

Kent State University

Financial Report

June 30, 2010

KENT STATE UNIVERSITY
Table of Contents
June 30, 2010 and 2009

	Page(s)
Management's Discussion and Analysis (unaudited).....	1-8
Financial Statements	
Report of Independent Auditors	9-10
Statement of Net Assets.....	11
Statement of Revenues, Expenses and Changes in Net Assets.....	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-30
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.....	31-32
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A133	33-34
Schedule of Expenditures of Federal Awards	35-46
Notes to Schedule of Expenditures of Federal Awards.....	47-49
Schedule of Findings and Questioned Costs	50-51

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2010 and 2009

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, 2010 and 2009. 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*. The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Kent State University Foundation (the "Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation is discretely presented in the University's Financial Statements. The Foundation has been excluded from Management's Discussion and Analysis.

Noteworthy Financial Activity

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2010 as compared to the previous year. The University's total assets increased over the prior year by \$22.2 million to \$997.1 million while total liabilities decreased by \$18.5 million to \$408.8 million. Highlights of significant financial events are as follows:

- Fall 2009 enrollment increased by 9.7% over the prior year to a total of 38,457 students.
- In September 2009, the University issued \$214.9 million in General Receipts bonds. The proceeds of the bonds were used to refund Series 2009A bonds (\$156.6 million), Series 2008A bonds (\$41.5 million) and Series 2000 bonds (\$7.8 million). In addition, the University terminated the associated interest rate swaps and included the termination payment of \$23.9 million in the new debt issuance.
- The University's investments increased by \$20.9 million to \$265.6 million due to increases in market values as a result of improved market conditions.

The following sections provide additional details on the University's 2010 financial results and future factors that may impact the University.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited)

As of June 30, 2010 and 2009

Statement of Net Assets

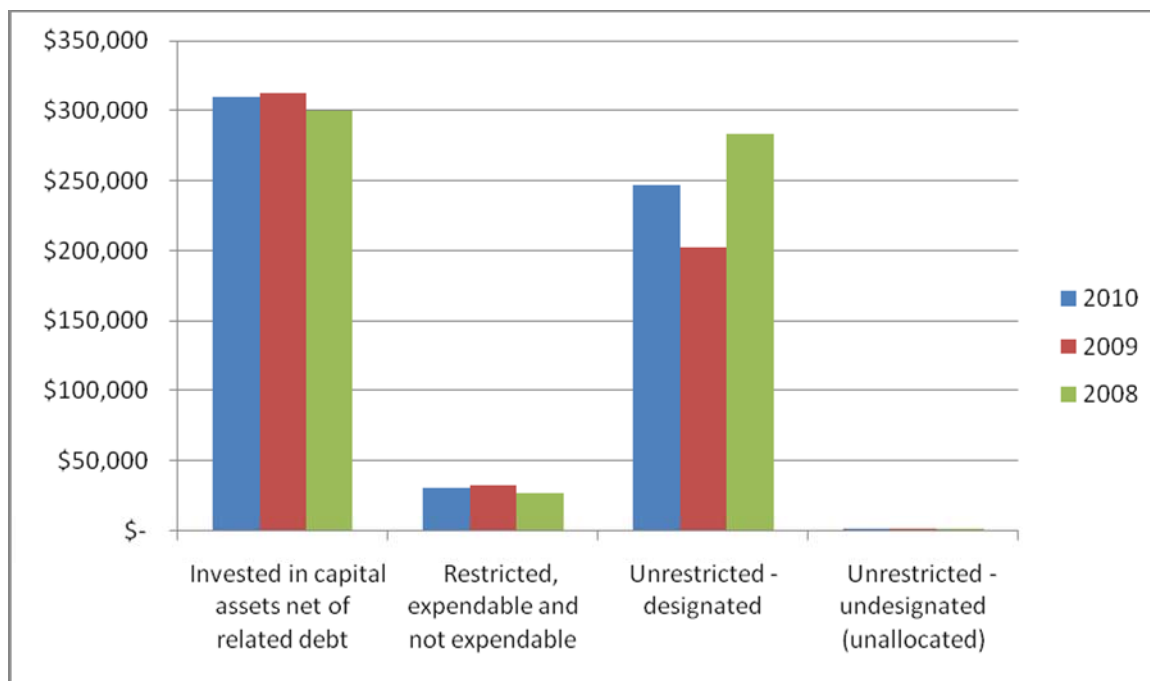
The Statement of Net Assets includes all assets and liabilities. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment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

Kent State University Condensed Statement of Net Assets as of June 30, 2010, 2009 and 2008 (in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ASSETS			
Current and other assets	\$ 417,391	\$ 400,423	\$ 440,330
Capital assets	579,676	574,484	565,972
Total assets	<u>\$ 997,067</u>	<u>\$ 974,907</u>	<u>\$ 1,006,302</u>
 LIABILITIES			
Long-term debt	296,569	\$ 276,019	\$ 277,532
Other	112,197	151,232	117,615
Total liabilities	<u>\$ 408,766</u>	<u>\$ 427,251</u>	<u>\$ 395,147</u>
 NET ASSETS			
Invested in capital assets net of related debt	\$ 310,124	\$ 312,422	\$ 299,576
Restricted, expendable and not expendable	30,201	32,596	27,262
Unrestricted:			
Designated	247,181	201,843	283,522
Undesignated (unallocated)	795	795	795
Total net assets	<u>\$ 588,301</u>	<u>\$ 547,656</u>	<u>\$ 611,155</u>

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2010 and 2009



2010 Versus 2009

At June 30, 2010, the University's current assets of \$236.6 million were sufficient to cover current liabilities of \$99.8 million (current ratio of 2.4). At June 30, 2009, current assets of \$196.9 million were sufficient to cover current liabilities of \$138.0 million (current ratio of 1.4).

At June 30, 2010, total University assets were \$997.1 million, compared to \$974.9 million at June 30, 2009. The increase of \$22.2 million is mainly attributed to an increase in the market value of investments of \$20.9 million and an increase in cash of \$27.1 million. See the statement of cash flows for more detail related to changes in cash. These increases were offset by a decrease of \$33.5 million in the deferred outflow of resources due to the University terminating all but one of the interest rate swap agreements in fiscal year 2010. With the implementation of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments in fiscal year 2010, the University was required to report the fair value of the derivative instruments on its presented financial statements. See footnotes 2 and 6 related to the interest rate swaps and restatement of the University's financial statements for further discussion.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited)

As of June 30, 2010 and 2009

University liabilities total \$408.8 million at June 30, 2010 compared to \$427.3 million at June 30, 2009. This decrease is primarily due to an increase of \$21.0 million in long term debt offset by a decrease of \$11.1 million in accounts payable and accrued liabilities and a decrease in the fair value of derivative instruments caused by the termination of SWAP agreements. During 2010, the University issued \$214.9 million in bonds which refunded Series 2009A bonds, Series 2008A bonds, and Series 2000 bonds. Associated interest rate swaps were also terminated and the termination payment of \$23.9 million was included in the Series 2009B issuance. The decrease in accounts payable and accrued liabilities is primarily due to a reduction of \$6.1 million in the accrued liability for the University Employee Separation Plan which was offered during 2009.

Total net assets increased by \$40.6 million to \$588.3 million. Unrestricted net assets total \$248.0 million, 99.7% of which (\$247.2 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

2009 Versus 2008

At June 30, 2009 the University's current assets of \$196.9 million were sufficient to cover current liabilities of \$138.0 million (current ratio of 1.4). At June 30, 2008, current assets of \$169.7 million were sufficient to cover current liabilities of \$104.5 million (current ratio of 1.6).

At June 30, 2009, total University assets were \$974.9 million, compared to \$1,006.3 million at June 30, 2008. The decrease of \$31.4 million is attributed to a decrease in the market value of investments of \$57.8 million, offset by increases in both cash and net capital assets.

Current and other assets decreased \$45 million to \$364.7 million, compared to \$409.6 million at June 30, 2008, primarily due to the decrease in the market value of investments of \$57.8 million.

University liabilities total \$427.2 million at June 30, 2009 compared to \$395.1 million at June 30, 2008. This increase is primarily due to additional accruals recorded in the plant funds associated with the additional interest incurred as a result of the University's swap counterparty filing for bankruptcy. As a result of this, the debt issue was restructured resulting in increased debt. In addition, the University recorded an \$8.6 million liability associated with the University Employee Separation Plan implemented in fiscal year 2009.

Total net assets decreased by \$63.5 million to \$547.6 million. Unrestricted net assets total \$202.6 million, 99.6% of which (\$201.8 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or 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.

