,437,347	14,861,122
Gifts	6,371,709	6,728,117
Cash Provided by Stafford and PLUS Loans	84,296,141	77,080,028
Cash Used by Stafford and PLUS Loans	(84,532,531)	(76,852,901)
Cash Provided by Agency Fund Activities	572,102	620,427
Cash Used by Agency Fund Activities	<u>(565,409)</u>	<u>(642,922)</u>
Net Cash Provided by Noncapital Financing Activities	95,514,168	91,533,498
Cash Flows from Capital Financing Activities		
Proceeds from Capital Debt and Leases	29,233,791	52,678,807
Capital Appropriations	3,384,009	6,847,883
Capital Gifts and Grants	233,450	42,800
Purchases of Capital Assets	(37,753,080)	(44,589,214)
Principal Paid on Capital Debt and Leases	(26,856,412)	(3,846,911)
Interest Paid on Capital Debt and Leases	<u>(7,473,116)</u>	<u>(6,880,425)</u>
Net Cash Provided (Used) by Capital Financing Activities	(39,231,358)	4,252,940
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	356,076,388	323,259,535
Purchase of Investments	(331,553,940)	(357,417,287)
Interest on Investments	<u>3,176,943</u>	<u>15,568,355</u>
Net Cash Provided (Used) by Investing Activities	<u>27,699,391</u>	<u>(18,589,397)</u>
Net Increase in Cash	2,513,292	498,905
Cash and Cash Equivalents at Beginning of Year	<u>3,477,087</u>	<u>2,978,182</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 5,990,379</u></u>	<u><u>\$ 3,477,087</u></u>

Cleveland State University
Statement of Cash Flows (continued)

	Years Ended June 30	
	2008	2007
Reconciliation of Operating Loss to Cash Used by Operating Activities		
Operating Loss	\$ (96,784,441)	\$ (95,188,455)
Adjustments:		
Depreciation and Amortization	18,363,172	16,888,402
Changes in Assets and Liabilities:		
Accounts Receivable, Net	495,227	(1,559,375)
Notes Receivable, Net	142,816	44,402
Inventories	(18,367)	(81,091)
Prepaid Expenses and Deferred Charges	278,855	(470,599)
Accounts Payable	(1,303,388)	(399,999)
Accrued Liabilities	(2,167,920)	3,620,094
Deferred Revenue	(474,863)	448,485
Cash Used by Operating Activities	\$ (81,468,909)	\$ (76,698,136)

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

The Cleveland State University Foundation, Inc.
Statement of Financial Position
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,128,858	\$ 9,198,419
Accounts receivable	26,771	152,042
Contributions receivable, net of allowance for uncollectible contributions	924,383	773,630
Total Current Assets	8,080,012	10,124,091
Other assets:		
Contributions receivable, net of allowance for uncollectible accounts	5,865,879	5,326,034
Long-term investments (Note 2)	32,675,020	35,189,396
Funds held on behalf of others:		
Cleveland State University (Note 11)	2,004,172	2,638,750
Cleveland State University Alumni Association (Note 11)	436,489	485,328
Total Other assets	40,981,560	43,639,508
Total Assets	\$ 49,061,572	\$ 53,763,599
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 33,696	\$ 14,520
Payable to Cleveland State University	138,544	2,655,297
Annuities payable	34,498	25,430
Total Current Liabilities	206,738	2,695,247
Noncurrent Liabilities:		
Payable to Cleveland State University	59,762	84,731
Annuities payable	189,648	116,730
Funds held on behalf of others:		
Cleveland State University (Note 11)	2,004,172	2,638,750
Cleveland State University Alumni Association (Note 11)	436,489	485,328
Total Liabilities	2,896,809	6,020,786
NET ASSETS:		
Unrestricted	320,485	246,009
Board designated - Scholarships	170,472	198,942
Total unrestricted	490,957	444,951
Temporarily restricted (Note 10)	16,219,353	21,490,888
Permanently restricted (Note 10)	29,454,453	25,806,974
Total Net Assets	46,164,763	47,742,813
Total Liabilities and Net Assets	\$ 49,061,572	\$ 53,763,599

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

Euclid Avenue Housing Corporation
Statement of Financial Position
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 1,056,315	\$ 581,003
Cash held by the University	172,281	104,085
Total Cash	1,228,596	685,088
Bond proceeds / Investments	3,700,835	4,283,505
Student accounts receivable, net of allowance for uncollectible accounts of \$4,000 in 2008 and 2007	35,744	16,002
Other receivable	-	10,385
Accrued interest receivable	12,541	17,500
Prepaid Expenses	5,920	3,000
Total Current Assets	4,983,636	5,015,480
Other assets:		
Deferred bond issuance costs, net of accumulated amortization of \$220,998 in 2008 and \$154,626 in 2007	1,863,968	1,930,340
Property:		
Building	27,792,453	27,792,453
Building improvements	1,300	-
Furniture, fixtures and equipment	1,196,797	1,192,468
	28,990,550	28,984,921
Less: Accumulated depreciation	(1,730,862)	(863,435)
	27,259,688	28,121,486
Total Other assets	29,123,656	30,051,826
Total Assets	\$ 34,107,292	\$ 35,067,306
LIABILITIES		
Current Liabilities:		
Current portion of bonds payable (Note 11)	515,000	455,000
Accounts payable	376,532	242,546
Accrued interest	651,761	657,448
Accrued payroll	12,011	9,610
Deferred revenue	34,501	25,437
Security deposits	56,700	64,800
Total Current Liabilities	1,646,505	1,454,841
Noncurrent Liabilities:		
Bonds payable, less current portion (Note 11)	33,415,000	33,930,000
Total Liabilities	35,061,505	35,384,841
NET ASSETS (DEFICIT)		
Unrestricted	(954,213)	(317,535)
Total Net Assets	\$ 34,107,292	\$ 35,067,306

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

The Cleveland State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2008 (with comparative totals for the year ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Total 2007
Revenues					
Contributions	\$ 148,425	\$ 4,550,870	\$ 3,700,822	\$ 8,400,117	\$ 9,723,249
Endowment management fee	29,439	-	-	29,439	28,170
Investment income, including realized and unrealized gains, net	315,389	(3,862,706)	-	(3,547,317)	5,200,482
Net assets released from restrictions:					
Change in donor restrictions	-	53,343	(53,343)	-	-
Released from donor restrictions	6,013,042	(6,013,042)	-	-	-
Total revenues	6,506,295	(5,271,535)	3,647,479	4,882,239	14,951,901
Expenses					
Program services:					
Instructions	742,811	-	-	742,811	610,408
Research	213,019	-	-	213,019	424,145
Public service	1,468,290	-	-	1,468,290	671,377
Academic support	163,462	-	-	163,462	130,998
Financial aid	1,003,811	-	-	1,003,811	1,089,174
Institutional support	118,317	-	-	118,317	238,121
Auxiliary enterprises	2,270,496	-	-	2,270,496	3,274,457
Total program services	5,980,206	-	-	5,980,206	6,438,680
Supporting services:					
Management and general	420,344	-	-	420,344	422,045
Fund raising	59,739	-	-	59,739	85,197
Total supporting services	480,083	-	-	480,083	507,242
Total expenses	6,460,289	-	-	6,460,289	6,945,922
Change in Net Assets	46,006	(5,271,535)	3,647,479	(1,578,050)	8,005,979
Net Assets - Beginning of Year	444,951	21,490,888	25,806,974	47,742,813	39,736,834
Net Assets - End of Year	\$ 490,957	\$ 16,219,353	\$ 29,454,453	\$ 46,164,763	\$ 47,742,813

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

Euclid Avenue Housing Corporation
Statement of Activities
Years Ended June 30, 2008 and 2007

	2008	2007
Revenues		
Rental Income:		
Students	\$ 2,232,310	\$ 1,964,606
University	469,896	430,738
Maintenance fee - University	154,305	141,446
Interest income	146,289	263,409
Other	147,654	57,315
Total revenues	3,150,454	2,857,514
Expenses		
Interest	1,565,363	1,510,009
Depreciation and Amortization	933,800	929,808
Utilities	326,147	274,141
Payroll	391,260	254,695
Management fees	103,686	78,925
Maintenance	133,191	61,611
General and administrative	82,114	41,126
Other operating	26,523	10,808
Marketing	13,303	9,248
Accounting	7,500	-
Reserve allowance	500	4,000
Insurance	-	678
Transfer to University	203,745	-
Total expenses	3,787,132	3,175,049
Change in Net Assets	(636,678)	(317,535)
Net Assets (Deficit) - Beginning of Year	(317,535)	-
Net Assets (Deficit) - End of Year	\$ (954,213)	\$ (317,535)

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

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

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

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

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

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

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

FASB Pronouncements

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

Operating Activities

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

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Component Units. The Cleveland State University Foundation, Inc. (the Foundation) and the Euclid Avenue Housing Corporation (the Corporation) are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the Corporation's financial information included in the University's financial report for these differences.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2008, the cash and cash equivalents balance of \$5,990,379 is after the University recorded an overdraft consisting of items in transit of \$4,533,442 in accounts payable. The bank balance at June 30, 2008 was \$3,688,657, of which \$310,624 was covered by federal depository insurance, and \$3,378,033 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

At June 30, 2007, the cash and cash equivalents balance of \$3,477,087 is after the University recorded an overdraft consisting of items in transit of \$7,960,085 in accounts payable. The bank balance at June 30, 2007 was \$2,612,839, of which \$379,113 was covered by federal depository insurance, and \$2,233,726 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments

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

STAR Ohio is an investment pool managed by the Ohio state treasurer's office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. The investment is valued at STAR Ohio's share price, which represents fair market value, on June 30, 2008 and 2007.

