

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

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**Financial Report**  
**Including Supplementary Information**

**June 30, 2015**

**KENT STATE UNIVERSITY**  
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**June 30, 2015 and 2014**

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# KENT STATE UNIVERSITY

## Management's Discussion and Analysis (unaudited) As of June 30, 2015 and 2014

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, 2015 and 2014. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of University management.

### **Using the Annual Financial Report**

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In fiscal year 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement supersedes paragraphs 10 and 12 of GASB Statement No. 35. GASB Statement No. 63 establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The financial statements prescribed by GASB Statement No. 63 (Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Amounts required to be reported as deferred outflows of resources are reported separately after assets and amounts required to be reported as deferred inflows of resources are reported separately after liabilities. See Note 2 for further discussion of these financial statement categories.

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

### **Noteworthy Financial Activity**

In fiscal year 2015, the University implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* (GASB 68) and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with these statements, the University recorded \$410.2 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014, thus restating the University's beginning net position from \$827.2 million to \$441.2 million, of which the entire impact was on unrestricted net position. During fiscal year 2015, the University recognized a decrease in pension expense of \$5.9 million and a net deferred inflow of resources of \$20.3 million, of which \$45.6 million will be amortized in future years and the remaining deferred outflow of resources of \$25.3 million will be recognized in pension expense in fiscal year 2016. It should be noted that the impact to pension expense is allocated to each functional category based on applicable salary expense. The University's net pension liability as of June 30, 2015 was \$384.0 million.

## KENT STATE UNIVERSITY

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

As of June 30, 2015 and 2014

Notwithstanding the impacts of GASB 68, the University's overall financial position experienced an increase over the prior year. The University's total assets and deferred outflows of resources increased over the prior year by \$15.8 million to \$1,519.3 million while total liabilities and deferred inflows of resources increased \$401.9 million to \$1,078.1 million. Of the \$401.9 million increase in liabilities and deferred inflows of resources, \$384.0 million represented the net pension liability and \$20.3 million represented the net deferred inflows arising from GASB 68.

Highlights of significant events are as follows:

- Student tuition and fees increased 1.8% primarily due to a 2% increase in tuition.
- Total auxiliary revenue for the University increased by 2.3% over the prior year primarily due to a combined increase in the standard undergraduate room and board rate of 3.9%.
- Capital assets increased 8.8% primarily due to the continued construction programs associated with the Foundations of Excellence initiative and the completion of the renovations at the Tri-Towers residence hall complex.

#### Statement of Net Position

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

**KENT STATE UNIVERSITY**

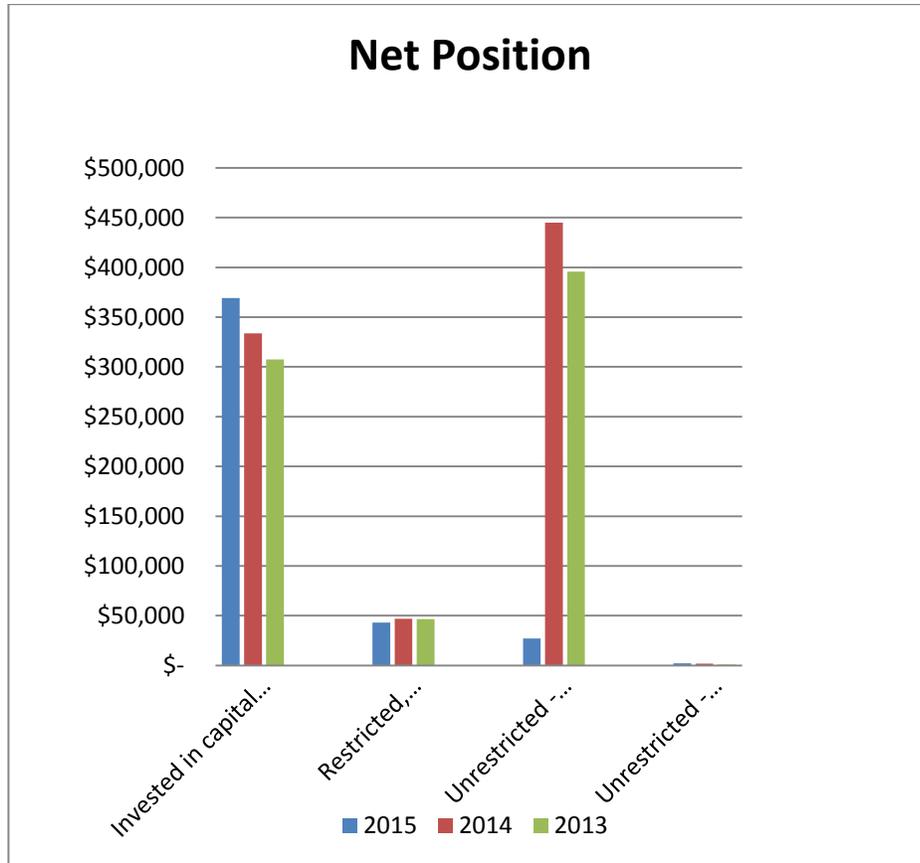
**Management's Discussion and Analysis (unaudited) (Continued)**  
**As of June 30, 2015 and 2014**

**Kent State University**  
**Condensed Statement of Net Position**  
**as of June 30, 2015, 2014 and 2013**  
**(in thousands)**

| <b>ASSETS</b>  | <b><u>2015</u></b>         | <b><u>2014</u></b>         | <b><u>2013</u></b>         |
|--|----------------------------|----------------------------|----------------------------|
| Current and other assets                                       | \$ 717,173                 | \$ 765,830                 | \$ 741,499                 |
| Capital assets   | <u>800,521</u>             | <u>735,946</u>             | <u>684,118</u>             |
| <b>Total assets</b>  | <b><u>\$ 1,517,694</u></b> | <b><u>\$ 1,501,776</u></b> | <b><u>\$ 1,425,617</u></b> |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                            |                            |                            |
| Deferred amortization on bond<br>refundings                    | \$ 1,568                   | \$ 1,678                   | \$ 1,786                   |
| <b>Total deferred outflows of<br/>resources</b>                | <b><u>\$ 1,568</u></b>     | <b><u>\$ 1,678</u></b>     | <b><u>\$ 1,786</u></b>     |
| <br><b>LIABILITIES</b>   |                            |                            |                            |
| Long-term debt   | \$ 524,603                 | \$ 527,828                 | \$ 517,690                 |
| Other  | <u>532,534</u>             | <u>145,851</u>             | <u>155,476</u>             |
| <b>Total liabilities</b>                                       | <b><u>\$ 1,057,137</u></b> | <b><u>\$ 673,679</u></b>   | <b><u>\$ 673,166</u></b>   |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>                       |                            |                            |                            |
| Accumulated change in the fair value of<br>hedging derivatives | \$ 639                     | \$ 2,529                   | \$ 3,507                   |
| Net deferred inflows arising<br>from GASB 68                   | <u>20,299</u>              | <u>-</u>                   | <u>-</u>                   |
| <b>Total deferred inflows of<br/>resources</b>                 | <b><u>\$ 20,938</u></b>    | <b><u>\$ 2,529</u></b>     | <b><u>\$ 3,507</u></b>     |
| <br><b>NET POSITION</b>  |                            |                            |                            |
| Net investment in capital assets                               | \$ 369,078                 | \$ 333,623                 | \$ 307,620                 |
| Restricted, expendable<br>and not expendable                   | 42,959                     | 46,902                     | 46,546                     |
| Unrestricted:  |                            |                            |                            |
| Designated   | 26,938                     | 444,834                    | 395,701                    |
| Undesignated (unallocated)                                     | <u>2,212</u>               | <u>1,887</u>               | <u>863</u>                 |
| <b>Total net position</b>                                      | <b><u>\$ 441,187</u></b>   | <b><u>\$ 827,246</u></b>   | <b><u>\$ 750,730</u></b>   |

**KENT STATE UNIVERSITY**

**Management's Discussion and Analysis (unaudited) (Continued)**  
**As of June 30, 2015 and 2014**



**2015 Versus 2014**

At June 30, 2015, the University's current assets of \$306.0 million were sufficient to cover current liabilities of \$130.9 million (current ratio of 2.3). At June 30, 2014, current assets of \$318.7 million were sufficient to cover current liabilities of \$128.0 million (current ratio of 2.5).

At June 30, 2015, total University assets and deferred outflows of resources were \$1,519.3 million, compared to \$1,503.4 million at June 30, 2014. The increase of \$15.9 million is mainly attributed to an increase in capital assets due to additional buildings and construction in progress mostly related to the Foundation of Excellence initiative and the completion of the Tri-Towers residence hall remodeling projects.

University liabilities and deferred inflows of resources total \$1,078.1 million at June 30, 2015 compared to \$676.2 million at June 30, 2014. This increase is primarily due to the recognition of a net pension liability of \$384.0 million and a related net deferred inflow of resources of \$20.3 million from the adoption of GASB 68. Without the adoption of GASB 68, total liabilities and deferred inflows of resources would have slightly decreased.

## KENT STATE UNIVERSITY

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

As of June 30, 2015 and 2014

Total Net Position decreased by \$386.1 million to \$441.2 million. Unrestricted Net Position totaled \$29.2 million, 92% of which (\$26.9 million) is designated for ongoing academic and research programs, capital projects and other initiatives. The decrease in net position is due to the adoption of GASB 68 during fiscal year 2015 which resulted in recognizing the beginning net pension liability as an adjustment to the beginning net position. The amount of the adjustment was \$410.2 million. Without the adoption of GASB 68, the university would have recognized an increase to net position of \$18.2 million and overall net position would have been \$845.5 million.

#### **2014 Versus 2013**

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

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

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

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

#### **Statement of Revenues, Expenses and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public university's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state appropriations and gifts as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

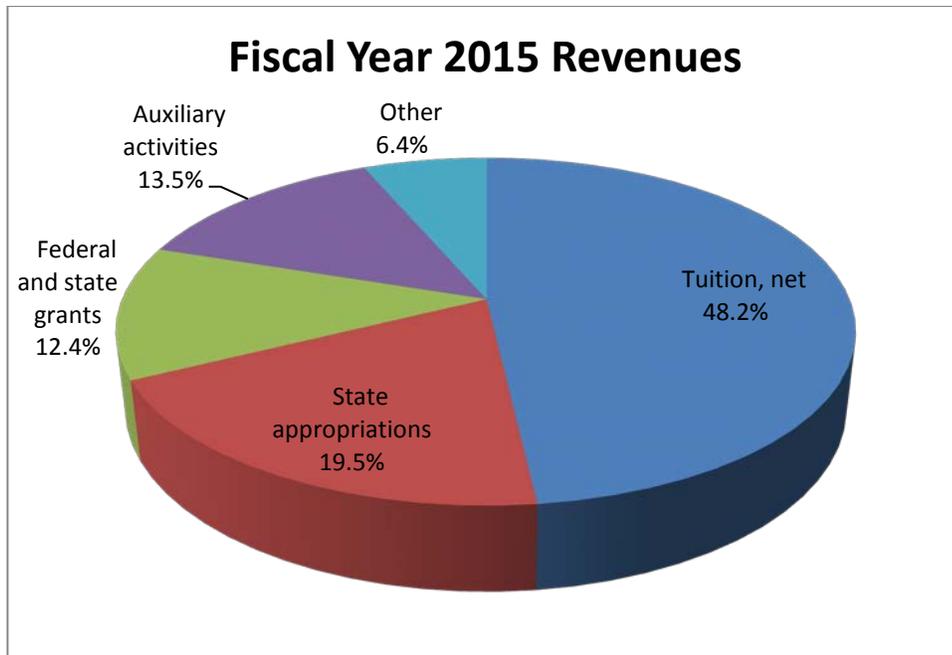
## KENT STATE UNIVERSITY

### Management's Discussion and Analysis (unaudited) (Continued) As of June 30, 2015 and 2014

**Kent State University**  
**Condensed Statement of Revenues, Expenses and Changes in Net Position**  
**for the years ended June 30, 2015, 2014 and 2013**  
**(in thousands)**

|                              | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       |
|------------------------------|-------------------|-------------------|-------------------|
| <b>Revenues</b>              |                   |                   |                   |
| Tuition, net                 | \$ 337,424        | \$ 331,380        | \$ 322,210        |
| State appropriations         | 136,310           | 136,774           | 127,275           |
| Federal and state grants     | 87,041            | 94,637            | 94,797            |
| Auxiliary activities         | 94,354            | 92,198            | 88,335            |
| Other                        | 45,158            | 83,534            | 63,572            |
| <b>Total revenues</b>        | <u>\$ 700,287</u> | <u>\$ 738,523</u> | <u>\$ 696,189</u> |
| <b>Expenses</b>              |                   |                   |                   |
| Instruction                  | \$ 231,851        | \$ 227,721        | \$ 222,318        |
| Research                     | 16,732            | 17,539            | 18,553            |
| Institutional support        | 76,356            | 74,575            | 76,554            |
| Scholarships and fellowships | 40,458            | 43,025            | 45,714            |
| Other                        | 310,717           | 299,147           | 297,455           |
| <b>Total expenses</b>        | <u>\$ 676,114</u> | <u>\$ 662,007</u> | <u>\$ 660,594</u> |

The following chart shows the breakdown of total revenues. Tuition is the largest source of revenue at 48.2% followed by State appropriations at 19.5%.



## KENT STATE UNIVERSITY

### Management's Discussion and Analysis (unaudited) (Continued) As of June 30, 2015 and 2014

#### **2015 Versus 2014** During the year ended June 30, 2015:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Revenue from tuition and fees increased during the current year due primarily due to a 2% increase in tuition. Auxiliary revenue increased 2.3% primarily due to a combined increase in room and board rates of 3.9%

State appropriations were the most significant non-operating revenue. During 2015, state appropriations totaled \$136.3 million.

Operating expenses, including depreciation of \$45.3 million, totaled \$658.5 million. Of the operating expenses, instruction expense and auxiliary expense had the most significant increases. As a result of implementing GASB 68 in fiscal year 2015, the University recognized a decrease in pension expense of \$5.9 million which was allocated across all the functional expense categories and ultimately did not have an overall significant impact on operating expenses.

