

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

Financial Report

June 30, 2014

KENT STATE UNIVERSITY
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June 30, 2014 and 2013

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KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2014 and 2013

This section of Kent State University's ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2014 and 2013. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of University management.

Using the Annual Financial Report

This annual report consists of 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*. In fiscal year 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) 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. Amounts required to be reported as deferred outflows of resources are reported separately after assets and amounts required to be reported as deferred inflows of resources are reported separately after liabilities. See Note 2 for further discussion of these financial statement categories.

The financial statements have been prepared in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. This standard requires examination of significant operational or financial relationships with the University and establishes criteria for identifying and presenting component units of the organization. Based on this examination and application of the criteria, the University has identified two component units: The Kent State University Foundation and the KSU Foot and Ankle Clinic. The Kent State University Foundation is discretely presented in the University's financial statements; however, they are excluded from Management's Discussion and Analysis. The KSU Foot and Ankle Clinic is a blended component unit, and therefore indirectly included in Management's Discussion and Analysis. See Note 10 for further discussion on component units.

Noteworthy Financial Activity

The University's financial position, as a whole, experienced an increase over the prior year. The University's total assets and deferred outflows of resources increased over the prior year by \$76.0 million to \$1,503.4 million while total liabilities and deferred inflows of resources decreased \$465.0 thousand to \$676.2 million. Highlights of significant events are as follows:

- On July 1, 2012, the University merged with the Ohio College of Podiatric Medicine (OCPM). Under this merger, the University acquired substantially all of the OCPM assets and deferred outflows of resources related to the podiatric medicine program in exchange for the assumption of OCPM debt and other liabilities. This transaction was entered into in order to provide expanded academic options for students in areas such as public health, biomedical sciences, medical ethics, and sports medicine. All financial transactions for OCPM are included in the University's financial statements. Included in the merger with OCPM is the KSU Foot and Ankle Clinic dba the Cleveland Foot and Ankle Clinic. The Cleveland Foot and Ankle Clinic is a separate 501(c)(3) organization that is included as a blended component of the University.

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Management's Discussion and Analysis (unaudited) (Continued) **As of June 30, 2014 and 2013**

See Note 1 for additional information regarding this merger.

- Due to changes in the State's funding formula for state support, the University experienced a 7.5% increase in state subsidy receipts in FY2014 as compared to FY2013. This upward trend is not likely to continue at this level in future years.
- Student tuition and fees increased 2.9% due to increased enrollments and a 1.5% tuition increase.
- The University recognized a 36.5% increase in investment income in FY2014.
- In December 2013, the University issued \$28.4 million in general receipts bonds. The proceeds of the bonds are included in restricted cash and will be used to finance the renovations of various residence halls on the Kent campus.
- Capital assets increased 7.6% primarily due to the continued construction programs associated with the Foundations of Excellence initiative.

Statement of Net Position

The Statement of Net Position includes all assets and deferred outflows of resources and all liabilities and deferred inflows of resources. Over time, increases or decreases in Net Position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) are one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities.

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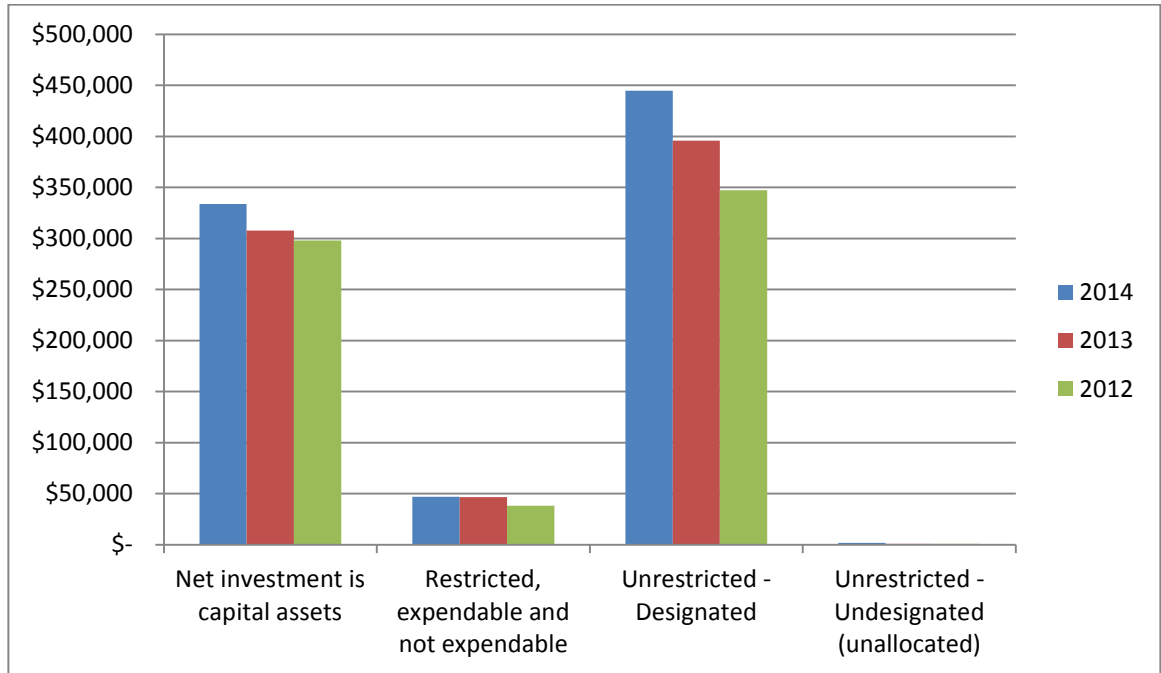
Management's Discussion and Analysis (unaudited) (Continued) As of June 30, 2014 and 2013

Kent State University Condensed Statement of Net Position as of June 30, 2014, 2013 and 2012 (in thousands)

		2013	2012
	<u>2014</u>	<u>as restated</u>	<u>as restated</u>
ASSETS			
Current and other assets	\$ 765,830	\$ 741,499	\$ 692,079
Capital assets	735,946	684,118	610,879
Total assets	<u>\$ 1,501,776</u>	<u>\$ 1,425,617</u>	<u>\$ 1,302,958</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amortization on bond refundings	\$ 1,678	\$ 1,786	\$ 423
Accumulated decrease in fair value of hedging derivatives	-	-	1,881
Total deferred outflows of resources	<u>\$ 1,678</u>	<u>\$ 1,786</u>	<u>\$ 2,304</u>
LIABILITIES			
Long-term debt	\$ 527,828	\$ 517,690	\$ 499,167
Other	145,851	155,476	121,921
Total liabilities	<u>\$ 673,679</u>	<u>\$ 673,166</u>	<u>\$ 621,088</u>
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging derivatives	\$ 2,529	\$ 3,507	\$ -
NET POSITION			
Net investment in capital assets	\$ 333,623	\$ 307,620	\$ 297,862
Restricted, expendable and not expendable	46,902	46,546	38,334
Unrestricted:			
Designated	444,834	395,701	347,089
Undesignated (unallocated)	1,887	863	889
Total net position	<u>\$ 827,246</u>	<u>\$ 750,730</u>	<u>\$ 684,174</u>

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Management's Discussion and Analysis (unaudited) (Continued) As of June 30, 2014 and 2013



2014 Versus 2013

At June 30, 2014, the University's current assets of \$318.7 million were sufficient to cover current liabilities of \$128.0 million (current ratio of 2.5). At June 30, 2013, current assets of \$315.7 million were sufficient to cover current liabilities of \$138.4 million (current ratio of 2.3).

At June 30, 2014, total University assets and deferred outflows of resources were \$1,503.4 million, compared to \$1,427.4 million at June 30, 2013. The increase of \$76.0 million is mainly attributed to an increase in capital assets due to additional buildings and construction in progress mostly related to the Foundation of Excellence initiative.

University liabilities and deferred inflows of resources total \$676.2 million at June 30, 2014 compared to \$676.7 million at June 30, 2013. This decrease is due primarily to a decrease in its accrued liabilities related to the accrual for construction in progress as more projects are completed and capitalized. The decrease is offset by an increase in long-term debt. During 2014, the University issued \$28.4 million in Series 2014A General Receipts bonds to renovate, equip and furnish residence hall facilities. The University's bond rating was unchanged with this issue and remains at Aa3 with a stable outlook.

Total Net Position increased by \$76.5 million to \$827.2 million. Unrestricted Net Position totaled \$446.7 million, 99.6% of which (\$444.8 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

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Management's Discussion and Analysis (unaudited) (Continued) **As of June 30, 2014 and 2013**

2013 Versus 2012

At June 30, 2013, the University's current assets of \$315.7 million were sufficient to cover current liabilities of \$138.4 million (current ratio of 2.3). At June 30, 2012, current assets of \$297.8 million were sufficient to cover current liabilities of \$117.1 million (current ratio of 2.5).

At June 30, 2013, total University assets and deferred outflows of resources were \$1,427.4 million, compared to \$1,305.3 million at June 30, 2012. The increase of \$122.1 million is mainly attributed to an increase in capital assets due to the OCPM merger as well as additional construction in progress due to increased building and renovation projects mostly related to the Foundation of Excellence initiative. The University issued \$170.0 million in general receipts bonds in fiscal year 2012 to fund these projects.

University liabilities and deferred inflows of resources total \$676.7 million at June 30, 2013 compared to \$621.1 million at June 30, 2012. This increase is due primarily to an increase in long-term debt. During 2013, the University issued \$24.9 million in Air Quality Development Authority bonds to fund various energy efficiency and conservation projects at its Kent campus. In addition, the University recognized an increase in its accrued liabilities related to the accrual for construction in progress. In fiscal year 2013, there was a significant amount of construction activity related to the Foundation of Excellence initiative.

Total Net Position increased by \$66.5 million to \$750.7 million, of which \$31.0 million is due to the OCPM merger. Unrestricted Net Position totaled \$396.6 million, 99.8% of which (\$395.7 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public university's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state appropriations and gifts as non-operating revenues. 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.

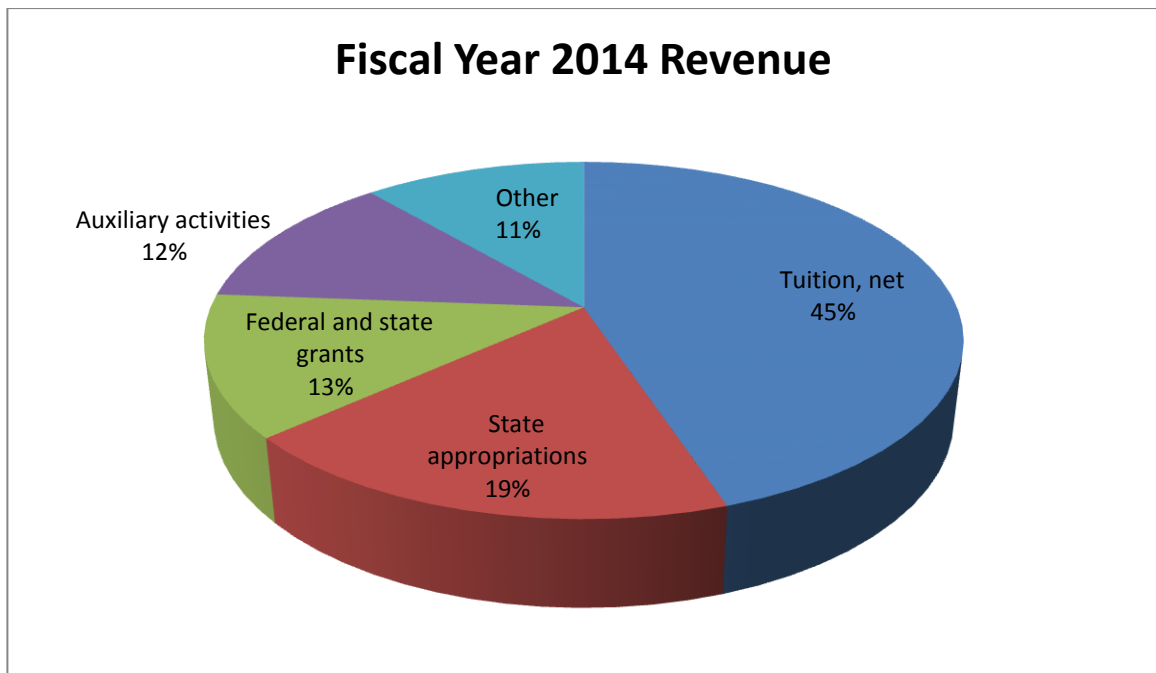
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Management's Discussion and Analysis (unaudited) (Continued) As of June 30, 2014 and 2013