As of June 30, 2008, the University had the following types of investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. agencies	\$ 3,019,464	\$ -	\$ 3,019,464
U.S. obligation mutual fund	5,347,571	5,347,571	-
Commercial Paper	16,921,231	16,921,231	-
Certificates of Deposit	55,500,000	55,500,000	-
STAR Ohio	9,213,228	-	-
Bond mutual funds	35,434,423	-	35,434,423
Stock mutual funds	33,339,718	-	-
Total	<u>\$ 158,775,635</u>	<u>\$ 77,768,802</u>	<u>\$ 38,453,887</u>

As of June 30, 2007, the University had the following types of investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
U.S. agencies	\$ 76,555,321	\$ 76,555,321	\$ -
U.S. obligation mutual fund	218,553	218,553	-
STAR Ohio	35,010,246	-	-
Bond mutual funds	32,292,504	-	32,292,504
Stock mutual funds	39,221,459	-	-
Total	<u>\$ 183,298,083</u>	<u>\$ 76,773,874</u>	<u>\$ 32,292,504</u>

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

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2008 and 2007, the University's investment in STAR Ohio is rated AAA by Standard & Poor's and Moody's. While the University's bond mutual fund investment itself is not rated, the credit quality of the fund's holdings is AA or better, as rated by Standard & Poor's and Moody's. As of June 30, 2008, the University's investment in commercial paper had a rating of A.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the University will not be able to recover the value of investment securities that are in the possession of an outside party. At June 30, 2008 and 2007, the University had no exposure to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy places no limitation on the amount that may be invested in a single issuer. At June 30, 2008 and 2007, the University did not have more than 5% of its fixed income investments in any single issuer.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2008 and 2007, investments include approximately \$11 million and \$13.1 million, respectively, managed by international equity managers that are subject to foreign currency risk. Although the University's investment policy does not specifically address foreign currency risk, it does limit foreign investments to no more than 20% of the portfolio.

Declines in Investment Values. Subsequent to year end, the University's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

At June 30, 2008 and 2007, the Foundation's investments consisted of the following:

	June 30, 2008		June 30, 2007	
	Cost	Market	Cost	Market
Stocks - domestic	\$ 3,068,920	\$ 3,780,092	\$ 2,306,657	\$ 3,620,004
Mutual funds - domestic	15,111,360	16,557,714	14,257,015	18,438,908
Mutual funds - international	2,851,993	3,718,786	2,276,338	4,211,391
Fixed income securities	9,616,560	8,618,428	9,102,094	8,919,093
Total	<u>\$ 30,648,833</u>	<u>\$ 32,675,020</u>	<u>\$ 27,942,104</u>	<u>\$ 35,189,396</u>

NOTE 3 – RECEIVABLES

The composition of accounts receivable at June 30, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Student accounts	\$ 9,485,894	\$ 10,199,231
Grants	8,594,370	10,047,540
State Capital	839,909	908,125
Other	2,399,760	1,568,218
Total Accounts Receivable	<u>21,319,933</u>	<u>22,723,114</u>
Less allowance for uncollectible accounts	<u>3,430,512</u>	<u>4,270,250</u>
Accounts Receivable - Net	<u>\$17,889,421</u>	<u>\$18,452,864</u>

Notes receivable consist primarily of loans to students under the federal Perkins Loan Program. The composition of notes receivable at June 30, 2008 and 2007 is summarized as follows:

	<u>2008</u>	<u>2007</u>
Perkins Loan Program	\$ 13,564,834	\$ 13,375,777
Foundation Capital Campaign	59,762	84,731
Other	<u>644,284</u>	<u>647,924</u>
Total Notes Receivable	14,268,880	14,108,432
Less allowance for uncollectible accounts	<u>815,100</u>	<u>794,031</u>
Notes Receivable - Net	13,453,780	13,314,401
Less Current Portion	<u>1,236,153</u>	<u>2,116,747</u>
Total Noncurrent Notes Receivable	<u>\$ 12,217,627</u>	<u>\$ 11,197,654</u>

NOTE 4 – STATE SUPPORT

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

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

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

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liabilities consist of the following as of June 30, 2008 and June 30, 2007:

	Due Dates	Interest Rate-%	2008 Beginning Balance	Additions	Reductions	2008 Ending Balance	Current
1996 Bonds Payable	1997-2011	5.25-5.25	\$ 1,175,000	\$ -	\$ 275,000	\$ 900,000	\$ 285,000
2003A Bonds Payable	2007-2033	2.5-5.25	32,220,000	-	1,365,000	30,855,000	1,275,000
2003B Bonds Payable	2006-2033	Variable	13,855,000	-	13,855,000	-	-
2003A Bond Premium			656,665	-	25,336	631,329	25,338
2004 Bonds Payable	2005-2034	2.25-5.25	60,325,000	-	1,500,000	58,825,000	1,550,000
2004 Bonds Premium			1,244,777	-	46,103	1,198,674	46,103
2007A Bonds Payable	2010-2036	4.00-5.75	42,110,000	-	-	42,110,000	-
2007B Bonds Payable	2011-2036	Variable	9,210,000	-	9,210,000	-	-
2007A Bond Premium			1,327,366	-	44,494	1,282,872	44,492
2008 Bonds Payable	2008-2036	3.00-4.75	-	20,910,000	-	20,910,000	305,000
Capital Leases	2008-2018	3.21-7.27	2,203,196	8,323,791	535,479	9,991,508	952,722
Total Debt			164,327,004	29,233,791	26,856,412	166,704,383	4,483,655
Perkins Student Loans			10,698,663	1,293,774	1,825,486	10,166,951	-
Deposits			526,844	2,907,597	2,872,014	562,427	-
Compensated Absences			10,495,634	-	1,840,542	8,655,092	1,247,930
			186,048,145	\$ 33,435,162	\$ 33,394,454	186,088,853	\$ 5,731,585
Less Current Portion long-term liabilities			(5,035,563)			(5,731,585)	
Long-Term Liabilities			\$ 181,012,582			\$ 180,357,268	

	Due Dates	Interest Rate-%	2007 Beginning Balance	Additions	Reductions	2007 Beginning Balance	Current
1996 Bonds Payable	1997-2011	5.25-5.25	\$ 1,435,000	\$ -	\$ 260,000	\$ 1,175,000	\$ 275,000
2003A Bonds Payable	2007-2033	2.5-5.25	33,555,000	-	1,335,000	32,220,000	1,365,000
2003B Bonds Payable	2006-2033	Variable	14,200,000	-	345,000	13,855,000	355,000
2003A Bond Premium			682,002	-	25,337	656,665	25,338
2004 Bonds Payable	2005-2034	2.25-5.25	61,335,000	-	1,010,000	60,325,000	1,500,000
2004 Bonds Premium			1,290,880	-	46,103	1,244,777	46,103
2007A Bonds Payable	2010-2036	4.00-5.75	-	42,110,000	-	42,110,000	-
2007B Bonds Payable	2011-2036	Variable	-	9,210,000	-	9,210,000	-
2007A Bond Premium			-	1,334,782	7,416	1,327,366	44,492
Capital Leases	2008-2018	1.68-7.74	2,997,226	24,025	818,055	2,203,196	689,937
Total Debt			115,495,108	52,678,807	3,846,911	164,327,004	4,300,870
Perkins Student Loans			10,422,023	2,683,448	2,406,808	10,698,663	-
Deposits			479,995	3,549,632	3,502,783	526,844	-
Compensated Absences			7,959,981	3,270,346	734,693	10,495,634	734,693
			134,357,107	\$ 62,182,233	\$ 10,491,195	186,048,145	\$ 5,035,563
Less Current Portion long-term liabilities			(4,472,960)			(5,035,563)	
Long-Term Liabilities			\$ 129,884,147			\$ 181,012,582	

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

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

The Series 2007B general receipts bonds were issued for \$9,210,000. They bear variable interest rates that reset weekly and mature in 2036. The interest rate is set at rates based upon yield evaluations at par of comparable securities. The interest rate was 4.51% at April 24, 2008 and 3.73% at June 30, 2007. Proceeds were to be used to fund the construction of a new building on the University's campus to house the College of Education and Human Services. This bond was called and refinanced during the year, using the proceeds of the General Receipts Series 2008 Bonds.