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

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

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

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

#### **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, 2015, 2014 and 2013 (in thousands)**

|  | <b><u>2015</u></b> | <b><u>2014</u></b> | <b><u>2013</u></b> |
|--|--------------------|--------------------|--------------------|
| Cash (used in)/provided by:                  |                    |                    |                    |
| Operating activities                         | \$ (135,270)       | \$ (137,717)       | \$ (106,659)       |
| Investing activities                         | (5,212)            | 29,248             | 116                |
| Capital and related financing activities     | (119,579)          | (87,900)           | (88,143)           |
| Non-capital financing activities             | <u>204,493</u>     | <u>207,285</u>     | <u>197,903</u>     |
| Net increase in cash                         | (55,568)           | 10,916             | 3,217              |
| Cash and cash equivalents, beginning of year | <u>315,325</u>     | <u>304,409</u>     | <u>301,192</u>     |
| Cash and cash equivalents, end of year       | <u>\$ 259,757</u>  | <u>\$ 315,325</u>  | <u>\$ 304,409</u>  |

## KENT STATE UNIVERSITY

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

As of June 30, 2015 and 2014

**2015 Versus 2014** During the year ended June 30, 2015:

Major sources of cash included student tuition and fees (\$253.6 million), state appropriations (\$136.3 million), auxiliary activities (\$91.7 million), and Federal Pell grants (\$56.0 million). The largest payments were for suppliers (\$222.7 million) and employees (\$311.7 million).

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

Major sources of cash included student tuition and fees (\$261.5 million), state appropriations (\$136.8 million), auxiliary activities (\$92.1 million), and Federal Pell grants (\$59.0 million). The largest payments were for suppliers (\$253.2 million) and employees (\$290.0 million).

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At the end of 2015, the University had invested \$800.5 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 \$64.6 million, or 8.8 percent, over last year.

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

|                            | <b><u>2015</u></b>     | <b><u>2014</u></b>     | <b><u>2013</u></b>     |
|----------------------------|------------------------|------------------------|------------------------|
| Land                       | \$ 30.2                | \$ 29.6                | \$ 29.1                |
| Equipment                  | 40.5                   | 43.2                   | 41.0                   |
| Buildings and improvements | 602.4                  | 563.3                  | 545.1                  |
| Construction in progress   | 127.4                  | 99.8                   | 68.9                   |
| <b>Total</b>               | <b><u>\$ 800.5</u></b> | <b><u>\$ 735.9</u></b> | <b><u>\$ 684.1</u></b> |

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) (Continued) As of June 30, 2015 and 2014

### Long-term Debt

At year end, the University had \$524.6 million in bonds and notes outstanding—an decrease of \$3.2 million over last year. The University entered into a capital lease agreement with the Portage County Port Authority for the financing of the new Institutional Advancement building in the amount of \$17.0 million. In the prior fiscal year, the University issued \$28.4 million in general receipts bonds. 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>2015</u>     | <u>2014</u>     | <u>2013</u>     |
|--|-----------------|-----------------|-----------------|
| General receipts bonds<br>(backed by the University) | 442.1           | \$ 459.1        | \$ 444.4        |
| Tax Revenue Energy Bonds                             | 41.2            | 44.5            | 47.7            |
| Capital leases                                       | 41.3            | 24.2            | 25.6            |
|  | <u>\$ 524.6</u> | <u>\$ 527.8</u> | <u>\$ 517.7</u> |

### Factors Affecting Future Periods

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

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

Included in the state's budget bill for the biennium 2016-2017 was a freeze on tuition increases in both fiscal years 2016 and 2017. The state has approved an increase in the overall state subsidy to help offset the loss of revenue as a result of not increasing tuition for the next two years.

Also included in the state's budget bill was a requirement to all Ohio institution's board of trustees to complete an efficiency review by July 1, 2016 and an implementation plan within 30 days of submission. It is clear that Ohio's legislature is actively searching for ways Ohio's institutions can continue to cut its overall costs and ultimately pass along those savings to the students in an effort to improve the affordability of higher education in Ohio.

## Independent Auditor's Report

To the Board of Trustees  
Kent State University

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kent State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise Kent State University's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

To the Board of Trustees  
Kent State University

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

### ***Opinions***

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Kent State University and its discretely presented component unit as of June 30, 2015 and 2014 and the changes in its financial position, and, where applicable, cash flows thereof, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note 1 to the financial statements, effective July 1, 2014, the University adopted new accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 is an amendment to Statement No. 27. In accordance with Statement No. 68, the University is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Our opinion is not modified with respect to this matter.

As explained in Note 3, the financial statements include investments valued at \$117,000,000 (26.5 percent of net position) at June 30, 2015 and at \$131,000,000 (15.8 percent of net position) at June 30, 2014, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the fund managers or the general partners.

### ***Other Matters***

#### ***Required Supplementary Information***

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

To the Board of Trustees  
Kent State University

**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015 on our consideration of Kent State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kent State University's internal control over financial reporting and compliance.

*Plante & Morse, PLLC*

October 15, 2015

**KENT STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**as of June 30, 2015 and 2014**  
**(in thousands)**

|   | <u>University</u>   |                     | <u>University Related Foundation</u> |                   |
|---|---------------------|---------------------|--------------------------------------|-------------------|
|   | <u>2015</u>         | <u>2014</u>         | <u>2015</u>                          | <u>2014</u>       |
| <b>ASSETS</b>   |                     |                     |                                      |                   |
| Current assets:   |                     |                     |                                      |                   |
| Cash and cash equivalents                                   | \$ 133,446          | \$ 142,565          | \$ 2,203                             | \$ 1,595          |
| Short-term investments                                      | 133,270             | 130,852             | 147,927                              | 140,700           |
| Accounts and pledges receivable, net                        | 31,953              | 34,138              | 3,646                                | 3,123             |
| Inventories   | 1,516               | 1,822               | -                                    | -                 |
| Deposits and prepaid expenses                               | 5,481               | 8,847               | -                                    | -                 |
| Accrued interest receivable                                 | 361                 | 501                 | 436                                  | 132               |
| Total current assets  | <u>306,027</u>      | <u>318,725</u>      | <u>154,212</u>                       | <u>145,550</u>    |
| Noncurrent assets:  |                     |                     |                                      |                   |
| Restricted cash   | 126,311             | 172,760             | -                                    | -                 |
| Student loans receivable, net                               | 28,635              | 25,919              | -                                    | -                 |
| Note receivable   | -                   | -                   | 14,426                               | 14,426            |
| Long-term investments                                       | 255,537             | 245,873             | -                                    | 6,979             |
| Long-term pledges receivable, net                           | -                   | -                   | 5,255                                | 5,399             |
| Capital assets, net   | 800,521             | 735,946             | 1,306                                | 1,506             |
| Derivative instrument - swap asset                          | 639                 | 2,529               | -                                    | -                 |
| Other assets  | 24                  | 24                  | 4,265                                | 356               |
| Total noncurrent assets                                     | <u>1,211,667</u>    | <u>1,183,051</u>    | <u>25,252</u>                        | <u>28,666</u>     |
| Total assets  | <u>\$ 1,517,694</u> | <u>\$ 1,501,776</u> | <u>\$ 179,464</u>                    | <u>\$ 174,216</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                       |                     |                     |                                      |                   |
| Deferred amortization on bond refundings                    | \$ 1,568            | \$ 1,678            | \$ -                                 | \$ -              |
| <b>LIABILITIES</b>  |                     |                     |                                      |                   |
| Current liabilities:  |                     |                     |                                      |                   |
| Accounts payable and accrued liabilities                    | \$ 41,068           | \$ 44,875           | \$ 641                               | \$ 702            |
| Accrued payroll   | 12,581              | 12,015              | -                                    | -                 |
| Payroll taxes and accrued fringe benefits                   | 21,222              | 14,229              | -                                    | -                 |
| Unearned revenue and deposits                               | 33,386              | 35,494              | -                                    | -                 |
| Derivative instrument - swap liability                      | -                   | -                   | -                                    | -                 |
| Short-term borrowings                                       | -                   | -                   | -                                    | -                 |
| Current portion of long-term debt                           | 22,666              | 21,373              | -                                    | -                 |
| Total current liabilities                                   | <u>130,923</u>      | <u>127,986</u>      | <u>641</u>                           | <u>702</u>        |
| Noncurrent liabilities:                                     |                     |                     |                                      |                   |
| Accrued compensated absences                                | 23,380              | 22,326              | -                                    | -                 |
| Accrued liabilities   | 15,912              | 15,912              | 3,683                                | 4,060             |
| Net pension liability                                       | 384,008             | -                   | -                                    | -                 |
| Long-term unearned fees and deposits                        | 977                 | 1,000               | 9,039                                | 9,003             |
| Long-term debt  | 501,937             | 506,455             | -                                    | -                 |
| Total noncurrent liabilities                                | <u>926,214</u>      | <u>545,693</u>      | <u>12,722</u>                        | <u>13,063</u>     |
| Total liabilities   | <u>\$ 1,057,137</u> | <u>\$ 673,679</u>   | <u>\$ 13,363</u>                     | <u>\$ 13,765</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                     |                     |                                      |                   |
| Accumulated change in the fair value of hedging derivatives | \$ 639              | \$ 2,529            | \$ -                                 | \$ -              |
| Net deferred inflows arising from GASB 68                   | 20,299              | -                   | -                                    | -                 |
| Total deferred inflows of resources                         | <u>\$ 20,938</u>    | <u>\$ 2,529</u>     | <u>\$ -</u>                          | <u>\$ -</u>       |
| <b>NET POSITION</b>   |                     |                     |                                      |                   |
| Net investment in capital assets                            | \$ 369,078          | \$ 333,623          | \$ 1,306                             | \$ 1,506          |
| Restricted, nonexpendable                                   | 5,883               | 5,883               | 41,006                               | 36,833            |
| Restricted, expendable                                      | 37,076              | 41,019              | 112,791                              | 111,883           |
| Unrestricted  | 29,150              | 446,721             | 10,998                               | 10,229            |
| Total net position  | <u>\$ 441,187</u>   | <u>\$ 827,246</u>   | <u>\$ 166,101</u>                    | <u>\$ 160,451</u> |

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

|   | University          |                     | University Related<br>Foundation |                    |
|---|---------------------|---------------------|----------------------------------|--------------------|
|   | 2015                | 2014                | 2015                             | 2014               |
| <b>OPERATING REVENUES</b>   |                     |                     |                                  |                    |
| Student tuition and fees  | \$ 417,946          | \$ 405,871          | \$ -                             | \$ -               |
| Less scholarship allowances   | (80,522)            | (74,491)            | -                                | -                  |
| Net student tuition and fees  | <u>337,424</u>      | <u>331,380</u>      | <u>-</u>                         | <u>-</u>           |
| Federal grants and contracts  | 22,703              | 25,033              | -                                | -                  |
| State grants and contracts  | 8,344               | 10,644              | -                                | -                  |
| Local grants and contracts  | 207                 | 201                 | -                                | -                  |
| Nongovernmental grants and contracts                                | 4,275               | 4,137               | -                                | -                  |
| Sales and services of educational departments                       | 11,563              | 11,065              | -                                | -                  |
| Auxiliary activities - Net  | 94,354              | 92,198              | -                                | -                  |
| Total operating revenues  | <u>\$ 478,870</u>   | <u>\$ 474,658</u>   | <u>\$ -</u>                      | <u>\$ -</u>        |
| <b>OPERATING EXPENSES</b>   |                     |                     |                                  |                    |
| Instruction   | 231,851             | 227,721             | -                                | -                  |
| Research  | 16,732              | 17,539              | -                                | -                  |
| Public service  | 14,639              | 16,040              | -                                | -                  |
| Academic support  | 63,449              | 61,003              | -                                | -                  |
| Student services  | 32,746              | 32,227              | -                                | -                  |
| Institutional support   | 76,356              | 74,575              | 12,138                           | 9,575              |
| Scholarships and fellowships  | 40,458              | 43,025              | 3,949                            | 2,956              |
| Operation and maintenance of plant                                  | 43,953              | 40,484              | -                                | -                  |
| Auxiliary activities  | 92,935              | 89,128              | -                                | -                  |
| Depreciation  | 45,339              | 42,320              | -                                | -                  |
| Total operating expenses  | <u>658,458</u>      | <u>644,062</u>      | <u>16,087</u>                    | <u>12,531</u>      |
| Operating loss  | <u>\$ (179,588)</u> | <u>\$ (169,404)</u> | <u>\$ (16,087)</u>               | <u>\$ (12,531)</u> |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                             |                     |                     |                                  |                    |
| State appropriations  | 136,310             | 136,774             | -                                | -                  |
| Federal Pell Grant revenue  | 55,994              | 58,960              | -                                | -                  |
| Gifts   | 12,190              | 11,544              | 18,263                           | 10,964             |
| Investment income   | 6,731               | 44,296              | 3,427                            | 22,796             |
| Interest on capital asset-related debt                              | (17,656)            | (17,945)            | -                                | -                  |
| Other nonoperating revenues/expenses                                | 6,347               | 6,203               | 47                               | (749)              |
| Net nonoperating revenues   | <u>199,916</u>      | <u>239,832</u>      | <u>21,737</u>                    | <u>33,011</u>      |
| Income before other revenues, expenses,<br>gains or losses          | <u>20,328</u>       | <u>70,428</u>       | <u>5,650</u>                     | <u>20,480</u>      |
| Capital appropriation   | <u>3,845</u>        | <u>6,088</u>        | <u>-</u>                         | <u>-</u>           |
| Increase in net position  | <u>\$ 24,173</u>    | <u>\$ 76,516</u>    | <u>\$ 5,650</u>                  | <u>\$ 20,480</u>   |
| <b>NET POSITION</b>   |                     |                     |                                  |                    |
| Net position, beginning of year                                     | 827,246             | 750,730             | 160,451                          | 139,971            |
| Adjustment to beginning net position related to<br>GASB 68 (Note 2) | (410,232)           | -                   | -                                | -                  |
| Adjusted net position, beginning of year                            | <u>417,014</u>      | <u>750,730</u>      | <u>160,451</u>                   | <u>139,971</u>     |
| Net position, end of year   | <u>\$ 441,187</u>   | <u>\$ 827,246</u>   | <u>\$ 166,101</u>                | <u>\$ 160,451</u>  |