Kent State University Condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2014, 2013 and 2012 (in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues			
Tuition, net	\$ 331,380	\$ 322,210	\$ 295,399
State appropriations and Federal Fiscal Stabilization Funds	136,774	127,275	124,108
Federal and state grants	94,637	94,797	103,184
Auxiliary activities	92,198	88,335	88,432
Other	83,534	63,572	7,088
Total revenues	<u>\$ 738,523</u>	<u>\$ 696,189</u>	<u>\$ 618,211</u>
Expenses			
Instruction	\$ 227,721	\$ 222,318	\$ 203,436
Research	17,539	18,553	19,872
Institutional support	74,575	76,554	64,603
Scholarships and fellowships	43,025	45,714	46,826
Other	299,147	297,455	279,627
Total expenses	<u>\$ 662,007</u>	<u>\$ 660,594</u>	<u>\$ 614,364</u>

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 44.9% followed by State appropriations at 18.5%.



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Management's Discussion and Analysis (unaudited) (Continued) As of June 30, 2014 and 2013

2014 Versus 2013 During the year ended June 30, 2014:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Revenue from tuition and fees increased during the current year due primarily due to a 2% increase in tuition.

State appropriations were the most significant non-operating revenue. During 2014, state appropriations totaled \$136.8 million.

Operating expenses, including depreciation of \$42.3 million, totaled \$644.1 million. Of the operating expenses, instruction expense had the most significant increase.

2013 Versus 2012 During the year ended June 30, 2013:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Revenue from tuition and fees increased during the current year due to increased enrollment and a 3.5% increase in tuition. Enrollment was higher than the prior year by 1-2% in the fall and spring semesters but was lower than the prior year during the summer semester.

State appropriations were the most significant non-operating revenue. During 2013, state appropriations totaled \$127.3 million.

Operating expenses, including depreciation of \$40.0 million, totaled \$642.2 million. Of the operating expenses, instruction expense had the most significant increase.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, non-capital financing, capital financing, and related investing activities, and helps measure the ability to meet financial obligations as they mature.

Kent State University Condensed Statement of Cash Flows for the years ended June 30, 2014, 2013 and 2012 (in thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash (used in)/provided by:			
Operating activities	\$ (137,717)	\$ (106,659)	\$ (123,933)
Investing activities	29,248	116	(4,008)
Capital and related financing activities	(87,900)	(88,143)	121,657
Non-capital financing activities	<u>207,285</u>	<u>197,903</u>	<u>199,217</u>
Net increase in cash	10,916	3,217	192,933
Cash and cash equivalents, beginning of year	<u>304,409</u>	<u>301,192</u>	<u>108,259</u>
Cash and cash equivalents, end of year	<u><u>\$ 315,325</u></u>	<u><u>\$ 304,409</u></u>	<u><u>\$ 301,192</u></u>

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Management's Discussion and Analysis (unaudited) (Continued) As of June 30, 2014 and 2013

2014 Versus 2013 During the year ended June 30, 2014:

Major sources of cash included student tuition and fees (\$261.5 million), state appropriations (\$136.8 million), auxiliary activities (\$91.7 million), and Federal Pell grants (\$59.0 million). The largest payments were for suppliers (\$253.2 million) and employees (\$290.0 million).

2013 Versus 2012 During the year ended June 30, 2013:

Major sources of cash included student tuition and fees (\$264.5 million), state appropriations (\$127.3 million), auxiliary activities (\$88.7 million), and Federal Pell grants (\$62.3 million). The largest payments were for suppliers (\$218.4 million) and employees (\$291.9 million).

Capital Asset and Debt Administration

Capital Assets

At the end of 2014, the University had invested \$735.9 million in a broad range of capital assets, including equipment, buildings, building improvements and land. This amount represents a net increase (including additions and deductions) of \$51.8 million, or 7.6 percent, over last year.

Kent State University's Capital Assets *(net of depreciation, in millions of dollars)*

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$ 29.6	\$ 29.1	\$ 15.6
Equipment	43.2	41.0	41.2
Buildings and improvements	563.3	545.1	519.8
Construction in progress	99.8	68.9	34.3
Total	<u>\$ 735.9</u>	<u>\$ 684.1</u>	<u>\$ 610.9</u>

More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

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Management's Discussion and Analysis (unaudited) (Continued)

As of June 30, 2014 and 2013

Long-term Debt

At year end, the University had \$527.8 million in bonds and notes outstanding—an increase of \$10.1 million over last year. The increase is primarily due to the University issuing \$28.4 million in bonds during fiscal year 2014. The proceeds from the bond sale will be used to renovate, equip, and furnish various residence halls. More detailed information about the University's long-term liabilities is presented in Note 6 to the financial statements.

Kent State University's Outstanding Debt (in millions of dollars)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General receipts bonds (backed by the University)	459.1	\$ 444.4	\$ 456.6
Tax Revenue Energy Bonds	44.5	47.7	25.2
Capital leases	24.2	25.6	17.2
	<u>\$ 527.8</u>	<u>\$ 517.7</u>	<u>\$ 499.0</u>

Factors Affecting Future Periods

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, legislative restrictions on tuition, changes in state support, and the ability to manage rising costs. The University has experienced enrollment increases in the past several years but the trend is beginning to stabilize. Due to the continued challenges in the state of Ohio, the amount of state funding has remained similar while costs have continued to increase. The University continues to identify and enact efficiencies and cost savings in a number of areas. The University continues to focus on student recruiting and retention as well as fundraising and additional research to improve the position of the University.

One significant area of focus continuing into future years is deferred capital maintenance. Due to the age of the buildings and the decline in capital funding, many of the buildings throughout the campus are in critical need of repair. The deferred maintenance has been estimated to exceed \$353 million. In fiscal year 2012, the University issued \$170 million in General Receipts bonds to begin to address the deferred maintenance. The University also allocated \$34.5 million in capital appropriations from the State to be used in renovations to facilities for the science programs. Many of the projects are underway and the construction will continue into the next few years. The University will continue to look for options to address the remaining deferred maintenance.

Independent Auditor's Report

To the Board of Directors
Kent State University

Report on the Financial Statements

We have audited the accompanying financial statements of Kent State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Kent State University's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Kent State University Foundation (the "Foundation") which represents all of the balances and activity of the discretely presented component unit. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the Board of Directors
Kent State University

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Kent State University and its discretely presented component unit as of June 30, 2014 and 2013 and the changes in its financial position, and, where applicable, cash flows thereof, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2013, the University adopted new accounting guidance under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement establishes accounting and financial reporting standards that require expensing of bond issuance costs and reclassifying, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kent State University's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

To the Board of Directors
Kent State University

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of Kent State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kent State University's internal control over financial reporting and compliance.

Plante & Morse, PLLC

October 15, 2014

KENT STATE UNIVERSITY
STATEMENT OF NET POSITION
as of June 30, 2014 and 2013
(in thousands)

	University		University Related Foundation	
	2014	2013 as restated	2014	2013
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 142,565	\$ 114,853	\$ 1,595	\$ 1,309
Short-term investments	130,852	154,568	140,700	129,425
Accounts and pledges receivable, net	34,138	35,226	3,123	5,747
Inventories	1,822	1,994	-	-
Deposits and prepaid expenses	8,847	8,372	-	-
Accrued interest receivable	501	646	132	-
Total current assets	<u>318,725</u>	<u>315,659</u>	<u>145,550</u>	<u>136,481</u>
Noncurrent assets:				
Restricted cash	172,760	189,556	-	-
Student loans receivable, net	25,919	25,788	-	-
Note receivable	-	-	14,426	14,077
Long-term investments	245,873	206,964	6,979	5,538
Long-term pledges receivable, net	-	-	5,399	5,358
Capital assets, net	735,946	684,118	1,506	1,681
Derivative instrument - swap asset	2,529	3,507	-	-
Other assets	24	25	356	384
Total noncurrent assets	<u>1,183,051</u>	<u>1,109,958</u>	<u>28,666</u>	<u>27,038</u>
Total assets	<u>\$ 1,501,776</u>	<u>\$ 1,425,617</u>	<u>\$ 174,216</u>	<u>\$ 163,519</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amortization on bond refundings	\$ 1,678	\$ 1,786	\$ -	\$ -
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 44,875	\$ 55,654	\$ 702	\$ 686
Accrued payroll	12,015	10,920	-	-
Payroll taxes and accrued fringe benefits	14,229	16,421	-	-
Unearned revenue and deposits	35,494	34,594	-	-
Derivative instrument - swap liability	-	-	-	-
Short-term borrowings	-	-	-	10,000
Current portion of long-term debt	21,373	20,824	-	-
Total current liabilities	<u>127,986</u>	<u>138,413</u>	<u>702</u>	<u>10,686</u>
Noncurrent liabilities:				
Accrued compensated absences	22,326	20,970	-	-
Accrued liabilities	15,912	15,912	4,060	4,261
Long-term unearned fees and deposits	1,000	1,005	9,003	8,601
Long-term debt	506,455	496,866	-	-
Total noncurrent liabilities	<u>545,693</u>	<u>534,753</u>	<u>13,063</u>	<u>12,862</u>
Total liabilities	<u>\$ 673,679</u>	<u>\$ 673,166</u>	<u>\$ 13,765</u>	<u>\$ 23,548</u>
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	\$ 2,529	\$ 3,507	\$ -	\$ -
NET POSITION				
Net investment in capital assets	\$ 333,623	\$ 307,620	\$ 1,506	\$ 1,681
Restricted, nonexpendable	5,883	5,883	36,833	33,509
Restricted, expendable	41,019	40,663	111,883	97,903
Unrestricted	446,721	396,564	10,229	6,878
Total net position	<u>\$ 827,246</u>	<u>\$ 750,730</u>	<u>\$ 160,451</u>	<u>\$ 139,971</u>

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

KENT STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
for the years ended June 30, 2014 and 2013
(in thousands)