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

In June 2003, the University issued Series 2003A and 2003B (Series 2003) general receipts bonds in the total amount of \$50,280,000, and mature in 2033. The bonds were used to refund outstanding Series 1993 general receipts bonds, rehabilitate the Howe Mansion, construct an Administrative Center and construct a Recreation and Fitness Center. The variable interest rate is set weekly at rates based upon yield evaluations at par of comparable securities, and was 4.51% at April 24, 2008, and 3.73% at June 30, 2007.

The University issued \$3,430,000 of general receipts bonds on November 1, 1996 (Series 1996). The proceeds were used to refinance existing debt and to renovate existing buildings. The bonds have various call provisions, and mature through 2011.

Interest expense on indebtedness was \$2,908,053 in fiscal 2008 and \$1,881,710 in fiscal 2007. On construction-related debt, interest cost of \$4,447,044, net of \$3,208,696 of interest earned on invested proceeds, was capitalized in fiscal 2008 and \$5,107,959, net of \$2,673,160 of interest earned on invested proceeds, was capitalized in fiscal 2007.

The University leases various pieces of equipment which have been recorded under various capital leases in amounts representing the present value of future minimum lease payments. Capital lease obligations are collateralized by equipment with an aggregate net book value of \$7,138,178 at June 30, 2008 and \$951,738 at June 30, 2007. The capital leases have varying maturity dates through 2018.

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

	Bonds Payable		Capital Leases	
	Principal	Interest	Principal	Interest
2009	\$ 3,415,000	\$ 7,297,825	\$ 952,722	\$ 414,145
2010	4,350,000	7,131,775	968,321	372,936
2011	4,510,000	6,975,200	993,009	330,828
2012	4,345,000	6,806,085	1,030,270	287,551
2013	9,635,000	6,629,935	1,074,327	242,500
2014-2018	21,770,000	29,064,463	4,972,859	563,257
2019-2023	24,430,000	23,279,130	-	-
2024-2028	30,110,000	16,821,088	-	-
2029-2033	38,180,000	8,742,437	-	-
2034-2036	12,855,000	1,039,137	-	-
	<u>\$ 153,600,000</u>	<u>\$ 113,787,075</u>	<u>\$ 9,991,508</u>	<u>\$ 2,211,217</u>

The University has entered into various lease agreements for office equipment, and office and classroom space, which are considered operating leases. The University has leased space in the Fenn Tower building from the Corporation, which it uses for classrooms and meeting rooms. Total rental expense under operating leases during the years ended June 30, 2008 and 2007 amounted to \$1,018,935 and \$1,448,187, respectively. The operating leases have varying maturity dates through 2037.

Future minimum operating lease payments as of June 30, 2008 are as follows:

Year Ending June 30	Operating Leases
2009	\$ 1,026,437
2010	1,030,628
2011	1,051,217
2012	1,055,936
2013	1,070,707
2014-2018	2,699,446
2019-2023	2,349,500
2024-2028	2,349,500
2029-2033	2,349,500
2034-2037	1,448,858
	<u>\$ 16,431,729</u>

NOTE 7 – EMPLOYMENT BENEFIT PLANS

Retirement Plans

Substantially all non-student University employees are covered by either the State Teachers Retirement System of Ohio (STRS) or the Ohio Public Employees Retirement System (OPERS). Both systems are cost-sharing, multiple-employer, defined benefit plans.

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the State Teachers Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2008, 2007, and 2006 were \$7,408,781, \$7,323,571, and \$7,199,927, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

OPERS is a statewide retirement plan, which covers non-teaching University employees. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by State statute. Contribution rates are established by the Ohio Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Effective January 1, 2008, employees contribute 10% of covered payroll and employers contribute 14% of covered payroll. Prior to January 1, 2008, employees contributed 9.5% of covered payroll and employers contributed 13.77% of covered payroll. The University's contributions to OPERS for the years ending June 30, 2008, 2007, and 2006 were \$7,161,846, \$6,628,311, and \$6,380,259, respectively, equal to the required contributions for each year. OPERS issues a stand-alone financial report. The report may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Alternative Retirement Plans

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 3.50% of earned compensation for those employees participating in the alternative retirement program. The University's contributions for the years ended June 30, 2008, 2007 and 2006 were \$319,559, \$309,874 and \$274,505, respectively, which equal 3.50% of earned compensation.

Post-employment Benefits

STRS provides other postemployment benefits (OPEB) to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1.0% of the total 14.00%, while the OPERS rate was 5.0% from January 1, 2007 through June 30, 2007 and 6.0% from July 1 through December 31, 2007 of the total 13.77% for the year ended June 30, 2007.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement healthcare under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$4.1 billion at June 30, 2007 (the latest information available). The number of benefit recipients eligible for OPEB was 122,934 for STRS at June 30, 2007. The amount contributed by the University to STRS to fund these benefits for the years ended June 30, 2008, 2007 and 2006 was \$529,199, \$523,112, and \$2,314,262, respectively.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2006 (the latest information available) is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively. Significant actuarial assumptions include a 6.5% investment return, a 4% individual pay increases, and a 4% increase in health care costs. All investments are carried at market value. For actuarial valuations purposes, a smoothed market approach is used. The number of OPERS active contributing participants was 374,979 for the year ended December 31, 2007. The amount contributed by the University to OPERS for OPEB funding for the years ended June 30, 2008, 2007 and 2006 was \$2,579,782, \$2,184,545 and \$2,376,436, respectively.

NOTE 8 – RISK MANAGEMENT

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

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

The University maintains a self-insured dental plan for its employees. The University's risk exposure is limited to claims incurred. The changes in the total liability for actual and estimated dental claims for the years ended June 30, 2008 and 2007 are summarized below:

	<u>2008</u>	<u>2007</u>
Liability at beginning of year	\$ 17,809	\$ 143,350
Claims Incurred	1,099,177	966,043
Claims Paid	(1,089,912)	(1,091,584)
Liability at end of year	<u>\$ 27,074</u>	<u>\$ 17,809</u>

The University maintains a self-insured medical plan for its employees. The University's risk exposure is limited to claims incurred. The changes in the total liability for actual and estimated medical claims for the years ended June 30, 2008 and 2007 are summarized below:

	<u>2008</u>	<u>2007</u>
Liability at beginning of year	\$ 1,010,502	\$ 873,682
Claims Incurred	8,456,125	8,053,771
Claims Paid	(8,414,024)	(7,896,187)
IBNR-Increase (Decrease) in estimated claims	146,781	(20,764)
Liability at end of year	<u>\$ 1,199,384</u>	<u>\$ 1,010,502</u>

Medical claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Assets.

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

NOTE 9 – GRANT CONTINGENCIES

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. However, in the opinion of the University administration, any such disallowed claims will not have a material effect on any of the financial statements of the University at June 30, 2008.

NOTE 10 – NET ASSETS

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

	Temporarily Restricted	Permanently Restricted
Instruction/Research	\$ 4,509,174	\$ 7,772,341
Public service	5,374,780	24,500
Academic support	969,039	950,142
Financial aid	4,036,500	19,622,411
Institutional support	1,128,977	1,048,722
Auxiliary enterprises	200,883	36,337
	\$ 16,219,353	\$ 29,454,453

NOTE 11 – COMPONENT UNITS

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

The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Board of the Foundation is self-perpetuating and consists of business leaders and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. Complete financial statements for the Foundation can be obtained from the Office of the Executive Director at 2121 Euclid Avenue, Mather Mansion Room 105, Cleveland, OH 44115-2214.

During the years ended June 30, 2008 and 2007, the Foundation paid \$5,331,260 and \$6,130,698, respectively, to the University. At June 30, 2008 and 2007, the University had receivables from the Foundation totaling \$198,306 and \$2,740,027, respectively.

As authorized by the Board of Trustees, beginning in fiscal year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. At June 30, 2008 and 2007, the amount on deposit with the Foundation totaled \$2,004,172 and \$2,638,750, respectively.

The Corporation was organized primarily to further the educational mission of the University by developing, owning and managing housing for the students, faculty and staff of the University. On March 1, 2005, the Corporation leased the Fenn Tower building, located on the University's campus, from the University. Annual rent is equal to the net available cash flows from the Fenn Tower project. No rent was paid during fiscal year 2008. On March 1, 2005, the Corporation entered into a Development Agreement with American Campus Communities (ACC) to plan, design and construct housing units in Fenn Tower. In addition, the Corporation entered into a Management Agreement with ACC to manage Fenn Tower. The project was completed in August 2006. The facility has the capacity to house 430 residents.