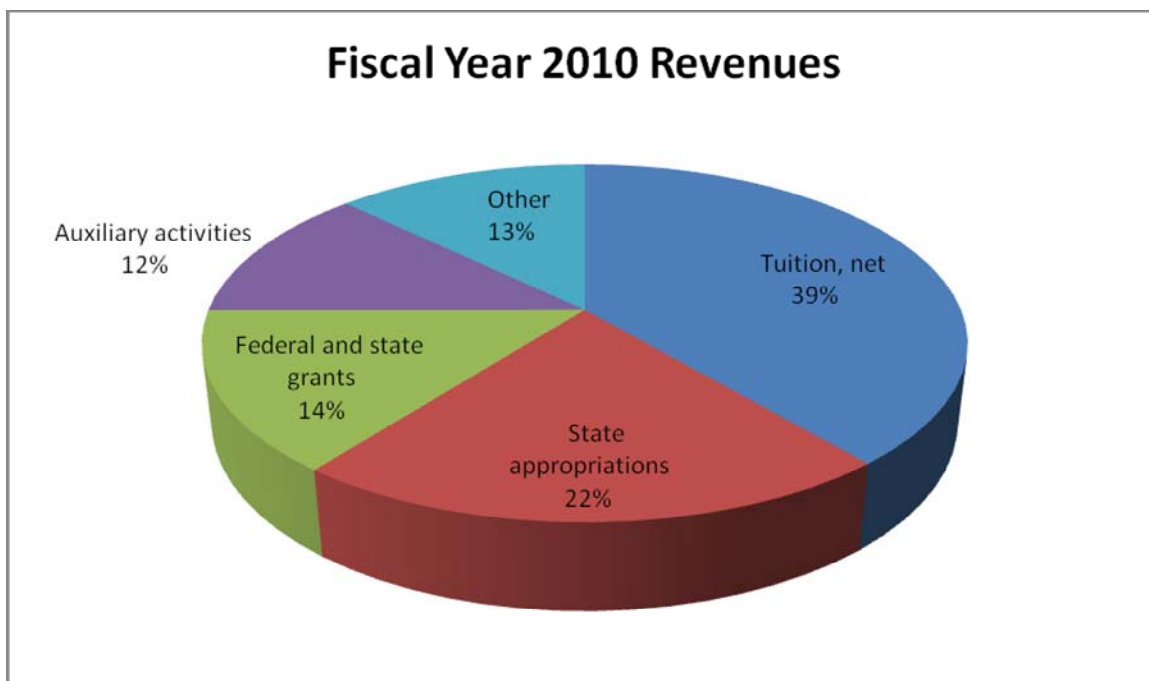
KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2010 and 2009

Kent State University Condensed Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2010, 2009 and 2008 (in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues			
Tuition, net	\$ 249,107	\$ 205,682	\$ 205,035
State appropriations and Federal Fiscal Stabilization Funds	137,646	138,552	128,504
Federal and state grants	94,114	78,761	65,171
Auxiliary activities	78,702	84,404	82,831
Other	81,774	(2,683)	35,705
Total revenues	<u>\$ 641,343</u>	<u>\$ 504,716</u>	<u>\$ 517,246</u>
Expenses			
Instruction	\$ 197,230	\$ 190,587	\$ 180,911
Research	18,993	20,798	15,456
Institutional support	53,276	52,606	47,090
Scholarships and fellowships	37,642	27,062	24,149
Other	293,557	277,162	251,123
Total expenses	<u>\$ 600,698</u>	<u>\$ 568,215</u>	<u>\$ 518,729</u>

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 39% followed by State appropriations at 22%.



KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2010 and 2009

2010 Versus 2009 During the year ended June 30, 2010:

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 8-10% in all semesters.

State appropriations were the most significant non-operating revenue. During 2010, state appropriations totaled \$137.6 million which included \$19.4 million of Federal fiscal stabilization funds.

Operating expenditures, including depreciation of \$40.2 million, totaled \$556.6 million. Instruction expenses increased primarily due to salary increases.

2009 Versus 2008 During the year ended June 30, 2009:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts.

Operating expenditures, including depreciation of \$40.1 million, totaled \$545.5 million.

State appropriations were the most significant non-operating revenue totaling \$138.6 million.

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, 2010, 2009 and 2008 (in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash (used in)/provided by:			
Operating activities	\$ (129,618)	\$ (126,114)	\$ (121,604)
Investing activities	11,608	19,487	(111,380)
Capital and related financing activities	(58,936)	(53,873)	(49,647)
Non-capital financing activities	<u>204,057</u>	<u>185,015</u>	<u>162,563</u>
Net increase/(decrease) in cash	27,111	24,515	(120,068)
Cash and cash equivalents, beginning of year	<u>54,165</u>	<u>29,650</u>	<u>149,718</u>
Cash and cash equivalents, end of year	<u><u>\$ 81,276</u></u>	<u><u>\$ 54,165</u></u>	<u><u>\$ 29,650</u></u>

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2010 and 2009

2010 Versus 2009 During the year ended June 30, 2010:

Major sources of cash included student tuition and fees (\$196.6 million), state appropriations (\$118.3 million), Federal Fiscal Stabilization funds (\$19.4 million), auxiliary activities (\$79.3 million), Federal Pell grants (\$55.8 million) and grants and contracts (\$48.2 million). The largest payments were for suppliers (\$210.1 million) and employees (\$256.0 million).

2009 Versus 2008 During the year ended June 30, 2009:

Major sources of cash included student tuition and fees (\$160.3 million), state appropriations (\$138.5 million), auxiliary activities (\$84.1 million), and grants and contracts (\$51.5 million). The largest payments were for suppliers (\$197.2 million) and employees (\$245.5 million).

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the University had invested \$579.7 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 \$5.2 million, or .90 percent, over last year.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 11.7	\$ 11.3	\$ 11.0
Equipment	45.1	52.0	59.9
Buildings and improvements	499.9	481.1	483.2
Construction in progress	<u>23.0</u>	<u>30.1</u>	<u>11.9</u>
Total	<u>\$ 579.7</u>	<u>\$ 574.5</u>	<u>\$ 566.0</u>

In fiscal year 2010, the University began the renovation of the Risman Plaza and the first floor of the Library and began the construction of the Tuscarawas Performing Arts Center. These projects will continue into fiscal year 2011. Other anticipated capital projects in fiscal year 2011 include energy conservation projects, Loop Road recreation field improvements, and the renovation of Harbourt and Heer halls.

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

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2010 and 2009

Long-term Debt

At year-end, the University had \$297.0 million in bonds and notes outstanding—an increase of 7.61 percent over last year. 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>2010</u>	<u>2009</u>	<u>2008</u>
General receipts bonds (backed by the University)	\$ 287.9	\$ 265.9	\$ 264.8
Tax Revenue Energy Bonds	1.3		
Capital leases	7.4	10.1	12.7
	<u>\$ 296.6</u>	<u>\$ 276.0</u>	<u>\$ 277.5</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. Due to the challenges in the State of Ohio, the University has been informed that state support is likely to decrease. The exact amounts of state support and tuition flexibility for the biennium beginning July 1, 2011 have not yet been determined but University management is already looking for ways to control and reduce costs. The University also continues to focus on student recruiting and retention as well as funding raising and additional research to improve the position of the University.

One significant area of focus in the past year that will continue into the future 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 at \$353 million. The University is currently considering a bond issue to address the deferred maintenance, ADA compliance, and improvements in energy efficiency.

Independent Auditor's Report

To the Board of Trustees
 Kent State University

We have audited the accompanying statement of net assets of Kent State University (the "University") as of June 30, 2010 and June 30, 2009 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Kent State University Foundation (the "Foundation"), which represent all the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors.