	University		University Related Foundation	
	2014	2013 as restated	2014	2013
OPERATING REVENUES				
Student tuition and fees	\$ 405,871	\$ 391,177	\$ -	\$ -
Less scholarship allowances	(74,491)	(68,967)	-	-
Net student tuition and fees	331,380	322,210	-	-
Federal grants and contracts	25,033	24,133	-	-
State grants and contracts	10,644	8,394	-	-
Local grants and contracts	201	191	-	-
Nongovernmental grants and contracts	4,137	5,152	-	-
Sales and services of educational departments	11,065	11,672	-	-
Auxiliary activities - Net	92,198	88,335	-	-
Total operating revenues	\$ 474,658	\$ 460,087	\$ -	\$ -
OPERATING EXPENSES				
Instruction	227,721	222,318	-	-
Research	17,539	18,553	-	-
Public service	16,040	15,827	-	-
Academic support	61,003	57,189	-	-
Student services	32,227	31,798	-	-
Institutional support	74,575	76,554	9,575	11,505
Scholarships and fellowships	43,025	45,714	2,956	3,103
Operation and maintenance of plant	40,484	48,710	-	-
Auxiliary activities	89,128	85,532	-	-
Depreciation	42,320	39,989	-	9
Total operating expenses	644,062	642,184	12,531	14,617
Operating loss	\$ (169,404)	\$ (182,097)	\$ (12,531)	\$ (14,617)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	136,774	127,275	-	-
Federal Pell Grant revenue	58,960	62,270	-	-
Gifts	11,544	8,368	10,964	18,554
Investment income	44,296	32,458	22,796	15,810
Interest on capital asset-related debt	(17,945)	(18,410)	-	-
Other nonoperating revenues/expenses	6,203	2,617	(749)	(651)
Net nonoperating revenues	239,832	214,578	33,011	33,713
Income before other revenues, expenses, gains or losses	70,428	32,481	20,480	19,096
Capital appropriation	6,088	3,114	-	-
Increase in net position	\$ 76,516	\$ 35,595	\$ 20,480	\$ 19,096
NET POSITION				
Net position, beginning of year as restated (Note 2)	750,730	684,174	139,971	120,875
Adjustment to beginning net position related to OCPM merger (Note 1)	-	30,961	-	-
Adjusted net position, beginning of year	750,730	715,135	139,971	120,875
Net position, end of year	\$ 827,246	\$ 750,730	\$ 160,451	\$ 139,971

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS
for the years ended June 30, 2014 and 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 261,549	\$ 264,547
Cash received from auxiliary activities	91,748	88,696
Cash received from other sources	9,787	12,194
Grants and contracts	42,892	35,975
Student loans granted, net of repayments	(463)	2,249
Cash paid to employees	(290,032)	(291,969)
Cash paid to suppliers	(253,198)	(218,351)
Net cash used in operating activities	<u>(137,717)</u>	<u>(106,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	78,891	82,446
Purchases of investments	(64,402)	(97,510)
Interest received	14,759	15,180
Net cash provided by investing activities	<u>29,248</u>	<u>116</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net proceeds from bond issuance	30,310	24,947
Principal payments under debt obligations, net	(16,920)	(13,009)
Interest paid	(22,257)	(20,877)
Capital appropriations	400	3,114
Loss on disposal of capital assets	1,394	1,399
Purchases of capital assets	(86,998)	(86,342)
Other payments	6,171	2,625
Net cash used in capital and related financing activities	<u>(87,900)</u>	<u>(88,143)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	136,774	127,275
Gifts received from KSU Foundation	11,551	8,358
Cash received from Federal Pell grants	58,960	62,270
Net cash provided by noncapital financing activities	<u>207,285</u>	<u>197,903</u>
Net increase in cash and cash equivalents	10,916	3,217
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), BEGINNING OF YEAR	<u>304,409</u>	<u>301,192</u>
CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH), END OF YEAR	<u><u>\$ 315,325</u></u>	<u><u>\$ 304,409</u></u>

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

STATEMENT OF CASH FLOWS--CONTINUED
for the years ended June 30, 2014 and 2013
(in thousands)

	<u>2014</u>	<u>2013</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Operating loss	\$ (169,404)	\$ (182,097)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	40,926	39,989
Change in assets and liabilities:		
Accounts receivable, net	1,081	2,894
Inventories	172	76
Deposits and prepaid expenses	(475)	(3,947)
Student loans receivable, net	(131)	3,651
Accounts payable and accrued liabilities	(11,040)	22,339
Accrued payroll	1,095	384
Payroll taxes and accrued fringe benefits	(2,192)	2,789
Unearned fees and deposits	895	5,876
Accrued compensated absences	1,356	1,387
Total change in assets and liabilities	<u>(9,239)</u>	<u>35,449</u>
Net cash used in operating activities	<u>\$ (137,717)</u>	<u>\$ (106,659)</u>

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(1) Reporting Entity and Basis of Presentation

(a) Reporting Entity

Kent State University ("University") is an institution of higher education and is considered to be a component unit of the State of Ohio ("State") because its Board of Regents is appointed by the governor of the State. Accordingly, the University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to the State retirement program for certain University employees.

The University is classified as a state instrumentality under Internal Revenue Code Section 115, and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

On July 1, 2012, the University merged with the Ohio College of Podiatric Medicine (OCPM). Under this merger, the University acquired substantially all of the OCPM assets related to the podiatric medicine program in exchange for the assumption of OCPM debt and other liabilities. This transaction was entered into in order to provide expanded academic options for students in areas such as public health, biomedical sciences, medical ethics, and sports medicine. All financial transactions for OCPM are included in the University's financial statements. Included in the merger with OCPM is the KSU Foot and Ankle Clinic dba the Cleveland Foot and Ankle Clinic. The Cleveland Foot and Ankle Clinic is a separate 501(c)(3) organization that is included as a blended component unit of the University. See Note 10 for further discussion on component units.

The merger was recorded as of July 1, 2012 with the assets and deferred outflows of resources and liabilities recorded at the amounts presented in the OCPM June 30, 2012 audited financial statements (restated for GASB 65).

Assets	
Capital assets, net	\$ 23,340
Other assets	13,000
Total assets	<u>\$ 36,340</u>
Deferred outflows of resources	<u>\$ 809</u>
Liabilities	
Long-term liabilities	<u>\$ 6,188</u>
Net Position	<u>\$ 30,961</u>

The University adjusted its beginning net position balance at July 1, 2012 for the difference between the assets and deferred outflows of resources acquired and the debt and other liabilities assumed.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

The accompanying financial statements consist of the accounts of the University and the accounts of the Kent State University Foundation ("Foundation"). The Foundation, which is a component unit of the University as determined in accordance with the provisions of the Governmental Accounting Standards Board ("GASB") Statement 61, is described more fully in Note 10. The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

The Foundation is a private organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation's financial information included in the University's financial report to account for these differences.

Furthermore, in accordance with GASB Statement No. 61, the Foundation is reported in a separate column on the University's financial statements to emphasize that it is legally separate from the University. The Foundation is a not-for-profit organization supporting the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which it holds and investments are restricted to support the activities of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, it is considered a component unit of the University. Financial statements for the Foundation may be obtained by writing to Kent State University Foundation, Kent, Ohio 44242.

Included in the accounts of the University is the KSU Foot and Ankle Clinic dba The Cleveland Foot and Ankle Clinic ("Clinic"). This entity was included in the July 1, 2012 merger with the Ohio College of Podiatric Medicine. The Clinic is a separate 501(c)(3) organization whose main purpose is to provide clinical experience for students of the KSU College of Podiatric Medicine. The Clinic almost exclusively benefits the University even though services are provided to the public. According to the provisions of GASB Statement No. 61, the Clinic is considered a blended component unit of the University. See Note 10 for further discussion and presentation of condensed financial information for the Clinic.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

As required by the GASB, resources of the University are classified into one of four net position categories, as follows:

- Net investment in capital assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted, nonexpendable - Net Position subject to externally imposed stipulations that the University maintain such assets permanently.
- Restricted, expendable - Net Position whose use 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.
- Unrestricted - Net Position that is not subject to externally imposed stipulations. Unrestricted Net Position may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted Net Position is designated for academic and research programs, capital projects and other initiatives.

(c) Upcoming Accounting Pronouncements

GASB 68 - Accounting and Financial Reporting for Pensions

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

GASB 69 - Government Combinations and Disposals of Government Operations

In January 2013, the Governmental Accounting Standards Board issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Until now, governments had been accounting for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement No. 69 is required to be adopted for years beginning after December 15, 2013. Kent State University is currently evaluating the impact this standard will have on the financial statements when adopted, during the university's fiscal year ending June 30, 2015.

GASB 71 - Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.

In November 2013, the Governmental Accounting Standards Board issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This was issued to provide clarification on GASB No. 68, requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. It is required to be applied simultaneously with the provisions of Statement 68 for June 30, 2015.

(2) **Summary of Significant Accounting Policies**

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 activities that are financed in whole or in part by fees charged to the external parties for goods or services.

(a) **Cash and Cash Equivalents**

The University considers cash, time deposits and all other highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is the unspent bond proceeds held in trust related to various campus enhancements and energy conservation projects.

(b) **Investments**

Investments in marketable securities are carried at fair market value as established by the major securities markets. Investment income includes realized and unrealized gains and losses on investments, interest income and dividends.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(c) Accounts Receivable

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

(d) Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market.

(e) Estimates

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

(f) Revenue Recognition

State appropriations are recognized when received or made available. Restricted funds are recognized as revenue only to the extent expended. Gifts and interest on student loans are recognized when received. The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions.

(g) Scholarship Discount and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

(h) Accrued Liabilities

Accrued liabilities consist primarily of accrued employee compensation and benefits. Accrued compensated absences are classified as non-current liabilities on the Statement of Net Position because the current portion cannot be closely estimated. Also included in non-current accrued liabilities is a liability related to the re-identification of the swap agreement noted in Note 6.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(i) Unearned Revenue

Unearned revenue includes tuition and fees relating to summer sessions that are conducted in July and August. Unearned revenue also includes amounts received in advance from grant and contract sponsors that have yet been earned under the terms of the agreements. The amounts which are unearned are recognized as revenue in the following fiscal year.

(j) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred inflows and outflows of resources are consumptions of net position by the University that is applicable to a future reporting period, and an acquisition of net position by the University that is applicable to a future reporting period, respectively. The University has recorded a deferred outflow of resources for the unamortized bond refunding and deferred inflows of resources related to its two interest rate swaps (accumulated increase in the fair value of hedging derivatives). See Note 6 for further discussion.

(k) Capital Assets

Capital assets are stated at cost at the time of purchase or fair value at date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (3 to 40 years) of the respective assets.

(l) Operating Versus Nonoperating Revenues and Expenses

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(m) Change in Accounting Policy

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and the deferred inflows of resources. In accordance with the Statement, the University has reclassified deferred amount on bond refundings totaling \$1,786 to deferred outflows of resources and deferred inflows of resources related to its interest rate swaps (accumulated increase in the fair value of hedging derivatives) of \$3,507 as of June 30, 2013. Also, the University also wrote off unamortized bond issuance costs of \$3,314 by restating its beginning net position as of July 1, 2012 and restated non-operating revenue for the year ended June 30, 2013 by \$211 to account for amortization expense taken during that year.

(3) Investments

The University's investment policy authorizes the University to invest non-endowment funds in the following investments:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Certificates of deposit
- Mutual funds and mutual fund pools
- Money market funds

U.S. Government and Agency securities are invested through trust agreements with banks that internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds and other investments are invested through trust agreements with banks that keep the investments in their safekeeping accounts at the Depository Trust Company or Huntington Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

Custodial credit risk on deposits with banks is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At June 30, 2014 and 2013, the bank amount of the University's deposits was \$257,190 and \$258,268, respectively. Of that amount, \$114,055 and \$87,957, respectively, was insured. The remaining \$143,135 and \$170,311 at June 30, 2014 and 2013, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

The values of investments at June 30, 2014 and 2013 are as follows:

	2014	
	Market Value	Cost
Common stock	\$ 194,619	\$ 144,485
U.S. government agency obligations	13,782	13,973
U.S. government obligations	4,855	4,862
Corporate bonds and notes	11,447	11,133
Mutual funds	130,852	120,401
State Treasury Asset Reserve of Ohio	21,170	21,170
Total	\$ 376,725	\$ 316,024

	2013	
	Market Value	Cost
Common stock	\$ 185,220	\$ 158,187
U.S. government agency obligations	9,613	9,614
U.S. government obligations	9,306	9,332
Corporate bonds and notes	11,007	11,116
Mutual funds	125,245	121,124
State Treasury Asset Reserve of Ohio	21,141	21,141
Total	\$ 361,532	\$ 330,514

Included in common stock above are alternative investments of approximately \$131 million and \$125 million as of June 30, 2014 and June 30, 2013, respectively. The alternative investments are primarily private equity and hedge funds. Alternative investments do not have readily available market prices. These investments are carried at estimated fair value provided by the fund's management. The University believes that the carrying amounts are reasonable estimates of fair value as of the year end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

Net appreciation/depreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2014, the University realized a net gain of \$7,348. During the year ended June 30, 2013, the University realized a net loss of \$(5,684). The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2014 was \$36,945. The net appreciation in the fair value of investments during the year ended June 30, 2013 was \$25,334. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

The unrealized appreciation on investments for the year ended June 30, 2014 was \$29,597. The unrealized appreciation on investments for the year ended June 30, 2013 was \$31,018.

