

THE UNIVERSITY OF TOLEDO

AUDITED FINANCIAL REPORT  
Fiscal Year Ended June 30, 2002

Prepared by:  
Financial Reporting

William R. Decatur  
Vice President of Finance and Administration

Jack Armul  
Associate Vice President for Finance





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees  
University of Toledo  
Toledo, Ohio

We have reviewed the Independent Auditor's Report of the University of Toledo, Lucas County, prepared by Ernst & Young LLP, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

December 16, 2002

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## PRINCIPAL OFFICIALS

Year Ended June 30, 2002

### BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Daniel J. Brennan	Vice Chair	July 1, 2006
Joan Uhl Browne	Trustee	July 1, 2005
Rhonda L. Brooks	Trustee	July 1, 2010
Ronald R. Langenderfer	Trustee	July 1, 2002
Richard B. McQuade	Trustee	July 1, 2003
Robert C. Redmond	Trustee	July 1, 2007
Richard B. Stansley, Jr.	Trustee	July 1, 2009
James M. Tuschman	Chair	July 1, 2004
Herman A. Vasquez	Trustee	July 1, 2008

### OFFICERS OF THE UNIVERSITY

Daniel M. Johnson	President
William R. Decatur	Vice President for Finance and Administration
Alan G. Goodridge	Provost and Vice President for Academic Affairs
Sandra A. Drabik	Vice President and General Counsel
Tyrone Bledsoe	Vice President for Student Affairs
Brenda S. Lee	Interim Vice President for Institutional Advancement
Richard J. Eastop	Interim Vice President for Enrollment Services
David A. Lindsley	Interim Vice President for Educational and Information Technology

### OFFICIALS ISSUING REPORT

William R. Decatur	Vice President for Finance and Administration
Jack Armul	Associate Vice President for Finance
Thomas H. Page	Controller

### DIVISION ISSUING REPORT

Finance and Administration

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## Report of Independent Auditors on Basic Financial Statements

The Board of Trustees  
The University of Toledo

We have audited the accompanying statement of net assets of The University of Toledo (the University) as of June 30, 2002, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of The University of Toledo's management. Our responsibility is to express an opinion on these financial statements based on our audit.

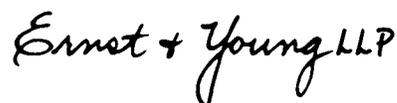
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2002, and the related changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the accompanying financial statements, the University changed its method of reporting effective July 1, 2001 in accordance with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2002 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



September 27, 2002

# THE UNIVERSITY OF TOLEDO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis on the annual financial statements of The University of Toledo (the University) provides an overview of the University's financial activity during the fiscal year ended June 30, 2002. Management has prepared the financial statements, related note disclosures, and this discussion and analysis. Responsibility for the completeness and fairness of this information rests with 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. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements. The financial statements presented in prior years focused on the accountability of fund groups, while these statements focus on the financial condition of the University, the changes in financial condition, and cash flows of the University as a whole.

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

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public University's dependency on State support could result in operating deficits because State appropriations are required by GASB to be classified as nonoperating 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.

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

## Noteworthy Financial Activity

The University's financial position, as a whole, changed during the fiscal year ended June 30, 2002 as compared to the previous year as evidenced by the following:

- The University's total assets decreased over the prior year by \$205.9 million, of which \$200.7 million is attributed to changes in reporting required by GASB Statement No. 35 and \$1.1 million to the decrease in investments.
- Total liabilities decreased by \$1.1 million due to the allocation of State unfunded workers' compensation liability of \$4.4 million, the decrease in deferred tuition of \$6.2 million and fluctuations within the operation of the University.
- The University's net assets decreased to \$235.9 million, of which \$214.2 is either invested in capital assets or restricted. The remaining \$21.7 million is in unrestricted assets of which \$21.6 million is internally designated for specific purposes.
- Operating revenues increased during the year in the categories of student tuition and fees, grants and contracts, and Auxiliary enterprises.
- Operating expenses have increased throughout the University with the largest changes caused by the recording of depreciation and increased grant, contract, and auxiliary enterprises activities.
- Nonoperating revenue decreased due to a reduction in the State share of instructional support and decreased investment income.

Both the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information on the University as a whole. Over time, increases or decreases in the University's net assets are one indicator of whether its financial health is improving or deteriorating. Many other non-financial factors must also be considered in assessing the overall health of the University, such as the trend and quality of applicants, freshman class size, student retention, strength of the faculty, condition of the buildings and the safety of the campus.

The University implemented GASB Statements No. 34 and 35 effective July 1, 2001, therefore comparative data is not available. In future years, when prior year information is available, a comparative analysis of financial data will be presented.

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The purpose of the Statement of Net Assets is to present the readers of the financial statements with a financial snapshot of the University of Toledo as a whole.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in property, plant and equipment. The next category is restricted net assets, which is divided into nonexpendable and expendable. The corpus of the nonexpendable restricted net assets is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The last category is unrestricted net assets, which are available to the University for any lawful purpose of the institution.