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

As explained in Note 3, the financial statements include investments valued at approximately \$100,000,000 (10 percent of net assets) and \$94,000,000 (17 percent of net assets) as of June 30, 2010 and 2009, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent State University as of June 30, 2010 and 2009 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the financial statements, the University has changed its method of accounting for derivative instruments in 2010 and 2009 due to the adoption of GASB 53 – Accounting and Financial Reporting for Derivative Instruments.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2010 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 for year ended June 30, 2010. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
Kent State University

The management's discussion and analysis presented on pages 1 through 8 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

Toledo, Ohio
October 15, 2010

KENT STATE UNIVERSITY
STATEMENT OF NET ASSETS
as of June 30, 2010 and 2009
(in thousands)

	University		University Related Foundation	
	2010	2009	2010	2009
A S S E T S				
Current assets:				
Cash and cash equivalents	\$ 81,276	\$ 54,165	\$ 2,236	\$ 1,588
Short-term investments	112,768	104,447	105,691	95,755
Accounts and pledges receivable, net	36,087	32,045	5,115	8,059
Inventories	1,989	1,862	-	-
Deposits and prepaid expenses	3,706	3,629	-	-
Accrued interest receivable	727	777	-	-
Total current assets	<u>236,553</u>	<u>196,925</u>	<u>113,042</u>	<u>105,402</u>
Noncurrent assets:				
Student loans receivable, net	22,562	24,636	-	-
Long-term investments	152,861	140,290	5,618	4,628
Long-term pledges receivable, net	-	-	4,160	5,864
Capital assets, net	579,676	574,484	1,258	961
Other assets	3,182	2,837	499	522
Deferred outflow of resources	2,233	35,735	-	-
Total noncurrent assets	<u>760,514</u>	<u>777,982</u>	<u>11,535</u>	<u>11,975</u>
Total assets	<u>\$ 997,067</u>	<u>\$ 974,907</u>	<u>\$ 124,577</u>	<u>\$ 117,377</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	32,364	43,557	668	701
Accrued payroll	12,187	11,525	-	-
Payroll taxes and accrued fringe benefits	13,526	12,923	-	-
Deferred revenue and deposits	31,923	28,450	-	-
Derivative instrument - swap liability	2,233	35,735	-	-
Current portion of long-term debt	7,522	5,847	-	-
Total current liabilities	<u>99,755</u>	<u>138,037</u>	<u>668</u>	<u>701</u>
Noncurrent liabilities:				
Accrued compensated absences	18,222	17,357	-	-
Accrued liabilities	-	-	3,411	4,114
Long-term unearned fees and deposits	1,742	1,685	6,715	4,379
Long-term debt	289,047	270,172	-	-
Total noncurrent liabilities	<u>309,011</u>	<u>289,214</u>	<u>10,126</u>	<u>8,493</u>
Total liabilities	<u>408,766</u>	<u>427,251</u>	<u>10,794</u>	<u>9,194</u>
NET ASSETS				
Invested in capital assets, net of related debt	310,124	312,422	1,258	961
Restricted, nonexpendable	5,883	5,883	30,377	28,672
Restricted, expendable	24,318	26,713	80,069	78,208
Unrestricted	247,976	202,638	2,079	342
Total net assets	<u>588,301</u>	<u>547,656</u>	<u>113,783</u>	<u>108,183</u>
Total liabilities and net assets	<u>\$ 997,067</u>	<u>\$ 974,907</u>	<u>\$ 124,577</u>	<u>\$ 117,377</u>

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

KENT STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
for the years ended June 30, 2010 and 2009
(in thousands)

	University		University Related Foundation	
	2010	2009	2010	2009
OPERATING REVENUES				
Student tuition and fees	\$ 304,911	\$ 247,285	\$ -	\$ -
Less scholarship allowances	(55,804)	(41,603)	-	-
Net student tuition and fees	249,107	205,682	-	-
Federal grants and contracts	28,553	25,280	-	-
State grants and contracts	9,746	20,806	-	-
Local grants and contracts	565	654	-	-
Nongovernmental grants and contracts	7,616	6,266	-	-
Sales and services of educational departments	8,969	8,127	-	-
Auxiliary activities - Net	78,702	84,404	-	-
Other operating revenues	4,332	7,547	135	113
Total operating revenues	387,590	358,766	135	113
OPERATING EXPENSES				
Instruction	197,230	190,587	-	-
Research	18,993	20,798	-	-
Public service	19,158	18,192	-	-
Academic support	45,418	45,116	-	-
Student services	25,953	25,731	-	-
Institutional support	53,276	52,606	15,776	20,443
Scholarships and fellowships	37,642	27,062	2,292	2,763
Operation and maintenance of plant	38,426	46,471	-	-
Auxiliary activities	80,305	78,763	-	-
Depreciation	40,217	40,190	4	2
Total operating expenses	556,618	545,516	18,072	23,208
Operating loss	(169,028)	(186,750)	(17,937)	(23,095)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	118,275	138,552	-	-
Federal Fiscal Stabilization funds	19,371	-	-	-
Federal Pell Grant revenue	55,815	32,675	-	-
Gifts	10,617	13,556	12,657	16,902
Investment income (loss)	32,450	(51,959)	11,031	(16,807)
Interest on capital asset-related debt	(35,814)	(20,738)	-	-
Other nonoperating revenues/expenses	(8,266)	(1,961)	(151)	972
Net nonoperating revenues	192,448	110,125	23,537	1,067
Income (loss) before other revenues, expenses, gains or losses	23,420	(76,625)	5,600	(22,028)
Capital appropriation	17,225	13,126	-	-
Increase (decrease) in net assets	40,645	(63,499)	5,600	(22,028)
NET ASSETS				
Net assets, beginning of year	547,656	611,155	108,183	130,211
Net assets, end of year	\$ 588,301	\$ 547,656	\$ 113,783	\$ 108,183

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS
for the years ended June 30, 2010 and 2009
(in thousands)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 196,573	\$ 160,294
Cash received from auxiliary activities	79,323	84,084
Cash received from other sources	10,734	20,322
Grants and contracts	48,212	51,532
Federal student loan funds received	14	10
Student loans granted, net of repayments	1,591	315
Cash paid to employees	(255,972)	(245,518)
Cash paid to suppliers	(210,093)	(197,153)
Net cash used in operating activities	<u>(129,618)</u>	<u>(126,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	95,317	79,265
Purchases of investments	(86,149)	(50,854)
Interest received	2,440	(8,924)
Net cash provided by investing activities	<u>11,608</u>	<u>19,487</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net proceeds from bond issuance	235,710	217,635
Early extinguishment of bonds	(205,915)	(213,500)
Principal payments under debt obligations, net	(8,763)	(5,654)
Interest and swap termination fee paid	(43,185)	(14,675)
Capital appropriations	125	9,488
Purchases of capital assets	(28,642)	(45,206)
Other payments	(8,266)	(1,961)
Net cash used in capital and related financing activities	<u>(58,936)</u>	<u>(53,873)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations and Federal Fiscal Stabilization Funds	137,646	138,552
Gifts received from KSU Foundation	10,596	13,788
Cash received from Federal Pell grants	55,815	32,675
Net cash provided by noncapital financing activities	<u>204,057</u>	<u>185,015</u>
 Net increase in cash and cash equivalents	 27,111	 24,515
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>54,165</u>	<u>29,650</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 81,276</u></u>	<u><u>\$ 54,165</u></u>

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS--CONTINUED
for the years ended June 30, 2010 and 2009
(in thousands)

	<u>2010</u>	<u>2009</u>
Reconciliation of net operating revenues (expenses) to net cash used in operating activities:		
Operating loss	\$ (169,028)	\$ (186,750)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	40,217	40,190
Change in assets and liabilities:		
Accounts receivable, net	(4,021)	(2,330)
Inventories	(127)	(48)
Deposits and prepaid expenses	(77)	(127)
Student loans receivable, net	2,074	396
Accounts payable and accrued liabilities	(4,316)	13,198
Accrued payroll	662	581
Payroll taxes and accrued fringe benefits	603	1,949
Unearned fees and deposits	3,530	6,286
Accrued compensated absences	865	541
Total change in assets and liabilities	<u>(807)</u>	<u>20,446</u>
Net cash used in operating activities	<u>\$ (129,618)</u>	<u>\$ (126,114)</u>

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2010 and 2009 (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.

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 39, 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, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the University's financial report to account for these differences.

Furthermore, in accordance with GASB Statement No. 39, 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 they hold and invest 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.

(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. Pursuant to GASB Statement No. 20, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2010 and 2009 (in thousands)

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

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted, nonexpendable - Net assets subject to externally imposed stipulations that the University maintains such assets permanently.
- Restricted, expendable - Net assets 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 assets that are not subject to externally imposed stipulations. Unrestricted net assets 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 assets are designated for academic and research programs, capital projects and other initiatives.

(c) Upcoming Accounting Pronouncements

The University will be required to implement GASB Statement No. 59, Financial Instruments Omnibus, effective for the fiscal year ending June 30, 2011. The University will be required to update and improve accounting and financial reporting of financial instruments. The University has not yet determined the full impact of GASB Statement No. 59 on its financial statements.

(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.

(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.

(c) Inventories

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

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

(d) 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.

(e) 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 assets 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.

(f) 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 Assets because the current portion cannot be closely estimated.

(g) Deferred Revenue

Deferred revenue includes tuition and fees relating to summer sessions that are conducted in July and August. Deferred 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 deferred are recognized as revenue in the following fiscal year.

(h) 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. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

(i) Operating Versus Nonoperating Revenues and Expenses

The University defines operating activities as reported on the statement of revenues, expenses, and changes in net assets 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, investment income, and state capital grants.