On March 17, 2005, the Corporation issued \$34,385,000 of Cleveland-Cuyahoga County Port Authority bonds (Series 2005 Bonds) to finance the costs of the Fenn Tower project. The Series 2005 Bonds are serial bonds maturing between 2007 and 2036. Interest rates are fixed and vary from 3.0% to 4.5%. Principal and interest payable for the next five years and in subsequent five-year increments are as follows:

	Principal	Interest
2009	\$ 515,000	\$ 1,564,225
2010	575,000	1,547,488
2011	635,000	1,527,362
2012	660,000	1,503,550
2013	685,000	1,478,800
2014-2018	3,860,000	6,949,150
2019-2023	5,015,000	5,916,125
2024-2028	6,270,000	4,543,375
2029-2033	7,955,000	2,859,125
2034-2036	7,760,000	892,125
	<u>\$ 33,930,000</u>	<u>\$ 28,781,325</u>

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

Federal Compliance Audit

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

To the Board of Trustees
Cleveland State University

We have audited the financial statements of Cleveland State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2008 and have issued our report thereon dated October 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

To the Board of Trustees
Cleveland State University

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of trustees, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Cleveland State University

Compliance

We have audited the compliance of Cleveland State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of the University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-01 and 2008-02.

To the Board of Trustees
Cleveland State University

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The University's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit this response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, and the federal awarding agencies is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2008

Cleveland State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Expenditures
Student Financial Aid Cluster -			
Department of Education - Direct programs:			
Federal Pell Grant Program	84.063		\$ 11,416,789
Federal Work-Study Program	84.033		965,248
Federal Supplemental Educational Opportunity Grants	84.007		656,093
Academic Competitiveness Grants	84.375		262,725
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		278,576
Federal Perkins Loan Program (Note 2)	84.038		1,617,218
Federal Family Education Loan Program (Note 3)	84.032		<u>84,121,753</u>
Total Student Financial Aid Cluster			99,318,402
TRIO-Cluster - Department of Education -			
Direct programs:			
TRIO Student Support Services	84.042		377,627
TRIO Upward Bound	84.047		227,042
TRIO McNair Post-Baccalaureate Achievement	84.217		<u>7,093</u>
Total TRIO Cluster			611,762
Research and Development Cluster -			
Department of Health and Human Services:			
Direct programs:			
Research Related to Deafness and Communication Disorders	93.173		92,112
Minority Health and Health Disparities Research	93.307		481,409
Heart and Vascular Diseases Research	93.837		276,835
Blood Diseases and Resources Research	93.839		110,988
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		21,042
Allergy, Immunology and Transplantation Research	93.855		269,365
Microbiology and Infectious Diseases Research	93.856		63,168
Biomedical Research and Research Training	93.859		83,094
Aging Research	93.866		125,633
Pass-through Programs:			
University of Chicago-Research on Healthcare Costs, Quality, and Outcomes	93.226	# 5R01HS011609	12,831
Constella Group, Inc. - Occupational Safety and Health Programs	93.262	1R01-OH008241-01	4,219
Case Western Reserve University - Minority Health and Health Disparities Research	93.307	1P60MD002265	68,219
Case Western Reserve University - Cancer Treatment Research	93.395	2 R01 CA-086357-05	59,745
Case Western Reserve University - Cell Biology and Biophysics Research	93.821	P50GM-66309	7,285
Cleveland Clinic Foundation - Cardiovascular Diseases Research	93.837		
		IP01HL087018-01A1 and 5P01HL076491-4	26,821
South Carolina University - Cardiovascular Diseases Research	93.837	1R01 HL073081 and 1 R01 HL074358-01	38,643
MetroHealth thru OSU Research Foundation - Kidney Diseases, Urology and Hematology Research	93.849	5R01DK067528	33,692
Case Western Reserve University - Geriatric Education Centers	93.969	1D31HP08841-01-00	<u>24,371</u>
Total Department of Health and Human Services			1,799,472

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Expenditures
National Aeronautics and Space Administration:			
Direct programs:			
Aerospace Education Services Program	43.001		\$ 191
Technology Transfer	43.002		1,563,002
Pass-through Programs:			
University of Arizona -Technology Transfer	43.002	NCC8-96	432
Science Applications International Corp.-Technology Transfer	43.002	#4400127038	79,234
US Naval Academy -Technology Transfer	43.002	N00189-07-P-A-253	32,416
Total National Aeronautics and Space Administration			1,675,275
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		18,939
Computer and Information Science and Engineering	47.070		47,851
Biological Sciences	47.074		30,279
Social, Behavioral and Economic Sciences	47.075		81,836
Education and Human Resources	47.076		56,888
Pass Through Programs:			
Ohio State University Research Foundation - Mathematical and Physical Sciences	47.049	CHE-05322560	11,277
University of Georgia - Social, Behavioral and Economic Sciences	47.075	SBE0738130	41,384
Total National Science Foundation			288,454
United States Department of Agriculture:			
Direct program - Forestry Research			
	10.652		4,080
Pass-through Program - University of Toledo through Ohio Aerospace Institute - Grants for Agricultural Research, Special Research Grants			
	10.200	2009-38898-03269	4,606
Total United States Department of Agriculture			8,686
United States Department of Transportation:			
Direct program - University Transportation Centers Program			
	20.701		320,549
Pass-through Programs:			
Ohio Department of Transportation - Highway Research and Development Program	20.200	ODOT # 21457	38,276
Shaker Heights City School District - Highway Research and Development Program	20.200	DTFH61-07-6-00008	33,307
Ohio Department of Transportation - Highway Planning and Construction	20.205	ODOT # 20809	(208)
Regional Transit Authority - Federal Transit Capital Investment Grants	20.500	#2006-14	109,525
Total United States Department of Transportation			501,449
United States Department of Housing and Urban Development -			
Pass Through Programs:			
City of Cleveland - Community Development Block Grants/Entitlement Grants	14.218	#66616	11,418
Cuyahoga Metropolitan Housing Authority - Home Investment Partnerships Program	14.239	#26-767-05	42,540
Total United States Department of Housing and Urban Development			53,958
Department of the Interior - Pass-through Programs -			
America View - U.S. Geological Survey Research and Data Collection	15.808	AV05-OH02	73,795

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Expenditures
United States Department of Defense:			
Direct programs:			
Air Force Defense Research Sciences Program	12.420		\$ 15,817
Air Force Defense Research Sciences Program	12.800		170,153
Air Force Defense Research Sciences Program	12.910		35,408
Pass-through Programs - Orbital - Air Force Defense Research Sciences Program	12.800	FA8650-07-M-3731	<u>15,000</u>
Total United States Department of Defense			236,378
Department of Energy - Direct program - Electricity Delivery and Energy Reliability, Research, Development, and Analysis	81.122		252,649
United States Department of Justice - Pass-through Programs - Cuyahoga County - Juvenile Justice and Delinquency Prevention Allocation to States	11.650	CE 0700736-01	9,465
United States Environmental Protection Agency - Pass-through Programs - University of Maryland - Surveys, Studies, Investigations and Special Purpose Grants	66.510	X3-93230502	11,082
National Endowment for the Humanities - Direct program - Promotion of the Humanities - Fellowships and Stipends	45.160		32,960
Department of Education:			
Direct program - Business and International Education Projects	84.153		125,447
Pass-through Programs:			
Lorain City School District - Magnet Schools Assistance	84.165	MAGNET	24,983
Euclid City School District - Fund for the Improvement of Education	84.215	S215X020458	<u>274,918</u>
Total Department Of Education			425,348
United States Department of Commerce:			
Pass Through Programs:			
National Estuarine Research Reserve System - Costal Zone Management Estuarine Research Reserves	11.420	NA07NOS4200018 NA0606AR4600197 and NA07OAR4170502	17,382
Bowling Green State University - Special Oceanic and Atmospheric Projects	11.460		<u>19,789</u>
Total Economic Development Administration			37,171
US Bureau of Reclamation Pass Through Program - Central State University - Water Reclamation and Reuse Program	15.504	P0036342	<u>33,429</u>
Total Research and Development-Cluster			5,439,571
Other Financial Assistance Programs:			
Early Reading First			
Department of Education:			
Direct programs - Early Reading First	84.359		667,825