From the data presented in the Statement of Net Assets, the readers are able to determine the assets available for continued operations. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Following is a condensed statement of net assets of the University as of June 30, 2002 (in thousands):

**Assets:**

Current assets	\$ 62,633
Capital assets, net	270,831
Other assets	<u>67,874</u>
<b>Total Assets</b>	<u>401,338</u>

**Liabilities**

Current liabilities	45,100
Noncurrent liabilities	<u>120,328</u>
<b>Total Liabilities</b>	<u>165,428</u>

**Net Assets**

Investment in capital assets, net of debt	156,648
Restricted - nonexpendable	10,008
Restricted - expendable	47,598
Unrestricted	<u>21,656</u>
<b>Total Net Assets</b>	<u><u>\$ 235,910</u></u>

At June 30, 2002, total University assets were \$401.3 million. The University's largest asset, investment in capital assets, decreased from \$447.9 million to \$270.8 million as a result of recording depreciation as required by GASB Statement No. 35.

In fiscal 2002, the University's current assets of \$62.6 million were sufficient to cover current liabilities of \$45.1 million (current ratio of 1.39:1).

University liabilities were \$165.4 million at June 30, 2002. Long-term debt of \$119.4 million consisted of bonds, notes, and leases payable, of which \$107.6 million is bonds payable and comprises the largest portion of noncurrent liabilities.

As noted previously, total net assets decreased to \$235.9 million. Unrestricted net assets totaled \$21.7 million, of which 99.5% or \$21.6 million is internally designated for ongoing academic and research programs, capital projects and other initiatives.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present operating and nonoperating revenues and expenses recognized or incurred by the University.

In general, operating revenues and expenses result from providing goods and services to the various customers of the University in order to carry out the University mission.

Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are considered nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues. In Ohio, the state appropriations, known as the state share of instruction, is predicated upon moving average enrollments in various levels of courses. The University's management believes that it earns these revenues, and in fact, the estimated state share of instruction is considered when budgeting for revenues to cover operating expenses. For financial reporting purposes, classification of state appropriations as nonoperating revenues is done to comply with GASB Statement No. 35, which does not consider Ohio's system of earned appropriations.

Following is a condensed statement of revenues, expenses and changes in net assets for the year ended June 30, 2002 (in thousands):

Operating revenues	\$ 180,431
Operating expenses	<u>279,861</u>
Operating loss	(99,430)
Nonoperating revenues and expenses	<u>89,437</u>
Income (loss) before other revenues, expenses, gains or losses	(9,993)
Other changes	<u>3,643</u>
Decrease in net assets	(6,350)
Net assets at beginning of year as previously reported	440,684
Cumulative effect of changes in accounting principle	<u>(198,424)</u>
Net assets at beginning of year as restated	<u>242,260</u>
Net assets at end of year	<u><u>\$ 235,910</u></u>

The most significant sources of operating revenues for the University are tuition and fees of \$98.4 million, grants and contracts of \$36.4 million, and Auxiliary enterprises sales of \$41.8 million, all of which have increased over the prior year.

Operating expenses totaled \$279.8 million which included depreciation of \$13.7 million and \$1.6 million for the change in allocation of State unfunded workers' compensation liability. Further, research, instruction and public service functional categories have increased proportionally to the additional revenue from grants and contracts. Auxiliary enterprises have also, increased expenditures in proportion to revenue.

State appropriations were the most significant source of nonoperating revenue, totaling \$83.2 million.

## Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments during this period. The Statement of Cash Flows also helps users assess the University's ability to generate future net cash flows, meet its obligations as they come due, and needs for external financing.

The Statement of Cash Flows has five parts. The first part is operating cash flows, which presents the net cash used in operating activities. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities including the cash used for capital acquisition and construction. The fourth section reflects the cash flows from investing and shows the purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash to operating income or loss reflected in the Statement of Revenues, Expenses, and Changes in Net Assets.

Following is a condensed statement of cash flows for year ended June 30, 2002 (in thousands):

Cash provided by (used in):	
Operating activities	\$ (85,005)
Noncapital financing activities	95,997
Capital and related financing activities	(11,364)
Investing activities	<u>(131)</u>
Net change in cash	(503)
Cash and cash equivalents at beginning of year	<u>775</u>
Cash and cash equivalents at end of year	<u><u>\$ 272</u></u>

Major sources of cash included student tuition and fees (\$ 98.4 million), state appropriations (\$83.2 million), auxiliary activities (\$42.6 million), and grants and contracts (\$34 million). The largest payments were for suppliers and employees (\$ 262.6 million).

## Capital Assets and Debt Administration

### Capital Assets

The University has an on going capital improvement program consisting of new construction and the renovation of existing facilities. During the fiscal year, renovation projects were completed on University Hall, Health and Human Services Building, the Law Center, Parks Tower Residence Hall, and Carlson Library in addition to the replacement of the Glass Bowl turf.