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

(j) Risks and Uncertainties

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

(k) Restatement Due to Accounting Change

The University has entered into various interest rate swap agreements in order to manage and hedge risks associated with interest. In June 2008, the GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, effective for the University's 2010 fiscal year end. This Statement requires derivative instruments (such as interest rate swap agreements) to be reported at fair value. To the extent the derivative instruments are effective hedges, recognition of annual changes in fair value are deferred (deferred inflow or outflow); otherwise, the annual changes are recognized as a component of net investment income (loss). Prior to the change, the University's derivative instruments (interest rate swaps) were disclosed in the footnotes without recognition on the balance sheet. For the years ended June 30, 2009 and 2008, a deferred outflow and an offsetting liability of \$35,735 and \$30,736, respectively, were restated due to the impact of this change in accounting policy.

(l) Reclassification

Certain amounts from the prior year have been reclassified to conform with the current year's presentation.

(3) Investments

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

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

US 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, 2010 and 2009, the bank amount of the University's deposits was \$36,438 and

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

\$38,839, respectively. Of that amount, \$4,947 and \$9,426, respectively, was insured. The remaining \$31,491 and \$29,413 at June 30, 2010 and 2009, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

The values of investments at June 30, 2010 and 2009 are as follows:

	2010	
	Market Value	Cost
Common stock	\$ 141,650	\$ 145,863
US government agency obligations	7,238	7,284
US government obligations	6,269	6,006
Corporate bonds and notes	1,845	1,270
Equity mutual funds	21,756	11,946
Bond mutual funds	77,674	75,716
State Treasury Asset Reserve of Ohio	9,197	9,197
Total	\$ 265,629	\$ 257,282

	2009	
	Market Value	Cost
Common stock	\$ 130,915	\$ 156,864
US government agency obligations	9,151	8,340
US government obligations	4,440	4,562
Corporate bonds and notes	1,813	2,327
Equity mutual funds	13,107	4,975
Bond mutual funds	66,641	70,711
State Treasury Asset Reserve of Ohio	18,670	18,670
Total	\$ 244,737	\$ 266,449

Included in common stock above are approximately \$100 million of alternative investments and \$94 million as of June 30, 2010 and June 30, 2009, respectively, 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, 2010 the University realized a net gain of \$18,364. During the year ended June 30, 2009 the University realized a net loss of (\$36,416). The calculation of realized gains and losses is independent of the net depreciation in the fair value of

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

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, 2010 was \$26,712. In fiscal year 2009, the net depreciation was (\$58,128). This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

The unrealized appreciation on investments for the year ended June 30, 2010 was \$8,348. The unrealized depreciation on investments for the year ended June 30, 2009 was (\$21,712).

The components of the net investment income are as follows:

	Interest and dividends, net	Net appreciation (depreciation) in market value of investments	Net investment income (loss)
Total 2010	\$5,738	\$26,712	\$32,450
Total 2009	\$6,169	(\$58,128)	(\$51,959)

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, 2010 are as follows:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 6,269	\$ 1,954	\$ 4,315	-	
US government agency obligations	7,238	1,455	5,218	565	
Corporate bonds and notes	1,845	732	817	296	
Bond mutual funds	77,674	2,610	13,454	31,269	30,341
Total	\$ 93,026	\$ 6,751	\$ 23,804	\$ 32,130	\$ 30,341

The maturities of the University's interest-bearing investments at June 30, 2009 are as follows:

	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 4,440	\$ 3,192	\$ 1,248	-	
US government agency obligations	9,151	1,819	6,710	622	
Corporate bonds and notes	1,813	1,018	795	-	
Bond mutual funds	66,641	2,312	30,891	23,985	9,453
Total	\$ 82,045	\$ 8,341	\$ 39,644	\$ 24,607	\$ 9,453

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(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, 2010 are as follows:

Credit Rating (Moody's)	Total	Government Obligations	US Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 45,393	\$ 6,269	\$ 7,238	\$ 474	\$ 31,412
AA+	8,839	-	-	-	8,839
AA	5,297	-	-	40	5,257
AA-	4,052	-	-	181	3,871
A+	4,565	-	-	-	4,565
A	4,450	-	-	349	4,101
OTHER	20,430	-	-	801	19,629
Total	\$ 93,026	\$ 6,269	\$ 7,238	\$ 1,845	\$ 77,674

The credit ratings of the University's interest-bearing investments at June 30, 2009 are as follows:

Credit Rating (Moody's)	Total	Government Obligations	US Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 35,541	\$ 4,440	\$ 9,151	\$ 431	\$ 21,519
AA+	15,713	-	-	30	15,683
AA	5,858	-	-	161	5,697
AA-	4,765	-	-	-	4,765
A	3,155	-	-	623	2,532
OTHER	17,013	-	-	568	16,445
Total	\$ 82,045	\$ 4,440	\$ 9,151	\$ 1,813	\$ 66,641

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, 2010 and June 30, 2009, the University had no exposure to foreign currency risk.

(4) Accounts Receivable

Accounts receivable consist of the following, as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Sponsor accounts	\$ 7,544	\$ 7,167
Student accounts	19,906	17,609
Other	11,537	9,570
	<u>\$ 38,987</u>	<u>\$ 34,346</u>
Less allowances for loss on accounts receivable	(2,900)	(2,301)
Accounts receivable, net	<u>\$ 36,087</u>	<u>\$ 32,045</u>

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2010 and 2009 (in thousands)

In addition, the University has student loans receivable of \$27,517 and \$29,108 as of June 30, 2010 and 2009, respectively. The related allowances as of June 30, 2010 and 2009 are \$4,955 and \$4,472, 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, 2010:

	<u>2009</u>	<u>Additions/ Transfers</u>	<u>Net Retirements</u>	<u>2010</u>
Land	\$ 11,322	\$ 357	-	\$ 11,679
Infrastructure	91,992	3,769	-	95,761
Buildings	664,882	38,013	183	702,712
Equipment	197,268	10,394	10,265	197,397
CIP	30,080	(7,124)	-	22,956
	<u>\$ 995,544</u>	<u>\$ 45,409</u>	<u>\$ 10,448</u>	<u>\$ 1,030,505</u>
Less accumulated depreciation	<u>421,060</u>	<u>39,717</u>	<u>9,948</u>	<u>450,829</u>
Capital assets, net	<u>\$ 574,484</u>	<u>\$ 5,692</u>	<u>\$ 500</u>	<u>\$ 579,676</u>

Included in depreciation expense of \$40,217 for the year ended June 30, 2010 is a loss of \$500 from the disposal of obsolete capital assets.

Capital assets consist of the following as of June 30, 2009:

	<u>2008</u>	<u>Additions/ Transfers</u>	<u>Net Retirements</u>	<u>2009</u>
Land	\$ 10,990	\$ 332	-	\$ 11,322
Infrastructure	93,775	(1,219)	564	91,992
Buildings	649,341	21,481	5,940	664,882
Equipment	195,308	9,932	7,972	197,268
Construction-in-progress	11,904	18,176	-	30,080
	<u>\$ 961,318</u>	<u>\$ 48,702</u>	<u>\$ 14,476</u>	<u>\$ 995,544</u>
Less accumulated depreciation	<u>395,346</u>	<u>38,745</u>	<u>13,031</u>	<u>421,060</u>
Capital assets, net	<u>\$ 565,972</u>	<u>\$ 9,957</u>	<u>\$ 1,445</u>	<u>\$ 574,484</u>

Included in depreciation expense of \$40,190 for the year ended June 30, 2009, is a loss of \$1,445 from the disposal of obsolete capital assets.

(6) Long-term Liabilities

Long-term Debt

In August 2008, the University issued \$60,000 in Series 2008B General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2002 General Receipts bonds with an outstanding principal balance of \$60,000. 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.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2010 and 2009 (in thousands)

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. The outstanding principal balances for each of these General Receipts bonds was \$156,605, \$41,515, and \$7,795 respectively. 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 is 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 University also 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, which has been included in the Interest on Capital Asset – Related Debt line in the Statement of Revenues, Expenses, and Changes in Net Assets. 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.

In accordance with the General Receipts bonds Trust Agreement, the Series 2008B and Series 2009B General Receipts bonds are subject to mandatory or optional redemption.