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Expenditures
Reading First State Grants - Department of Education:			
Pass-through Programs:			
Ohio Department of Education - Reading First State Grants	84.357	PO#s #94491P and #41210C	\$ 3,893,915
United States Department of Commerce - Direct Program - Economic Development Technical Assistance	11.303		175,305
National Aeronautics and Space Administration - Pass-through Program - Ohio Space Grant Consortium - Aerospace Education Services Program	43.001	SEED	8,165
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		36,208
Education and Human Resources	47.076		16,302
Pass-through Program - Ohio State University Research Foundation - Mathematical and Physical Sciences	47.049	47-076	<u>182,950</u>
Total National Science Foundation			235,460
Environmental Protection Agency - Direct program - Congressionally Mandated Projects	66.202		172,927
Department of State -Direct program - Educational Exchange University Lecturers (Professors) and Research Scholars	19.401		14,064
Department of Education:			
Direct programs:			
Undergraduate International Studies and Foreign Language Programs	84.016		37,099
Higher Education Institutional Aid	84.031		464,032
Fund for the Improvement of Postsecondary Education	84.116		55,241
Project Reach	84.195		158,439
Graduate Assistance in Areas of National Need	84.200		145,182
Teacher Quality Enhancement Grants	84.336		1,338
Pass-through Programs:			
Ohio Master's Network Initiatives in Education - Special Education - Grants to States	84.027	OMNIE	58,033
Ohio Board of Regents thru University of Akron - Fund for the Improvement of Education	84.215	U215K040292	10,459
Educational Development Center of Cuyahoga County - Fund for the Improvement of Education	84.215	U215X060145	64,674
Ohio Department of Education - Teacher Quality Enhancement Grants	84.336	CI667-OMAP-08-13	318,107
Bowling Green State University - Transition to Teaching	84.350	S350A02128 and 11100033-58910	159,689
Ohio Department of Education thru Lesson Lab - Mathematics and Science Partnerships	84.366	SLG045	1,289
Ohio Department of Education - Mathematics and Science Partnerships	84.366	CI 667-OMAP-14-06, and OMAP-07-14-C1667	153,969
Ohio Board of Regents - Improving Teacher Quality State Grants	84.367	#06-14 and #06-13	<u>38,769</u>
Total Department of Education			1,666,320

Cleveland State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Expenditures
Department of Health and Human Services:			
Direct programs:			
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		\$ 36,972
Blood Diseases and Resources Research	93.839		19,615
Pass-through Programs:			
Northeastern Ohio Universities College of Medicine - Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	CEOMPH	9,725
Ohio State University Research Foundation - Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	RF01037247 and RF1073961	6,555
Greater Cleveland Health Care Association - Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	H80	221
Ohio Department of Job and Family Services - Child Welfare Services State Grants	93.645	POs G67-06-0340 and JFS01-0000003233	6,740
Ohio Department of Job and Family Services - Foster Care Title IV-E	93.658	POs G67-06-0340 and JFS01-0000003233	6,740
Ohio Department of Job and Family Services - Adoption Assistance	93.659	POs G67-06-0340 and JFS01-0000003233	6,740
Ohio Department of Job and Family Services - Child Welfare Services Training Grants	93.648	G-04-06-0727	(3,533)
Ohio Department of Job and Family Services through Ohio Board of Regents - Temporary Assistance for Needy Families	93.558	G994235	4,715
Cleveland Clinic Foundation - Diabetes, Endocrinology, and Metabolism Research	93.847	IR25DK064239	<u>37,863</u>
Total Department of Health and Human Services			132,353
Corporation for National and Community Service - Pass-through Program - Ohio Campus Compact thru Otterbein College - Americorps	94.006	06LHHOH001	1,055
US Agency for International Development -			
Pass-through Programs:			
The Urban Institute - USAID Foreign Assistance for Programs Overseas	98.001	#07590-000-00	5,889
World Learning - USAID Foreign Assistance for Programs Overseas	98.001	PTP Program	(809)
World Learning - USAID Development Partnerships for University Cooperation and Development	98.012	FORECAST Project	15,069
Total US Agency for International Development			20,149
Total Other Financial Assistance Programs			<u>6,987,538</u>
Total Expenditures of Federal Awards			<u>\$ 112,357,273</u>

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cleveland State University (the "University") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

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

Facilities and Administrative Costs

The University has approved, predetermined, facilities and administrative cost rates, which are 59 percent from July 1, 2007 to June 30, 2008 for on-campus research and 24 percent from July 1, 2007 to June 30, 2008 for off-campus research.

Note 2 - Loans Outstanding

The University had the following loan balance outstanding at June 30, 2008. This loan balance is not included in the federal expenditures presented in the schedule.

Cluster/Program Title	CFDA Number	Advances	Outstanding Balance
Perkins Loan Program	84.038	\$ 1,617,218	\$ 13,879,191

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 3 - Federal Family Education Loan Program

During the year ended June 30, 2008, the University processed applications for the following loan amounts under the Federal Family Education Loan Program, which includes Stafford Loans, unsubsidized Stafford Loans, and Parent Plus Loans for Undergraduate Students.

	CFDA Number	Advances
Federal Family Education Loans Program	84.268	\$ 84,121,753

Note 4 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
National Aeronautics and Space Administration:		
Gedeon Associates	43.002	\$ 9,245
Kang Lee	43.002	13,000
Cleveland Clinic Foundation	43.002	246,101
Sunpower, Inc.	43.002	78,320
University of Minnesota	43.002	868
Department of Transportation -		
Virginia Polytechnic Institute and State University	20.200	12,291
National Science Foundation -		
North Dakota State University	47.075	13,011
Department of Health and Human Services:		
St. Vincent Charity Hospital	93.307	92,658
MetroHealth	93.307	17,112
Carla Carten	93.307	4,189
Benjamin Rose	93.866	108,596

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 4 - Subrecipient Awards (Continued)

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Department of Education:		
Montgomery Public Schools	84.116	\$ 32,822
Janice M. Gallagher	84.215	40,297
Cuyahoga Valley National Park Association	84.215	57,096
John Carroll University	84.336	78,229
Miami University	84.336	14,399
University of Akron	84.357	1,327,175
Baldwin Wallace College	84.357	76,924
Heidelberg College	84.357	18,817
John Carroll University	84.357	1,048,408
Wright State University	84.357	13,103
Otterbein College	84.357	56,090
Ohio Northern University	84.357	54,642
Shawnee State University	84.357	58,850
Marietta College	84.357	51,416
Miami University	84.357	104,858
Muskingham College	84.357	50,645
Youngstown State University	84.357	23,764
Barbara Dolejs	84.359	45,000
Fayth L.W. Sims	84.359	8,000
Heidi Varner	84.359	21,250
Evaluation and Research Associates, Inc.	84.359	37,400
Gwendolyn Raines-James	84.359	45,000
Jane Hallisy	84.359	21,250
Kyle G. Priestly	84.359	43,492
Kay Benjamin	84.359	21,600
Mary B. Rezek	84.359	42,646
Sherrae Dorsey	84.359	7,000
John Carroll University	84.366	69,494
Case Western Reserve University	84.366	14,105
Total		<u>\$ 4,079,163</u>

Cleveland State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.033, 84.007, 84.375, 84.376, 84.038, 84.032	Student Financial Aid
84.042, 84.047, 84.217	TRIO
84.359	Early Reading First
84.357	Reading First
Various	Research and Development

Dollar threshold used to distinguish between type A and type B programs: \$798,549

Auditee qualified as low-risk auditee? Yes No

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-01	<p>Program Name - Student Financial Aid Cluster - U.S. Department of Education - SMART Grant - CFDA #84.376</p> <p>Finding Type - Other noncompliance/Control deficiency</p> <p>Criteria - In accordance with the Department of Education (DOE) regulations 34 CFR Section 674.31(b)(2), participating students must meet several specific eligibility requirements in order to receive financial aid in the form of a SMART grant.</p> <p>Condition - For the 36 students selected for testing student financial aid, 12 students received a SMART grant. One of these students was identified with a grade point average of 2.52 at the point that the SMART grant was awarded, which is below the requirement of a 3.0 grade point average.</p> <p>Questioned Costs - Unknown</p> <p>Context - Out of the 36 students selected for testing, 12 were recipients of the SMART grant. Only one student out of the 12 recipients was found to be incorrectly awarded, with a total accepted amount of \$2,000. The total amount of SMART grants awarded during the year was approximately \$279,000.</p> <p>Cause and Effect - In this instance, the proper procedures were not followed by University staff to ensure that the student met the eligibility requirements to obtain the grant.</p> <p>Recommendation - The financial aid office should enhance procedures to verify that the recipient students meet the Department of Education criteria for the SMART grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The financial aid department will enhance controls and procedures that will verify SMART recipients meet the grade point average requirement, set forth by the Department of Education for receiving the SMART grant.</p>