The University has planned capital improvements for the fiscal year ending June 30, 2003 of approximately \$ 29 million. Work on the new residence hall, which is scheduled to open for Fall of 2002, was nearly complete by June 30. Renovation projects are scheduled for Bowman Oddy, Health and Human Services, Libbey Hall, Student Recreation Center, and the University Computer Center. Capital improvement projects are expected to be funded from a variety of sources including gifts, State capital appropriations, debt financing, and University funds.

The University had \$270.8 million invested in capital assets, net of accumulated depreciation of \$195.9 million. Depreciation charges for the current year are \$13.7 million. Detailed information about the University's capital assets is presented in the notes to the financial statements.

### Debt Administration

The University takes seriously its role of financial stewardship and works hard to manage its financial resources effectively, including the prudent use of debt to finance capital projects. Standard & Poor's Rating Services assigned an underlying rating of A to the AAA rated insured bond issue. This rating is a further indication of the strong financial stewardship of the University.

### Economic Factors That Will Affect the Future

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

The economic position of the University is closely tied to the economic condition of the State, as all state universities in Ohio receive State financial assistance for both operations and designated capital improvements through appropriations by the Legislature. These appropriations contribute substantially to the successful maintenance and operation of the University.

The Board of Trustees approved a 9.9% increase in student fees with the exception of the general fees, which was approved to increase 12.4% in June. Preliminary enrollment numbers indicated an increase in students for the Fall semester of 2.9%.

### Requests for Information

This financial report is designed to provide a general overview of The University of Toledo finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jack Armul, Associate Vice President for Finance, Mail Stop 964, University Hall 3510, 2801 W. Bancroft Street, Toledo, Ohio 43606.

**The University of Toledo**  
**Statement of Net Assets**  
**June 30, 2002**  
(Dollars in thousands)

**ASSETS**

Current Assets

Cash and cash equivalents (note 3)	\$	272
Short-term investments (note 3)		36,323
Accounts receivable, net (note 4)		15,380
Inventories		302
Investments held by bond trustee		6,429
Notes receivable, net (note 4)		2,156
Other assets		1,771

<b>Total Current Assets</b>		62,633
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Noncurrent Assets

Endowment and loan investments (note 3)		32,112
Notes receivable, net (note 4)		12,176
Long-term investments (note 3)		22,035
Deferred bond issuance costs		1,551
Capital assets, net (note 5)		270,831

<b>Total Noncurrent Assets</b>		338,705
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<b>Total Assets</b>		401,338
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**LIABILITIES**

Current Liabilities

Accounts payable and accrued liabilities		19,596
Deferred revenue		11,412
Deposits		214
Compensated absences - current portion (note 6)		8,063
Long-term liabilities - current portion (note 6)		5,815

<b>Total Current Liabilities</b>		45,100
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Noncurrent Liabilities

Compensated absences (note 6)		2,406
Allocation of state unfunded workers' compensation (note 8)		4,361
Long-term liabilities (note 6)		113,561

<b>Total Noncurrent Liabilities</b>		120,328
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<b>Total Liabilities</b>		165,428
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**NET ASSETS**

Invested in capital assets, net of related debt		156,648
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Restricted for

Nonexpendable		
Scholarships and fellowships		7,066
Instructional department uses		2,942
Expendable		
Scholarships and fellowships		16,082
Research		973
Instructional department uses		5,154
Loans		15,325
Capital projects		4,949
Other		5,115

Unrestricted		21,656
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<b>Total Net Assets</b>		\$ 235,910
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See notes to financial statements

**The University of Toledo**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Year Ended June 30, 2002**  
**(Dollars in thousands)**

**Revenues**

Operating revenues:

Student tuition and fees, net of student aid of \$21,308	\$ 98,441
Federal grants and contracts	25,091
State grants and contracts	4,966
Local grants and contracts	1,258
Private grants and contracts	5,089
Sales and services	2,156
Auxiliary enterprises , net of student aid of \$2,535	41,836
Other operating revenues	<u>1,594</u>
Total operating revenues	180,431

**Expenses**

Operating expenses:

Instruction	105,357
Research	13,153
Public service	5,407
Academic support	27,412
Student services	18,380
Institutional support	21,729
Student aid	11,326
Operation and maintenance of plant	15,097
Depreciation	13,730
Change in allocation of state unfunded workers' compensation liability	1,610
Auxiliary enterprises	<u>46,660</u>
Total operating expenses	<u>279,861</u>
Operating loss	(99,430)

**Nonoperating Revenues (Expenses)**

State share of instruction	<u>83,175</u>
Loss after state share of instruction	(16,255)
State grants and contracts	7,082
Gifts	5,830
Investment income	753
Interest on debt	(4,789)
Other nonoperating (expenses)	<u>(2,614)</u>
Total other nonoperating revenues	<u>6,262</u>
Loss before other changes	(9,993)

**Other Changes**

Capital appropriations	4,819
Capital grants, gifts, and contracts	2,716
Addition to permanent endowment	3
Asset disposal	<u>(3,895)</u>
Total other changes	<u>3,643</u>
Decrease in Net Assets	(6,350)

**Net assets**

Net assets at beginning of year as restated (note 2)	<u>242,260</u>
Net assets at end of year	<u><u>\$ 235,910</u></u>