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

**KENT STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**for the years ended June 30, 2015 and 2014**  
**(in thousands)**

|  | <b>2015</b>       | <b>2014</b>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Cash received from students for tuition and fees                                     | \$ 253,621        | \$ 261,549        |
| Cash received from auxiliary activities  | 94,715            | 91,748            |
| Cash received from other sources   | 19,407            | 9,787             |
| Grants and contracts   | 34,339            | 42,892            |
| Federal student loan funds received  | 14                | -                 |
| Student loans granted, net of repayments   | (2,973)           | (463)             |
| Cash paid to employees   | (311,709)         | (290,032)         |
| Cash paid to suppliers   | (222,684)         | (253,198)         |
| Net cash used in operating activities  | (135,270)         | (137,717)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Proceeds from sale and maturities of investments                                     | 88,812            | 78,891            |
| Purchases of investments   | (108,434)         | (64,402)          |
| Interest received  | 14,410            | 14,759            |
| Net cash provided by/(used in) investing activities                                  | (5,212)           | 29,248            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                      |                   |                   |
| Net proceeds from bond issuance  | -                 | 30,310            |
| Principal payments under debt obligations, net                                       | (17,015)          | (16,920)          |
| Interest paid  | (21,028)          | (22,257)          |
| Capital appropriations   | -                 | 400               |
| Loss on disposal of capital assets   | 1,062             | 1,394             |
| Purchases of capital assets  | (88,945)          | (86,998)          |
| Other payments   | 6,347             | 6,171             |
| Net cash used in capital and related financing activities                            | (119,579)         | (87,900)          |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                               |                   |                   |
| Cash received from State appropriations  | 136,310           | 136,774           |
| Gifts received from KSU Foundation   | 12,189            | 11,551            |
| Cash received from Federal Pell grants   | 55,994            | 58,960            |
| Net cash provided by noncapital financing activities                                 | 204,493           | 207,285           |
| Net increase/(decrease) in cash and cash equivalents                                 | (55,568)          | 10,916            |
| <b>CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH),<br/>BEGINNING OF YEAR</b> | <b>315,325</b>    | <b>304,409</b>    |
| <b>CASH AND CASH EQUIVALENTS, (INCLUDING RESTRICTED CASH),<br/>END OF YEAR</b>       | <b>\$ 259,757</b> | <b>\$ 315,325</b> |

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, 2015 and 2014**  
(in thousands)

|   | <b>2015</b>  | <b>2014</b>  |
|---|--------------|--------------|
| Reconciliation of net operating loss to net cash used in operating activities:    |              |              |
| Operating loss  | \$ (179,588) | \$ (169,404) |
| Adjustments to reconcile operating loss to net cash used in operating activities: |              |              |
| Depreciation expense  | 44,278       | 40,926       |
| Change in assets and liabilities:   |              |              |
| Accounts receivable, net  | 2,185        | 1,081        |
| Inventories   | 306          | 172          |
| Deposits and prepaid expenses   | 3,366        | (475)        |
| Student loans receivable, net   | (2,716)      | (131)        |
| Accounts payable and accrued liabilities  | (3,658)      | (11,040)     |
| Net pension liability   | (5,925)      | -            |
| Accrued payroll   | 566          | 1,095        |
| Payroll taxes and accrued fringe benefits   | 6,993        | (2,192)      |
| Unearned fees and deposits  | (2,131)      | 895          |
| Accrued compensated absences  | 1,054        | 1,356        |
| Total change in assets and liabilities  | 40           | (9,239)      |
| Net cash used in operating activities   | \$ (135,270) | \$ (137,717) |

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

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

### (1) Reporting Entity and Basis of Presentation

#### (a) Reporting Entity

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

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

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

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

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

Furthermore, in accordance with GASB Statement No. 61, the Foundation is reported in a separate column on the University's financial statements to emphasize that it is legally separate from the University. The Foundation is a not-for-profit organization supporting the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

Foundation, the majority of resources, or income thereon, which it holds and investments are restricted to support the activities of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, it is considered a component unit of the University. Financial statements for the Foundation may be obtained by writing to Kent State University Foundation, Kent, Ohio 44242.

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

(b) Basis of Presentation

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

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

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

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

### (c) Upcoming Accounting Pronouncements

#### *GASB 72 – Fair Value of Measurement and Application*

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. Kent State University is currently evaluating the impact this standard will have on the financial statements when adopted, during the University's fiscal year ending June 30, 2016.

#### *GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in both OPERS and STRS. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Kent State University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the university's financial statements for the year ending June 30, 2018.

### (2) Summary of Significant Accounting Policies

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

#### (a) Cash and Cash Equivalents

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

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

(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) Accounts Receivable

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

(d) Inventories

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

(e) 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.

(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 Position because the current portion cannot be closely estimated.

(g) Unearned Revenue

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

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

Deferred inflows and outflows of resources are consumptions of net position by the University that is applicable to a future reporting period, and an acquisition of net position by the University that is applicable to a future reporting period, respectively. The University has recorded a deferred outflow of resources for the unamortized bond refunding and net deferred inflow of resources related to its two interest rate swaps (accumulated increase in the fair value of hedging derivatives) and GASB 68 for pensions. See Note 6 and Note 7 for further discussion.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

(i) 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.

(j) Revenue Recognition

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

(k) Scholarship Discount and Allowances

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

(l) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Ohio Public Employees Retirement System and State Teachers Retirement System of Ohio Pension Plan (OPERS/STRS) and additions to/deductions from OPERS'/STRS' fiduciary net position have been determined on the same basis as they are reported by OPERS/STRS. OPERS/STRS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

(m) Operating Versus Nonoperating Revenues and Expenses

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

(n) Change in Accounting Principle

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the University has recorded \$410,232 as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. The June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

(3) Investments

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

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

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

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

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, 2015 and 2014, the bank amount of the University's deposits was \$209,335 and \$257,190, respectively. Of that amount, \$96,092 and \$114,055, respectively, was insured. The remaining \$113,243 and \$143,135 at June 30, 2015 and 2014, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

The values of investments at June 30, 2015 and 2014 are as follows:

|                                      | 2015         |            |
|--------------------------------------|--------------|------------|
|                                      | Market Value | Cost       |
| Common stock                         | \$ 201,663   | \$ 151,582 |
| U.S. government agency obligations   | 13,312       | 13,434     |
| U.S. government obligations          | 2,772        | 2,806      |
| Corporate bonds and notes            | 9,814        | 9,293      |
| Mutual funds                         | 135,031      | 132,316    |
| State Treasury Asset Reserve of Ohio | 26,215       | 26,215     |
| Total                                | \$ 388,807   | \$ 335,646 |

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

Included in common stock above are alternative investments of approximately \$117 million and \$131 million as of June 30, 2015 and June 30, 2014, respectively. The alternative investments are primarily private equity and hedge funds. Alternative investments do not have readily available market prices. These investments are carried at estimated fair value provided by the fund's management. The University believes that the carrying amounts are reasonable estimates of fair value as of the year end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

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, 2015, the University realized a net gain of \$8,182. During the year ended June 30, 2014, the University realized a net gain of \$7,348. The calculation of realized gains and losses is independent of the net appreciation in the fair value of investments held at year end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net appreciation in the fair value of investments during the year ended June 30, 2015 was \$662. The net appreciation in the fair value of investments during the year ended June 30, 2014 was \$36,945. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year.

The unrealized depreciation on investments for the year ended June 30, 2015 was \$(7,520). The unrealized appreciation on investments for the year ended June 30, 2014 was \$29,597.

The components of the net investment income are as follows:

|            | Interest and<br>dividends, net | Net appreciation<br>in market value of investments | Net investment<br>income |
|------------|--------------------------------|--|--------------------------|
| Total 2015 | \$6,069                        | \$662  | \$6,731                  |
| Total 2014 | \$7,351                        | \$36,945   | \$44,296                 |

### 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, 2015 are as follows:

|                                    | Investment Maturities (in years) |             |           |           |              |
|------------------------------------|----------------------------------|-------------|-----------|-----------|--------------|
|                                    | Fair Value                       | Less than 1 | 1 to 5    | 6 to 10   | More than 10 |
| U.S. government obligations        | \$ 2,772                         | \$ -        | \$ 2,272  | \$ 500    | \$ -         |
| U.S. government agency obligations | 13,312                           | 1,551       | 5,718     | 2,049     | 3,994        |
| Corporate bonds and notes          | 9,814                            | 2,478       | 3,885     | 1,161     | 2,290        |
| Bond mutual funds                  | 74,934                           | 4,008       | 27,503    | 14,980    | 28,443       |
| Total                              | \$ 100,832                       | \$ 8,037    | \$ 39,378 | \$ 18,690 | \$ 34,727    |

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

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

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

**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, 2015 are as follows:

| Credit Rating<br>(Moody's) | Total      | Government<br>Obligations | U.S. Agency<br>Obligations | Corporate<br>Bonds | Bond Mutual<br>Funds |
|----------------------------|------------|---------------------------|----------------------------|--------------------|----------------------|
| AAA                        | \$ 32,705  | \$ 2,772                  | \$ 33                      | \$ -               | \$ 29,900            |
| AA+                        | 6,354      | -                         | 5,696                      | 658                | -                    |
| AA                         | 15,125     | -                         | -                          | 149                | 14,976               |
| AA-                        | 782        | -                         | -                          | 782                | -                    |
| A+                         | 489        | -                         | -                          | 489                | -                    |
| A                          | 13,411     | -                         | -                          | 2,728              | 10,683               |
| OTHER                      | 31,966     | -                         | 7,583                      | 5,008              | 19,375               |
| Total                      | \$ 100,832 | \$ 2,772                  | \$ 13,312                  | \$ 9,814           | \$ 74,934            |

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

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

**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, 2015 and 2014, the University had no exposure to foreign currency risk.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

**Concentration of credit risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University held the following investments that had fair values of 5 percent or more of total investments as of June 30, 2015 and 2014:

|                  | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|------------------|----------------------|----------------------|
| Cantillon Global | \$ 16,520            | \$ 22,466            |
| PIMCO All Asset  | 15,990               | 20,547               |
| FPA Creecent     | 20,131               | 13,213               |
| IVA Worldwide    | 20,230               | 15,672               |

### (4) Accounts Receivable

Accounts receivable consist of the following, as of June 30, 2015 and 2014:

|   | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|
| Sponsor accounts                                | \$ 5,494         | \$ 5,242         |
| Student accounts                                | 25,655           | 27,958           |
| Other   | 9,769            | 9,933            |
|   | <u>40,918</u>    | <u>43,133</u>    |
| Less allowances for loss on accounts receivable | <u>(8,965)</u>   | <u>(8,995)</u>   |
| Accounts receivable, net                        | <u>\$ 31,953</u> | <u>\$ 34,138</u> |

In addition, the University has student loans receivable of \$35,685 and \$32,712 as of June 30, 2015 and 2014, respectively. The related allowances as of June 30, 2015 and 2014 are \$7,050 and \$6,793, respectively.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

### (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, 2015:

|                               | <u>2014</u>       | <u>Additions/<br/>Transfers</u> | <u>Net<br/>Retirements</u> | <u>2015</u>       |
|-------------------------------|-------------------|---------------------------------|----------------------------|-------------------|
| Land                          | \$ 29,594         | \$ 636                          | \$ -                       | \$ 30,230         |
| Infrastructure                | 114,703           | 1,735                           | -                          | 116,438           |
| Buildings                     | 858,939           | 72,858                          | (669)                      | 931,128           |
| Equipment                     | 221,830           | 7,535                           | (3,925)                    | 225,440           |
| Construction-in-progress      | 99,840            | 27,632                          | (120)                      | 127,352           |
|                               | <u>1,324,906</u>  | <u>110,396</u>                  | <u>(4,714)</u>             | <u>1,430,588</u>  |
| Less accumulated depreciation |                   |                                 |                            |                   |
| Infrastructure                | (65,448)          | (5,123)                         | (95)                       | (70,666)          |
| Buildings                     | (344,916)         | (29,250)                        | (325)                      | (374,491)         |
| Equipment                     | (178,596)         | (9,905)                         | 3,591                      | (184,910)         |
|                               | <u>(588,960)</u>  | <u>(44,278)</u>                 | <u>3,171</u>               | <u>(630,067)</u>  |
| Capital assets, net           | <u>\$ 735,946</u> | <u>\$ 66,118</u>                | <u>\$ (1,543)</u>          | <u>\$ 800,521</u> |

Included in depreciation expense of \$45,339 for the year ended June 30, 2015 is a loss of \$1,062 from the disposal of obsolete capital assets.

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

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

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

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

### (6) Long-term Liabilities

#### Long-term Debt

In April 2013, the University issued \$60,000 in Series 2013A General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2008B General Receipts bond with an outstanding principal balance of \$60,000. As of June 30, 2015, the outstanding principal of the 2013A General Receipts bonds was \$60,000.

In September 2009, the University issued \$214,910 in Series 2009B General Receipts bonds. The proceeds from the bond sale were used for a current refunding of the Series 2009A General Receipts bonds and the Series 2008A General Receipts bonds, as well as an advance refunding of the Series 2000 General Receipts bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the University's long-term obligations. The total refunding was undertaken to achieve debt service savings, as well as allowing the University to convert the synthetic fixed rate bonds to natural fixed rates, thereby eliminating risk associated with interest rate hedge arrangements and stabilizing the interest expenses incurred by the University. The total refunding transaction reduced debt service payments by \$34,210 and resulted in an economic gain of \$22,092. Of the total refunding, debt service was reduced by \$1,271 and resulted in an economic gain of \$887 from the advance refunding. For the advance refunding of the Series 2000 General Receipts bonds, the reacquisition price exceeded the net carrying amount of the old debt by \$520. This amount was being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The unamortized balance was reclassified as a deferred outflow of resources with the adoption of GASB 65 in fiscal year 2014. As of June 30, 2015, the outstanding principal of the 2009B General Receipts bond was \$171,170.

In fiscal year 2010, the University terminated the interest rate swap agreements associated with the Series 2009A General Receipts bonds and the Series 2008A General Receipts bonds. This resulted in a termination payment totaling \$23,864. In connection with the issuance of the Series 2009B General Receipts bonds, the University also recognized a net bond premium totaling \$19,456 which will be amortized against interest expense over the life of the bond. As of June 30, 2015, the unamortized net bond premium was \$6,755.

In June 2012, the University issued \$170,000 in Series 2012 General Receipts bonds. The proceeds from the bond sale will be used for constructing, renovating, equipping and furnishing various University academic, administrative and other campus buildings. As of June 30, 2015, the outstanding principal of the 2012A bonds was \$164,080. In connection with the bond issuance, the University also recognized a net bond premium totaling \$16,185 which will be amortized against interest expense over the life of the bond. As of June 30, 2015, the unamortized net bond premium was \$11,159.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

During fiscal year 2014, the University issued \$28,415 in Series 2014A General Receipts bonds. The proceeds from the bond sale will be used for renovating, equipping and furnishing University residence hall facilities at the University's Tri-Towers complex. As of June 30, 2015, the outstanding principal of the 2014A bonds was \$27,400. In connection with the bond issuance, the University also recognized a net bond premium totaling \$1,894 which will be amortized against interest expense over the life of the bond. As of June 30, 2015, the unamortized net bond premium was \$1,516.

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

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

During fiscal year 2010, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of \$1,344. The Ohio Air Quality Authority has issued \$672 in 2010 Series A bonds and \$672 in 2010 Series B bonds, the proceeds of which will be used to fund the University's energy efficiency and conservation project at its Stark campus. As of June 30, 2015, the outstanding principal of the Series A and Series B bonds was \$45 and \$672, respectively.