The indebtedness created through the issuance of General Receipt's 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.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2010 and 2009 (in thousands)

Long-term debt consists of the following as of June 30, 2010:

	<u>Rates</u>	<u>Maturity</u>	<u>2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>2010</u>
General Receipts Bonds of 2009B	2.0-5.0	2009-2032	-	214,910	4,630	210,280
General Receipts Bonds of 2009A	6.75	2009-2031	156,605	-	156,605	-
General Receipts Bonds of 2008A	4.5-4.96	2009-2028	41,515	-	41,515	-
General Receipts Bonds of 2008B	4.32	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2000	5.0-6.0	2004-2024	7,795	-	7,795	-
Air Quality Dev. Tax Exempt Rev. Bond (2010 Series A)	2.99	2010-2016	-	672	-	672
Air Quality Dev. Tax Credit Rev. Bond (2010 Series B)	5.63	2010-2020	-	672	-	672
Other	various	various	10,104	12	2,743	7,373
			<u>\$ 276,019</u>	<u>216,266</u>	<u>213,288</u>	<u>\$ 278,997</u>
Plus Unamortized discount and premium				19,456	1,390	18,066
Less Unamortized call premium on Series 2000 bonds				520	(26)	546
Subtotal			<u>\$ 276,019</u>	<u>\$ 235,202</u>	<u>\$ 214,704</u>	<u>296,517</u>
Less current portion long-term debt			<u>5,847</u>			<u>7,522</u>
			<u>\$ 270,172</u>			<u>\$ 288,995</u>

Long-term debt consists of the following as of June 30, 2009:

	<u>Rates</u>	<u>Maturity</u>	<u>2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>2009</u>
General Receipts Bonds of 2009A	6.75	2009-2031	-	\$157,635	\$1,030	\$156,605
General Receipts Bonds of 2008A	4.5-4.96	2009-2028	43,170	-	1,655	41,515
General Receipts Bonds of 2008B	4.32	2028-2032	-	60,000	-	60,000
General Receipts Bonds of 2002	3.72	2028-2032	60,000	-	60,000	-
General Receipts Bonds of 2001	5.02	2007-2031	153,500	-	153,500	-
General Receipts Bonds of 2000	5.0-6.0	2004-2024	8,120	-	325	7,795
Other	various	various	12,742	6	2,644	10,104
			<u>\$ 277,532</u>	<u>\$ 217,641</u>	<u>\$ 219,154</u>	<u>\$ 276,019</u>
Less current portion long-term debt			<u>5,645</u>			<u>5,847</u>
			<u>\$ 271,887</u>			<u>\$ 270,172</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.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2010 and 2009 (in thousands)

Hedging derivative instrument payments and hedged debt

As of June 30, 2010, aggregate debt service requirements of the University's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. 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).

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

	Principal	Interest	Hedging Derivatives, Net	Total
2011	7,522	10,829	2,058	20,409
2012	9,736	10,590	2,058	22,384
2013	10,081	10,188	2,058	22,327
2014	10,328	9,790	2,058	22,176
2015	9,443	9,389	2,058	20,890
2016-2020	50,677	40,050	10,290	101,017
2021-2025	55,800	26,741	10,290	92,831
2026-2030	90,515	12,683	9,055	112,253
2031-2032	34,895	793	1,235	36,923
Total	<u>\$ 278,997</u>	<u>\$ 131,053</u>	<u>\$ 41,160</u>	<u>\$ 451,210</u>

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 of 3.72% 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.

There were three additional swaps at June 30, 2009 that were terminated as discussed previously in this note. All swaps have been determined to be effective hedges. As of June 30, 2010 and 2009, the University has recorded a deferred outflow of resources and a related swap liability in the amount of \$2,233 and \$35,735, respectively, which represents the accumulated changes in fair value of the interest rate swaps.

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

The fair value of the interest rate swap 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.

The interest rate swap is subject to the following risks:

Interest rate risk – The University is exposed to interest rate risk. On the pay-fixed, receive-variable interest rate swap, as LIBOR or the Securities Industry and Financial Markets Association (SIFMA) 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, 2010, the interest rate on the University's hedged variable rate debt is 0.29 percent, while the SIFMA swap index rate is 0.25 percent and 67 percent of LIBOR is 0.24 percent.

Termination risk – The swap agreement may be terminated prior to its stated termination date under certain circumstances. Upon termination, a payment may be owed depending on the prevailing economic circumstances at the time of the termination.

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, 2010 and 2009 is \$13,584 and \$12,730, respectively.

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, 2010 and 2009 is \$4,638 and \$4,627, respectively.

A summary of accrued compensated absences at June 30, 2010 and 2009 is as follows:

<u>For the year ended</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
June 30, 2010	\$ 17,357	\$ 2,108	\$ 1,243	\$ 18,222
June 30, 2009	16,816	2,225	1,684	17,357

(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

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

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 3.5% of earned compensation for those employees participating in the alternative retirement program. The University's contribution to the alternative retirement fund for the years ending June 30, 2010, 2009 and 2008 were \$919, \$827, and \$742, 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 ending June 30, 2010, 2009 and 2008 were \$13,312, \$12,906 and \$11,843, 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. 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 STRS Ohio for the years ended June 30, 2010, 2009, and 2008 were \$13,821, \$12,987 and \$12,345, respectively, equal to the required contributions for each year.

(b) Post-Retirement Health Care Benefits (in whole numbers)

OPERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying State service credit. Health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. The 2009 employer contribution rate for health care was 7% of covered payroll, through March 31, 2009 and 5.5% from April through December 31, 2009.

OPERS benefits are advance-funded on an actuarially determined basis. OPERS actuarially accrued liability and the unfunded actuarial accrued liability, based on an entry age normal actuarial cost method of valuation, were \$29.6 billion and \$18.9 billion, respectively. Significant actuarial assumptions include a 6.5% investment return, 4% individual pay increases, and a 3.5% to 7% increase in health care costs. All investments are carried at market value. For actuarial valuations purposes, a smoothed market approach is used. As of December 31, 2008, the actuarial value of the retirement system's net assets available for other post employment benefits was \$10.7 billion. The number of active contributing participants in the traditional and combined plans was 357,584 as of December 31, 2009.

STRS Ohio provides access to health care coverage to retirees who participated in the defined benefit or combined plans. Coverage includes hospitalization, physician's fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

The Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By State law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The State Teachers Retirement Board currently allocates employer contributions, which equals 1% of covered payroll, to a health care stabilization fund from which health care benefits are paid. The balance in the health care stabilization fund was \$2.7 billion at June 30, 2009.

For the year ended June 30, 2009, the net health care costs paid by STRS Ohio were \$298,110. There were 129,659 eligible benefit recipients.

(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, 2010 and 2009, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were \$7,666 and \$6,367, 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 is a defendant in a lawsuit filed by one of its construction contractors for alleged construction delays and inefficiencies. In July, 2009, a judgement 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. At June 30, 2010, the liability is \$4,223, due to the University accruing interest.

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, 2010 and 2009 were \$39,303 and \$36,222, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of \$5,480 and

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

\$5,216 has been accrued as of June 30, 2010 and 2009, respectively. This estimate is based on an analysis of historical claims paid.

In March 2009, the University approved a University Employee Separation Plan (UESP) offered to select employees. The UESP is a one-time offer to full-time faculty, unclassified and classified (represented and unrepresented) employees who achieved 15 or more years of service with the University as of June 30, 2009. Part-time employees and employees who had retired and were subsequently re-hired by the University were not eligible to participate in the plan. Eligible employees who chose the UESP left the

University on June 30 with a separation package that included a base amount plus an amount equivalent to a portion of the employee's accrued sick leave pay. The University contracted with Educators Preferred Corp. (EPC) to administer the leave plan. Total costs including the base payout, accrued sick leave, and administrative costs associated with the implementation and administration of the plan were recorded as a liability as of June 30, 2009 in the amount of \$8,630. The accrued liability as of June 30, 2010 is \$2,539.

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2010 and 2009 for operating leases amounted to approximately \$781 and \$876, respectively.

Future minimum payments on non-cancelable operating leases subsequent to June 30, 2010 are as follows:

	Operating Leases
2011	\$491
2012	431
2013	413
2014	388
2015	347
Total future minimum payments	<u>\$ 2,070</u>

(9) Related Party Transactions

The University, together with The University of Akron and Youngstown State University, created a consortium to establish and govern Northeastern Education Television of Ohio, Inc. ("NETO"), Channels 45 and 49, Kent, Ohio, and Northeastern Ohio Universities College of Medicine ("NEOUCOM"), Rootstown, Ohio. These organizations are legally separate from the University; accordingly, their financial activity is not included within the accompanying financial statements. The University has no contractual financial obligations to any of the aforementioned consortia.

(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. Accordingly, management historically concluded that the Foundation was not a component unit of the

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2010 and 2009

(in thousands)

University as defined by GASB Statement No. 14, *The Financial Reporting Entity*. However, under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation now meets the revised definition as a component unit.

Assets totaling approximately \$124,577 and \$117,377 at June 30, 2010 and 2009, respectively, most of which have been restricted by donors for specific purposes, are presented separately. Amounts received by the University from the Foundation are included in the accompanying financial statements. The University received approximately \$10,617 and \$13,556 of financial support during the years ended June 30, 2010 and 2009, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2010 and 2009, the University had outstanding receivables from the Foundation of approximately \$30 and \$9, respectively.

During the year ended June 30, 2009, the Foundation changed its method of accounting related to collections. This change in accounting principle is reported through retrospective application of the change to all periods presented. Refer to the Foundation's financial statements for further detail.