See notes to financial statements

**The University of Toledo**  
**Statement of Cash Flows**  
**Year Ended June 30, 2002**  
(Dollars in thousands)

<b>Cash flows from operating activities</b>	
Tuition and fees	\$ 98,439
Grants and contracts	34,009
Sales and services of educational activities	2,167
Payments to suppliers	(133,113)
Payments to employees	(129,533)
Loans issued to students	(3,371)
Collection of loans from students	2,237
Auxiliary enterprise charges	42,566
Other	1,594
	<hr/>
Net cash from operating activities	(85,005)
 <b>Cash flows from noncapital financing activities</b>	
State share of instruction	83,175
Student direct lending receipts	60,461
Student direct lending disbursements	(60,609)
Gifts, grants, and contracts	12,915
Agency Transactions	55
	<hr/>
Net cash from noncapital financing activities	95,997
 <b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(32,502)
Principal paid on capital debt	(5,269)
Capital appropriations	4,579
Proceeds from debt issuance	23,965
Capital grants and gifts	2,652
Interest paid on capital debt	(4,789)
	<hr/>
Net cash from capital and related financing activities	(11,364)
 <b>Cash flows from investing activities</b>	
Proceeds from sales and maturities of investments	90,845
Interest on investments	2,218
Purchase of investments	(93,194)
	<hr/>
Net cash from investing activities	(131)
 Net decrease in cash	 (503)
 Cash and cash equivalents - beginning of year	 <hr/> 775
 Cash and cash equivalents - end of year	 <hr/> <hr/> \$ 272

See notes to financial statements

**The University of Toledo**  
**Statement of Cash Flows - Continued**  
**Year Ended June 30, 2002**  
**(Dollars in thousands)**

Reconciliation of net operating revenues (expenses) to  
net cash used in operating activities:

Operating loss	\$	(99,430)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		13,730
(Increase) decrease in assets:		
Accounts receivable, net		(1,948)
Inventories		(59)
Other current assets		(697)
Notes receivable, net		(697)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities		1,102
Deferred revenue		293
Change in allocation of state unfunded workers' compensation liability		1,610
Compensated absences		1,091
		1,091
 Net cash used in operating activities	 \$	 (85,005)
		(85,005)

See notes to financial statements

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2002  
(Dollars in Thousands)

Note 1 - Reporting Entity, Basis of Presentation, and Summary of Significant Accounting Policies

Reporting Entity - The University of Toledo (the University) is a component unit of the State of Ohio, as established by the General Assembly of the State of Ohio (the State) in 1967 by statutory act under Chapter 3360 of the Revised Code of the State. Prior to that time, the University was a municipal university. 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 programs for certain University employees.

The University is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code Section 501 (c) (1), and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The University of Toledo Real Estate Corporation (UTRE) was governed by a three-member board composed of the President, Vice President for Administrative Services, and a trustee of the University. Although it was legally separate from the University, its sole purpose was to acquire, hold title to, and collect income from real properties and remit the entire amount of such income (less expenses) to the University. The UTRE was dissolved during fiscal year 2002. UTRE's final financial statement may be obtained by written request to the University of Toledo Real Estate Corporation, Suite 1740, Rocket Hall, 2801 West Bancroft, Toledo, Ohio, 43606-3390.

Basis of Presentation - The financial statements have been prepared to incorporate all fund groups internally utilized by the University. These statements have been prepared in conformity with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Operating revenues and expenses generally result from providing educational and instructional services in connection with the University's principal ongoing operations. The principal source of operating revenues of the University is student tuition. The University also recognizes as operating revenue auxiliary enterprises and exchange transactions. Operating expenses include educational and instructional costs, administrative expenses and depreciation expenses. All items not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted as they are needed.

Summary of Significant Accounting Policies

1. Cash and cash equivalents consist of cash on hand and demand deposits with banks.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2002  
(Dollars in Thousands)

2. Investments in marketable securities are carried at fair market value as established by the major securities market. Investment income includes realized and unrealized gains and losses on investments, interest income, and dividends.
3. Inventories are stated at the lower of cost (first in, first out basis) or market.
4. Capital assets are stated at historical cost or fair value at date of donation in the case of gifts. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation. Depreciation has been recorded in accordance with GASB. The University has a rare book collection and manuscript collection in the library that is not capitalized since it represents historical works of art that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.
5. Deferred bond issuance costs for the 2001, 1998, 1994, and 1992 Series General Receipts Bonds have been capitalized in the Other Asset category on the Statement of Net Assets and are being amortized over the life of the bonds on the straight-line method, which approximates the interest method.
6. Vacation expense is recognized when earned as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets.
7. All University employees earn sick leave. Employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full time employees). This sick leave either will be absorbed by time off due to illness or injury or, within certain limitations, be paid to employees upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 240 hours. Sick leave is recognized as an operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets. A liability is recorded on the Statement of Net Assets for the probable amount that the University will compensate the employees upon retirement. The amount is based on total leave earned multiplied by an historical experience factor.
8. Compensatory time may be given in lieu of overtime pay to classified employees who work in excess of the regular schedule. Management estimates that the future cost associated with the payment of compensatory time earned as of June 30, 2002 is not significant to the financial statements as a whole and will not have a material impact on the future operations when paid.
9. Summer term tuition and fees, and corresponding expenses relating to various sessions falling in this fiscal year are recognized as tuition revenue with the portion of sessions falling into the next fiscal year recorded as deferred revenue and prepaid expenses in the Statement of Net Assets and will be recognized in the following year.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2002