During fiscal year 2011, the University entered into two additional loan agreements with the Ohio Air Quality Development Authority. The first loan agreement totals \$5,388; \$2,694 in Series A bonds and \$2,694 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects at its Ashtabula, East Liverpool, Geauga, Salem and Trumbull campuses. As of June 30, 2015, the outstanding principal of the Series A and Series B bonds was \$1,333 and \$2,694, respectively. The second loan agreement totals \$20,000: \$13,000 in Series A bonds, and \$7,000 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects for its Residence Hall and Dining Services auxiliary units. As of June 30, 2015, the outstanding principal of Series A and Series B bonds was \$8,444 and \$7,000, respectively.

During fiscal year 2013, the University entered into a loan agreement with the Ohio Air Quality Development Authority for a total of \$24,947; \$17,447 in Series A bonds and \$7,500 in Series B bonds. The proceeds will be used to fund the University's energy efficiency and conservation projects at its Kent campus. As of June 30, 2015, the outstanding principal of Series A and Series B bonds was \$13,496 and \$7,500, respectively.

In fiscal year 2015, the University entered into a capital lease with the Portage County Port Authority to finance the construction of the new Institutional Advancement building for \$17,025. The University had a capital lease with the Portage County Port Authority for 3.75 acres of property near the northwest edge of the Kent campus for \$3,680 beginning in fiscal year 2013. This is the land where the new building will reside. The two leases were combined totaling \$20,640 with principal payments beginning in fiscal year 2016.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

In fiscal year 2011, the University entered into an agreement with Fairmount Properties, LLC to construct a building for its Twinsburg location (programs are operated out of the University's Geauga campus) which the University will lease for a period of 30 years. The total capital lease is \$13,992 and lease payments will begin in September 2012. As of June 30, 2015, the total outstanding principal on the capital lease was \$13,440.

In fiscal year 2013, as part of the merger with OCPM, the University assumed the debt from a pooled financing program for State of Ohio Higher Educational Facility Rate Demand Revenue Bonds. The proceeds were recorded as an obligation under capital lease by OCPM for the construction related to the improvement of the new main campus building. The University recorded this debt as a capital lease in the amount of \$5,380. As of June 30, 2015, the principal balance for this lease was \$4,815.

Long-term debt consists of the following as of June 30, 2015:

|  | <u>Rates</u> | <u>Maturity</u> | <u>2014</u>       | <u>Additions</u> | <u>Retirements</u> | <u>2015</u>       |
|--|--------------|-----------------|-------------------|------------------|--------------------|-------------------|
| General Receipts Bonds of 2009B  | 2.0 - 5.0    | 2009-2032       | \$ 180,105        | \$ -             | \$ (8,935)         | \$ 171,170        |
| General Receipts Bonds of 2013A  | 3.79         | 2028-2032       | 60,000            | -                | -                  | 60,000            |
| General Receipts Bonds of 2012A  | 3.0 - 5.0    | 2014-2042       | 167,085           | -                | (3,005)            | 164,080           |
| General Receipts Bonds of 2014A  | 2.0 - 5.0    | 2014-2033       | 28,415            | -                | (1,015)            | 27,400            |
| Air Quality Dev. Tax Exempt Rev. Bond - Stark (A)                      | 2.99         | 2010-2016       | 180               | -                | (135)              | 45                |
| Air Quality Dev. Tax Credit Rev. Bond - Stark (B)                      | 5.63         | 2010-2020       | 672               | -                | -                  | 672               |
| Air Quality Dev. Tax Exempt Rev. Bond - Regional Campuses (A)          | 2.75         | 2012-2019       | 1,689             | -                | (356)              | 1,333             |
| Air Quality Dev. Tax Credit Rev. Bond - Regional Campuses (B)          | 4.86         | 2012-2019       | 2,694             | -                | -                  | 2,694             |
| Air Quality Dev. Tax Exempt Rev Bond Residence Halls & Dining Svcs (A) | 2.62         | 2012-2025       | 9,650             | -                | (1,206)            | 8,444             |
| Air Quality Dev. Tax Credit Rev Bond Residence Halls & Dining Svcs (B) | 5.32         | 2019-2025       | 7,000             | -                | -                  | 7,000             |
| Air Quality Dev. Tax Exempt Rev Bond Kent Campus (A)                   | 1.38         | 2013-2023       | 15,081            | -                | (1,585)            | 13,496            |
| Air Quality Dev. Tax Exempt Rev Bond Kent Campus (B)                   | 3.65         | 2024-2027       | 7,500             | -                | -                  | 7,500             |
| Other  | various      | various         | 24,216            | 17,901           | (778)              | 41,339            |
|  |              |                 | 504,287           | 17,901           | (17,015)           | 505,173           |
| Plus unamortized discount and premium                                  |              |                 | 23,541            | -                | (4,111)            | 19,430            |
| Subtotal   |              |                 | 527,828           | \$ 17,901        | \$ (21,126)        | 524,603           |
| Less current portion long-term debt                                    |              |                 | 21,373            |                  |                    | 22,666            |
|  |              |                 | <u>\$ 506,455</u> |                  |                    | <u>\$ 501,937</u> |

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

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

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

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

### Hedging derivative instrument payments and hedged debt

As of June 30, 2015, aggregate debt service requirements of the University's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are shown below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer below for information on derivative instruments (interest rate swap).

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

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

| Year      | Principal  | Interest   | Hedging<br>Derivatives,<br>Net | Total      |
|-----------|------------|------------|--------------------------------|------------|
| 2016      | \$ 18,779  | \$ 20,348  | \$ 2,131                       | \$ 41,258  |
| 2017      | 19,397     | 19,626     | 2,123                          | 41,146     |
| 2018      | 20,551     | 18,837     | 2,114                          | 41,502     |
| 2019      | 20,862     | 18,030     | 2,104                          | 40,996     |
| 2020      | 21,648     | 17,194     | 2,094                          | 40,936     |
| 2021-2025 | 115,358    | 71,369     | 10,303                         | 197,030    |
| 2026-2030 | 141,366    | 45,201     | 8,038                          | 194,605    |
| 2031-2035 | 78,664     | 23,610     | 659                            | 102,933    |
| 2036-2040 | 46,621     | 12,496     | -                              | 59,117     |
| 2040-2045 | 21,927     | 1,621      | -                              | 23,548     |
| Total     | \$ 505,173 | \$ 248,332 | \$ 29,566                      | \$ 783,071 |

### Interest Rate Swap

The University has entered into a 30-year interest rate swap agreement for \$60,000 of the variable rate 2002 Series General Receipts bonds. The University entered into this agreement at the same time and for the same amount of the variable rate debt, with the intent of creating a synthetic fixed rate debt, at an interest rate that was lower than if fixed rate debt would have been issued directly. During 2009, the interest rate swap agreement was re-identified in connection with refunding of the 2002 Series General Receipt bonds through the issuance of 2008B Series General Receipt bonds. During fiscal year 2010, the counterparty on the agreement was changed from Woodlands Commercial Bank (formerly known as Lehman Brothers Commercial Bank) to Loop Financial Products LLP. Based on the swap agreement, the University owes interest calculated at a fixed rate to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate. The \$60,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The notional amount on the swap is \$60,000 as of June 30, 2015.

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

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

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

As a result of the July 1, 2012 merger with the Ohio College of Podiatric Medicine (OCPM), the University assumed the OCPM capital lease and the associated swap. Based on the swap agreement, the University owes interest calculated at a fixed rate to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate. The debt service requirements for the term of the capital lease, as presented in this note, are based on that fixed rate. The notional amount on the swap is \$4,815 as of June 30, 2015.

As of June 30, 2015, the University has recorded a deferred inflow of resources and a related swap asset in the amount of \$639, accounting for the at-the-market swap and the former OCPM swap. The change in fair value totaled \$1,890 in 2015 and was recorded as a reduction of the deferred inflow of resources. Due to the termination of hedge accounting from the refunding of the 2008B General Receipts bonds in fiscal year 2013, the University recognized \$1,398 as a deferred cost of refunding (included in deferred outflows of resources) and increased its accrued liability from \$14,514 to \$15,912. The deferred cost of refunding is being amortized over the life of the swap and has a balance of \$1,250 at June 30, 2015.

The interest rate swaps are subject to the following risks:

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

Basis risk - The University is exposed to basis risk due to variable rate payments received being based on a rate or index other than interest rates that the University pays on its variable rate debt. As of June 30, 2015, the interest rate on the University's Series 2013A hedged variable rate debt is 0.584 percent, while 67 percent of LIBOR is 0.10 percent and the interest rate on the University's hedged variable rate capital lease is 0.15 percent, while the weekly BMA Municipal Swap Index was 0.06 percent.

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

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

### Accrued Compensated Absences

Per University policy, faculty and staff earn vacation up to a maximum of 25 days per year with a maximum accrual of 75 days. Upon termination, they are entitled to a payout of their accumulated balance. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2015 and 2014 is \$16,861 and \$16,283, respectively.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). The liability for accrued sick leave at June 30, 2015 and 2014 is \$6,519 and \$6,043, respectively.

A summary of accrued compensated absences at June 30, 2015 and 2014 is as follows:

|                           | Beginning      |                  |                   | Ending         |
|---------------------------|----------------|------------------|-------------------|----------------|
| <u>For the year ended</u> | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> |
| June 30, 2015             | \$ 22,326      | \$ 3,625         | \$ 2,571          | \$ 23,380      |
| June 30, 2014             | \$ 20,970      | \$ 3,283         | \$ 1,927          | \$ 22,326      |

### (7) Retirement Benefits

#### (a) Basic Retirement Benefits

**Plan Description** – The University participates in the State Teachers Retirement System (STRS), and the Ohio Public Employees Retirement System (OPERS), the statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has multiple retirement plan options available to its members, ranging from three in STRS and three in OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio  
275 E. Broad Street  
Columbus, Ohio 43215  
(888) 227-7877  
[www.strsoh.org](http://www.strsoh.org)

Ohio Public Employees Retirement System  
277 East Town Street  
Columbus, Ohio 43215  
(800) 222-7377  
[www.opers.org](http://www.opers.org)

**Contributions** – State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the ORC limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2015 and 2014  
(in thousands)**

Member contributions are 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plans' 2014 contribution rates on covered payroll to each system were:

|  | Employer Contribution Rate |                               |                   |        |
|--|----------------------------|-------------------------------|-------------------|--------|
|  | Pension                    | Post Retirement<br>Healthcare | Death<br>Benefits | Total  |
| STRS                                       | 13.00%                     | 1.00%                         | 0.00%             | 14.00% |
| OPERS                                      | 12.00%                     | 2.00%                         | 0.00%             | 14.00% |
| OPERS - Law Enforcement<br>& Public Safety | 16.10%                     | 2.00%                         | 0.00%             | 18.10% |

The plans' 2015 contribution rates on covered payroll to each system are:

|  | Employer Contribution Rate |                               |                   |        |
|--|----------------------------|-------------------------------|-------------------|--------|
|  | Pension                    | Post Retirement<br>Healthcare | Death<br>Benefits | Total  |
| STRS                                       | 14.00%                     | 0.00%                         | 0.00%             | 14.00% |
| OPERS                                      | 12.00%                     | 2.00%                         | 0.00%             | 14.00% |
| OPERS - Law Enforcement<br>& Public Safety | 16.10%                     | 2.00%                         | 0.00%             | 18.10% |

The University's required and actual contributions to the plans are:

|       | For the years ended 6/30 |           |
|-------|--------------------------|-----------|
|       | 2015                     | 2014      |
| STRS  | 17,022                   | 16,554    |
| OPERS | 16,360                   | 15,828    |
|       | \$ 33,382                | \$ 32,382 |

**Benefits Provided –**

STRS – Plan benefits are established under Chapter 3307 of the Revised Code, as amended by Substitute Senate Bill 342 in 2012, gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

**OPERS** – Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirement to retire depends on years of service (15 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for Law Enforcement and Public Safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

**Net Pension Liability, Deferrals, and Pension Expense** – At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. The net pension liability was measured as of July 1, 2014 for the STRS plan and December 31, 2014 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| Plan  | Measurement Date | Net Pension Liability |            | Proportionate Share |       | Percent Change |
|-------|------------------|-----------------------|------------|---------------------|-------|----------------|
|       |                  | 2015                  | 2014       | 2015                | 2014  |                |
| STRS  | July 1           | \$ 281,426            | \$ 334,331 | 1.16%               | 1.16% | 0.00%          |
| OPERS | December 31      | \$ 102,582            | \$ 100,494 | 0.85%               | 0.85% | 0.00%          |

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

For the year ended June 30, 2015 and 2014, the University recognized pension expense of \$27,458 and \$32,382, respectively. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 801  | \$ -   |
| Changes of assumptions  | -   | -  |
| Net difference between projected and actual earnings on pension plan investments                                | -   | 46,554                                       |
| Changes in proportion and differences between University contributions and proportionate share of contributions | 203   | -  |
| University contributions subsequent to the measurement date   | <u>25,251</u>                                 | <u>-</u>                                     |
| Total   | <u>\$ 26,255</u>                              | <u>\$ 46,554</u>                             |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---------------------------|---------------|
| 2016                      | \$ (10,267)   |
| 2017                      | \$ (10,267)   |
| 2018                      | \$ (9,651)    |
| 2019                      | \$ (9,527)    |
| 2020                      | \$ (5,797)    |
| Thereafter                | \$ (41)       |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next fiscal year (2016).