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

To the Board of Trustees
Kent State University

We have audited the basic financial statements of Kent State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2010. Our report was modified to include reference to other auditors. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Kent State University Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

To the Board of Trustees
Kent State University

Compliance and Other Matters

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

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

Plante & Moran, PLLC

October 15, 2010

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

To the Board of Trustees
Kent State University

Compliance

We have audited the compliance of Kent State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The major federal programs of Kent State University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Kent State University's management. Our responsibility is to express an opinion on Kent State University's compliance based on our audit.

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

In our opinion, Kent State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

To the Board of Trustees
Kent State University

Internal Control Over Compliance

The management of Kent State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Kent State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

Plante & Moran, PLLC

October 15, 2010

Kent State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

	Catalog of Federal Domestic Assistance		
Federal Grantor/Program Title	Number	Pass-through Identifying Number	Expenditures
STUDENT FINANCIAL AID CLUSTER			
Department of Education			
Direct Programs			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 1,338,163
Federal Work-Study Program	84.033		1,417,676
Federal Perkins Loan Program	84.038		1,377,289
Federal Pell Grant Program	84.063		55,814,525
Fund for the Improvement of Postsecondary Education	84.116		94,771
Academic Competitiveness Grants	84.375		1,710,501
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		641,404
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		752,588
Total Department of Education			63,146,917
Department of Health and Human Services			
Direct Program			
Nursing Student Loans	93.364		358,894
Total Student Financial Aid Cluster			63,505,811
RESEARCH AND DEVELOPMENT CLUSTER			
Department of Agriculture			
Pass-through Programs			
Miami University - Grants for Agricultural Research Competitive Research	10.206	USDA-2007-35320-18349	42,305
Total Department of Agriculture			42,305
Department of Commerce			
Direct Programs			
Climate and Atmospheric Research	11.431		154,174
Measurement and Engineering Research and Standards	11.609		257,634
Pass-through Programs			
Ohio Sea Grant Program - Sea Grant Support	11.417	NA06OAR4170020	37,155
Ohio State Research Foundation - Sea Grant Support	11.417	60008574/RF01179320	1,860
Total			39,015
Goodrich - Advanced Technology Program	11.612	OASIS-NIST ATP	7,826
Total Department of Commerce			458,649
Department of Defense			
Direct Programs			
Basic and Applied Scientific Research	12.300		73,620
Basic Scientific Research	12.431		22,593
Air Force Defense Research Sciences Program	12.800		1,256,928
Mathematical Sciences Grants Program	12.901		11,953
Research and Technology Development	12.910		15,418

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Defense (Continued):			
Pass-through Programs			
Oregon State University - Basic and Applied Scientific Research	12.300	K9474J-A	\$ 5,942
Dynamic Eye Inc - Dual Mode Eye Shields	NONE	W911QY-08-C-0049	60,738
Cornerstone Research Group Inc. - STTR Phase II	NONE	FA9550-05-C-0036	2,169
Dynamic Eye Inc - Segmented Flash Blindness Lenses	NONE	SA1-PO014	2,444
Pixel Optics Inc - Super Vision Project	NONE	1FA7014-07-C-0013	59,088
Lincoln Lab-MIT - LC Based LWIR Optical Transducer	NONE	7000111657	8,424
Battelle Memorial Institute - Alternative Energy Fuel Cell Power Generator	NONE	#220300	91,078
General Dynamics Information Technology	NONE	GDIT	73
Total			<u>224,014</u>
Total Department of Defense			<u>1,610,468</u>
Department of Housing and Urban Development			
Pass-through Programs			
City of Cleveland - Community Development Block Grants/Entitlement Grants	14.218	69883	3,803
Center for Community Solutions - Community Development Block Grants/Entitlement Grants	14.218	68-318 PRIME	<u>20,742</u>
Total Department of Housing and Urban Development			<u>24,545</u>
Department of the Interior			
Pass-through Programs			
Ohio Department of Natural Resources - Fish, Wildlife and Plant Conservation Resource Management	15.231	KSU 444560	(41)
Ohio State Research Foundation - Assistance to State Water Resources Research Institutes	15.805	RF01193084	<u>232</u>
Total Department of the Interior			<u>191</u>
Department of Justice			
Direct Program			
Special Data Collections and Statistical Studies	16.734		4,567
Pass-through Programs			
Research Triangle Institute - Part D - Research, Evaluation, Technical Assistance and Training	16.542	9-312-0209835	302
University of Akron - Justice Research Development and Evaluation Project	16.560	5-34166-KSU	4,383
City of Cleveland - Edward Byrne Memorial State and Local Law Enforcement	16.580	PO CLEVE-SG67943A	97,698
Ohio Criminal Justice Studies - Project Safe Neighborhoods	16.609	2008-PS-PSN-366	47,818
Ohio Criminal Justice Studies - Anti-Gang Initiative	16.744	2006-PS-CAG-373	(98)
ARRA - Ohio Criminal Justice Studies - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	2009-RA-EA01-2212	60,085
ARRA - NEOUCOM - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	34341-A	<u>11,717</u>
Total			<u>71,802</u>
Total Department of Justice			<u>226,472</u>

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Transportation			
Pass-through Programs			
Ohio Department of Transportation - Highway Planning and Construction	20.205	21436	\$ 51,276
Arkansas State Highway & Transportation Dept. - Highway Planning and Construction	20.205	061134	3,588
Total			54,864
University of Akron - University Transportation Centers Program	20.701	DTRT06-G-0037	16,573
Total Department of Transportation			71,437
National Aeronautics and Space Administration			
Pass-through Programs			
ATK Space Systems - Development of Particle-Based Flow Diagnostic Techniques	NONE	9300	7,035
Total National Aeronautics and Space Administration			7,035
Institute of Museum and Library Services			
Direct Programs			
National Leadership Grants	45.312		77,884
Pass-through Programs			
Cleveland Metroparks Zoo - Museums for America	45.301		11,507
Total Institute of Museum and Library Services			89,391
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		137,429
Mathematical and Physical Sciences	47.049		2,251,179
Geosciences	47.050		79,142
Computer and Information Science and Engineering	47.070		162,838
Biological Sciences	47.074		151,049
Social, Behavioral, and Economic Sciences	47.075		70,667
Education and Human Resources	47.076		911,281
Polar Programs	47.078		61,990
International Science and Engineering (OISE)	47.079		27,533
ARRA - Trans-NSF Recovery Act Research Support	47.082		484,112
Pass-through Programs			
Kent Displays Inc. - Engineering Grants	47.041	IIP0750379	145,903
Ohio State Research Foundation - Mathematical and Physical Sciences	47.049	60004660	37,772
Case Western Reserve University - Mathematical and Physical Sciences	47.049	DMR-0423914	61,384
Institute for Complex Adaptive Matter - Mathematical and Physical Sciences	47.049	DMR-0645461	5,023
Institute for Complex Adaptive Matter - Mathematical and Physical Sciences	47.049	KSU 444209	10,843
Institute for Complex Adaptive Matter - Mathematical and Physical Sciences	47.049	KSU 444290	1,261
Institute for Complex Adaptive Matter - Mathematical and Physical Sciences	47.049		3,650
Total			119,933

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
National Science Foundation (Continued)			
Pass-through Programs (Continued)			
University of Florida - Computer and Information Science and Engineering	47.070	UF-EIES-0914033-KSU	\$ 2,884
Indiana University - Biological Sciences	47.074	PO # 419481	30,219
Indiana University - Biological Sciences	47.074	PO 419481 DEB-0743396	5,821
Total			36,040
Ohio State Research Foundation - Education and Human Resources	47.076	Project #745925 PO#RF00982477	19,773
Cleveland State University - Education and Human Resources	47.076	DELAT37L	2,251
Eastern Michigan University - Education and Human Resources	47.076	KSU 446448	37,698
Total			59,722
Total National Science Foundation			4,701,702
Environmental Protection Agency			
Direct Program			
Assessment and Watershed Protection Program Grants	66.480		35,737
Pass-through Programs			
SUNY - Great Lakes Program	66.469	GL00E7530-KENT	10,264
NALMS - Surveys, Studies, Investigations and Special Purpose Grants within the Office of the Administrator	66.610	SECCHI DIP-IN	3,743
Total Environmental Protection Agency			49,744
Department of Energy			
Direct Program			
Office of Science Financial Assistance Program	81.049		975,278
Pass-through Programs			
University of Chicago - Office of Scientific and Technical Information	81.064	5F-00540	(4,702)
Brookhaven National Laboratory - University Reactor Infrastructure and Education Support	81.114	147966	24,701
Total Department of Energy			995,277
Department of Education			
Direct Programs			
National Institute on Disability and Rehabilitation Research	84.133		188,643
Education Research, Development and Dissemination	84.305		402,233
Research in Special Education	84.324		126,827
Pass-through Programs			
Ohio Department of Education - Special Education Grants to States	84.027	EDU01-0000003002	87,026
Ohio Department of Education - Special Education Grants to States	84.027	EDU-01-0000004703	298,244
Virginia Commonwealth University - National Institute on Disability and Rehabilitation	84.133	PT101165-SC100174	83,728
Hattie Larlham Foundation - Fund for the Improvement of Education	84.215	HLR1092509	19,698
Total Department of Education			1,206,399