(Dollars in Thousands)

10. State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.
11. 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.
12. The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Note 2 – GASB Statements No. 34 and 35

In fiscal 2002, the University adopted GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended by Statement No. 35, *Basic Financial Statements--and Management's Discussion and Analysis--for Public Colleges and Universities*. The University now follows the "business-type" activities approach which provides the following components of the University's financial reporting:

- Managements' Discussion and Analysis
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows for the University as a whole
- Notes to the financial statements

GASB No. 34 and 35 also require the University to report revenues net of discounts and allowances, deferral of summer tuition, depreciation of capital assets and the required allocation of State unfunded workers' compensation liability (see Note 8). In addition, certain amounts previously reported as scholarship expenses are reported as an allowance against tuition and related revenues. The prior year fund balances were restated to adjust the net assets as follows:

Total of fund balances at July 1, 2001, as previously reported	\$ 440,684
Accumulated depreciation	(182,168)
Change in capital assets	(12,856)
Allocation of state unfunded workers' compensation	(2,751)
Deferred summer tuition and other	<u>(649)</u>
Net assets at July 1, 2001, as restated	<u>\$ 242,260</u>

**THE UNIVERSITY OF TOLEDO**  
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Note 3 – Cash and Cash Equivalents and Other Investments:

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Board policy states that the University's monies be invested in accordance with the Ohio Depository Law of the Ohio Revised Code.

Cash balances are combined into one pool for making daily cash and investment transactions. GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, requires cash and cash equivalents and investments held by the University to be categorized into the following credit risk categories:

(a) Cash and Cash Equivalents

1. Insured or collateralized with securities held by the University, or by its agent in the University's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the University's name.
3. Uncollateralized

(b) Investments

1. Insured or registered, or securities held by the University, or by its agent in the University's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the University's name.
3. Uninsured and unregistered, with securities held by the counter party or by its trust department or agent, but not in the University's name.

At June 30, 2002, the carrying amount of the University's cash and cash equivalents for all funds was \$272. Items in transit and outstanding checks cause the difference in the carrying amount of \$272 and the bank balance of \$540. Of the bank balance, \$100 was covered by federal depository insurance (category 1) and \$440 was insured by a financial institution collateral pool (category 3).

**THE UNIVERSITY OF TOLEDO**  
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The cost and fair values, exclusive of accrued interest, of investments at June 30, 2002 consisted of the following:

	<u>Category</u>	<u>Cost</u>	<u>Fair Value</u>
Corporate Bonds	2	\$ 4,341	\$ 4,679
Corporate stock	2	19,894	20,315
U.S. Government/agency obligations	2	24,575	24,877
		<u>48,810</u>	<u>49,871</u>
Common and collective trust funds		9,818	9,873
STAR Ohio		36,323	36,323
Real estate		832	832
		<u>\$ 95,783</u>	<u>\$ 96,899</u>

The University's investments in the State Treasurer's investment program, real estate, and common and collective trusts are not categorized because they are not evidence by securities that exist in physical or book entry form.

Note 4 – Accounts and Notes Receivable

Accounts receivable relate to several transactions including tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of allowance for uncollectible accounts of \$1,207. Student loans receivable are recorded net of allowance for uncollectible accounts of \$760.

The receivables, shown net of allowances for uncollectible accounts at June 30, 2002, are summarized as follows:

Accounts receivable:	
Tuition and Fees	\$ 4,218
Sales and services	342
Auxiliary services	1,899
Grants and contracts	7,441
Interest receivable	212
Interest receivable - endowments	62
Plant Fund	<u>1,206</u>
Total accounts receivable - net of allowances	15,380
Notes receivable:	
Current	2,156
Non current	<u>12,176</u>
Total notes receivable - net of allowances	<u>14,332</u>
Total receivable - net of allowances	<u>\$ 29,712</u>

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note 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, 2002:

	<b>Balance</b>		<b>Reallocation/</b>	<b>Balance</b>
	<b>July 1, 2001</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2002</b>
Capital assets, not being depreciated:				
Land	\$ 17,798			\$ 17,798
Land improvements	1,706			1,706
Construction in progress	11,186	27,010	(1,088)	37,108
Total capital assets, not being depreciated	30,690	27,010	(1,088)	56,612
Capital assets, being depreciated:				
Infrastructure	43,962	3,015		46,977
Buildings	325,825	2,438	645	328,908
Equipment	34,597	3,530	(3,895)	34,232
Total capital assets, being depreciated	404,384	8,983	(3,250)	410,117
Less accumulated depreciation:				
Infrastructure	14,459	2,007		16,466
Buildings	141,768	9,306		151,074
Equipment	25,941	2,417		28,358
Total	182,168	13,730		195,898
Total capital assets, being depreciated, net	222,216	(4,747)	(3,250)	214,219
<b>Capital Assets, net</b>	<b>\$ 252,906</b>	<b>\$ 22,263</b>	<b>\$ (4,338)</b>	<b>\$ 270,831</b>