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

**Actuarial Assumptions** – The total pension liability is based on the results of actuarial valuations and determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                       | <u>STRS - as of 6/30/14</u>                                 | <u>OPERS - as of 12/31/14</u>  |
|---------------------------------------|---|--|
| Valuation date                        | July 1, 2014  | December 31, 2014  |
| Actuarial cost method                 | Entry age normal  | Individual entry age   |
| Cost of living                        | 2.0 percent   | 3.0 percent  |
| Salary increases, including inflation | 2.75 percent - 12.25 percent                                | 4.25 percent - 10.05 percent   |
| Inflation                             | 2.75 percent  | 3.75 percent   |
| Investment rate of return             | 7.75 percent, net of pension plan investment expense        | 8.00 percent, net of pension plan investment expense                 |
| Experience study date                 | Period of 5 years ended July 1, 2012                        | Period of 5 years ended December 31, 2010                            |
| Mortality basis                       | RP-2000 Combined Mortality Table (Projection 2022–Scale AA) | RP-2000 mortality table projected 20 years using Projection Scale AA |

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent and 8.0 percent, for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>STRS</u>          |                   |  | <u>OPERS</u>         |                   |  |
|----------------------|-------------------|--|----------------------|-------------------|--|
| Investment Category  | Target Allocation | Long-term Expected Real Rate of Return | Investment Category  | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity      | 31.00%            | 5.50%                                  | Fixed Income         | 23.00%            | 2.31%                                  |
| International Equity | 26.00%            | 5.35%                                  | Domestic Equities    | 19.90%            | 5.84%                                  |
| Alternatives         | 14.00%            | 5.50%                                  | Real Estate          | 10.00%            | 4.25%                                  |
| Fixed Income         | 18.00%            | 1.25%                                  | Private Equity       | 10.00%            | 9.25%                                  |
| Real Estate          | 10.00%            | 4.25%                                  | International Equity | 19.10%            | 7.40%                                  |
| Liquidity Reserves   | 1.00%             | 0.50%                                  | Other Investments    | 18.00%            | 4.59%                                  |
| Total                | <u>100%</u>       |  | Total                | <u>100%</u>       |  |

**KENT STATE UNIVERSITY**

**Notes to Financial Statements**  
**June 30, 2015 and 2014**  
**(in thousands)**

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University’s net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| <u>Plan</u> | <u>1.00 percent decrease</u> |                   | <u>Current Discount Rate</u> |                   | <u>1.00 percent increase</u> |                   |
|-------------|------------------------------|-------------------|------------------------------|-------------------|------------------------------|-------------------|
| STRS        | 6.75%                        | 402,894           | 7.75%                        | 281,426           | 8.75%                        | 178,707           |
| OPERS       | 7.00%                        | 189,370           | 8.00%                        | 102,582           | 9.00%                        | 29,505            |
|             |                              | <u>\$ 592,264</u> |                              | <u>\$ 384,008</u> |                              | <u>\$ 208,212</u> |

**Pension plan fiduciary net position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued STRS/OPERS financial report.

**Payable to the Pension Plan** – At June 30, 2015, the University reported a payable of \$5,286 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

(b) Post-Retirement Health Care Benefits

OPERS - Plan Description

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

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

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

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

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

### OPERS - Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 10% of covered payroll and public safety and law enforcement employers contributed at 12% and 13%, respectively.

The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employers units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2% during calendar year 2015. The portion of employer contributions allocated to health care for members in the Combined Plan was 2% during calendar year 2014. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The University's contributions allocated to post-retirement health care for the years ended June 30, 2015, 2014, and 2013 were \$2,298, \$1670 and \$2,647, respectively.

### STRS - Plan Description

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

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

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

### STRS - Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2015, 2014 and 2013. The 14%

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

employer contribution rate is the maximum rate established under Ohio law. The University's contribution to post-employment health care for the years ended June 30, 2015, 2014, and 2013 was \$0, \$1,076, and \$1,084, respectively. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care.

### (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, 2015 and 2014, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were \$14,840 and \$13,998, 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 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, 2015 and 2014 were \$56,261 and \$53,328, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of \$10,280 and \$9,032 has been accrued as of June 30, 2015 and 2014, respectively. This estimate is based on an analysis of historical claims paid. A summary of self-insured activity for the three years ended June 30, 2015, June 30, 2014, and June 30, 2013 is as follows:

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

| For the Years Ended | Balance  | Additions | Reductions | Balance   |
|---------------------|----------|-----------|------------|-----------|
| June 30, 2015       | \$ 9,032 | \$ 57,509 | \$ 56,261  | \$ 10,280 |
| June 30, 2014       | \$ 8,088 | \$ 54,272 | \$ 53,328  | \$ 9,032  |
| June 30, 2013       | \$ 6,511 | \$ 48,742 | \$ 47,165  | \$ 8,088  |

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2015 and 2014 for operating leases amounted to approximately \$1,080 and \$1,111 respectively.

Future minimum payments on non-cancelable operating leases subsequent to June 30, 2015 are as follows:

| <u>Year</u>                   | <u>Operating Leases</u> |
|-------------------------------|-------------------------|
| 2016                          | \$ 777                  |
| 2017                          | 742                     |
| 2018                          | 276                     |
| 2019                          | <u>56</u>               |
| Total future minimum payments | <u>\$ 1,851</u>         |

As of June 30, 2015, the University had commitments related to construction projects totaling \$79,967. Of this amount, \$60,689 or 76% will be funded from bond proceeds.

**(9) Related Party Transactions**

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

**(10) Component Unit**

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

Assets totaling approximately \$179,464 and \$174,216 at June 30, 2015 and 2014, 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 \$11,813 and \$9,650 of financial support during the years ended June 30, 2015 and 2014, respectively, from gifts to the Foundation

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2015 and 2014, the University had outstanding receivables from the Foundation of approximately \$57 and \$56, respectively.

The value of investments for the Foundation at June 30, 2015 and 2014 is as follows:

|  | <u>Market Value</u><br><u>2015</u> | <u>Market Value</u><br><u>2014</u> |
|--|------------------------------------|------------------------------------|
| Corporate stocks                         | \$ 5,053                           | \$ 6,980                           |
| Limited partnership hedge fund           | 5,045                              | 6,065                              |
| ETFS                                     | 5,472                              | 6,216                              |
| Mutual funds:                            |                                    |                                    |
| Large capitalization equity funds        | 42,350                             | 37,395                             |
| Small/middle capitalization equity funds | 9,522                              | 8,838                              |
| International equity funds               | 30,607                             | 31,344                             |
| Other mutual funds                       | 19,383                             | 20,312                             |
| Fixed-income funds                       | 30,495                             | 30,529                             |
|  | <u>\$ 147,927</u>                  | <u>\$ 147,679</u>                  |

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

As of June 30, 2015:

### Statement of Net Position (condensed):

|                   |              |
|-------------------|--------------|
| Total assets      | <u>\$ 70</u> |
| Total liabilities | <u>\$ 70</u> |
| Net position      | <u>\$ 0</u>  |

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2015 and 2014 (in thousands)

As of June 30, 2014:

Statement of Net Position (condensed):

|                   |       |
|-------------------|-------|
| Total assets      | \$ 47 |
| Total liabilities | \$ 47 |
| Net position      | \$ 0  |

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

For the year ended June 30, 2015:

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

|                         |        |
|-------------------------|--------|
| Operating revenues      | \$ 765 |
| Operating expenses      | (893)  |
| Operating income (loss) | (128)  |
| Transfers               | 128    |
| Change in net position  | \$ 0   |

For the year ended June 30, 2014:

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

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

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

### (11) Subsequent Events

The state of Ohio's fiscal year 2016-2017 budget bill has included several provisions that will have an impact on higher education in the future; the most notable provision is the freeze on tuition increases for both fiscal year 2016 and 2017. With the freeze on tuition increases, the bill also includes an overall increase in state support for Ohio's public universities of 4.5% in fiscal year 2016 and 4% in fiscal year 2017 which will be distributed based on a performance based formula.

## **Required Supplementary Information**

**KENT STATE UNIVERSITY**  
**REQUIRED SUPPLEMENTARY INFORMATION FOR GASB 68**  
(in thousands)

Schedule of the University's Proportionate Share of the Net Pension Liability

|   | 2014        |            |
|---|-------------|------------|
|   | OPERS       | STRS       |
| Plan year end   | December 31 | June 30    |
| University's proportion of the collective net pension liability:  |             |            |
| As a percentage   | 0.85325%    | 1.15702%   |
| Amount  | \$ 102,582  | \$ 281,426 |
| University's covered-employee payroll   | \$ 136,758  | \$ 142,396 |
| University's proportionate share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll | 75.01%      | 197.64%    |
| Fiduciary net position as a percentage of the total pension liability   | 86.53%      | 74.70%     |

Schedule of University's Contributions

|   | 2015       |            |
|---|------------|------------|
|   | OPERS      | STRS       |
| Statutorily required contribution   | \$ 16,360  | \$ 17,022  |
| Contributions in relation to the actuarially determined contractually required contribution | \$ 16,360  | \$ 17,022  |
| Contribution deficiency (excess)  | \$ -       | \$ -       |
| Covered employee payroll  | \$ 139,224 | \$ 142,396 |
| Contributions as a percentage of covered employee payroll                                   | 11.75%     | 11.95%     |

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

Independent Auditor's Report

To Management and the Board of Trustees  
Kent State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kent State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2015. Our report includes a reference to other auditors who audited the financial statements of Kent State University Foundation, as described in our report on Kent State University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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

To Management and the Board of Trustees  
Kent State University

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Plante & Moran, PLLC*

October 15, 2015

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

Independent Auditor's Report

To the Board of Trustees  
Kent State University

**Report on Compliance for Each Major Federal Program**

We have audited Kent State University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Kent State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