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Health and Human Services			
Direct Programs			
Oral Diseases and Disorders Research	93.121		\$ 5,302
Injury Prevention and Control Research and State and Community Based Programs	93.136		477,221
Research and Training in Complementary and Alternative Medic	93.213		37,629
Mental Health Research Grants	93.242		579,368
Drug Abuse and Addiction Research Programs	93.279		47,800
Nursing Research	93.361		19,101
Cancer Cause and Prevention Research	93.393		15,028
Cancer Treatment Research	93.395		(36)
ARRA - Trans-NIH Recovery Act Research Support	93.701		424,837
Cardiovascular Diseases Research	93.837		959,127
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		116,573
Digestive Diseases and Nutrition Research	93.848		346,064
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		510,563
Biomedical Research and Research Training	93.859		25,290
Child Health and Human Development Extramural Research	93.865		364,713
Aging Research	93.866		199,829
Dept of HHS - N268200900371P	NONE		7,290
Pass-through Programs			
Health Research Inc - Environmental Public Health and Emergency Response	93.070	3792-01	7,962
Cuyahoga County Community Mental Health Board - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1 U79 SM56055-01	232
Cuyahoga County Community Mental Health Board - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	0800050-01	248,471
Total			248,703
Hospital for Special Surgery - Oral Diseases and Disorders Research	93.121	2R04 DE004141-31A1	43,988
Stanford University - Human Genome Research	93.172	30162-A	14
Children's Hospital of Philadelphia - Mental Health Research Grants	93.242	950481RSUB	27,896
HUMADAOP - Substance Abuse and Mental Health Services- Projects of Regional and National Significance	93.243	KSU 440470	53,152
Stark County Mental Health & Recovery Service Board - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	KSU 440522	31,684
Stark County Mental Health & Recovery Service Board - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	KSU 440880	40,679
HUMADAOP - Substance Abuse and Mental Health Services- Projects of Regional and National Significance	93.243	5H79TI017071-04	21,009
Total			146,524
Ohio State Research Foundation - Alcohol Research Programs	93.273	60016547	19,247
University of Tennessee - Alcohol Research Programs	93.273	OR9636-001.01	14,076
University of Tennessee - Alcohol Research Programs	93.273	OR14350-001.01 / 1R01AA017898	30,719
Total			64,042

See Notes to Schedule of Expenditures
of Federal Awards.

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

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)			
Ohio Department of Alcohol & Drug Addiction Services - Substance Abuse and Mental Health Services-Access to Recovery	93.275	KSU 440879	\$ (1,160)
Case Western Reserve University - Nursing Research	93.361	RES502761 / 1R01-NR010787-01A2	11,739
Wayne State University - Cancer Treatment Research	93.395	WSU10005	14,217
ARRA - Trans-NIH Recovery Act Research Support	93.701	USD-0909 1R01AA17433-01A2	122,078
Butler Hospital - Heart and Vascular Diseases Research	93.837	9279-8344	10,384
Stanford University - Biomedical Research and Research Training	93.859	22747060-41598-A	121,631
California State University San Marcos Foundation - Biomedical Research and Research Training	93.859	85168 573-40	19,565
California State University San Marcos Foundation - Biomedical Research and Research Training	93.859	F-77330	45,751
Total			186,947
University of Minnesota Applied Psychology - Population Research	93.864	S2986113101	14,715
University of Pennsylvania - Aging Research	93.866	3995-KSU-DHHS-9239	12,261
Georgia Institute of Technology - Aging Research	93.866	G-42-682-G3	13,617
Total			25,878
Ohio Department of Alcohol and Drug Abuse Services - Block Grants for Prevention and Treatment of Substance Abuse	93.959	99-3402-HEDUC-P-007	(624)
Ohio Department of Alcohol and Drug Abuse Services - Block Grants for Prevention and Treatment of Substance Abuse	93.959	99-3402-HEDUC-P-10-0007	11,481
Total			10,857
Macro International, Inc - Treatment Effectiveness Study	NONE	35126-5S-666	38
Macro International, Inc - Treatment Effectiveness Study	NONE	35126-8S-1176	31,496
Total			31,534
Total Department of Health and Human Services			5,102,017
Total Research and Development Cluster			14,585,632
TRIO PROGRAMS CLUSTER			
Department of Education			
Direct Programs			
TRIO Student Support Services	84.042		342,420
TRIO Upward Bound	84.047		1,004,145
TRIO McNair Post-Baccalaureate Achievement	84.217		245,480
Total TRIO Programs Cluster			1,592,045
STATE FISCAL STABILIZATION FUND (SFSF) CLUSTER			
Department of Education			
Pass-through Programs			
ARRA - State Fiscal Stabilization Fund (SFSF)	84.394		19,370,558
Total State Fiscal Stabilization Fund Cluster			19,370,558

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
CDBG - ENTITLEMENTS GRANTS CLUSTER			
Department of Housing and Urban Development			
Pass-through Programs			
Stark County Regional Planning Commission - Community Development Block Grants/Entitlement Grants	14.218		\$ 1,086
Stark County Regional Planning Commission - Community Development Block Grants/Entitlement Grants	14.218		27,966
Total CDBG - Entitlement Grants Cluster			29,052
WIA CLUSTER			
Department of Labor			
Pass-through Programs			
Ohio Department of Job and Family Services - WIA Adult Program	17.258	G-89-15-1479	46
Total WIA Cluster			46
HIGHWAY SAFETY CLUSTER			
Department of Transportation			
Direct Program			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		10,000
Total Highway Safety Cluster			10,000
VOCATIONAL REHABILITATION CLUSTER			
Department of Education			
Pass-through Programs			
Ohio Rehabilitation Services Commission - Vocational Rehabilitation Grants to States	84.126	KSU 446451	8,532
Total Vocational Rehabilitation Cluster			8,532
TANF CLUSTER			
Department of Health and Human Services			
Direct Programs			
Licking County Children and Family First Council - Temporary Assistance for Needy Families	93.558	KSU 440514	129
Total TANF Cluster			129
Subtotal of Clusters			99,101,805
Department of Agriculture			
Direct Programs			
Rural Cooperative Development Grants	10.771		62,113
Total Department of Agriculture			62,113
Department of Defense			
Direct Programs			
Flood Plain Management Services	12.104		699
Mathematical Sciences Grants Program	12.901		140,801
Total Department of Defense			141,500
Department of Justice			
Direct Program			
Bulletproof Vest Partnership Program	16.607		35,275
Total Department of Justice			35,275

See Notes to Schedule of Expenditures
of Federal Awards.

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Labor			
Direct Program			
WIA Pilots, Demonstrations, and Research Projects	17.261		\$ 67,766
Pass-through Programs			
Community Action Organization - WIA Pilots, Demonstrations, and Research Projects	17.261	WIRED H1 B FUNDS	713,512
Ohio Department of Education - Incentive Grants - WIA Section 503	17.267	062976-AB-WIA-2009	4,032
Ohio Department of Education - Incentive Grants - WIA Section 503	17.267	062976-LR-S1-93	9,389
Ohio Board of Regent - Incentive Grants - WIA Section 503	17.267	062976-AB-WIA-2010	62,465
Total			<u>75,886</u>
Total Department of Labor			857,164
Department of State			
Pass-through Programs			
International Research & Exchange Board - Academic Exchange Programs - Teachers	19.408		<u>148,102</u>
Total Department of State			148,102
Institute of Museum and Library Services			
Direct Programs			
Laura Bush 21st Century Librarian Program	45.313		316,093
Pass-through Programs			
Ohio Arts Council - Promotion of the Humanities Federal/State Partnership	45.129	OHC-09-012	7,692
Ohio Humanities Council - Promotion of the Humanities Challenge Grants	45.130	OHC #09-122	7,884
State Library of Ohio - Grants to States	45.310	VIII-10-09	45,082
Eastern Illinois University - Promotion of the Humanities Professional Development	45.163	10-04	<u>13,030</u>
Total Institute of Museum and Library Services			389,781
National Science Foundation			
Direct Programs			
Geosciences	47.050		72,674
Education and Human Resources	47.076		176,470
ARRA - Trans-NSF Recovery Act Research Support	47.082		333,045
Pass-through Programs			
National Academy of Engineering - Education and Human Resources	47.076	KSU 447085	<u>249</u>
Total National Science Foundation			582,438