Assets are capitalized with a cost of \$100 or greater with the exception of equipment, which is capitalized at a cost of \$5 or greater. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset, as follows:

<u>Classification</u>	<u>Life</u>
Infrastructure	15 to 25 years
Buildings	40 years
Building Additions	15 to 40 years
Equipment	5 years

**THE UNIVERSITY OF TOLEDO**  
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Note 6 – Long-term Liabilities

On February 1, 2001, the University issued \$35 million General Receipts Bonds, Series 2001 to finance construction of a residence hall.

On October 1, 1998, the University issued \$13.5 million General Receipts Bonds, Series 1998. Of this amount, \$10.4 million, with an average interest rate of 4.8%, were used to advance-refund \$9.5 million of outstanding Series 1992B Bonds with an average interest rate of 5.8%. The net proceeds of \$1.2 million (after payment of issuance costs of \$146) were deposited with an escrow trustee for all future debt service payments on the Series 1992B Bonds. As a result, the Series 1992B Bonds are considered defeased and the liability for those bonds has been removed from bonds outstanding as of June 30, 2002. The debt defeased remains outstanding as of June 30, 2002. The remaining \$3.1 million was used to finance capital projects.

The University issued General Receipts Bonds in the amount of \$15.5 million in February 1994 to finance construction of student housing. Series 1992A and 1992B General Receipt Bonds were issued in August 1992. The Series 1992A Bonds financed the advance refunding of Series 1990 Bonds and a portion of Series 1988 Bonds, and the Series 1992B Bonds financed capital projects. The balance of debt issuance defeased in substance in prior years that remain outstanding as of June 30, 2002 is \$29.8 million.

The principal and interest payments of the 2001, 1998, 1994, and 1992 Series General Receipts Bonds are collateralized by the pledge of the general receipts of the University. The bond indentures have various restrictive covenants with which the University management believes they have complied.

The University entered into an agreement in January 1997 to finance the installation of a fiber optic network, which bears interest at 5.27%. The University entered into an agreement in September 1999 to finance the purchase of a scoreboard, which bears interest at 7.5%. These agreements are classified as notes payable.

The University leases a building, athletic turf, and equipment under capital lease agreements. An asset of \$8.8 million, representing the cost of the building and equipment, and a corresponding liability for the lease obligation are recorded in the financial statements.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Long-term liabilities consists of the following as of June 30, 2001 and 2002:

	Due Dates	Interest Rate	Balance June 30, 2001	Additions	Retirements	Balance June 30, 2002	Current
General receipts series 1992, serial and term bonds:							
Advance refund prior general receipt bonds (1990 and part of 1988), land acquisition, and surface parking	1993-2020	2.9 to 5.9%	\$ 50,080		2,655	\$ 47,425	\$ 2,790
General receipts series 1994, serial and term bonds:							
The International Center student housing	1996-2005	3.4 to 5.35%	13,880		310	13,570	325
General receipts series 1998, serial and term bonds:							
Advance refund prior general receipt bonds (part of 1992), Student Union renovations	1999-2020	3.6 to 5.0%	12,115		435	11,680	450
General receipts series 2001, serial and term bonds:							
Student housing	2002-2030	4.25 to 5.22%	35,000		85	34,915	705
Lease obligations	1996-2015	various	4,138	2,953	1,062	6,029	782
Notes payable	1999-2009	various	6,478		722	5,757	763
Allocation of state unfunded workers' compensation			2,751	1,610		4,361	
Compensated absences			9,378	1,092		10,469	8,063
			133,820	5,655	5,269	134,206	13,878
Less current portion long-term debt			5,269			13,878	
Long-term liabilities			<u>\$ 128,551</u>			<u>\$ 120,328</u>	

Principal and interest on long-term debt are payable from general receipts. The obligations are generally callable. The future amounts of principal and interest payments required by the debt agreements are as follows:

	Principal	Interest	Total
2003	\$ 5,831	\$ 6,263	\$ 12,094
2004	6,108	5,958	12,066
2005	5,144	5,653	10,797
2006	5,153	5,386	10,539
2007	5,121	5,124	10,245
2008 - 2012	25,491	21,637	47,128
2013 - 2017	28,432	14,750	43,182
2018 - 2022	20,575	7,108	27,683
2023 - 2027	11,300	3,249	14,549
2028 - 2030	6,221	647	6,868
Total	<u>\$ 119,376</u>	<u>\$ 75,775</u>	<u>\$ 195,151</u>

**THE UNIVERSITY OF TOLEDO**  
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Note 7 – Retirement Benefits

The University contributes to two cost-sharing multiple-employer defined benefit plans: (1) Public Employees Retirement System of Ohio (PERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). PERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 466-2085 for PERS, and 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (614) 227-4090 for STRS.