To the Board of Trustees  
Kent State University

### ***Opinion on Each Major Federal Program***

In our opinion, Kent State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

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

To the Board of Trustees  
Kent State University

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

*Plante & Morse, PLLC*

October 15, 2015

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title  | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures       |
|--|---|------------------------------------|--------------------|
| <b>Student Financial Aid Cluster</b>   |   |                                    |                    |
| <b>Department of Education</b>   |   |                                    |                    |
| <b>Direct Programs</b>   |   |                                    |                    |
| Federal Supplemental Educational Opportunity Grants                                    | 84.007  | N/A                                | \$ 989,878         |
| Federal Work-Study Program   | 84.033  | N/A                                | 1,774,794          |
| Federal Perkins Loan Program   | 84.038  | N/A                                | 31,535,942         |
| Federal Pell Grant Program   | 84.063  | N/A                                | 55,993,536         |
| Federal Direct Loans   | 84.268  | N/A                                | 244,686,554        |
| Teacher Education Assistance for College and Higher<br>Education Grants (TEACH Grants) | 84.379  | N/A                                | 2,382,167          |
| <b>Total Department of Education</b>   |   |                                    | <b>337,362,871</b> |
| <b>Department of Health and Human Services</b>   |   |                                    |                    |
| <b>Direct Programs</b>   |   |                                    |                    |
| Health Professional Student Loans  | 93.342  | N/A                                | 1,577,721          |
| Loans for Disadvantaged Students   | 93.342  | N/A                                | 247,642            |
| Total  |   |                                    | 1,825,363          |
| Nursing Student Loans  | 93.364  | N/A                                | 1,809,321          |
| <b>Total Department of Health and Human Services</b>                                   |   |                                    | <b>3,634,684</b>   |
| <b>Total Student Financial Aid Cluster</b>   |   |                                    |                    |
|  |   |                                    | <b>340,997,555</b> |
| <b>Research And Development Cluster</b>  |   |                                    |                    |
| <b>Department of Agriculture</b>   |   |                                    |                    |
| <b>Direct Programs</b>   |   |                                    |                    |
| Agricultural Research - Basic and Applied Research                                     | 10.001  | N/A                                | 120                |
| Agriculture and Food Research Initiative (AFRI)  | 10.310  | N/A                                | 259,610            |
| International Agricultural Research Program  | 10.961  | N/A                                | (1,530)            |
| <b>Pass-through Program</b>  |   |                                    |                    |
| The Ohio State University - Integrated Programs (B)                                    | 10.303  | 2010-51110-21080                   | 6,502              |
| <b>Total Department of Agriculture</b>   |   |                                    | <b>264,702</b>     |
| <b>Department of Commerce</b>  |   |                                    |                    |
| <b>Direct Program</b>  |   |                                    |                    |
| Measurement and Engineering Research and Standards                                     | 11.609  | N/A                                | 151,056            |
| <b>Pass-through Programs</b>   |   |                                    |                    |
| The Ohio State Research Foundation - Sea Grant Support                                 | 11.417  | 60043509                           | (767)              |
| The Ohio State Research Foundation - Sea Grant Support                                 | 11.417  | 60049633                           | 655                |
| The Ohio State Research Foundation - Sea Grant Support                                 | 11.417  | 60043506                           | 3,579              |
| The Ohio State Research Foundation - Sea Grant Support                                 | 11.417  | 60047463                           | 9,001              |
| The Ohio State Research Foundation - Sea Grant Support                                 | 11.417  | 60038912                           | 37,433             |
| Total  |   |                                    | 49,901             |
| ASM International - Measurement and Engineering Research and<br>Standards              | 11.609  | KSU01 PRIME<br>70NANB13H201        | 1,886              |
| <b>Total Department of Commerce</b>  |   |                                    | <b>202,843</b>     |
| <b>Department of Defense</b>   |   |                                    |                    |
| <b>Direct Programs</b>   |   |                                    |                    |
| Basic Scientific Research  | 12.431  | N/A                                | 63,790             |
| Air Force Defense Research Sciences Program  | 12.800  | N/A                                | 6,633              |
| <b>Department of Defense</b>   |   |                                    |                    |
| <b>Pass-through Programs</b>   |   |                                    |                    |
| Worcester Polytechnic Institute - Military Medical<br>Research and Development         | 12.420  | 12-215570-01                       | 22,835             |
| University of Central Florida - Basic and Applied Scientific<br>Research               | 12.300  | 65016248                           | 59,319             |
| Case Western Reserve University - Air Force Defense<br>Research Sciences Program       | 12.800  | RE5506637                          | 142,269            |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures   |
|---|---|------------------------------------|----------------|
| <b>Department of Defense (Continued)</b>  |   |                                    |                |
| <b>Pass-through Programs (Continued)</b>  |   |                                    |                |
| Lincoln Lab-MIT - New Technology Initiative Program<br>Liquid Crystal Thermal Imager                            | NONE  | MIT PO 7000205259                  | \$ 48,655      |
| Riverside Research Institute - Study of Active Control of<br>Metamaterial and its Ability to Beam Shape Signals | NONE  | KSU412016                          | 4,925          |
| Hiltron Technologies, Inc. - Electro-Optic and Infrared<br>Situational Awareness Display                        | NONE  | KSU412027                          | 8,693          |
| Boston Applied Technologies, Inc. - Advanced Laser<br>Protection Devices  | NONE  | W15QKN-14-C-0021                   | 30,000         |
| UES, Inc. - Synthesis of Hairy Nanoparticles  | NONE  | S-875-183-001                      | 28,067         |
| Azimuth Corp - Cholesteric Liquid Crystal Polymers  | NONE  | FA8650-D-09-5434                   | 33,525         |
| Total   |   |                                    | <u>153,865</u> |
| <b>Total Department of Defense</b>  |   |                                    | <u>448,711</u> |
| <b>Department of Housing and Urban Development</b>  |   |                                    |                |
| <b>Pass-through Programs</b>  |   |                                    |                |
| City of Cleveland - Community Development Block<br>Grants/Entitlement Grants                                    | 14.218  | SG2013-146                         | 431            |
| City of Cleveland - Community Development Block<br>Grants/Entitlement Grants                                    | 14.218  | CT5005SG                           | 10,000         |
| The Center for Community Solutions - Community<br>Development Block Grants/Entitlement Grants                   | 14.218  | 68-318 PRIME                       | 95             |
| <b>Total Department of Housing and Urban Development</b>  |   |                                    | <u>10,526</u>  |
| <b>Department of the Interior</b>   |   |                                    |                |
| <b>Direct Program</b>   |   |                                    |                |
| Cooperative Research and Training Programs - Resources<br>of the National Park System                           | 15.945  | N/A                                | 22,803         |
| <b>Pass-through Programs</b>  |   |                                    |                |
| The Ohio State University - Assistance to State Water<br>Resources Research Institutes                          | 15.805  | 60044139                           | 12,641         |
| The Ohio State University - Assistance to State Water<br>Resources Research Institutes                          | 15.805  | 60049012                           | 10,295         |
| The Ohio State University - Assistance to State Water<br>Resources Research Institutes                          | 15.805  | 60049013                           | 1,388          |
| Total   |   |                                    | <u>24,324</u>  |
| <b>Total Department of the Interior</b>   |   |                                    | <u>47,127</u>  |
| <b>Department of Justice</b>  |   |                                    |                |
| <b>Direct Program</b>   |   |                                    |                |
| Justice Research Development and Evaluation Project   | 16.560  | N/A                                | 183,978        |
| <b>Pass-through Programs</b>  |   |                                    |                |
| Ohio Criminal Justice Studies - Edward Byrne Memorial<br>Justice Assistance Grant Program (A,B)                 | 16.738  | 2012-JG-E01-V6031                  | 18,008         |
| City of Cleveland - Ohio - Edward Byrne Memorial Justice<br>Assistance Grant Program (A,B)                      | 16.738  | 2013-236                           | 7,081          |
| City of Cleveland - Ohio - Edward Byrne Memorial Justice<br>Assistance Grant Program (A,B)                      | 16.738  | 2014-262                           | 59,351         |
| Ohio Criminal Justice Studies - Edward Byrne Memorial<br>Justice Assistance Grant Program (A,B)                 | 16.738  | 2013-PS-PSN-366                    | 76,525         |
| Total   |   |                                    | <u>160,965</u> |
| <b>Total Department of Justice</b>  |   |                                    | <u>344,943</u> |
| <b>Department of Transportation</b>   |   |                                    |                |
| <b>Pass-through Programs</b>  |   |                                    |                |
| Purdue University - Air Transportation Centers of<br>Excellence   | 20.109  | 4108-60207                         | 21,224         |
| Purdue University - Air Transportation Centers of<br>Excellence   | 20.109  | 4108-60206                         | 25,744         |
| Total   |   |                                    | <u>46,968</u>  |
| Washington State Dept. of Transportation - Highway<br>Planning and Construction                                 | 20.205  | GCB1522                            | 20,000         |
| <b>Total Department of Transportation</b>   |   |                                    | <u>66,968</u>  |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures |
|---|---|------------------------------------|--------------|
| <b>National Aeronautics and Space Administration</b>  |   |                                    |              |
| <b>Direct Program</b>   |   |                                    |              |
| Science   | 43.001  | N/A                                | \$ 101,536   |
| NASA Glenn Research Center - Ground Data Acquisition  | NONE  | N/A                                | 11,935       |
| <b>Pass-through Programs</b>  |   |                                    |              |
| Boston Applied Technologies, Inc. - Novel to Near-to-Mid IR Imaging Sensors Without Cooling | NONE  | NNX13CP39P                         | 25,406       |
| Yanhai Power LLC - Fabrication of T-SOFC  | NONE  | 0002-14-SBIR                       | 3,205        |
| Ohio Space Grant Consortium - NASA Robotic Mining Competition                               | NONE  | KSU418723                          | 179          |
| Total   |   |                                    | 28,790       |
| <b>Total National Aeronautics and Space Administration</b>                                  |   |                                    | 142,261      |
| <b>Institute of Museum and Library Sciences</b>   |   |                                    |              |
| <b>Direct Program</b>   |   |                                    |              |
| National Leadership Grants  | 45.312  | N/A                                | 6,758        |
| <b>Pass-through Program</b>   |   |                                    |              |
| Ohio Humanities Council - Promotion of the Humanities Federal-State Partnership             | 45.129  | MA15-003                           | 1,000        |
| <b>Total Institute of Museum and Library Sciences</b>                                       |   |                                    | 7,758        |
| <b>National Science Foundation</b>  |   |                                    |              |
| <b>Direct Programs</b>  |   |                                    |              |
| Engineering Grants  | 47.041  | N/A                                | 200,032      |
| Mathematical and Physical Sciences  | 47.049  | N/A                                | 1,971,374    |
| Geosciences   | 47.050  | N/A                                | 71,552       |
| Computer and Information Science and Engineering  | 47.070  | N/A                                | 199,851      |
| Biological Sciences   | 47.074  | N/A                                | 393,926      |
| Social Behavioral and Economic Sciences   | 47.075  | N/A                                | 149,597      |
| Education and Human Resources   | 47.076  | N/A                                | 424,486      |
| Polar Programs  | 47.078  | N/A                                | 23,810       |
| Office of International and Integrative Activities  | 47.079  | N/A                                | 101,769      |
| IPA Assignment for Dr. Gartland   | NONE  | N/A                                | 174,877      |
| <b>Pass-through Programs</b>  |   |                                    |              |
| Hiltron Technologies, Inc. - Engineering Grants   | 47.041  | HTI-NSF2-2012                      | 18,959       |
| LXD, Inc. - Engineering Grants  | 47.041  | 1046893                            | 259          |
| LXD, Inc. - Engineering Grants  | 47.041  | LXD 1010368                        | 531          |
| Washington State University - Engineering Grants  | 47.041  | 120239 G003233                     | 55,182       |
| Total   |   |                                    | 74,931       |
| The Institute for Complex Adaptive Matter - Mathematical and Physical Sciences              | 47.049  | UCD 104389                         | 4,140        |
| Worcester Polytechnic Institute - Mathematical and Physical Sciences                        | 47.049  | 12-202850-01-00                    | 18,239       |
| Case Western Reserve University - Mathematical and Physical Sciences                        | 47.049  | DMR-0423914                        | 48,100       |
| University of Wisconsin-Madison - Mathematical and Physical Sciences                        | 47.049  | 364K291                            | 144,429      |
| Total   |   |                                    | 214,908      |
| Penn State University - Geosciences   | 47.050  | 5058-KSU-NSF-1726                  | 6,242        |
| The University of Akron - Computer and Information Science and Engineering                  | 47.070  | KSU 1-535326                       | 1,990        |
| Clemson University - Biological Sciences  | 47.074  | 1735-206-2010169                   | 18,522       |
| American Sociological Association - Social Behavioral and Economic Sciences                 | 47.075  | KSU413605                          | 2,407        |
| San Diego state University - Social Behavioral and Economic Sciences                        | 47.075  | SA0000404                          | 23,854       |
| Ball State University - Social Behavioral and Economic Sciences                             | 47.075  | G474A                              | 26,585       |
| Total   |   |                                    | 52,846       |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures |
|---|---|------------------------------------|--------------|
| <b>National Science Foundation (Continued)</b>  |   |                                    |              |
| <b>Pass-through Programs (Continued)</b>  |   |                                    |              |
| Michigan State University - Education and Human Resources   | 47.076  | RCI00753KSU/PRIME DRL-119327       | \$ 11,730    |
| Cuyahoga Community College - Education and Human Resources  | 47.076  | KSU411508                          | 35,031       |
| Missouri State University - Education and Human Resources   | 47.076  | 11052-011                          | 58,502       |
| Total   |   |                                    | 105,263      |
| Rensselaer Polytechnic Institute - Increasing the Impact of Research Data   | NONE  | KSU 410413                         | 48,259       |
| <b>Total National Science Foundation</b>  |   |                                    | 4,234,235    |
| <b>Environmental Protection Agency</b>  |   |                                    |              |
| <b>Direct Program</b>   |   |                                    |              |
| P3 Award: National Student Design Competition for Sustainability (B)  | 66.516  | N/A                                | 6,430        |
| <b>Total Environmental Protection Agency</b>  |   |                                    | 6,430        |
| <b>Department of Energy</b>   |   |                                    |              |
| <b>Direct Program</b>   |   |                                    |              |
| Basic Energy Sciences University and Science Education  | 81.049  | N/A                                | 1,283,885    |
| <b>Pass-through Programs</b>  |   |                                    |              |
| Regents of the University of Michigan - Basic Energy Sciences University and Science Education  | 81.049  | KSU411206                          | 14,309       |
| Lawrence Berkeley National Laboratory - Tools for the JET Collaboration   | NONE  | KSU412705                          | 36,821       |
| Jefferson Lab - Kabir Al Amim   | NONE  | PO 14-PO967                        | 12,000       |
| UT-Battelle, LLC - Electron Beam Grafting   | NONE  | 4000095139                         | 10,653       |
| Total   |   |                                    | 59,474       |
| <b>Total Department of Energy</b>   |   |                                    | 1,357,668    |
| <b>Department of Education</b>  |   |                                    |              |
| <b>Direct Programs</b>  |   |                                    |              |
| National Institute on Disability and Rehabilitation Transition Programs for Students with Intellectual Disabilities into Higher Education | 84.133  | N/A                                | 249,576      |
|   | 84.407  | N/A                                | 326,806      |
| <b>Pass-through Programs</b>  |   |                                    |              |
| Ohio Department of Education - Special Education Grants to States   | 84.027  | EDU01-0000007585                   | 7,869        |
| Ohio Department of Education - Special Education Grants to States   | 84.027  | EDUR201450200                      | 101,235      |
| Ohio Department of Education - Special Education Grants to States   | 84.027  | CSP909314                          | 339,764      |
| Ohio Department of Education - Special Education Grants to States   | 84.027  | EDU01-0000003002                   | 1,859        |
| Total   |   |                                    | 450,727      |
| The University of Akron - English Language Acquisition State Grants   | 84.365  | 00773-KSU ED-T365Z120262           | 13,817       |
| Akron Public Schools - School Improvement Grants  | 84.377  | KSU415120                          | 3,201        |
| Akron Public Schools - School Improvement Grants  | 84.377  | 14011254-00033                     | 23,604       |
| Total   |   |                                    | 26,805       |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures |
|---|---|------------------------------------|--------------|
| <b>Department of Education (Continued)</b>  |   |                                    |              |
| <b>Pass-through Programs (Continued)</b>  |   |                                    |              |
| ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act                                     | 84.395  | 506 1459 410 000000 033 00<br>003  | \$ 15,036    |
| ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act                                     | 84.395  | KSU448034                          | 689          |
| ARRA - Akron Public Schools - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act                                     | 84.395  | KSU448035                          | 391          |
| ARRA - Ohio Department of Education - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act                             | 84.395  | PO EDU01-0000012854                | 27,861       |
| ARRA - Ohio Department of Education - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act                             | 84.395  | 14417                              | 34,529       |
| Total   |   |                                    | 78,506       |
| ARRA - Sisters of Charity Foundation of Canton - Race to the Top - Early Learning Challenge   | 84.412  | KSU448051                          | 44,963       |
| <b>Total Department of Education</b>  |   |                                    | 1,191,200    |
| <b>Department of Health and Human Services</b>  |   |                                    |              |
| <b>Direct Programs</b>  |   |                                    |              |
| Research and Training in Alternative Medicine   | 93.213  | N/A                                | 19,631       |
| Mental Health Research Grants   | 93.242  | N/A                                | 195,746      |
| Nursing Research  | 93.361  | N/A                                | 439,230      |
| Cancer Detection and Diagnosis Research   | 93.394  | N/A                                | 73,466       |
| ACL National Institute on Disability, Independent Living and Rehabilitation Research  | 93.433  | N/A                                | 204,417      |
| Cardiovascular Diseases Research  | 93.837  | N/A                                | 634,403      |
| Diabetes, Digestive, and Kidney Diseases Extramural Research  | 93.847  | N/A                                | 190,473      |
| Clinical Research Related to Neurological Disorders   | 93.853  | N/A                                | 57,939       |
| Pharmacology Physiology and Biological Chemistry  | 93.859  | N/A                                | 70,183       |
| Child Health and Human Development Extramural Research  | 93.865  | N/A                                | 233,241      |
| Aging Research  | 93.866  | N/A                                | 28,601       |
| <b>Pass-through Programs</b>  |   |                                    |              |
| Canton City Health Department - Affordable Care Act (ACA) Personal Responsibility Education Program   | 93.092  | KSU415124                          | 18,753       |
| Canton City Health Department - Affordable Care Act (ACA) Personal Responsibility Education Program   | 93.092  | KSU415134                          | 46,019       |
| Total   |   |                                    | 64,772       |
| Mental Health and Recovery Services Board of Stark County Comprehensive Community Mental Health Services for  | 93.104  | KSU416335                          | 16,679       |
| Mental Health and Recovery Services Board of Stark County Comprehensive Community Mental Health Services for  | 93.104  | KSU416336                          | 72,387       |
| Total   |   |                                    | 89,066       |
| The University of Akron - Mental Health Research Grants   | 93.242  | KSU413307                          | 6,923        |
| Oriana House, Incorporated - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)                                | 93.243  | T1024476                           | 10,120       |
| Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B) | 93.243  | KSU416419                          | 14,745       |
| Mental Health and Recovery Services Board of Stark County - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B) | 93.243  | KSU 440522                         | 48,315       |
| Total   |   |                                    | 73,180       |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title  | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures       |
|--|---|------------------------------------|--------------------|
| <b>Department of Health and Human Services (Continued)</b>   |   |                                    |                    |
| <b>Pass-through Programs (Continued)</b>   |   |                                    |                    |
| Neuropsychiatric Research Institute - Alcohol Research Programs  | 93.273  | 51-2028-5032-0                     | \$ 10,779          |
| The University of Tennessee - Alcohol Research Programs  | 93.273  | ORI4350-001.01 /                   | <u>49,382</u>      |
| Total  |   |                                    | 60,161             |
| Hospital Council of Northwest Ohio - Partnerships to Improve Community Health  | 93.331  | IU58DP005639-01                    | 23,469             |
| Case Western Reserve University - Nursing Research   | 93.361  | RES509404                          | 9,564              |
| Duke University - Cancer Cause and Prevention Research   | 93.393  | 2034252                            | 7,263              |
| Summit County Health District - PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds | 93.531  | KSU411714                          | (72)               |
| Translational Genomics Research Institute - Allergy Immunology and Transplantation Research  | 93.855  | PRICE-11-03                        | 31,393             |
| The University of Akron - Pharmacology Physiology and Biological Chemistry   | 93.859  | 02301-KSU                          | 18,570             |
| The University of Oregon - Pharmacology Physiology and Biological Chemistry  | 93.859  | 215250C<br>PRIMEIROIGMI03309-01A1  | <u>130,989</u>     |
| Total  |   |                                    | 149,559            |
| University of Southern California - HIV Demonstration Research - Public and Professional   | 93.941  | 46822719                           | 25,559             |
| Ohio Department of Mental Health and Addiction Services - Block Grants for Prevention and Treatment of Substance   | 93.959  | 99-3402-HEDUC-P-15-0007            | 3,219              |
| Children's Hospital Medical Center of Akron - Preventive Health and Health Services Block Grant  | 93.991  | KSU411721                          | <u>15,650</u>      |
| <b>Total Department of Health and Human Services</b>   |   |                                    | <u>2,707,036</u>   |
| <b>Total Research And Development Cluster</b>  |   |                                    | 11,032,408         |
| <b>Economic Development Cluster</b>  |   |                                    |                    |
| <b>Department of Commerce</b>  |   |                                    |                    |
| <b>Direct Program</b>  |   |                                    |                    |
| Investments for Public Works and Economic Development Facilities   | 11.300  | N/A                                | 53,907             |
| <b>Total Economic Development Cluster</b>  |   |                                    | <u>53,907</u>      |
| <b>Special Education Cluster (IDEA)</b>  |   |                                    |                    |
| <b>Department of Education</b>   |   |                                    |                    |
| <b>Pass-through Programs</b>   |   |                                    |                    |
| Ohio Department of Education - Special Education Grants to States  | 84.027  | 13943                              | 8,630              |
| University of Dayton Research Institute - Special Education Grants to States   | 84.027  | RSC13043                           | 598                |
| University of Dayton Research Institute - Special Education Grants to States   | 84.027  | RSC14037                           | <u>134,363</u>     |
| <b>Total Special Education Cluster (IDEA)</b>  |   |                                    | 143,591            |
| <b>TRIO Programs Cluster</b>   |   |                                    |                    |
| <b>Department of Education</b>   |   |                                    |                    |
| <b>Direct Programs</b>   |   |                                    |                    |
| TRIO Student Support Services  | 84.042  | N/A                                | 482,798            |
| TRIO Upward Bound  | 84.047  | N/A                                | 990,587            |
| McNair Post-Baccalaureate Achievement  | 84.217  | N/A                                | <u>224,548</u>     |
| <b>Total TRIO Programs Cluster</b>   |   |                                    | 1,697,933          |
| <b>Medicaid Cluster</b>  |   |                                    |                    |
| <b>Pass-through Programs</b>   |   |                                    |                    |
| The Ohio State University - Medical Assistance Program   | 93.778  | KSU416018                          | 4,203              |
| The Ohio State University - Medical Assistance Program   | 93.778  | KSU416020                          | <u>54,636</u>      |
| <b>Total Medicaid Cluster</b>  |   |                                    | 58,839             |
| <b>Subtotal Of Clusters</b>  |   |                                    | <u>353,984,233</u> |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures   |
|---|---|------------------------------------|----------------|
| <b>Other Programs</b>   |   |                                    |                |
| <b>Department of Agriculture</b>  |   |                                    |                |
| <b>Direct Program</b>   |   |                                    |                |
| Rural Technology Development Grants   | 10.771  | N/A                                | \$ 109,114     |
| <b>Total Department of Agriculture</b>  |   |                                    | <u>109,114</u> |
| <b>Department of Defense</b>  |   |                                    |                |
| <b>Direct Program</b>   |   |                                    |                |
| Language Grant Program  | 12.900  | N/A                                | 230,240        |
| <b>Pass-through Program</b>   |   |                                    |                |
| U.S. Civilian Research & Development Foundation - Iraq<br>Bioscience Fellowship Program   | NONE  | IBEX-14-60833                      | 5,756          |
| <b>Total Department of Defense</b>  |   |                                    | <u>235,996</u> |
| <b>Department of Commerce</b>   |   |                                    |                |
| <b>Pass-through Program</b>   |   |                                    |                |
| Stark County Regional Planning Commission - Community<br>Development Block Grants/Entitlement Grants  | 14.218  | KSU467923                          | 32,982         |
| <b>Total Department of Commerce</b>   |   |                                    | <u>32,982</u>  |
| <b>Department of Justice</b>  |   |                                    |                |
| <b>Pass-through Program</b>   |   |                                    |                |
| Ohio Criminal Justice Studies - Edward Byrne Memorial<br>Justice Assistance Grant Program (A,B)   | 16.738  | 2009-JG-A0V-V6963                  | 4,224          |
| <b>Total Department of Justice</b>  |   |                                    | <u>4,224</u>   |
| <b>Department of Labor</b>  |   |                                    |                |
| <b>Pass-through Programs</b>  |   |                                    |                |
| West Central Job Partnership - Workforce Innovation Fund  | 17.283  | 10512-J403                         | 14,538         |
| West Central Job Partnership - Workforce Innovation Fund  | 17.283  | 10512-J401                         | 19,010         |
| West Central Job Partnership - Workforce Innovation Fund  | 17.283  | 10512-J402                         | 21,450         |
| <b>Total Department of Labor</b>  |   |                                    | <u>54,998</u>  |
| <b>Department of State</b>  |   |                                    |                |
| <b>Pass-through Programs</b>  |   |                                    |                |
| International Research & Exchange Board - Academic<br>Exchange Programs - Undergraduate Programs  | 19.009  | SECAGD-13-CA-090                   | 51             |
| International Research & Exchange Board - Academic<br>Exchange Programs - Undergraduate Programs  | 19.009  | 418602                             | 20,599         |
| Total   |   |                                    | <u>20,650</u>  |
| Institute of International Education - Educational Exchange-<br>University Lecturers (Professors) and Research<br>Scholars (B)                      | 19.401  | S-IZ-100-11-GR-070                 | 13,236         |
| Institute of International Education - Educational Exchange-<br>University Lecturers (Professors) and Research<br>Scholars (B)                      | 19.401  | S-ECAAEE-12-CA-008 (KF)            | 14,830         |
| Institute of International Education - Educational Exchange-<br>University Lecturers (Professors) and Research<br>Scholars (B)                      | 19.401  | SIZ-100-11-GR070                   | 23,185         |
| Total   |   |                                    | <u>51,251</u>  |
| International Research & Exchange Board - Educational<br>Exchange-Teachers from Secondary and Postsecondary<br>Levels and School Administrators (B) | 19.408  | FY14-ILEP-KENT STATE<br>UNIV-01    | (3,938)        |
| International Research & Exchange Board - Educational<br>Exchange-Teachers from Secondary and Postsecondary<br>Levels and School Administrators (B) | 19.408  | FY15-ILEP-KENT STATE-01            | 179,109        |
| Total   |   |                                    | <u>175,171</u> |
| <b>Total Department of State</b>  |   |                                    | <u>247,072</u> |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures   |
|---|---|------------------------------------|----------------|
| <b>Department of Transportation</b>   |   |                                    |                |
| <b>Direct Program</b>   |   |                                    |                |
| Airport Improvement Program   | 20.106  | N/A                                | \$ 488,243     |
| <b>Total Department of Transportation</b>   |   |                                    | <u>488,243</u> |
| <b>National Aeronautics and Space Administration</b>  |   |                                    |                |
| <b>Pass-through Programs</b>  |   |                                    |                |
| Ohio Space Grant Consortium - Education   | 43.008  | KSU411814                          | 13,750         |
| Ohio Space Grant Consortium - Education   | 43.008  | KSU411808                          | 15,000         |
| <b>Total National Aeronautics and Space Administration</b>  |   |                                    | <u>28,750</u>  |
| <b>National Endowment for the Arts</b>  |   |                                    |                |
| <b>Direct Programs</b>  |   |                                    |                |
| Promotion of the Humanities - Professional Development  | 45.163  | N/A                                | 102,585        |
| Promotion of the Arts - Grants to Organizations and<br>Individuals  | 45.024  | N/A                                | 5,842          |
| <b>Pass-through Programs</b>  |   |                                    |                |
| Eastern Illinois University - Promotion of the<br>Humanities - Professional Development                       | 45.163  | 14-01                              | 18,056         |
| Arts Midwest - Promotion of the Arts - Partnership<br>Agreements  | 45.025  | FY15-140                           | 2,470          |
| <b>Total National Endowment for the Arts</b>  |   |                                    | <u>128,953</u> |
| <b>Institute of Museum and Library Sciences</b>   |   |                                    |                |
| <b>Direct Programs</b>  |   |                                    |                |
| Librarians for the 21st Century   | 45.313  | N/A                                | 43,908         |
| <b>Pass-through Programs</b>  |   |                                    |                |
| University of Washington - National Leadership Grants   | 45.312  | 763729                             | 10,263         |
| State Library of Ohio - State Library Program (A)   | 45.310  | VIII-4-15                          | 22,893         |
| <b>Total Institute of Museum and Library Sciences</b>   |   |                                    | <u>77,064</u>  |
| <b>Small Business Administration</b>  |   |                                    |                |
| <b>Pass-through Programs</b>  |   |                                    |                |
| Ohio Development Services Agency - Small Business<br>Development Centers                                      | 59.037  | KSU445004                          | 22,774         |
| Ohio Development Services Agency - Small Business<br>Development Centers                                      | 59.037  | KSU487908                          | 24,023         |
| Ohio Development Services Agency - Small Business<br>Development Centers                                      | 59.037  | OSBG-14-126A                       | 19,483         |
| Ohio Development Services Agency - Small Business<br>Development Centers                                      | 59.037  | OSBG 14-126B                       | 52,583         |
| Ohio Development Services Agency - Small Business<br>Development Centers                                      | 59.037  | OSBG-14-127A                       | 36,055         |
| Ohio Development Services Agency - Small Business<br>Development Centers                                      | 59.037  | OSBG-15-222                        | 126,769        |
| <b>Total Small Business Administration</b>  |   |                                    | <u>281,687</u> |
| <b>Environmental Protection Agency</b>  |   |                                    |                |
| <b>Pass-through Program</b>   |   |                                    |                |
| Harrisburg University of Science and Technology -<br>Environmental Education Grants                           | 66.951  | NE 00E01029                        | 3,003          |
| <b>Total Environmental Protection Agency</b>  |   |                                    | <u>3,003</u>   |
| <b>Department of Education</b>  |   |                                    |                |
| <b>Direct Programs</b>  |   |                                    |                |
| Adult Education National Programs   | 84.191  | N/A                                | 459,433        |
| Special Education-Personnel Preparation to Improve<br>Services and Results for Children with Disabilities (B) | 84.325  | N/A                                | 836,170        |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title   | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures |
|---|---|------------------------------------|--------------|
| <b>Department of Education (Continued)</b>  |   |                                    |              |
| <b>Pass-through Programs</b>  |   |                                    |              |
| The Ohio State University - Adult Education - Basic Grants to States  | 84.002  | 062976-AB-SL-2014                  | \$ 1,360     |
| The Ohio State University - Adult Education - Basic Grants to States  | 84.002  | BOR01-3437                         | 74           |
| The Ohio State University - Adult Education - Basic Grants to States  | 84.002  | BOR01-0000003953                   | 413,743      |
| The Ohio State University - Adult Education - Basic Grants to States  | 84.002  | 60046172                           | 330,187      |
| Total   |   |                                    | 745,364      |
| Ohio Department of Education - Career and Technical Education -- Basic Grants to States                                       | 84.048  | VEPD-CB-14-044164                  | 310          |
| Ohio Department of Education - Career and Technical Education -- Basic Grants to States                                       | 84.048  | VEPD-CB-14-11474                   | 113,534      |
| Ohio Board of Regents - Career and Technical Education -- Basic Grants to States  | 84.048  | BOR01-0000003606                   | (231)        |
| Total   |   |                                    | 113,613      |
| Opportunities for Ohioans with Disabilities - Rehabilitation Services Vocational Rehabilitation Grants                        | 84.126  | 15S1898PI-15                       | 36,564       |
| Ohio Development Services Agency - Rehabilitation Services Vocational Rehabilitation Grants                                   | 84.126  | KSU487918                          | 6,747        |
| Total   |   |                                    | 43,311       |
| Summit County Educational Service Center - Foreign Languages Assistance   | 84.293  | KSU411704                          | 12,234       |
| Ohio Department of Education - Mathematics and Science Partnerships (B)   | 84.366  | EDU01-0000011981                   | 55,889       |
| Ohio Department of Education - Mathematics and Science Partnerships (B)   | 84.366  | 13708                              | 109,641      |
| Total   |   |                                    | 165,530      |
| National Writing Project - Improving Teacher Quality State Grants (A)   | 84.367  | 97-OH03-SEED2012                   | 5,573        |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | 13-20                              | 94,556       |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | 13-18                              | 105,798      |
| National Writing Project - Improving Teacher Quality State Grants (A)   | 84.367  | 97-OH03-SEED2012                   | 16,659       |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | 14-23                              | 69           |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | 14-22                              | 30,643       |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | KSU467915                          | 103,613      |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | KSU467915                          | 2,785        |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | 12-18                              | (78)         |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | 14-26                              | 17,796       |
| Ohio Board of Regents - Improving Teacher Quality State Grants (A)  | 84.367  | KSU487926                          | 3,359        |
| Total   |   |                                    | 380,773      |
| ARRA - Ohio Board of Regents - Statewide Data Systems, Recovery Act   | 84.384  | KSU448032                          | 27,675       |
| ARRA - Ohio Department of Education - State Fiscal Stabilization Fund (Sfsf) - Race-To-The-Top Incentive Grants, Recovery Act | 84.395  | PO 11797                           | 99           |
| <b>Total Department of Education</b>  |   |                                    | 2,784,202    |