Cleveland State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-02	<p>Program Name - Student Financial Aid Cluster - U.S. Department of Education - Perkins Loans - CFDA #84.038</p> <p>Finding Type - Other noncompliance/Control deficiency</p> <p>Criteria - In accordance with the Department of Education (DOE) regulations 34 CFR Section 674.31(b)(2), participating students must meet certain requirements for continued participation in the program. When a Perkins loan recipient applies for a deferment of the loan balance, a form is required to be completed listing the reason for the deferment. The form must be dated for acceptance and approved by someone at the University.</p> <p>Condition - For a student request to defer a Perkins loan balance, the deferral form on file at the University was not dated for acceptance and approved by the University.</p> <p>Questioned Costs - None</p> <p>Context - Out of the 36 students selected for testing, six were tested as deferments. Of the six students tested, only one was found to not be dated and approved.</p> <p>Cause and Effect - The situation was caused by University staff not obtaining a completed deferment request form.</p> <p>Recommendation - The University should enhance the procedures they follow to ensure that students' Perkins deferral requests contain documentation of the proper review by and approval of a responsible official at the University.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Office of Treasury Services at the University will enhance controls and procedures to ensure that student Perkins deferment requests are documented, reviewed, and approved by the responsible official at the University.</p>

**Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2008**

Reference Number	Findings
2007-01	<p>Program Name - TRIO Cluster, CFDA #84.042, 84.047</p> <p>Finding Type - Significant deficiency/Material weakness</p> <p>Criteria - In accordance with the Department of Education (DOE) regulations 34 CFR Sections 645.3 and 646.3, students must meet several specific eligibility requirements in order to participate in each program of the TRIO cluster.</p> <p>Condition - Management has insufficient internal controls to maintain the required documentation to ensure TRIO participants meet the required DOE eligibility requirements.</p> <p>Context - We reviewed a sample of 50 participant files from programs within the TRIO Cluster, Student Support Services (SSS) and Upward Bound, to test internal controls over eligibility. Management was not able to provide supporting documentation for eligibility related to the TRIO Cluster. No additional sampling to test compliance was performed.</p> <p>Status - The program was tested as a major program during the compliance audit for the year ended June 30, 2008. The corrective action plan from June 30, 2007 was reviewed at that time. The findings mentioned in the 2007 audit were not identified as findings in the 2008 audit. Based on the results of our audit of TRIO for June 30, 2008, it appears that management implemented the correction action plan as stated in the June 30, 2007 report.</p>
2007-02	<p>Program Name - TRIO Cluster, CFDA #84.042, 84.047</p> <p>Finding Type - Significant deficiency/Material weakness</p> <p>Criteria - In accordance with the Department of Education, OMB Nos. 1840-0525 and 1840-0762, TRIO Cluster “grantees must submit an annual performance report to the Department of Education each year of the project period”.</p> <p>Condition - Management has insufficient controls over the reporting process. Specifically, supporting documentation for the Annual Performance Report was not maintained.</p> <p>Context - We obtained the Annual Performance Report for the SSS and Upward Bound programs. Management was not able to provide supporting documentation to substantiate financial information reported in the Annual Performance Report for the Upward Bound program.</p> <p>Status - See status above in reference number 2007-01.</p>

**Summary Schedule of Prior Year Audit Findings (Continued)
Year Ended June 30, 2008**

Reference Number	Findings
2007-03	<p data-bbox="410 468 1084 499">Program Name - Early Reading First, CFDA #84.359</p> <p data-bbox="410 527 867 558">Finding Type - Significant deficiency</p> <p data-bbox="410 579 1443 793">Criteria - In accordance with the requirements of OMB Circular A-110 Subpart A, Section 51, an entity is required to monitor the subrecipient's use of Federal awards through reporting, site visits, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.</p> <p data-bbox="410 814 1443 884">Condition - Federal expenditures related to subrecipients were recorded in the main grant general ledger account instead of subrecipient general ledger account.</p> <p data-bbox="410 905 1443 1010">Context - We selected a sample of 25 invoices and noted one instance where the expenditure was charged to the main general ledger account versus the general ledger account associated with the individual sub recipient.</p> <p data-bbox="410 1031 1443 1241">Status - The program was tested as a major program during the compliance audit for the year ended June 30, 2008. The corrective action plan from June 30, 2007 was reviewed at that time. The findings mentioned in the 2007 audit were not identified as findings in the 2008 audit. Based on the results of our audit of Early Reading First for June 30, 2008, it appears that management implemented the correction action plan as stated in the June 30, 2007 report.</p>

**Summary Schedule of Prior Year Audit Findings (Continued)
Year Ended June 30, 2008**

Reference Number	Findings
2007-04	<p>Program Name - Reading First, CFDA #84.357</p> <p>Finding Type - Significant deficiency/Material weakness</p> <p>Criteria - In accordance with the requirements of OMB Circular A-110 Subpart A, Section 51, an entity is required to monitor the subrecipient's use of Federal awards through reporting, site visits, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.</p> <p>Condition - Management has insufficient controls in place to ensure A-133 audit reports from subrecipients are received and the results of the subrecipient A-133 audit and related findings are evaluated for their impact on the University's compliance.</p> <p>Context - We selected a sample of 25 subrecipients totaling \$3.4 million in federal awards out of a major program universe of \$4.1 million disbursed to subrecipients and noted 9 instances, with disbursements of \$1.6 million related to Reading First, where no A-133 audit reports had been received.</p> <p>Status - The program was tested as a major program during the compliance audit for the year ended June 30, 2008. The corrective action plan from June 30, 2007 was reviewed at that time. The findings mentioned in the 2007 audit were not identified as findings in the 2008 audit. Based on the results of our audit of Reading First for June 30, 2008, it appears that management implemented the correction action plan as stated in the June 30, 2007 report.</p>

**Cleveland State University
National Collegiate Athletics Association**

**Report on the Application of Agreed-upon Procedures
Related to NCAA Bylaw 6.2.3**

June 30, 2008

Cleveland State University National Collegiate Athletics Association

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Independent Accountant’s Report on
the Application of Agreed-upon Procedures

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University
Cleveland, Ohio 44115

We have performed the procedures enumerated below, which were agreed to by the president of Cleveland State University (the “University”), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures is in compliance with the NCAA Bylaw 6.2.3 for the year ended June 30, 2008. Cleveland State University’s management is responsible for the statement of revenue and expenditures (the “statement”) and the statement’s compliance with those requirements and we have determined that the presentation does not conform to EADA standards but amounts agree to the general ledger. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Internal Controls

Procedure: We will obtain and document an understanding of the accounting procedures in place for the intercollegiate athletics department and perform the following:

- Meet with the associate director of intercollegiate athletics and inquire about the general control environment over intercollegiate athletic finances, level of control consciousness in the University, the competence of personnel, and the protection of records and equipment
- Obtain and inspect an organization chart for the intercollegiate athletics department prepared by management

Result: We met with Tom Tontimonia, associate athletic director, and inquired about the accounting procedures unique to athletics and noted that the athletic department follows the same policies and procedures of the University for purchasing, payroll, control of records, and safeguarding of assets. We obtained an organization chart for the athletic department prepared by management.

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

Statement of Intercollegiate Athletics Revenues and Expenditures

1. **Procedure:** We will obtain the intercollegiate athletics program statement of revenues and expenditures for the year ended June 30, 2008, prepared by management, in order to:
 - Recalculate the amounts on the statement
 - Compare the amounts on the statement to management's worksheets supporting the preparation of the statement
 - Agree the amounts on such worksheets to the University's general ledger

Result: We obtained the intercollegiate athletics program statement of revenues and expenditures for the year ended June 30, 2008, as prepared by management. We recalculated the amounts on the statement, compared the amounts on the statement to management's worksheets supporting the preparation of the statement, and agreed the amounts on such worksheets to the University's general ledger and found them to be in agreement.

2. **Procedure:** We will compare revenue and expenditure amounts for the intercollegiate athletics program with the respective prior year amounts and will inquire of management with regard to available explanations for any changes exceeding 10 percent and \$12,000 of the prior year balance.

Result: We compared the revenue and expenditure amounts for the intercollegiate athletics program reflected in the statement of revenues and expenditures to amounts for the preceding year and inquired of management with regard to any changes exceeding 10 percent and \$12,000 of the prior year's balance. We obtained supporting documentation for variations noted exceeding these thresholds. See summary in Appendix A.

Revenues

3. **Procedure:** We will compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We will compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to supporting documentation. We will compare each revenue account to prior period amounts and budget estimates. We will obtain and document any variations exceeding 10 percent and \$12,000.

Result: We compared and agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of operating revenue receipts obtained from the operating revenue supporting schedules to ticket sales reconciliations from Ticketmaster for men's basketball. We compared each revenue account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for variations exceeding 10 percent and \$12,000. See summary in Appendix A.