The funding policy for the above plans is as follows:

*PERS:* The ORC provides statutory authority for employee and employer contributions. During 2002, PERS employees contributed 8.5% of their salary to the plan and the University contributed 13.31% of covered payrolls to the plan. Beginning in February 2002, law enforcement employees contributed 10.1% of their salary and the University contributed 16.7% of covered payrolls. The total employer contributions to PERS for the years ended June 30, 2000, 2001, and 2002 were \$5,699, \$4,757, and \$6,623, respectively, which were equal to 100% of the required contributions for each year.

*STRS:* The ORC provides statutory authority for employee and employer contributions. During 2002, STRS employees contributed 9.3% of their salary to the plan and the University contributed 14.0% of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2000, 2001, and 2002 were \$7,197, \$7,464, and \$7,790, respectively, which were equal to 100% of the required contributions for each year.

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system (ARP) for academic and administrative university employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The University of Toledo board of trustees adopted such a plan effective April 1999. This plan is a defined contribution plan under IRS section 401(a). The total employer contribution to ARP for the year ended June 30, 2001, and 2002, were \$1,815 and \$1,981 respectively.

Eligible employees (those who are full-time and salaried) have 90 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS or PERS and who elect to participate in the alternate retirement program must contribute their share of retirement contributions (9.3% STRS or 8.5% PERS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 6% to the state retirement system to which the employee would have otherwise belonged. The employer also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 6%, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

**THE UNIVERSITY OF TOLEDO**  
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Note 8 – Allocation of State Unfunded Workers’ Compensation

The University participates in a State pool of agencies and universities that pays workers’ compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers’ compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Worker’s Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the worker’s compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the worker’s compensation claims of participating State agencies and universities. As part of the Plan, the Bureau has actuarially calculated estimated amounts for the State of \$727,000 at June 30, 2002, \$559,300 at June 30, 2001 and \$548,300 at June 30, 2000 to be paid in future periods covering the next 30 years.

As part of the State of Ohio’s implementation of GASB Statements No. 34 and 35, the State has required each state agency and university to record a portion of the pool’s estimated actuarial liability in its financial statement. The State determined the University’s pro-rata share of the estimated liability on the basis of the University’s share of actual cash payments (premiums and administrative costs) to the Bureau in the preceding fiscal year divided by such payments made by all participating entities. The University has restated its prior year net assets for the estimated unfunded workers’ compensation liability at June 30, 2001 of \$2,751. The estimated liability of \$4,361 at June 30, 2002 has been recorded with the increase of \$1,610 included in 2002 operating expenses.

The decision to record this liability was a result of determinations made by the State of Ohio in its interpretations of the treatment of the unfunded pool obligation. Further, the recording of this liability is based on an allocation of the entire pool on a pro-rata basis to the participating state agencies and universities. Such amount could differ had a separate actuarial computation by participating state universities been performed.

Note 9 – 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 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 carries commercial insurance to cover various general liability risks and blanket business interruption and liability coverage through the Inter-University Council Insurance Consortium (IUC-IC). Through this group, the University maintains a \$100 deductible and a pre-funded group deductible of \$350 per occurrence, with an annual aggregate stop loss of \$700. No material losses were reported during 2002.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2002

(Dollars in Thousands)

The University is also self-insured for unemployment compensation and substantially all employee health benefits. Liabilities for estimates of losses retained by the University for outstanding claims and claims incurred but not reported under self-insurance programs have been established. Changes in such liabilities are as follows:

	2002	2001
Unpaid claims - July 1	\$ 2,431	\$ 1,250
Incurred claims	13,827	12,335
Claim payments	(13,721)	(11,154)
Unpaid claims - June 30	\$ 2,537	\$ 2,431

Note 10 – Related Party Transactions

The University is sole beneficiary of the University of Toledo Foundation (the Foundation), a separate not-for-profit entity exempt from Federal income tax, formed in October 1990 as the result of a merger between The University of Toledo Alumni Foundation, Inc. and The University of Toledo Corporation. The Foundation’s purpose is to support and promote the educational and charitable activities and programs of the University and to provide for the improvement and development of University facilities. At June 30, 2002, assets of the Foundation approximated \$83,000, consisting primarily of investments in securities carried at fair value. These assets are not consolidated in the accompanying financial statements, because the Foundation is not fiscally dependent on the University nor is the University financially accountable for the Foundation. During the year, the Foundation transferred approximately \$6,776 to the University in support of scholarships, academic programs, external relations, and other programs. Amounts transferred are included as non-operating revenue in the accompanying financial statements. The Foundation’s operations are conducted in facilities leased from the University at a base annual rental of \$25.

Certain marketable investments of the University are pooled with marketable investments of the Foundation. The Foundation manages these funds and receives from the University a management fee equal to 1.35% of the fair market value of the University’s share of the pooled investments. For the year ended June 30, 2002, the University incurred management fees paid or payable to the Foundation of \$529.