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Program Title  | Catalog of Federal<br>Domestic Assistance<br>Number | Pass-through Identifying<br>Number | Expenditures                 |
|--|---|------------------------------------|------------------------------|
| <b>Vietnam Education Foundation</b>  |   |                                    |                              |
| <b>Direct Program</b>  |   |                                    |                              |
| VEF Fellowship Program   | 85.802  | N/A                                | \$ 25,975                    |
| <b>Total Vietnam Education Foundation</b>  |   |                                    | <u>25,975</u>                |
| <b>National Archives and Records Administration</b>  |   |                                    |                              |
| <b>Pass-through Program</b>  |   |                                    |                              |
| National Historical Publications and Records Grants  | 89.003  | KSU418724                          | 230                          |
| <b>Total National Archives and Records Administration</b>  |   |                                    | <u>230</u>                   |
| <b>Department of Health and Human Services</b>   |   |                                    |                              |
| <b>Direct Program</b>  |   |                                    |                              |
| Project Grants for Renovation or Construction of Non-Acute   | 93.887  | N/A                                | (1,813)                      |
| <b>Pass-through Programs</b>   |   |                                    |                              |
| Summit County Health District - Public Health Emergency Preparedness   | 93.069  | 231-12                             | 1,456                        |
| Tuscarawas County General Health District - Public Health Emergency Preparedness   | 93.069  | KSU 444503                         | 31,672                       |
| Total  |   |                                    | <u>33,128</u>                |
| Carroll County General Health District - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements  | 93.074  | KSU416209                          | 903                          |
| Summit County Health District - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements   | 93.074  | KSU416423                          | 7,385                        |
| Total  |   |                                    | <u>8,288</u>                 |
| Northeast Ohio Medical University - Substance Abuse and Mental Health Services-Projects of Regional and National Significance (B)  | 93.243  | 34418-P                            | 600                          |
| Summit County Health District - Immunization Cooperative Agreements  | 93.268  | 231-12                             | 1,001                        |
| Summit County Health District - Immunization Cooperative Agreements  | 93.268  | KSU416424                          | 2,806                        |
| Total  |   |                                    | <u>3,807</u>                 |
| Summit County Health District - PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds | 93.531  | 231-12                             | 2,329                        |
| Summit County Health District - Preventive Health and Health Services Block Grant  | 93.991  | KSU416422                          | 9,237                        |
| Summit County Health District - Maternal and Child Health Services Block Grant to the States   | 93.994  | 231-12                             | 1,274                        |
| Summit County Health District - Maternal and Child Health Services Block Grant to the States   | 93.994  | KSU416425                          | 10,210                       |
| Total  |   |                                    | <u>11,484</u>                |
| <b>Total Department of Health and Human Services</b>   |   |                                    | <u>67,060</u>                |
| <b>Total Other Programs</b>  |   |                                    | <u>4,569,553</u>             |
| <b>Total Federal Awards</b>  |   |                                    | <u><u>\$ 358,553,786</u></u> |