The components of the net investment income are as follows:

	Interest and dividends, net	Net appreciation in market value of investments	Net investment income
Total 2014	\$7,351	\$36,945	\$44,296
Total 2013	\$7,124	\$25,334	\$32,458

Additional Disclosures Related to Interest-bearing Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the interest-rate, credit and foreign currency risks associated with interest-bearing investments.

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.

The maturities of the University's interest-bearing investments at June 30, 2014 are as follows:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 4,855	\$ 460	\$ 2,526	\$ 612	\$ 1,257
U.S. government agency obligations	13,782	2,239	8,553	979	2,011
Corporate bonds and notes	11,447	3,687	5,105	869	1,786
Bond mutual funds	81,629	5,961	29,307	17,261	29,100
Total	\$ 111,713	\$ 12,347	\$ 45,491	\$ 19,721	\$ 34,154

The maturities of the University's interest-bearing investments at June 30, 2013 are as follows:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	\$ 9,306	\$ 4,585	\$ 4,721	\$ -	\$ -
U.S. government agency obligations	9,613	323	4,713	979	3,598
Corporate bonds and notes	11,007	3,274	7,394	264	75
Bond mutual funds	88,747	5,116	33,171	36,254	14,206
Total	\$ 118,673	\$ 13,298	\$ 49,999	\$ 37,497	\$ 17,879

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments at June 30, 2014 are as follows:

Credit Rating (Moody's)	Total	Government Obligations	U.S. Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 57,645	\$ 4,855	\$ 13,782	\$ 4,443	\$ 34,565
AA+	-	-	-	-	-
AA	6,888	-	-	51	6,837
AA-	547	-	-	547	-
A+	-	-	-	-	-
A	17,478	-	-	3,098	14,380
OTHER	29,155	-	-	3,308	25,847
Total	\$ 111,713	\$ 4,855	\$ 13,782	\$ 11,447	\$ 81,629

The credit ratings of the University's interest-bearing investments at June 30, 2013 are as follows:

Credit Rating (Moody's)	Total	Government Obligations	U.S. Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 60,365	\$ 9,306	\$ 9,613	\$ -	\$ 41,446
AA+	2,150	-	-	-	2,150
AA	3,494	-	-	1,140	2,354
AA-	7,604	-	-	1,023	6,581
A+	3,488	-	-	1,024	2,464
A	8,711	-	-	4,059	4,652
OTHER	32,861	-	-	3,761	29,100
Total	\$ 118,673	\$ 9,306	\$ 9,613	\$ 11,007	\$ 88,747

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2014 and 2013, the University had no exposure to foreign currency 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 held the following investments that had fair values of 5 percent or more of total investments as of June 30, 2014 and 2013:

	June 30, 2014	June 30, 2013
Cantillon Global	\$ 22,466	\$ 18,393
PIMCO All Asset	\$ 20,547	\$ 18,436

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(4) Accounts Receivable

Accounts receivable consist of the following, as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Sponsor accounts	\$ 5,242	\$ 6,968
Student accounts	27,958	28,568
Other	9,933	8,212
	<u>43,133</u>	<u>43,748</u>
Less allowances for loss on accounts receivable	<u>(8,995)</u>	<u>(8,522)</u>
Accounts receivable, net	<u>\$ 34,138</u>	<u>\$ 35,226</u>

In addition, the University has student loans receivable of \$32,712 and \$32,249 as of June 30, 2014 and 2013, respectively. The related allowances as of June 30, 2014 and 2013 are \$6,793 and \$6,461, respectively.

(5) Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation.

Capital assets consist of the following as of June 30, 2014:

	<u>2013</u>	<u>Additions/ Transfers</u>	<u>Net Retirements</u>	<u>2014</u>
Land	\$ 29,126	\$ 468	\$ -	\$ 29,594
Infrastructure	109,729	4,991	(17)	114,703
Buildings	814,200	46,463	(1,724)	858,939
Equipment	216,383	13,072	(7,625)	221,830
Construction-in-progress	68,882	31,001	(43)	99,840
	<u>1,238,320</u>	<u>95,995</u>	<u>(9,409)</u>	<u>1,324,906</u>
Less accumulated depreciation				
Infrastructure	(60,459)	(4,973)	(16)	(65,448)
Buildings	(318,356)	(25,899)	(661)	(344,916)
Equipment	(175,387)	(10,054)	6,845	(178,596)
	<u>(554,202)</u>	<u>(40,926)</u>	<u>6,168</u>	<u>(588,960)</u>
Capital assets, net	<u>\$ 684,118</u>	<u>\$ 55,069</u>	<u>\$ (3,241)</u>	<u>\$ 735,946</u>

Included in depreciation expense of \$42,320 for the year ended June 30, 2014 is a loss of \$1,394 from the disposal of obsolete capital assets.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

Capital assets consist of the following as of June 30, 2013:

	<u>2012</u>	<u>Additions/ Transfers</u>	<u>Net Retirements</u>	<u>2013</u>
Land	\$ 15,612	\$ 13,514	\$ -	\$ 29,126
Infrastructure	104,330	5,399	-	109,729
Buildings	764,798	53,238	(3,836)	814,200
Equipment	207,513	13,741	(4,871)	216,383
Construction-in-progress	34,391	34,698	(207)	68,882
	<u>1,126,644</u>	<u>120,590</u>	<u>(8,914)</u>	<u>1,238,320</u>
Less accumulated depreciation				
Infrastructure	(55,426)	(4,711)	(322)	(60,459)
Buildings	(293,899)	(23,826)	(631)	(318,356)
Equipment	(166,440)	(10,054)	1,107	(175,387)
	<u>(515,765)</u>	<u>(38,591)</u>	<u>154</u>	<u>(554,202)</u>
Capital assets, net	<u>\$ 610,879</u>	<u>\$ 81,999</u>	<u>\$ (8,760)</u>	<u>\$ 684,118</u>

Included in depreciation expense of \$39,989 for the year ended June 30, 2013 is a loss of \$1,399 from the disposal of obsolete capital assets.

(6) Long-term Liabilities

Long-term Debt

In April 2013, the University issued \$60,000 in Series 2013A General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2008B General Receipts bond with an outstanding principal balance of \$60,000. As of June 30, 2014, the outstanding principal of the 2013A General Receipts bonds was \$60,000.

In September 2009, the University issued \$214,910 in Series 2009B General Receipts bonds. The proceeds from the bond sale were used for a current refunding of the Series 2009A General Receipts bonds and the Series 2008A General Receipts bonds, as well as an advance refunding of the Series 2000 General Receipts bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the University's long-term obligations. The total refunding was undertaken to achieve debt service savings, as well as allowing the University to convert the synthetic fixed rate bonds to natural fixed rates, thereby eliminating risk associated with interest rate hedge arrangements and stabilizing the interest expenses incurred by the University. The total refunding transaction reduced debt service payments by \$34,210 and resulted in an economic gain of \$22,092. Of the total refunding, debt service was reduced by \$1,271 and resulted in an economic gain of \$887 from the advance refunding. For the advance refunding of the Series 2000 General Receipts bonds, the reacquisition price exceeded the net carrying amount of the old debt by \$520. This amount was being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The unamortized balance was reclassified as a deferred outflow of resources with the adoption of GASB 65 in fiscal year 2014. As of June 30, 2014, the outstanding principal of the 2009B General Receipts bond was \$180,105.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

In fiscal year 2010, the University terminated the interest rate swap agreements associated with the Series 2009A General Receipts bonds and the Series 2008A General Receipts bonds. This resulted in a termination payment totaling \$23,864. In connection with the issuance of the Series 2009B General Receipts bonds, the University also recognized a net bond premium totaling \$19,456 which will be amortized against interest expense over the life of the bond. As of June 30, 2014, the unamortized net bond premium was \$8,809.

In June 2012, the University issued \$170,000 in Series 2012 General Receipts bonds. The proceeds from the bond sale will be used for constructing, renovating, equipping and furnishing various University academic, administrative and other campus buildings. As of June 30, 2014, the outstanding principal of the 2012A bonds was \$167,085. In connection with the bond issuance, the University also recognized a net bond premium totaling \$16,185 which will be amortized against interest expense over the life of the bond. As of June 30, 2014, the unamortized net bond premium was \$12,926.

During fiscal year 2014, the University issued \$28,415 in Series 2014A General Receipts bonds. The proceeds from the bond sale will be used for renovating, equipping and furnishing University residence hall facilities at the University's Tri-Towers complex. As of June 30, 2014, the outstanding principal of the 2014A bonds was \$28,415. In connection with the bond issuance, the University also recognized a net bond premium totaling \$1,894 which will be amortized against interest expense over the life of the bond. As of June 30, 2014, the unamortized net bond premium was \$1,805.

In accordance with the General Receipts bonds Trust Agreement, the Series 2009B, Series 2012, Series 2013A, and Series 2014A General Receipts bonds are subject to mandatory or optional redemption.

The indebtedness created through the issuance of General Receipts' bonds is collateralized by a pledge of all general receipts, excluding state appropriations and monies received for restricted purposes. The primary source of funds being deposited to service the principal and interest requirements is student facilities fees.

During fiscal year 2010, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of \$1,344. The Ohio Air Quality Authority has issued \$672 in 2010 Series A bonds and \$672 in 2010 Series B bonds, the proceeds of which will be used to fund the University's energy efficiency and conservation project at its Stark campus. As of June 30, 2014, the outstanding principal of the Series A and Series B bonds was \$180 and \$672, respectively.

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

During fiscal year 2011, the University entered into two additional loan agreements with the Ohio Air Quality Development Authority. The first loan agreement totals \$5,388; \$2,694 in Series A bonds and \$2,694 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects at its Ashtabula, East Liverpool, Geauga, Salem and Trumbull campuses. As of June 30, 2014, the outstanding principal of the Series A and Series B bonds was \$1,689 and \$2,694, respectively. The second loan agreement totals \$20,000: \$13,000 in Series A bonds, and \$7,000 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects for its Residence Hall and Dining Services auxiliary units. As of June 30, 2014, the outstanding principal of Series A and Series B bonds was \$9,650 and \$7,000, respectively.

During fiscal year 2013, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of \$24,947; \$17,447 in Series A bonds and \$7,500 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects at its Kent campus. As of June 30, 2014, the outstanding principal of Series A and Series B bonds was \$15,081 and \$7,500, respectively.

In fiscal year 2011, the University entered into an agreement with Fairmount Properties, LLC to construct a building for its Twinsburg location (programs are operated out of the University's Geauga campus) which the University will lease for a period of 30 years. The total capital lease is \$13,992 and lease payments will begin in September 2012. As of June 30, 2014, the total outstanding principal on the capital lease was \$13,503.

In fiscal year 2013, the University entered into several capital lease agreements; the most significant ones are as follows.

As part of the merger with OCPM, the University assumed the debt from a pooled financing program for State of Ohio Higher Educational Facility Rate Demand Revenue Bonds. The proceeds were recorded as an obligation under capital lease by OCPM for the construction relating to the improvement of the new main campus building. The University recorded this debt as a capital lease in the amount of \$5,380. As of June 30, 2014, the principal balance for this lease was \$5,010.