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Small Business Administration			
Pass-through Programs			
Ohio Department of Development - Small Business Development Center	59.037	KSU 447094	\$ 82
Ohio Business Development Organization - Small Business Development Center	59.037	KSU 446717	5,628
Ohio Department of Development - Small Business Development Center	59.037	ECDD10-210	11,665
Ohio Business Development Organization - Small Business Development Center	59.037	OMDT 29-07043	12,945
Kent Regional Business Alliance - Small Business Development Center	59.037	KSU 445028	20,266
Kent Regional Business Alliance - Small Business Development Center	59.037	KSU 445039 FY10	43,418
Ohio Department of Development - Small Business Development Center	59.037	KSU 447044	87,864
Ohio Department of Development - Small Business Development Center	59.037	KSU 447049 FY10	131,768
Total Small Business Administration			313,636
Department of Education			
Direct Programs			
Rehabilitation Long-Term Training	84.129		103,466
National Institute for Literacy	84.257		218,481
Research in Special Education	84.324		54,887
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		685,317
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	84.333		14,863
Pass-through Programs			
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2009C	37,029
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2009	57,523
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2008C	145,683
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2010	502,425
Total			742,660
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	VEPD-CB-09-062976	(3,195)
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	VEPD-CB-10-062976	99,394
Total			96,199

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Education (Continued)			
Pass-through Programs (Continued)			
Ohio Rehabilitation Services Commission - Special Education- Personnel Preparation to Improve Services and Results for Children with Disabilities (B)	84.235	H235U070024	\$ 54,002
Ohio Department of Education - Tech-Prep Education	84.243	062976-ETC-2009	1,874
Ohio Department of Education - Tech-Prep Education	84.243	062976-ETC-2010	136,037
Total			137,911
University of Tennessee - National Institute for Literacy	84.257	OR8999-001.01	10,751
Pennsylvania State University - National Institute for Literacy	84.257	3322-KSU-DOE-0004	70,608
World Education - National Institute for Literacy	84.257	X257T060001	200,725
Total			282,084
Summit County Educational Service Center - Foreign Language Assistance	84.293	FLAP GRANT	8,164
University of Akron - Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B)	84.325	5-32471-KSU	58,992
Ohio Department of Education - Teacher Quality Enhancement Grants (B)	84.366	C1667-OMAP-09-04	3,711
Ohio Department of Education - Teacher Quality Enhancement Grants (B)	84.366	C1667-MSP-10-415	27,675
Total			31,386
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	08-18	(10,074)
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	07-20	(842)
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	09-20	3,114
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	07-18	4,379
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	09-21	17,103
Ohio Department of Education - Improving Teacher Quality State Grants	84.367	EDU01-0000004078	76,532
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	08-15	83,979
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	08-16	110,028
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	08-18	110,317
Ohio Department of Education - Improving Teacher Quality State Grants	84.367	062976-OFEA	1,607
Total			396,143
National Writing Project Corp - National Writing Project	84.928	97-OH03	10,146
National Writing Project Corp - National Writing Project	84.928	97-OH03	29,520
Total			39,666
Total Department of Education			2,924,221

See Notes to Schedule of Expenditures
of Federal Awards.

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
National Archives and Records Administration			
Direct Program			
National Historical Publications and Records Grants	89.003		\$ 7,140
Total National Archives and Records Administration			<u>7,140</u>
Department of Health and Human Services			
Direct Programs			
Health Care and Other Facilities	93.887		379,858
Pass-through Programs			
Tuscarawas County General Health Dist Board of Health - Public Health Emergency Preparedness	93.069	KSU 444503	12,533
Cuyahoga County Board of Commissioners - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	AG 0800028-01	(10,294)
Canton Regional Area Health Education Center - Model State- Supported Area Health Education Centers	93.107	31-C-2	16,909
Canton Regional Area Health Education Center - Model State- Supported Area Health Education Centers	93.107	32-C-2	<u>5,429</u>
Total			22,338
Center for Research to Practice - Mental Health Research Grants	93.242	KSU 440886	7,604
Center for Research to Practice - Mental Health Research Grants	93.242	1 R01 MH076158	<u>45,916</u>
Total			53,520
Ohio Department of Mental Health - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	TSG1-10-013-02-001	13,736
Ohio Department of Mental Health - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	TA.09.01.01.01	28,255
Ohio Department of Mental Health - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	TA-09-02-01-01	<u>31,856</u>
Total			73,847
Department of Health and Human Services			
Pass-through Programs			
Ohio Department of Mental Health - Block Grants for Community Mental Health Services	93.958	OCS-411-09-01	14,625
Ohio Department of Mental Health - Block Grants for Community Mental Health Services	93.958	BG-10-411-02-001	<u>353,708</u>
Total			<u>368,333</u>
Total Department of Health and Human Services			<u>900,135</u>

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2010

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Corporation for National and Community Service			
Pass-through Programs			
Ohio Campus Compact - Learn and Serve America Higher Education	94.005		\$ 916
Total Corporation for National and Community Service			916
Agency for International Development			
International Research and Exchange - USAID Foreign Assistance for Programs Overseas	98.001		10,235
Total Agency for International Development			10,235
Total Other Programs			6,372,656
Total Federal Awards			\$ 105,474,461

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 1 - Significant Accounting Policies

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

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

Facilities and Administrative Costs - The University has approved predetermined facilities and administrative cost rates, which are 46 percent from July 1, 2009 to June 30, 2010 for on-campus research and 26 percent from July 1, 2009 to June 30, 2010 for off-campus research.

Note 2 - Loans Outstanding

The institution had the following loan balances outstanding at June 30, 2010. These loan balances are not included in the federal expenditures presented in the schedule.

Cluster/Program Title	CFDA Number	Advances	Amount Outstanding
Perkins Loan Program	84.038	\$ 1,317,356	\$ 25,230,648
Nursing Student Loan Program	93.364	325,500	2,219,538

Note 3 - Federal Direct Loan Program

During the year ended June 30, 2010, the University processed applications for the following loan amounts under the federal direct loan program which includes Stafford Loans, Unsubsidized Stafford Loans, and Parent Plus Loans for Undergraduate Students.

	CFDA Number	Advances
Federal direct loan advances	84.268	\$ 218,306,141

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 4 - Subrecipient Awards

During the year ended June 30, 2010, the University disbursed funds to subrecipients as follows:

CFDA		
Number	Federal Grantor/Program Title	Amount
12.800	Air Force Defense Research Sciences Program	\$ 789,096
20.205	Highway Planning and Construction	21,335
47.075	Social, Behavioral, and Economic Sciences	1,417
47.076	Education and Human Resources	365,377
47.082	Trans-NSF Recovery Act Research Support	104,290
59.037	Small Business Development Center	71,191
66.480	Assessment and Watershed Protection Program Grants	11,502
81.049	Office of Science Financial Assistance Program	58,666
84.243	Tech-Prep Education	48,769
84.257	National Institute for Literacy	169,563
84.324	Research in Special Education	48,092
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	85,935
93.136	Improving Teacher Quality State Grants (A)	188,629
93.213	Research and Training in Complementary and Alternative Medicine	20,880
93.242	Mental Health Research Grants	39,603
93.243	Substance Abuse and Mental Health Services-Projects of Regional and National Significance	42,432
93.837	Heart and Vascular Diseases Research	344,679
93.848	Digestive Diseases and Nutrition Research	275,983
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	4,324
93.865	Child Health and Human Development Extramural Research	17,268
93.866	Aging Research	66,447
		<u>\$ 2,775,478</u>

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note 5 - 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 assets (the "Statement"), which is included as part of the University's financial statements:

Expenditures per the schedule	105,474,461
Perkins Loan Funds excluded from federal grants on the Statement	(1,377,289)
Nursing Student Loan Funds excluded from the federal grants on the Statement	(358,894)
State Share of Instruction excluded from federal grants on the Statement	(19,370,558)
Total	<u>\$ 84,367,720</u>

Current restricted funds derived from appropriations, gifts, or grants may be used only to meet current expenditures for the purposes specifically identified by sponsoring agencies. The appropriations, gifts, or grants are recognized as revenue in the University's financial statements as expended. Therefore, expenditures per the schedule agree with federal grants and contracts revenue on the Statement, except as noted above.

Note 6 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the University transferred \$123,212 of Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007) award funds to the Federal Work Study (FWS) Program (84.003) for the 2009-2010 award year.

In addition, the University carried forward \$118,469 of the 2009-2010 SEOG award to the 2010-2011 award year. The University also carried forward \$163,470 of the 2009-2010 FWS award to the 2009-2010 award year.

Kent State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

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

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

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

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.116 84.375, 84.376, 84.268, 93.364	Student Financial Aid
84.394	State Fiscal Stabilization Fund
Various	Research and Development
84.042, 84.047, 84.217	TRIO Programs Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,259,059

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

Kent State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None