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

In addition to the revenues procedure above, we will perform the following specific procedures:

- **Ticket Sales**

Procedures: We will perform the following specific procedures related to ticket sales:

- Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University
- Compare the ticket sales per the revenue statement and related attendance figures and recalculate totals

Results: We selected men's and women's basketball to compare the tickets sold for the season to the related revenue amounts per the general ledger. Amounts recorded as revenue in the general ledger were representational of the ticket sold for the season. We noted no exceptions.

- **Student Fees**

Procedures: We will perform the following specific procedures related to student fees:

- Compare and agree student fees reported by the University. Compare in the statement for the reporting to student enrollments during the same reporting period
- Obtain and document the University's methodology for allocating student fees to intercollegiate athletics programs and recalculate totals

Results: We performed procedures that compared student fee revenue on the general ledger by performing an analytical test extending credit hours multiplied by the applicable tuition rates. It was concluded that student fee revenue was correct for the amount of students enrolled in the University without exception. We obtained the proposed operating budget for the year and commentary that determined the athletic programs' share of the instructional fees and state appropriations of the University.

- **Guarantees**

Procedures: We will perform the following specific procedures related to guarantees:

- Select a sample of settlement reports for away games during the reporting period and agree each selection to the University's general ledger and/or the statement
- Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period, compare and agree each selection to the University's general ledger and/or the statement, and recalculate totals

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

Results: We selected a men's and women's basketball game and obtained the contracts stating the guaranteed revenue for the University's participation in the events. We obtained the final settlement report from the games. We compared these amounts to the amount recorded in the general ledger without exception.

- **Contributions**

Procedures: We will perform the following specific procedures related to contributions:

- Compare each major contribution revenue account to prior period amounts and budget estimates
- Obtain and document any significant variations (over 10 percent and \$12,000)
- Obtain supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting period

Results: We compared each major contribution revenue account to prior period amounts. We obtained supporting documentation for any significant variations (over 10 percent and \$12,000). We obtained and agreed supporting documentation for contributions comprising greater than 10 percent of the total annual contributions received.

- **NCAA/Conference Distributions Including All Tournament Revenues**

Procedures: We will perform the following specific procedures related to NCAA/conference distributions including all tournament revenues:

- Obtain and inspect agreements related to the University's participation in revenues from tournaments during the reporting period
- Compare and agree the related revenues to the University's general ledger and/or the statement and recalculate totals

Results: We obtained and inspected agreements related to the University's participation in revenues from tournaments during the reporting period. We compared and agreed the related revenues to the University's general ledger and/or the statement and recalculated the totals without exceptions.

- **Royalties, Advertisements, and Sponsorships**

Procedures: We will perform the following specific procedures related to royalties, advertisements, and sponsorships:

- Obtain and inspect agreements related to the University's participation in revenues from royalties, advertisements, and sponsorships during the reporting period
- Compare and agree the related revenues to the University's general ledger and/or the statement and recalculate totals

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

Results: We obtained and inspected agreements related to the royalties, advertisements and sponsorships that the University was a participant in. We compared and agreed the related revenues to the University's general ledger and/or the statement and recalculated the totals without exceptions.

- **Other Revenues**

Procedures: We will perform the following specific procedures related to other revenues:

- Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree the related revenues to the University's general ledger and/or the statement and recalculate totals
- Compare each other revenue account to prior period amounts and budget estimates. Obtain and document any variations exceeding 10 percent and \$12,000, and recalculate totals

Results: We compared and agreed the other revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared the other revenue accounts to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for variations exceeding 10 percent and \$12,000.

Expenditures

4. **Procedure:** We will compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We will compare and agree each expense account to prior period amounts and budget estimates. We will obtain and document any variations exceeding 10 percent and \$12,000.

Result: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

In addition to the expenditures procedure above, we will perform the following specific procedures:

- **Athletic Student Aid**

Procedures:

- We will select a sample of students from the listing of University student aid recipients during the reporting period
- Obtain individual student account detail for each selection and compare total aid allocated from the related aid award letter to the student's account and recalculate totals

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

Results: We selected a sample of five students from a listing of students who receive aid. We obtained and inspected the award letter and the students' account detail. We recalculated the charges and credits without exception.

- **Coaching Salaries, Benefits, and Bonuses**

Procedures:

- We will obtain and inspect a listing of coaches employed by the University and related entities during the reporting period.
- We will select a sample of five coaches' contracts that include swimming, volleyball, men's and women's soccer, and women's basketball. We will compare and agree the financial terms and conditions of each selection's contract to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period.
- Obtain and inspect payroll reports for each selection. Compare and agree related payroll reports to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period, and recalculate totals

Results: We obtained a listing of coaches employed by the University. We selected five coaches to compare and agree the salaries, benefits, and bonuses in the signed agreements to the general ledger without exception. We also compared the amounts reported in the general ledger for the selections to the W-2s without exception.

- **Recruiting**

Procedures:

- Obtain and document the University's recruiting expense policies
- Compare and agree to existing University and NCAA-related policies

Results: We obtained and inspected the recruiting policy currently follow by the University. We noted that the policy is identical to the policies set forth by the NCAA.

- **Team Travel Policies**

Procedure:

- We will obtain the University's team travel policies, then we will compare and agree to existing University and NCAA-related policies.

Results: We obtained and inspected the travel policy currently follow by the University. We noted that the policy followed by the University is identical to the policies set forth by the NCAA.

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

- **Equipment, Uniforms, and Supplies**

Procedures:

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree each major expense account to prior period amounts and budget estimates. Obtain and document any significant variations in excess of 10 percent and \$12,000, and recalculate totals

Results: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

- **Game Expenses**

Procedures:

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree each major expense account to prior period amounts and budget estimates. Obtain and document any significant variations exceeding 10 percent and \$12,000 and recalculate totals

Results: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

- **Fund-raising, Marketing, and Promotion**

Procedures:

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree each major expense account to prior period amounts and budget estimates. Obtain and document any significant variations exceeding 10 percent and \$12,000, and recalculate totals

Results: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

- **Direct Facilities, Maintenance, and Rental**

Procedures:

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree each major expense account to prior period amounts and budget estimates. Obtain and document any significant variations exceeding 10 percent and \$12,000, and recalculate totals

Results: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

- **Medical Expenses and Medical Insurance**

Procedures:

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree each major expense account to prior period amounts and budget estimates. Obtain and document any significant variations exceeding 10 percent and \$12,000, and recalculate totals

Results: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

- **Membership and Dues**

Procedures:

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree each major expense account to prior period amounts and budget estimates. Obtain and document any significant variations exceeding 10 percent and \$12,000, and recalculate totals

To Dr. Michael Schwartz, Ph.D, President
Cleveland State University

Results: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

- **Other Operating Expenses**

Procedures:

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University
- Compare and agree each major expense account to prior period amounts and budget estimates. Obtain and document any significant variations exceeding 10 percent and \$12,000, and recalculate totals

Results: We compared and agreed each operating expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed each major expense account to prior period amounts and budget estimates. We obtained explanations from Tom Tontimonia for any variations exceeding 10 percent and \$12,000. See summary in Appendix A.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 4, 2008

Cleveland State University

National Collegiate Athletics Association

Intercollegiate Athletics Program Statement of Revenues and Expenditures Year Ended June 30, 2008

	Unrestricted	Restricted	Total
Revenues:			
Sports:			
Men's Basketball	\$ 431,832	\$ 0	\$ 431,832
Other Sports	18,204	0	18,204
Total Sports	450,036	0	450,036
Federal Grants and Contracts	0	41,204	41,204
Private Gifts, Grants, and Contracts	0	524,202	524,202
Other Sources	652,423	0	652,423
Total Revenues	1,102,459	565,406	1,667,865
Expenditures:			
Administrative and General:			
Salaries and Wages	1,111,347	87,281	1,198,628
Fringe Benefits	315,856	14,188	330,044
Public Relations	58,246	23,315	81,561
Printing	56,660	5,022	61,682
Travel	165,889	2,559	168,448
Supplies	126,950	18,426	145,376
Telephone	38,202	0	38,202
Conference and meals	6,901	42,642	49,543
Other	52,343	3,723	56,066
Total Administrative and General	1,932,394	197,156	2,129,550
Operation and Maintenance of Plant	795,380	23,285	818,665

Cleveland State University

National Collegiate Athletics Association

Intercollegiate Athletics Program (Continued)