# Kent State University

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

### Note I - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Kent State University (the "University") under programs of the federal government for the year ended June 30, 2015. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

**Facilities and Administrative Costs** - The University has approved predetermined facilities and administrative cost rates, which are 49 percent from July 1, 2014 to June 30, 2015 for on-campus research and instruction and 26 percent from July 1, 2014 to June 30, 2018 for off-campus research.

# Kent State University

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

### Note 2 - Loans Outstanding

Outstanding balances of the following loan programs as of June 30, 2015 are disclosed in the Schedule:

| Cluster/Program Title             | CFDA<br>Number | Advances            | Amount<br>Outstanding |
|-----------------------------------|----------------|---------------------|-----------------------|
| Perkins Loan Program              | 84.038         | \$ 7,491,699        | \$ 31,535,942         |
| Nursing Student Loan Program      | 93.364         | 327,500             | 1,809,321             |
| Health Professional Student Loans | 93.342         | 445,000             | 1,577,721             |
| Loans for Disadvantaged Students  | 93.342         | 108,000             | 247,642               |
|                                   | Total          | <u>\$ 8,372,199</u> | <u>\$ 35,170,626</u>  |

### Note 3 - Subrecipient Awards

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

| Federal Program Title   | CFDA<br>Number | Amount<br>Provided to<br>Subrecipients |
|---|----------------|--|
| Agriculture and Food Research Initiative (AFRI)   | 10.310         | \$ 122,172                             |
| Justice Research Development and Evaluation Project   | 16.560         | 18,387                                 |
| Science Grants  | 43.001         | 60,527                                 |
| Social Behavioral and Economic Sciences   | 47.075         | 9,085                                  |
| Education and Human Resources   | 47.076         | 4,571                                  |
| Basic Energy Sciences University and Science Education  | 81.049         | 244,211                                |
| National Institute on Disability and Rehabilitation   | 84.133         | 127,450                                |
| Special Education-Personnel Preparation to Improve<br>Services and Results for Children with Disabilities (B) | 84.325         | 59,159                                 |
| Research and Training in Alternative Medicine   | 93.213         | 13,827                                 |
| Nursing Research  | 93.361         | 192,323                                |
| ACL National Institute on Disability, Independent Living<br>and Rehabilitation Research                       | 93.433         | 137,029                                |
| Cardiovascular Diseases Research  | 93.837         | 287,148                                |
| Child Health and Human Development Extramural<br>Research   | 93.865         | 43,805                                 |
|   | Total          | <u>\$ 1,319,694</u>                    |

# Kent State University

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

### Note 4 - Federal Expenditure Reconciliation

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

|   |                      |
|---|----------------------|
| Expenditures per the Schedule   | \$ 358,553,786       |
| Perkins loan funds excluded from federal grants on the Statement                | (31,535,942)         |
| Nursing student loan funds excluded from the federal grants on the Statement    | (1,809,321)          |
| Health Professional student loans excluded from federal grants on the Statement | (1,577,721)          |
| Loans for disadvantaged students excluded from federal grants on the Statement  | (247,642)            |
| Federal Pell Grant funds shown separately on the Statement                      | (55,993,536)         |
| Federal Direct Loans excluded from the federal grants on the Statement          | <u>(244,686,554)</u> |
| Total   | <u>\$ 22,703,070</u> |

### Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the University can transfer Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007) award funds to the Federal Work Study (FWS) Program (84.033). The University transferred and spent \$118,079 for the 2014-2015 award year.

During the 2014-2015 award year, the University spent \$46,197 of SEOG funds from the 2013-2014 award year. The University also carried back and spent \$16,348 of SEOG funds from the 2014-2015 award year.

# Kent State University

## Schedule of Findings and Questioned Costs Year Ended June 30, 2015

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

| <u>CFDA Numbers</u>  | <u>Name of Federal Program or Cluster</u>   |
|--|---|
| 84.007, 84.033, 84.038,<br>84.063, 84.268, 84.379,<br>93.342, 93.364<br>84.325 | Student Financial Aid Cluster<br>Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B) |

Dollar threshold used to distinguish between type A and type B programs: \$526,687

Auditee qualified as low-risk auditee?  Yes  No

# Kent State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference  
Number

Finding

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**Program Name** - Student Financial Aid Cluster

2015-001 (Federal Perkins Loan Program - 84.038)

**Pass-through Entity** - N/A

**Finding Type** - Significant deficiency

**Criteria** - 34 CFR section §674.42 - Shortly before the borrower ceases at least half-time study at the institution, the institution must disclose information in a written statement provided to the borrower and provide exit counseling either in person, by audiovisual presentation, or by interactive electronic means. Both requirements must include specific information which is noted in detail in the referenced CFR.

**Condition** - Kent State University (KSU) uses a third-party service organization, University Accounting Systems (UAS), to perform exit interviews. Certain Perkins loans transferred to KSU when the Ohio College of Podiatric Medicine (OCPM) merged with KSU, effective July 1, 2012. These loans did not receive the required exit interview upon separation.

**Questioned Costs** - None

**Context** - Of the 25 tested, one student did not receive an exit interview. The client performed further analysis and detected 214 students who did not receive an exit interview as a result of the condition identified.

**Cause and Effect** - There was not a control in place between KSU and the third-party servicer to ensure exit interviews were conducted, and certain students that attended OCPM (now KSU CPM) did not receive exit interviews.

**Recommendation** - KSU should increase communication with the third-party servicer to ensure they are aware of any major changes occurring at KSU that would impact procedures which the third-party servicer is performing on their behalf. Additionally, exit interviews should be sent to all of the students who still have outstanding loan balances included in the population of 214.

# Kent State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

### Section III - Federal Program Audit Findings (Continued)

| Reference<br>Number  | Finding   |
|----------------------|---|
| 2015-001<br>(Cont'd) | <b>Views of Responsible Officials and Planned Corrective Actions</b> - When KSU acquired OCPM (now KSU CPM), the OCPM Perkins loans that were managed by Campus Partners, OCPM's third-party loan servicer prior to the merger, were loaded to UAS's system with pre-populated separation dates. According to UAS, KSU was not using the pre-loaded separation date service offered by UAS. As a result, UAS did not generate exit interviews for students who had OCPM Perkins loans once they separated. Of the 214 students identified, 55 students have paid their OCPM Perkins loan in full, one student has passed away, and 158 are still making payments on their loan. All 158 students have been sent an exit interview by KSU's new loan servicer ECSI for their OCPM Perkins loan portion. Further, KSU will develop a monthly review process to ensure that all students, which KSU has identified as needing an exit interview, do in fact receive one from its third-party loan processor, ECSI. |

# Kent State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

### Section III - Federal Program Audit Findings (Continued)

| Reference Number | Finding   |
|------------------|---|
| 2015-002         | <p><b>Program Name</b> - Student Financial Aid Cluster (Pell - 84.063, Federal Direct Loans - 84.268)</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - 34 CFR section 690.83(b)(2) - In relation to Pell, an institution shall submit, in accordance with deadline dates established by the Secretary through publication in the Federal Registrar, certain required reports.</p> <p>34 CFR section 685.309 and 34 CFR part 668 - In relation to the Direct Loan Program, student status confirmation reports shall be completed and returned to the secretary within 30 days of receipt. In addition, unless the institution expects to submit its next student status confirmation report to the secretary within the next 60 days, the institution must notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who has ceased to be enrolled on at least half-time basis, has been accepted for enrollment at that school but failed to enroll on at least half-time basis for the period for which the loan was intended, or has changed his or her permanent address.</p> <p><b>Condition</b> - Kent State University (KSU) utilizes a third-party service organization, National Student Clearinghouse (NSC), to submit student status confirmation reports on their behalf. KSU submitted a graduated status to the National Student Clearinghouse for a group of students; however, the status was not reported to NSLDS.</p> <p><b>Questioned Costs</b> - N/A</p> <p><b>Context</b> - Of the 25 tested, one student did not have their status updated upon graduation. In addition, KSU made the audit team aware of this issue prior to testing.</p> |

# Kent State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

### Section III - Federal Program Audit Findings (Continued)

| Reference Number     | Finding   |
|----------------------|---|
| 2015-002<br>(Cont'd) | <p><b>Cause and Effect</b> - KSU did not have a process in place to appropriately report graduated status for certain students, which resulted in students showing as active instead of graduated.</p> <p>As a secondary effect of KSU being out of compliance with the reporting requirement, if a student is not reported as graduated to NSLDS and continues his or her education, it may appear that he or she has exceeded the allowed 150 percent of the length of the borrower's educational program. When this occurs, the student becomes ineligible to receive Direct Subsidized Loans and loses eligibility for interest subsidies.</p> <p><b>Recommendation</b> - KSU needs to implement a process in order to maintain compliance with the reporting requirements.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Upon discussion with the National Student Clearinghouse, it was determined that in order to create a graduated enrollment record, the following criteria need to be met:</p> <ol style="list-style-type: none"><li>1) Student's existing enrollment record has a term end date in the past (student is not actively enrolled in a new term after the Degree award date)</li><li>2) Student's existing enrollment status is not G (Graduated) or D (Deceased)</li><li>3) Award date on Degree record is a) Not a future date) b) Not more than 180 days prior to the date Degree data is received</li><li>4) Existing enrollment record with a status of W (Withdrawn) must have a status start date equal to the end of the term last reported.</li></ol> |

# Kent State University

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

### Section III - Federal Program Audit Findings (Continued)

| Reference Number     | Finding   |
|----------------------|---|
| 2015-002<br>(Cont'd) | <p>Therefore, if students were reported by KSU as graduated, but did not meet the criteria listed above, their enrollment record would not be updated. The student in the sample whose status was not updated on NSLDS had an existing enrollment record with a status of W (Withdrawn) and a status start date which was not equal the end of the term last reported.</p> <p>In October of 2014, KSU inquired of the National Student Clearinghouse as to why the statuses were not being updated. The National Student Clearinghouse responded that in order to have an updated graduated enrollment status on the National Student Clearinghouse website and have this data properly sent to NSLDS, the institution would have to manually update the graduated status. KSU has since been working with its operating system provider to create a report that would properly send this information to the National Student Clearinghouse in lieu of manually updating all students who do not meet this criteria.</p> <p>The KSU Registrar's Office has implemented the following actions:</p> <ol style="list-style-type: none"><li>1) On August 13, 2015, KSU completed testing and installation of the Ellucian Banner Enrollment Reporting patch 8.7.4 into production. This update correctly reports the graduation status on the enrollment report. The patch will correct graduation status reporting for Summer 2015 and forward. Fall 2014 and Spring 2015 have been manually reported to National Student Loan Data System (NSLDS) for the population in question.</li><li>2) On August 25, 2015, the Office of the University Registrar (OUR) made arrangements with National Student Clearinghouse (NSC) to receive a copy of our Student Status Confirmation Report (SSCR) that is provided to National Student Loan Data System (NSLDS). OUR will use the information to verify that the student status information which is being reported by NSC to NSLDS is correct and complete beginning with the Fall 2015 reporting cycle. Any missing or incorrect data will be manually updated on NSLDS by OUR. In addition, OUR will report the data issue to NSC and Ellucian as appropriate, so that it may be resolved or corrected in a later release of their reporting product.</li></ol> |

# Kent State University

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2015

| Prior year Finding Number | Federal Program                       | Original Finding Description  | Status     | Planned Corrective Action  |
|---------------------------|---------------------------------------|---|------------|--|
| 2014-001                  | Federal Perkins Loan Program - 84.038 | University Accounting Systems (UAS), as KSU's third-party loan servicer, reports all Perkins loan changes to NSLDS on a monthly basis. Occasionally, a Perkins loan change reported to NSLDS is rejected for various reasons. All rejected Perkins loan changes are reported back to UAS for corrective action. UAS provides KSU with access to a monthly NSLDS error report, or a report that identifies any rejected Perkins loan changes by NSLDS. KSU is responsible for reviewing the monthly NSLDS error report and correcting any errors listed in order to allow the Perkins loan changes to be reported correctly by UAS to NSLDS. The manager in the collections area in the Bursar's Office has been responsible for accessing and reviewing this error report. However, as there was turnover in this department, the new manager was unaware of this responsibility and did not review the error reports and provide revisions for the period under audit. | In process | The Bursar's Office Collection Manager has been working with UAS since the end of July 2014 to fix the Perkins loan records listed on the 2014 year end UAS NSLDS error report. As of today, all but 11 errors have been fixed. UAS has been in contact with NSLDS regarding these remaining 11 accounts as they are unable to fix them without help from NSLDS. |