The University also entered into a lease agreement with the Portage County Port Authority for 3.75 acres of property near the northwest edge of the Kent campus for 15 years. The capital lease totaled \$3,680 and the remaining principal balance on the lease as of June 30, 2014 is \$3,435.

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

Long-term debt consists of the following as of June 30, 2014:

	<u>Rates</u>	<u>Maturity</u>	<u>2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>2014</u>
General Receipts Bonds of 2009B	2.0 - 5.0	2009-2032	\$ 188,855	\$ -	\$ (8,750)	\$ 180,105
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2012A	3.0 - 5.0	2014-2042	170,000	-	(2,915)	167,085
General Receipts Bonds of 2014A	2.0 - 5.0	2014-2033	-	28,415	-	28,415
Air Quality Dev. Tax Exempt Rev. Bond - Stark (A)	2.99	2010-2016	312	-	(132)	180
Air Quality Dev. Tax Credit Rev. Bond - Stark (B)	5.63	2010-2020	672	-	-	672
Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)	2.75	2012-2019	2,036	-	(347)	1,689
Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B)	4.86	2012-2019	2,694	-	-	2,694
Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A)	2.62	2012-2025	10,826	-	(1,176)	9,650
Air Quality Dev. Tax Credit Rev Bond Residence Halls & Dining Svcs (B)	5.32	2019-2025	7,000	-	-	7,000
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (A)	1.38	2013-2023	16,645	-	(1,564)	15,081
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)	3.65	2024-2027	7,500	-	-	7,500
Other	various	various	25,492	760	(2,036)	24,216
			492,032	29,175	(16,920)	504,287
Plus unamortized discount and premium			25,658	1,895	(4,012)	23,541
Subtotal			517,690	\$ 31,070	\$ (20,932)	527,828
Less current portion long-term debt			20,824			21,373
			<u>\$ 496,866</u>			<u>\$ 506,455</u>

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

Long-term debt consists of the following as of June 30, 2013:

	<u>Rates</u>	<u>Maturity</u>	<u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>2013</u>
General Receipts Bonds of 2009B	2.0 - 5.0	2009-2032	\$ 197,420	\$ -	\$ 8,565	\$ 188,855
General Receipts Bonds of 2013A	3.79	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2012A	3.0 - 5.0	2014-2042	170,000	-	-	170,000
Air Quality Dev. Tax Exempt Rev. Bond - Stark (A)	2.99	2010-2016	440	-	128	312
Air Quality Dev. Tax Credit Rev. Bond - Stark (B)	5.63	2010-2020	672	-	-	672
Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)	2.75	2012-2019	2,374	-	338	2,036
Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B)	4.86	2012-2019	2,694	-	-	2,694
Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A)	2.62	2012-2025	11,972	-	1,146	10,826
Air Quality Dev. Tax Credit Rev Bond Residence Halls & Dining Svcs (B)	5.32	2019-2025	7,000	-	-	7,000
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (A)	1.38	2013-2023	-	17,447	802	16,645
Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)	3.65	2024-2027	-	7,500	-	7,500
Other	various	various	17,199	10,323	2,030	25,492
			469,771	35,270	13,009	492,032
Plus unamortized discount and premium			29,397	-	3,739	25,658
Subtotal			499,168	\$ 35,270	\$ 16,748	517,690
Less current portion long-term debt			15,731			20,824
			<u>\$ 483,437</u>			<u>\$ 496,866</u>

Principal and interest on long-term debt are payable from operating revenues, allocated student fees and the excess of revenues over expenditures of specific auxiliary activities. The obligations are generally callable.

Hedging derivative instrument payments and hedged debt

As of June 30, 2014, aggregate debt service requirements of the University's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are shown below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer below for information on derivative instruments (interest rate swap).

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

The future amounts of principal and interest payments required by the debt agreements are as follows:

Year	Principal	Interest	Hedging Derivatives, Net	Total
2015	\$ 17,261	\$ 20,293	\$ 2,156	\$ 39,710
2016	17,597	19,607	2,147	39,351
2017	18,177	18,918	2,139	39,234
2018	19,288	18,166	2,128	39,582
2019	19,557	17,395	2,119	39,071
2020-2024	107,006	73,793	10,435	191,234
2025-2029	126,881	49,624	9,208	185,713
2030-2034	101,965	26,839	1,605	130,409
2035-2039	44,484	14,697	-	59,181
2040-2043	32,071	3,198	-	35,269
Total	\$ 504,287	\$ 262,530	\$ 31,937	\$ 798,754

Interest Rate Swap

The University has entered into a 30-year interest rate swap agreement for \$60,000 of the variable rate 2002 Series General Receipts bonds. The University entered into this agreement at the same time and for the same amount of the variable rate debt, with the intent of creating a synthetic fixed rate debt, at an interest rate that was lower than if fixed rate debt would have been issued directly. During 2009, the interest rate swap agreement was re-identified in connection with refunding of the 2002 Series General Receipt bonds through the issuance of 2008B Series General Receipt bonds. During fiscal year 2010, the counterparty on the agreement was changed from Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank) to Loop Financial Products LLP. Based on the swap agreement, the University owes interest calculated at a fixed rate to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate. The \$60,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The notional amount on the swap is \$60,000 as of June 30, 2014.

During 2013, the interest rate swap was re-identified in connection with the refunding of the 2008B Series General Receipt bonds through the issuance of the 2013A Series General Receipt bond. As a result of the re-identification, an imputed borrowing of \$15,912 was recorded as a non-current accrued liability and a new synthetic, at the market swap, was created as of the refinance date.

The revised interest rate swap has been determined to be an effective hedge and the fair value was estimated using the regression analysis method. The regression analysis method evaluates effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item.

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

As a result of the July 1, 2012 merger with the Ohio College of Podiatric Medicine (OCPM), the University assumed the OCPM capital lease and the associated swap. Based on the swap agreement, the University owes interest calculated at a fixed rate to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate. The debt service requirements for the term of the capital lease, as presented in this note, are based on that fixed rate. The notional amount on the swap is \$5,010 as of June 30, 2014.

As of June 30, 2014, the University has recorded a deferred inflow of resources and a related swap asset in the amount of \$2,529, accounting for the at-the-market swap and the former OCPM swap. The change in fair value totaled \$978 in 2014 and was recorded as a reduction of the deferred inflow of resources. Due to the termination of hedge accounting from the refunding of the 2008B General Receipts bonds, the University recognized \$1,398 as a deferred cost of refunding (included in deferred outflows of resources) and increased its accrued liability from \$14,514 to \$15,912. The deferred cost of refunding is being amortized over the life of the swap and has a balance of \$1,325 at June 30, 2014.

The interest rate swaps are subject to the following risks:

Interest rate risk - The University is exposed to interest rate risk. On the pay-fixed, receive-variable interest rate swaps, as LIBOR or the BMA Municipal Swap Index decreases, the University's net payment on the swap increases.

Basis risk - The University is exposed to basis risk due to variable rate payments received being based on a rate or index other than interest rates that the University pays on its variable rate debt. As of June 30, 2014, the interest rate on the University's Series 2013A hedged variable rate debt is 0.559 percent, while 67 percent of LIBOR is 0.10 percent and the interest rate on the University's hedged variable rate capital lease is 0.16 percent, while the weekly BMA Municipal Swap Index was 0.06 percent.

Termination risk - The swap agreements may be terminated prior to their stated termination dates under certain circumstances. Upon termination, a payment may be owed depending on the prevailing economic circumstances at the time of the termination.

Rollover risk - The University is exposed to rollover risk on its LIBOR-based interest rate swaps that mature or may be terminated prior to the maturity of the hedged debt. When these hedging interest rate swaps terminate, or in the case of a termination option, if the counterparty exercises its option, the University will be re-exposed to the risks being hedged by the interest rate swaps. The University is exposed to rollover risk.

Accrued Compensated Absences

Per University policy, faculty and staff earn vacation up to a maximum of 25 days per year with a maximum accrual of 75 days. Upon termination, they are entitled to a payout of their accumulated balance. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2014 and 2013 is \$16,283 and \$15,445, respectively.

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). The liability for accrued sick leave at June 30, 2014 and 2013 is \$6,043 and \$5,525, respectively.

A summary of accrued compensated absences at June 30, 2014 and 2013 is as follows:

<u>For the year ended</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
June 30, 2014	\$ 20,970	\$ 3,283	\$ 1,927	\$ 22,326
June 30, 2013	\$ 19,583	\$ 3,930	\$ 2,543	\$ 20,970

(7) Retirement Benefits

(a) Basic Retirement Benefits

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Ohio Public Employees Retirement System ("OPERS") and the State Teachers Retirement System of Ohio ("STRS Ohio"). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members. The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS Ohio a percentage of earned compensation for those employees participating in the alternative retirement program. On July 1, 2013, the contribution percentage increased to 4.5%. For the prior two fiscal years, the contribution percentage was 3.5%. The University's contributions to the alternative retirement fund for the years ended June 30, 2014, 2013 and 2012 were \$1,482, \$1,092, and \$975, respectively.

The Ohio Public Employees Retirement System's Comprehensive Annual Financial Report may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of covered payroll and the University is required to contribute 14% of covered payroll. The University's contributions to OPERS for the years ended June 30, 2014, 2013 and 2012 were \$15,651, \$14,951 and \$14,379, respectively, equal to the required contributions for each year.

The State Teachers Retirement System of Ohio's Comprehensive Annual Financial Report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371. The Ohio Revised Code provides statutory authority for employee and employer contributions. Prior to fiscal year 2014, the employee contribution rate was 10% of covered payroll and the University is required to contribute 14% of covered payroll. On July 1, 2013, the employee contribution rate is now 11% and the University's contribution percentage remained the same. The University's contributions to STRS Ohio for the years ended June 30, 2014, 2013, and 2012 were \$15,071, \$15,189 and \$14,393, respectively, equal to the required contributions for each year.

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(b) Post-Retirement Health Care Benefits

OPERS - Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and combined Plan must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

OPERS - Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 10% of covered payroll and public safety and law enforcement employers contributed at 12.6%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employers units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

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Notes to Financial Statements

June 30, 2014 and 2013

(in thousands)

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The University's contributions allocated to post-retirement health care for the years ended June 30, 2014, 2013, and 2012 were \$988, \$2,647 and \$4,086, respectively.

STRS - Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medical Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strs.oh.org or by requesting a copy by calling toll-free 1-888-227-7877.

STRS - Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The University's contribution to post-employment health care for the years ended June 30, 2014, 2013, and 2012 was \$1,076, \$1,084, and \$1,028, respectively.

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

(c) Ohio Public Employees Deferred Compensation Program

The University's employees may elect to participate in the Ohio Public Employees Deferred Compensation Program (the "Program"), created in accordance with Internal Revenue Code Section 457. The Program permits deferral of a portion of an employee's compensation until termination, retirement, death, or unforeseeable emergency. The deferred compensation and any income earned thereon are not subject to income taxes until actually received by the employee.

In 1998, the Ohio Public Employees Deferred Compensation Program Board implemented a trust to hold the assets of the Program in accordance with Internal Revenue Code Section 457. The program assets are the property of the trust, which holds the assets on behalf of the participants.

Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this program are not reported in the accompanying financial statements.

At June 30, 2014 and 2013, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were \$13,998 and \$11,555, respectively, which represents the fair market value at such dates.

(8) Contingencies and Commitments

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against any and all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University was a defendant in a lawsuit filed by one of its construction contractors for alleged construction delays and inefficiencies. In July 2009, a judgment in favor of the plaintiff was rendered in the amount of \$4,080. The University recorded this amount as a liability at June 30, 2009 and accrues interest each month. During fiscal year 2013, the University made a final payment to settle this liability in the amount of \$2,346.