Statement of Revenues and Expenditures

Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Expenditures (Continued):			
Sports:			
Men's Soccer	\$ 264,462	\$ 17,861	\$ 282,323
Men's Basketball	1,464,837	44,597	1,509,434
Men's Wrestling	331,591	18,698	350,289
Men's Swimming	231,562	66,378	297,940
Men's Fencing	27,410	0	27,410
Men's Baseball	395,932	41,679	437,611
Men's Tennis	130,303	0	130,303
Men's Golf	105,394	15,010	120,404
Women's Golf	99,773	1,289	101,062
Women's Volleyball	382,768	6,431	389,199
Women's Swimming	280,123	10,482	290,605
Women's Basketball	808,244	38,592	846,836
Women's Fencing	14,927	1,863	16,790
Women's Softball	388,950	52,539	441,489
Women's Tennis	195,282	23,769	219,051
Women's Soccer	309,405	5,777	315,182
Women's Track/Cross Country	33,705	0	33,705
Total Sports	<u>5,464,668</u>	<u>344,965</u>	<u>5,809,633</u>
Total Expenditures	<u>8,192,442</u>	<u>565,406</u>	<u>8,757,848</u>
Transfers Among Funds - Additions (Deductions):			
Nonmandatory Transfers:			
Support From Current Unrestricted Funds	6,743,587	0	6,743,587
Other Transfers	346,396	0	346,396
Excess of Restricted Receipts Over Transfers to Revenue	0	54,761	54,761
Total Transfers	<u>7,089,983</u>	<u>54,761</u>	<u>7,144,744</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 0</u>	<u>\$ 54,761</u>	<u>\$ 54,761</u>

Cleveland State University National Collegiate Athletics Association

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenditures Year Ended June 30, 2008

Note 1 - Contributions

Cleveland State University's Intercollegiate Athletics Program received an individual contribution of monies, goods, or services from an anonymous outside organization, agency, or individual in the amount of \$189,196, which constituted 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2008.

Note 2 - Intercollegiate Athletics-related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5 to 40 years depending on class.

The current year capitalized additions and deletions to athletic facilities and the University as a whole during the year ended June 30, 2008 are as follows:

	<u>Additions</u>	<u>Deletions</u>
Other athletic facilities	\$ 108,296	\$ -
Total athletics facilities	<u>\$ 108,296</u>	<u>\$ -</u>
Other University facilities	<u>\$ 43,418,854</u>	<u>\$ 8,887,457</u>

The total estimated book values of property and equipment, net of depreciation, of the Cleveland State University athletic facilities and the University as a whole as of June 30, 2008 are as follows:

	<u>Estimated Book Value</u>
Athletics-related property and equipment facilities	<u>\$ 51,589,524</u>
Total University property and equipment facilities	<u>\$ 663,498,658</u>

Cleveland State University National Collegiate Athletics Association

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenditures Year Ended June 30, 2008

Note 3 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the Cleveland State University athletic facilities and the University as whole as of June 30, 2008 are as follows:

	Annual Debt Service (Principal and Interest)	Debt Outstanding
Athletics-related facilities	\$ -	\$ -
Total University facilities	\$ 10,712,825	\$ 156,712,875

Cleveland State University

National Collegiate Athletics Association

Appendix A

Variations Noted During Procedures

Year Ended June 30, 2008

We noted the following variances from prior year to current year which are greater than 10 percent and \$12,000:

Restricted Fund:

- Salaries and wages decrease by \$12,842 and 13 percent. There was an increase in work study of \$12,583 partially offset by a decrease of \$29,500 in other personnel services line related to television production not incurred in 2007.
- Public relations decreased by \$56,709 and 71 percent due to expenses for television production that were not present in 2008.
- Operations and maintenance of plant increased by \$15,561 and 201 percent due to purchase and installation of new scoreboard and covered benches for the soccer field, which were not present in 2007.
- Men's basketball decreased \$109,616 and 90 percent due to in 2007 \$25,972 was spent on new office furniture, \$26,987 for new video editing machine, \$34,481 in office renovations and \$24,273 for a new athletic training table, none of which occurred in 2008.
- Men's swimming increased \$18,237 and 42 percent due to an \$8,000 decrease in team travel and a \$29,000 increase in student athlete aid.
- Women's softball increased \$10,018 and 24 percent due to an \$18,000 increase in team travel because of schedule and a decrease of \$13,000 in equipment related to a new uniform purchase in 2007 and an increase in umpires for an expanded winter league of \$4,300.

Unrestricted Fund:

- Men's basketball revenue increased \$81,505 and 23 percent due to increased income from a single home game against Ohio State which caused a \$264,000 increase while a decrease in revenue from guarantees of \$170,000 from 2007 was experienced.
- Supplies expense increased \$18,331 and 17 percent due to increased amounts of medical supplies of \$2,000, new logo on athletic supplies of \$7,500 and \$3,000 in laundry supplies
- Travel expense increased \$42,042 and 34 percent because volleyball, women's basketball, men's basketball, men's golf, and men's tennis all qualified for post-season competition.
- Public relations expense increased \$34,248 and 143 percent due to \$20,575 related to promoting the Ohio State basketball game, \$6,000 related to a new mascot, and \$5,000 related to basketball kick-off event.
- General and administrative decreased \$115,016 and 69 percent due to athletic injury insurance being charged centrally in 2008.
- Operation and maintenance of plant increased \$123,683 and 18 percent due to a new basketball court for \$90,000, \$11,000 for utility and space charges, and \$12,000 for facility costs.
- Men's soccer increased \$36,231 and 16 percent due to travel in 2008 requiring schedule changes that required flights and an increase in athletic grants.

Cleveland State University

National Collegiate Athletics Association

Appendix A (Continued)

Variations Noted During Procedures

Year Ended June 30, 2008

- Men's fencing decreased \$14,840 and 35 percent due to a scaled back schedule, a reduction in the purchase of equipment, and a reduction in athletic grants.
- Men's baseball increased \$73,534 and 23 percent due to an increased in the amount of athletic aid awarded.
- Men's tennis increased \$15,889 and 14 percent due to expenses related to signing another student athlete.
- Women's golf decreased \$13,713 and 12 percent due to two players' tuition covered by honors scholarships for 2008 versus athletic scholarships in 2007.
- Women's volleyball increased \$42,997 and 13 percent due to an increase in salaries and fringe benefits for coach and staff. There was also an increase in team travel of \$6,000 and \$14,000 increase in grants awarded.
- Women's swimming increased \$46,967 and 20 percent due to the addition of a full-time women's swimming coach.
- Women's softball increased \$105,793 and 37 percent due to increased team travel of \$19,000 from a change of schedule and \$63,000 increase in grants awarded.
- Women's tennis increased \$25,175 and 15 percent due to additional grants awarded.

We noted the following variances in from budget to current year greater than 10 percent and \$12,000:

- Men's basketball revenue decreased \$186,168 and 30 percent due to budgeted ticket sales for the Ohio State game of 15,000 versus the 12,000 sold.
- Other revenue increased \$118,212 and 22 percent due to receipt of travel reimbursements and increased rental income.
- Supplies expense increased \$21,515 and 20 percent due to roll out of the new logo and medical supplies.
- Travel expense increased \$113,589 and 217 percent due to post season travel for volleyball, women's basketball, men's basketball, men's golf, and men's tennis, which all qualified for post-season competition
- Public relations expense increased \$30,746 and 112 percent due to advertisements for the Ohio State basketball game.
- Printing expense decreased \$19,621 and 26 percent due to lower than expected bids.
- Other expenses decreased \$148,617 and 74 percent due to a lower amount of transfers made.
- Maintenance and plant increased \$383,166 and 93 percent due to unbudgeted expenses for repairs.
- Men's soccer expenses increased \$28,271 and 12 percent due to increased travel and athletic grants.

Cleveland State University

National Collegiate Athletics Association

Appendix A (Continued)

Variations Noted During Procedures

Year Ended June 30, 2008

- Men's basketball expenses increased \$269,782 and 23 percent due to increases in game fees of \$11,575, supplies of \$35,687, travel and meals of \$53,331, and a new training table of \$25,000, with the remaining in recruiting and staff travel.
- Men's wrestling expenses increased \$34,169 and 11 percent due to overspending athletic grants.
- Men's swimming expenses increased \$43,317 and 23 percent due to overspending athletic grants.
- Men's baseball expenses increased \$48,350 and 14 percent due to overspending athletic grants.
- Men's tennis expenses increased \$46,752 and 56 percent due to overspending athletic grants and extra traveling expenses for schedule.
- Women's golf expenses increased \$11,081 and 12 percent due to overspending athletic grants.
- Women's softball expense increased \$52,957 and 16 percent due to overspending athletic grants and extra traveling expenses for schedule.
- Women's soccer expense increased \$66,689 and 52 percent due to overspending athletic grants and extra traveling expenses for schedule.
- Women's track/cross country expense increased \$46,720 and 18 percent due to overspending athletic grants and extra traveling expenses for schedule.



Mary Taylor, CPA
Auditor of State

CLEVELAND STATE UNIVERSITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 14, 2009**