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits. The University's risk exposure is limited to claims incurred. Total claims paid during the years ended June 30, 2014 and 2013 were \$53,328 and \$47,165, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of \$9,032 and \$8,088 has been accrued as of June 30, 2014 and 2013, respectively. This estimate is based on an analysis of historical claims paid. A summary of self-insured activity for the three years ended June 30, 2014, June 30, 2013, and June 30, 2012 is as follows:

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

For the Years Ended	Balance	Additions	Reductions	Balance
June 30, 2014	\$ 8,088	\$ 54,272	\$ 53,328	\$ 9,032
June 30, 2013	\$ 6,511	\$ 48,742	\$ 47,165	\$ 8,088
June 30, 2012	\$ 6,175	\$ 45,443	\$ 45,107	\$ 6,511

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2014 and 2013 for operating leases amounted to approximately \$1,111 and \$1,717, respectively.

Future minimum payments on non-cancelable operating leases subsequent to June 30, 2014 are as follows:

<u>Year</u>	<u>Operating Leases</u>
2015	\$ 927
2016	889
2017	897
2018	353
2019	94
Total future minimum payments	<u>\$ 3,160</u>

As of June 30, 2014, the University had commitments related to construction projects totaling \$92,158. Of this amount, \$65,849 or 72% will be funded from bond proceeds.

(9) Related Party Transactions

The University, together with The University of Akron and Youngstown State University, created a consortium to establish and govern The Northeastern Education Television of Ohio, Inc. ("NETO"), Channels 45 and 49, Kent, Ohio. This organization is legally separate from the University; accordingly, its financial activity is not included within the accompanying financial statements. The University has no contractual financial obligations to this consortium.

(10) Component Unit

The University is the sole beneficiary of the Foundation: a separate not-for-profit entity organized for the purpose of promoting educational and research activities. The Foundation is a legally separate entity from the University and maintains a self-appointing Board of Trustees. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation. Under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Foundation meets the definition of a discretely presented component unit.

Assets totaling approximately \$174,216 and \$163,519 at June 30, 2014 and 2013, respectively, most of which have been restricted by donors for specific purposes, are presented separately.

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Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

Amounts received by the University from the Foundation are included in the accompanying financial statements. The University received approximately \$9,650 and \$8,215 of financial support during the years ended June 30, 2014 and 2013, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2014 and 2013, the University had outstanding receivables from the Foundation of approximately \$56 and \$63, respectively.

The value of investments for the Foundation at June 30, 2014 and 2013 is as follows:

	Market Value 2014	Market Value 2013
Corporate stocks	\$ 6,980	\$ 5,537
Government bonds	-	1
Limited partnership hedge fund	6,065	8,978
ETFS	6,216	5,547
Mutual funds:		
Large capitalization equity funds	37,395	30,080
Small/middle capitalization equity funds	8,838	7,127
International equity funds	31,344	25,838
Other mutual funds	20,312	17,985
Fixed-income funds	30,529	33,870
	<u>\$ 147,679</u>	<u>\$ 134,963</u>

The KSU Foot and Ankle Clinic dba The Cleveland Foot and Ankle Clinic provides services to the public but does so to provide clinical experience for students of the KSU College of Podiatric Medicine. The Cleveland Foot and Ankle Clinic is a separate not-for-profit entity organized by the University for the benefit of the KSU College of Podiatric Medicine. The University is the sole member of the organization and appoints the directors. Under the provisions of GASB 61, the Clinic has been determined to be a blended component of the University. The University is obligated to deposit sufficient amounts to cover necessary expenses deemed to be core components to the continuous operation of the Clinic. The University also reviews and approves the annual budget. Condensed financial statement information for the Cleveland Foot and Ankle Clinic is presented below.

As of June 30, 2014:

Statement of Net Position (condensed):

Total assets	<u>\$ 47</u>
Total liabilities	<u>\$ 47</u>
Net position	<u>\$ 0</u>

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2014 and 2013 (in thousands)

As of June 30, 2013:

Statement of Net Position (condensed):

Total assets	\$ 87
Total liabilities	\$ 16
Net position	\$ 71

Assets primarily consist of patient receivables offset by an allowance for uncollectible patient receivables. Liabilities primarily consist of accounts payable and accrued vacation.

For the year ended June 30, 2014:

Statement of Revenues, Expenses, and Changes in Net Position (condensed):

Operating revenues	\$ 684
Operating expenses	(942)
Operating income (loss)	(258)
Transfers	187
Change in net position	\$ (71)

For the year ended June 30, 2013:

Statement of Revenues, Expenses, and Changes in Net Position (condensed):

Operating revenues	\$ 1,067
Operating expenses	(1,374)
Operating income (loss)	(307)
Transfers	378
Change in net position	\$ 71

Patient revenues are the major source of operating revenues for the Clinic. Operating expenses consist primarily of salaries and benefits for Clinic personnel and expenses related to the Clinic building (i.e., rental expense and insurance).

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

Independent Auditor's Report

To Management and the Board of Trustees
Kent State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kent State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2014. Our report includes a reference to other auditors who audited the financial statements of Kent State University Foundation, as described in our report on Kent State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management and the Board of Trustees
Kent State University

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

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

October 15, 2014

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

Independent Auditor's Report

To the Board of Trustees
Kent State University

Report on Compliance for Each Major Federal Program

We have audited Kent State University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Kent State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kent State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kent State University's compliance.

To the Board of Trustees
Kent State University

Opinion on Each Major Federal Program

In our opinion, Kent State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Kent State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kent State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be significant deficiency.

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

To the Board of Trustees
Kent State University

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

Plante & Morse, PLLC

October 15, 2014

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Student Financial Aid			
Department of Education			
Direct Programs			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 824,741
Federal Work-Study Program	84.033		1,919,744
Federal Perkins Loan Program	84.038		28,835,388
Federal Pell Grant Program	84.063		58,959,937
Federal Direct Loans	84.268		255,362,653
Teacher Education Assistance for College and Higher Education Grants (TEACH GRANTS)	84.379		2,204,770
Total Department of Education			<u>348,107,233</u>
Department of Health and Human Services			
Direct Program			
Health Professional Student Loans	93.342		1,368,535
Loans for Disadvantaged Students	93.342		147,764
Nursing Student Loans	93.364		<u>1,842,734</u>
Total Department of Health and Human Services			<u>3,359,033</u>
Total Student Financial Aid Cluster			<u>351,466,266</u>
Research And Development Cluster			
Department of Agriculture			
Direct Programs			
Agricultural Research Basic and Applied Research	10.001		5,905
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250		117
Agriculture and Food Research Initiative (AFRI)	10.310		121,121
International Agricultural Research Program	10.961		11,774
Pass-through Program			
The Ohio State University - Integrated Programs (B)	10.303	2010-51110-21080	<u>1,864</u>
Total Department of Agriculture			<u>140,781</u>
Department of Commerce			
Direct Program			
Measurement and Engineering Research and Standards	11.609		253,323
Pass-through Programs			
Ohio State Research Foundation - Sea Grant Support	11.417	60043509	1,599
Ohio State Research Foundation - Sea Grant Support	11.417	60025701	2,033
Ohio State Research Foundation - Sea Grant Support	11.417	60043506	6,283
Ohio State Research Foundation - Sea Grant Support	11.417	60038912	<u>18,867</u>
Total			<u>28,782</u>
ASM International - Measurement and Engineering Research and Standards	11.609	KSU01 PRIME 70NANB13H201	48,111
Goodrich Corp - Advanced Technology Program	11.612	OASIS-NIST ATP	<u>2,322</u>
Total Department of Commerce			<u>332,538</u>
Department of Defense			
Direct Programs			
Military Medical Research and Development	12.420		2,746
Air Force Defense Research Sciences Program	12.800		248,257
Pass-through Programs			
University of Central Florida - Basic and Applied Scientific Research	12.300	65016248	66,904

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Defense (Continued)			
Pass-through Programs (Continued)			
University of Utah - Military Medical Research and Development	12.420	10018797-KENT	\$ (12,641)
Tulane University - Military Medical Research and Development	12.420	TUL-654-12/13	9,449
Worcester Polytechnic Institute - Military Medical Research and Development	12.420	12-215570-01	111,924
Total			<u>108,732</u>
Case Western Reserve University - Air Force Defense Research Sciences Program	12.800	RE5506637	111,864
Lincoln Lab-MIT - New Technology Initiative Program Liquid Crystal Thermal Imager	NONE	MIT PURCHASE ORDER 7000205259	45,710
Riverside Research Institute - Study of Active Control of Metamaterial and its Ability to Beam Shape Signals	NONE	KSU412016	66,559
Holoeye Corp - Color Ultrahigh Definition Microdisplay	NONE	FA8650-13-M-6409	15,707
Hitron Technologies, Inc. - Electro-Optic and Infrared Situational Awareness Display	NONE	KSU412027	2,684
Dynamic Eye, Inc. - Dual Mode Eye Shields	NONE	W911QY-08-C-0049	19
Azimuth Corp - Cholesteric Liquid Crystal Polymers	NONE	FA8650-D-09-5434	6,666
Total			<u>137,345</u>
Total Department of Defense			<u>675,848</u>
Department of Housing and Urban Development			
Pass-through Programs			
City of Cleveland - Community Development Block Grants/Entitlement Grants	14.218	CT-5005-SG-2012-342	1,862
City of Cleveland - Community Development Block Grants/Entitlement Grants	14.218	SG2013-146	8,123
The Center for Community Solutions - Community Development Block Grants/Entitlement Grants	14.218	68-318 PRIME	4,753
Total			<u>14,738</u>
Total Department of Housing and Urban Development			<u>14,738</u>
Department of Interior			
Pass-through Programs			
Central Michigan University - Fish and Wildlife Management Assistance	15.608	444594KSU	4,854
Ohio State Research Foundation - Assistance to State Water Resources Research Institutes	15.805	60044139	6,237
Total Department of Interior			<u>11,091</u>
Department of Justice			
Direct Program			
Justice Research Development and Evaluation Project	16.560		27,730
Pass-through Programs			
Stan Hywet Hall and Gardens - Developing, Testing and Demonstrating Promising New Programs	16.541	415106	55
Ohio Criminal Justice Studies - Community Prosecution and Project Safe Neighborhoods (B)	16.609	2011-PS-PSN-366	6,913
City of Cleveland - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2013-236	61,635
Total Department of Justice			<u>96,333</u>
Department of Transportation			
Pass-through Programs			
Purdue University - Air Transportation Centers of Excellence	20.109	4108-60207	8,470
Purdue University - Air Transportation Centers of Excellence	20.109	4108-60206	10,356
Total Department of Transportation			<u>18,826</u>

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Assistance Number	Pass-through Identifying Number	Expenditures
National Aeronautics and Space Administration			
Direct Program			
Science	43.001		\$ 51,000
Pass-through Program			
Boston Applied Technologies, Inc - Novel to Near-to-Mid IR Imaging Sensors Without Cooling	NONE	NNX13CP39P	13,956
Total National Aeronautics and Space Administration			<u>64,956</u>
Institute of Museum and Library Services			
Direct Program			
National Leadership Grants	45.312		<u>98,868</u>
Total Institute of Museum and Library Services			98,868
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		219,494
Mathematical and Physical Sciences	47.049		1,320,732
Geosciences	47.050		274,291
Computer and Information Science and Engineering	47.070		207,307
Biological Sciences	47.074		282,028
Social Behavioral and Economic Sciences	47.075		192,166
Education and Human Resources	47.076		238,177
Polar Programs	47.078		29,315
Office of International and Integrative Activities	47.079		100,046
Office of Cyberinfrastructure	47.080		1,002
ARRA - TRANS-NSF RECOVERY ACT RESEARCH SUPPORT			258,103
Pass-through Programs			
Hiltron Technologies - Engineering Grants	47.041	HTI-NSF2-2012	31,251
Sterionics, Inc. - Engineering Grants	47.041	IIP-1248148	41,603
Washington State University - Engineering Grants	47.041	120239 G003233	37,766
Total			<u>110,620</u>
Case Western Reserve University - Mathematical and Physical Sciences	47.049	RES504079	8,965
Case Western Reserve University - Mathematical and Physical Sciences	47.049	DMR-0423914	31,214
Worcester Polytechnic Institute - Mathematical and Physical Sciences	47.049	12-202850-01-00	34,909
University of Wisconsin-Madison - Mathematical and Physical Sciences	47.049	364K291	<u>59,916</u>
Total			135,004
University of Florida - Computer and Information Science and Engineering	47.070	UF-EIES-0914033-KSU	7,758
Indiana University - Biological Sciences	47.074	PO # 419481	18,299
Stark State College of Technology - Education and Human Resources	47.076	NSFFC-0802536-10-10	5,515
Michigan State University - Education and Human Resources	47.076	RC100753KSU/PRIME DRL- 119327	15,937
Cuyahoga Community College - Education and Human Resources	47.076	KSU411508	16,798
Missouri State University - Education and Human Resources	47.076	11052-011	51,057
Capital University - Education and Human Resources	47.076	NSF-CCLI AWARD #0618252	37
National Center for Science And Civic Engagement - Education and Human Resources	47.076	717407	<u>1,796</u>
Total			91,140
ARRA - DePaul University - TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	47.082	500733SG069	<u>38,037</u>
Total National Science Foundation			<u>3,523,519</u>

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Environmental Protection Agency			
Pass-through Programs			
The University of Oklahoma - Nonpoint Source Implementation Grants	66.460	CA061009	\$ 3,930
Research Foundation at State University of New York - Great Lakes Program	66.469	GL-00E00503-KSU	9,539
Total Environmental Protection Agency			<u>13,469</u>
Department of Energy			
Direct Program			
Basic Energy Sciences University and Science Education	81.049		1,323,089
Pass-through Programs			
Regents of The University of Michigan - Basic Energy Sciences University and Science Education	81.049	KSU411206	122,978
Total			<u>1,446,067</u>
Lawrence Berkeley National Laboratory - Producing a LBNL/DOE: Comprehensive and Open Set of Tools for The JET Collaboration	NONE	KSU412705	31,355
UT-Battelle, LLC - Electron Beam Grafting of Acrylonitrile & Methacrylic Acid onto Polyethylene Fibers	NONE	4000095139	14,565
Total			<u>45,920</u>
Total Department of Energy			<u>1,491,987</u>
Department of Education			
Direct Programs			
National Institute on Disability and Rehabilitation	84.133		281,746
Research in Special Education	84.324		52,212
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407		416,494
Pass-through Programs			
Ohio Department Of Education - Special Education Grants to States	84.027	EDU01-0000007585	218,163
Ohio Department Of Education - Special Education Grants to States	84.027	EDUR201450200	165,949
Ohio Department Of Education - Special Education Grants to States	84.027	EDU01-0000006008	10,524
Ohio Department Of Education - Special Education Grants to States	84.027	EDU01-0000003002	4,900
Ohio Department Of Education - Special Education Grants to States	84.027	EDU-01-0000004703	2,492
Total			<u>402,028</u>
Ohio Department Of Education - Career and Technical Education -- Basic Grants to States	84.048	EDU01-0000007585	35,204
City of Akron - 21st Century Community Learning Centers Program	84.287	000876	4,751
Akron Public Schools - 21st Century Community Learning Centers Program	84.287	KSU415123	18,027
Total			<u>22,778</u>
The University of Akron - English Language Acquisition State Grants	84.365	00773-KSU ED-T365Z120262	18,280
Akron Public Schools - School Improvement Grants	84.377	PO 12013162-00033 SPECIAL SVCS	1,201
Akron Public Schools - School Improvement Grants	84.377	KSU415120	28,627
Total			<u>29,828</u>
ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	KSU448034	49,872
ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	KSU448035	7,648
ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	PO EDU01-0000012854	36,718
Total			<u>94,238</u>

See Notes to Schedule of Expenditures
of Federal Awards.

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Education (Continued)			
Pass-through Programs (Continued)			
ARRA - Sisters of Charity Foundation of Canton - Race to the Top - Early Learning Challenge	84.412	KSU448051	\$ 61,611
Total Department of Education			<u>1,414,419</u>
Department of Health and Human Services			
Direct Programs			
Oral Diseases and Disorders Research	93.121		21,265
Research and Training in Alternative Medicine	93.213		136,621
Health Services Research and Development Grants	93.226		1,734
Mental Health Research Grants	93.242		232,909
Nursing Research	93.361		583,118
Cancer Detection and Diagnosis Research	93.394		184,558
ARRA - TRANS-NIH RECOVERY ACT RESEARCH SUPPORT	93.701		27,286
Cardiovascular Diseases Research	93.837		900,053
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		19,482
Clinical Research Related to Neurological Disorders	93.853		193,186
Pharmacology Physiology and Biological Chemistry	93.859		231,166
Child Health and Human Development Extramural Research	93.865		304,059
Pass-through Programs			
Health Research, Inc. - Environmental Public Health and Emergency Response	93.070	3792-03	6,587
Canton City Health Department - Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	KSU415114	17,880
Canton City Health Department - Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	KSU415124	43,671
Total			<u>61,551</u>
University of Cincinnati - Biological Response to Environmental Health Hazards	93.113	008148	16,667
The University of Iowa - Injury Prevention and Control Research and State Grants	93.136	1001103524	14,518
The University of Akron - Mental Health Research Grants	93.242	KSU413307	8,935
Oriana House, Inc. - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	T1024476	15,440
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services- Projects of Regional and National Significance (B)	93.243	KSU416402	556
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services- Projects of Regional and National Significance (B)	93.243	KSU416404	5,683
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services- Projects of Regional and National Significance (B)	93.243	KSU416405	10,130
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services- Projects of Regional and National Significance (B)	93.243	KSU416419	19,799
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services- Projects of Regional and National Significance (B)	93.243	KSU 440522	17,766
Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services- Projects of Regional and National Significance (B)	93.243	KSU 440880	19
Total			<u>69,393</u>
Ohio State Research Foundation - Alcohol Research Programs	93.273	RF01219228 & RF01308142	18,984
The University of Tennessee - Alcohol Research Programs	93.273	OR14350-001.01 / 1R01AA017898	110,457
Total			<u>129,441</u>
West Virginia University - Nurse Education, Practice Quality and Retention Grants	93.359	08-340-KSU	6,050

See Notes to Schedule of Expenditures
of Federal Awards.

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Health and Human Services (Continued)			
Pass-through Programs (Continued)			
Summit County Health District - PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	KSU411714	\$ 11,272
Ohio State Research Foundation - Developmental Disabilities Basic Support and Advocacy	93.630	60039025	17,852
Translational Genomics Research Institute - Allergy Immunology and Transplantation Research	93.855	PRICE-11-03	18,287
The University of Oregon - Pharmacology Physiology and Biological Chemistry	93.859	215250C PRIME1R01GM103309-01A1	27,534
California State University San Marcos Foundation - Pharmacology Physiology and Biological Chemistry	93.859	F-77330	30,089
Total			<u>57,623</u>
University of Southern California - HIV Demonstration Research Public and Professional	93.941	46822719	7,613
Ohio Department of Mental Health and Addiction Service - Block Grants for Prevention and Treatment of Substance Abuse	93.959	99-3402-HEDUC-P-14-0007	4,000
University of Southern California - Preventive Health Services Sexually Transmitted Diseases	93.978	35567912	14,930
Carroll County General Health District - Maternal and Child Health Services Block Grant to the States	93.994	KSU416203	3,112
Total Department of Health and Human Services			<u>3,283,268</u>
Total Research And Development Cluster			11,180,641
Economic Development Cluster			
Department of Commerce			
Direct Program			
Investments for Public Works and Economic Development Facilities	11.300		2,464,834
Total Economic Development Cluster			<u>2,464,834</u>
CDBG - Entitlement Grants Cluster			
Department of Commerce			
Pass-through Program			
Stark County Regional Planning Commission - Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-39-0005	31,421
Total CDBG - Entitlement Grants Cluster			<u>31,421</u>
Federal Transit Cluster			
Department of Transportation			
Direct Program			
Bus and Bus Facilities Formula Program	20.526		441,000
Total Federal Transit Cluster			<u>441,000</u>
Special Education Cluster (IDEA)			
Department of Education			
Pass-through Program			
University of Dayton Research Institute - Special Education Grants to States	84.027	RSC13043	67,131
Total Special Education Cluster (IDEA)			<u>67,131</u>
TRIO Programs Cluster			
Department of Education			
Direct Programs			
TRIO Student Support Services	84.042		418,080
TRIO Upward Bound	84.047		982,929
McNair Post-Baccalaureate Achievement	84.217		243,083
Total TRIO Programs Cluster			<u>1,644,092</u>

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Statewide Data Systems, Recovery Act Cluster			
Department of Education			
Pass-through Program			
ARRA - Ohio Board of Regent - Statewide Data Systems, Recovery Act	84.384	CFDA 84.384 ARCHIVED 2011	\$ 56,790
Total Statewide Data Systems, Recovery Act Cluster			56,790
Medicaid Cluster			
Department of Health and Human Services			
Pass-through Program			
The Ohio State University - Medical Assistance Program	93.778	KSU416018	46,592
Total Medicaid Cluster			46,592
Subtotal of Clusters			367,398,767
Department of Agriculture			
Direct Program			
Rural Technology Development Grants	10.771		190,958
Total Department of Agriculture			190,958
Department of Defense			
Direct Program			
Language Grant Program	12.900		278,192
Total Department of Defense			278,192
Department of Justice			
Direct Program			
Bulletproof Vest Partnership Program (C)	16.607		61,091
Pass-through Programs			
Ohio Criminal Justice Studies - Community Prosecution and Project Safe Neighborhoods (B)	16.609	2010-PS-PSN-366A	5,743
Drug-Free Action Alliance - Enforcing Underage Drinking Laws Program (B)	16.727	KSU 417200	1,526
Total Department of Justice			68,360
Department of State			
Pass-through Programs			
International Research & Exchange Board - Academic Exchange Programs - Undergraduate Programs	19.009	S-ECAGD-13-CA-090	21,145
International Research & Exchange Board - Academic Exchange Programs - Undergraduate Programs	19.009	418602	31,603
Total			52,748
International Research & Exchange Board - Academic Exchange Programs - Special Academic Exchange Programs	19.011	KSU418605	8,559
Institute of International Education - Educational Exchange-University Lecturers (Professors) and Research Scholars (B)	19.401	S-ECAAE-12-CA-008 (KF)	38,235
Institute of International Education - Educational Exchange-University Lecturers (Professors) and Research Scholars (B)	19.401	S-IZ-100-11-GR-070	88,674
Total			126,909
International Research & Exchange Board - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	S-ECAAS-12-CA-003	(1,137)
International Research & Exchange Board - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY10 ILEP-KENT-01	17
International Research & Exchange Board - Educational Exchange-Teachers from Secondary and Postsecondary Levels and School Administrators (B)	19.408	FY14-ILEP-KENT STATE UNIV- 01	182,948
Total			181,828
Total Department of State			370,044

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Transportation			
Direct Program			
Airport Improvement Program	20.106		\$ 39,500
Total Department of Transportation			<u>39,500</u>
National Endowment for the Arts			
Direct Program			
Promotion of the Arts - Grants to Organizations and Individuals	45.024		29,452
Pass-through Programs			
The University of Akron - Promotion of the Arts - Grants to Organizations and Individuals	45.024	00932-KSU	2,566
Ohio Arts Council - Promotion of the Arts - Partnership Agreements	45.025	130026	(10,307)
Ohio Arts Council - Promotion of the Arts - Partnership Agreements	45.025	KSU416704	11
Arts Midwest - Promotion of the Arts - Partnership Agreements	45.025	KSU487919	3,400
Total			<u>(6,896)</u>
Total National Endowment for the Arts			<u>25,122</u>
Institute of Museum and Library Sciences			
Direct Program			
Librarians for the 21st Century	45.313		150,440
Total Institute of Museum and Library Sciences			<u>150,440</u>
Small Business Administration			
Pass-through Programs			
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU445004	32,157
Ohio Development Services Agency - Small Business Development Centers	59.037	ECDD 11-285	1
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU487908	5,381
Ohio Development Services Agency - Small Business Development Centers	59.037	ECDD 11-287	37,771
Ohio Development Services Agency - Small Business Development Centers	59.037	OSB-128	17,263
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-14-126A	49,917
Ohio Development Services Agency - Small Business Development Centers	59.037	KSU487908	30,393
Ohio Development Services Agency - Small Business Development Centers	59.037	OSBG-14-127A	116,968
Total			<u>289,851</u>
NorTech - FlexMatters Regional Innovation Cluster	NONE	NOR-SBA-10C0030	39,340
Total Small Business Administration			<u>329,191</u>
Environmental Protection Agency			
Pass-through Program			
Harrisburg University of Science and Technology - Environmental Education Grants	66.951	NE 00E01029	997
Total Environmental Protection Agency			<u>997</u>
Department of Education			
Direct Programs			
Rehabilitation Long-Term Training	84.129		16,209
Adult Education National Programs	84.191		382,298
Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B)	84.325		728,444
Pass-through Programs			
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2014	443,193
The Ohio State University - Adult Education - Basic Grants to States	84.002	BOR01-3437	520,266
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	MOU 415604	7,171

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Education (Continued)			
Pass-through Programs (Continued)			
Ohio Board of Regents - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2013	\$ 23,721
Total			994,351
Ohio Board of Regents - Career and Technical Education - Basic Grants to States	84.048	BORFN-042	(861)
Ohio Board of Regents - Career and Technical Education - Basic Grants to States	84.048	BOR01-0000003606	4,231
Ohio Board of Regents - Career and Technical Education - Basic Grants to States	84.048	CAREER TECH ED	562
Ohio Board of Regents - Career and Technical Education - Basic Grants to States	84.048	PO BOR01-0000002891	10
Ohio Department of Education - Career and Technical Education -- Basic Grants to States	84.048	VEPD-CB-14-044164	99,673
Total			103,615
Ohio Development Services Agency - Rehabilitation Services Vocational Rehabilitation Grants	84.126	OSB-164	11,454
Ohio Development Services Agency - Rehabilitation Services Vocational Rehabilitation Grants	84.126	KSU487918	33,253
Total			44,707
Ohio Department of Developmental Disabilities - Special Education-Grants for Infants and Families	84.181	PO DMR01-0000013628	7,241
Ohio Rehabilitation Services Commission - Rehabilitation Services Demonstration and Training Programs	84.235	H235U070024	6,851
Northeast Ohio Medical University - 21st Century Community Learning Centers Program	84.287	34528-B	1,842
Summit County Educational Service Center - Foreign Languages Assistance	84.293	KSU411704	10,490
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	12-18	87
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	11-18	108
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	13-20	750
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	97-OH03-SEED2012	968
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	13-18	1,501
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	KSU467915	1,765
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	KSU467915	16,432
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	12-18	94,511
Total			116,122
Ohio Department Of Education - Mathematics and Science Partnerships (B)	84.366	EDU01-0000009643	15,364
Ohio Department Of Education - Mathematics and Science Partnerships (B)	84.366	EDU01-0000011981	92,025
Total			107,389
ARRA - Ohio Department Of Education - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	PO EDU01-0000009338	3,933
ARRA - Ohio Department Of Education - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	PO 11797	44,012
Total			47,945
Total Department of Education			2,567,504

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Vietnam Education Foundation			
Direct Program			
VEF Fellowship Program	85.802		\$ 26,862
Total Vietnam Education Foundation			<u>26,862</u>
Department of Health and Human Services			
Pass-through Programs			
Summit County Health District - Public Health Emergency Preparedness	93.069	231-12	9,136
Tuscarawas County General Health District - Public Health Emergency Preparedness	93.069	KSU 444503	<u>45,536</u>
Total			54,672
Carroll County General Health District - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	KSU416209	6,597
Northeast Ohio Medical University - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)	93.243	34418-P	2,936
Summit County Health District - Immunization Cooperative Agreements	93.268	231-12	6,272
Summit County Health District - PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	KSU416408	11,547
Summit County Health District - PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	231-12	<u>14,683</u>
Total			26,230
Summit County Health District - Maternal and Child Health Services Block Grant to the	93.994	231-12	<u>7,989</u>
Total Department of Health and Human Services			<u>104,696</u>
Total Other Programs			<u>4,151,866</u>
Total Federal Awards			<u><u>\$ 371,550,633</u></u>

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kent State University (the "University") under programs of the federal government for the year ended June 30, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

Facilities and Administrative Costs - The University has approved predetermined facilities and administrative cost rates, which are 47.2 percent from July 1, 2010 to June 30, 2014 for on-campus research and instruction and 26 percent from July 1, 2009 to June 30, 2014 for off-campus research.

Note 2 - Loans Outstanding

Outstanding balances of the following loan programs as of June 30, 2014 are disclosed in the Schedule:

Cluster/Program Title	CFDA Number	Advances	Amount Outstanding
Perkins Loan Program	84.038	\$ 6,021,825	\$ 28,835,388
Nursing Student Loan Program	93.364	306,336	1,842,734
Health Professional Student Loans	93.342	120,697	1,368,535
Loans for Disadvantaged Students	93.342	4,248	147,764
	Total	<u>\$ 6,453,106</u>	<u>\$ 32,194,421</u>

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 3 - 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
Engineering Grants	47.041	\$ 119,698
Social Behavioral and Economic Sciences	47.075	5,814
Education and Human Resources	47.076	9,611
Trans-NSF Recovery Act Research Support	47.082	93,812
Basic Energy Sciences University and Science Education	81.049	164,306
Adult Education - Basic Grants to States	84.002	7,000
National Institute on Disability and Rehabilitation	84.133	105,271
Adult Education National Programs	84.191	27,782
Research in Special Education	84.324	38,949
Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	10,969
State Fiscal Stabilization Fund (Sfsf) - Race -To-The-Top Incentive Grants, Recovery Act	84.395	226
Oral Diseases and Disorders Research	93.121	9,416
Research and Training in Alternative Medicine	93.213	53,229
Nursing Research	93.361	225,309
Cancer Detection and Diagnosis Research	93.394	43,324
Cardiovascular Diseases Research	93.837	420,839
Child Health and Human Development Extramural Research	93.865	61,515
Total		<u>\$ 1,397,070</u>

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

Note 4 - Federal Expenditure Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the statement of revenue, expenses, and changes in net position (the "Statement"), which is included as part of the University's financial statements:

Expenditures per the Schedule	\$ 371,550,633
Perkins loan funds excluded from federal grants on the Statement	(28,835,388)
Nursing student loan funds excluded from the federal grants on the Statement	(1,842,734)
Health Professional student loans excluded from federal grants on the Statement	(1,368,535)
Loans for disadvantaged students excluded from federal grants on the Statement	(147,764)
Federal Pell Grant funds shown separately on the Statement	(58,959,937)
Federal Direct Loans excluded from the federal grants on the Statement	<u>(255,362,653)</u>
Total	<u>\$ 25,033,622</u>

Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the University can transfer Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007) award funds to the Federal Work Study (FWS) Program (84.003). The University transferred and spent \$240,657 for the 2013-2014 award year.

In addition, the University spent \$18,826 of carried forward FWS funds from the 2012-2013 award year during the 2013-2014 award year. The University carried forward \$46,197 of SEOG funds from the 2013-2014 award year to be spent in the 2014-2015 award year.

Kent State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

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

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

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:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364 11.300	Student Financial Aid Cluster Economic Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$602,531

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Kent State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference

<u>Number</u>	<u>Finding</u>
2014-001	Program Name - Federal Perkins Loan Program - 84.038

Pass-through Entity - N/A

Finding Type - Significant deficiency

Criteria - § 1092b. Established the National Student Loan Data System (NSLDS) as a mechanism to collect information regarding loans made, insured, or guaranteed under part B of this subchapter and loans made under parts C and D of this subchapter, and for allowing the electronic exchange of data between program participants and the system. This permits borrowers to monitor enrollment, student status, information about current loan holders and servicers, and internship and residency information. Certain information related to loan disbursements are required to be submitted by the borrowers in order to fulfill this purpose. Borrowers are also required to evaluate student lending history to ensure that annual and lifetime limits are not exceeded before disbursing funds to students.

Condition - Kent State University (KSU) uses a third-party service organization to process Perkins loan reporting to NSLDS. Certain errors in data were communicated back to KSU as a result of initial, timely submissions performed throughout the year. However, KSU did not resolve the errors reported; therefore, proper updates for disbursements of Perkins loans were not made to NSLDS for some students.

Questioned Costs - None

Context - Of the 25 tested, one student did not have Perkins disbursements properly reported. The client performed a further analysis and detected 199 students' Perkins disbursements were not reported on NSLDS. Based on KSU's evaluation no student exceeded their aggregate Perkins loan amount or other Title IV federal student aid as a result of this omission. Further, this omission did not result in additional Perkins loan funds being awarded to students currently listed in default on their Perkins or other Title IV aid.

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2014-001 (Con't)	<p>Cause and Effect - University Accounting Systems (UAS), as KSU's third-party loan servicer, reports all Perkins loan change to NSLDS on a monthly basis. Occasionally, a Perkins loan change reported to NSLDS is rejected for various reasons. All rejected Perkins loan changes are reported back to UAS for corrective action. UAS provides KSU with access to a monthly NSLDS Error Report, or a report that identifies any rejected Perkins loan changes by NSLDS. KSU is responsible for reviewing the monthly NSLDS Error Report and correcting any errors listed in order to allow the Perkins loan changes to be reported correctly by UAS to NSLDS. The Manager in the Collections area in the Bursar's Office has been responsible for accessing and reviewing this error report. However, as there was turnover in this department, the new manager was unaware of this responsibility and did not review the error reports and provide revisions for the period under audit.</p> <p>Recommendation - KSU should implement a process to review error reports within the necessary timeframe and increase communication with the third-party servicer to ensure they are aware of any major changes occurring at KSU that would affect the information reported.</p> <p>Views of Responsible Officials and Planned Corrective Actions - KSU will take immediate action and correct all the Perkins loan records listed on the NSLDS Error Report. Further, KSU will enhance its current reporting and monitoring process by ensuring that the report is accessed and reviewed monthly and that all errors listed on the NSLDS Error Report are analyzed and corrected in a timely fashion.</p>

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

Prior year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2013-001	Student Financial Aid Cluster - 84.007, 84.038, 84.063, 84.268, 84.379	The University did not perform the calculation to return Title IV refunds within the 45-day requirement.	Corrected	To ensure that the logic change made to the R2T4 report was working correctly, we compare both the old and new report to each other each week. Kent State University also worked with Information Services to document the current logic of the report to ensure that all potential students were being reported and reviewed for R2T4 compliance. Kent State University is also in the process of developing a plan to conduct a self-assessment to ensure compliance with R2T4. This assessment will involve running two separate queries with data provided by the Registrar and Financial Aid Offices. The output from these two separate queries will then be compared to the current R2T4 report to ensure its accuracy. The work on these two queries was completed at the end of Spring 2014, but it has not been fully implemented due to workload and staffing shortages in the Bursar's Office. Once the Accounts Receivable Student Department is fully staffed, the quarterly assessment, using the two separate queries, will begin.