GASB Statement No. 39, *Financial Reporting Entity—Affiliated Organizations* has been issued and is effective for periods beginning after June 15, 2003. This statement will require the University to reflect the Foundation as a discretely presented component unit in the financial statements based on the significance of its relationship with the University.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2002  
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Note 11 – Natural Classification of Expenses

Operating expenses by natural classification for the year ended June 30, 2002 in thousands are summarized as follows:

Salaries, wages, benefits	\$ 175,995
Compensation non-payroll	23,889
Supplies	16,428
Travel and entertainment	6,579
Information and communication	7,907
Occupancy	12,027
Scholarship expense	11,326
Depreciation	13,730
Change in allocation of state unfunded workers' compensation	1,610
Other	<u>10,370</u>
 Total operating expenses	 <u><u>\$ 279,861</u></u>

## Independent Auditor's Report on Applying Agreed-Upon Procedures

Dr. Daniel M. Johnson, President  
The University of Toledo:

We have performed the procedures enumerated below, which were agreed to by The University of Toledo (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you with respect to complying with NCAA bylaws. The University's management is responsible for the accompanying Statement of Revenues and Expenditures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

### **I. Statement of Revenues and Expenditures and Internal Controls**

- a. We obtained the Statement of Current Revenues, Expenditures and Other Changes (the Statement) for the Department of Intercollegiate Athletics (the Department) for the year ended June 30, 2002, as prepared by management (Exhibit 1). We clerically tested the amounts on the Statement and agreed the amounts on the Statement to management's detailed worksheets and to the appropriate general ledger accounts. We found no exceptions as a result of these procedures.
- b. We performed a comparison of the operating revenues and expenditures per the Statement for fiscal years 2002 and 2001. We obtained management's explanation for variations greater than 10% of each revenue and expenditure line item in the aggregate. We found no exceptions as a result of these procedures.
- c. We performed a comparison of actual operating revenues and expenditures per the Statement to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than 10% of each operating revenue and operating expense line item in the aggregate. We found no exceptions as a result of these procedures.
- d. We compared classifications of revenues and expenditures to NCAA guidelines. We found no exceptions as a result of these procedures.

- e. We reviewed and made inquiries of the organization chart prepared by management. We reviewed the extent of documentation of accounting systems and procedures. We also made certain inquiries of management regarding control consciousness, competence of personnel and protection of records and equipment. We found a weakness in the general control environment related to documentation of accounting procedures and absence of internal auditor involvement. We found that cash received by the intercollegiate athletics department was not being deposited timely. We also found that the internal audit department has not performed any audit procedure related to intercollegiate athletics.
- f. We compared contributions, received directly by the Department in excess of 10% of total contributions, to the accounting records of The University of Toledo. We identified two contributions, \$115,964 and \$60,102 from The University of Toledo Foundation (the Foundation), that exceeded 10% of all contributions for the year ended June 30, 2002. We found such information to be in agreement. We also noted that the gift documentation indicated that the contribution was intended for the general use of the Department and was received directly by The University of Toledo Foundation and then distributed to the University.

## II. Booster Organizations

- a. We obtained the following list of booster organizations from management and the related financial activities for the year ended June 30, 2002:

	Beginning Cash Balance	Cash Receipts	Contributions To or On Behalf of program	Other	Ending Cash Balance
The Rocket Fund	\$ 75,257	\$ 369,828	\$ 396,947		\$ 48,138
The Varsity T-Group	18,600	84,903	100,645		2,858
Downtown Coaches Association	6,223	127,259	36,240	\$ 94,407	2,835
Dugout Club	17,320	56,675	34,362		39,633
<b>Total All Funds</b>	<b>\$ 117,400</b>	<b>\$ 638,665</b>	<b>\$ 568,194</b>	<b>\$ 94,407</b>	<b>\$ 93,464</b>

- b. We confirmed directly with their officers, the financial activities of the booster organizations. We found no exceptions as a result of these confirmations.
- c. We agreed beginning cash balances to the prior year schedule. We compared total cash receipts and disbursements to the Treasurer's reports prepared by listed organizations. The amounts included in the above schedule are not included in Exhibit 1 unless contributed directly to the University by the outside organization. We found no exceptions as a result of these procedures.

- d. We received the audited financial statements of The University of Toledo Foundation, which administers the Rocket Fund, Varsity T-Group, and the Dugout Club, for the year ended June 30, 2002, which reflected an unqualified opinion. We also reviewed the auditor's report to the Board of The University of Toledo Foundation regarding the internal control structure at The University of Toledo Foundation. That letter did not identify any material weaknesses in internal control and did not recommend any changes in procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items, including Exhibit 1 and item II (a) above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



September 27, 2002

**The University of Toledo**  
Schedule of Current Revenues, Expenditures, and Other Changes  
Intercollegiate Athletics  
Year ended June 30, 2002

	<b>Unrestricted</b>	<b><u>Restricted</u></b>	<b><u>Total</u></b>
Revenues:			
Sports:			
Basketball	\$ 532,162		\$ 532,162
Football	1,473,558		1,473,558
Other sports	247,447		247,447
Concession sales, parking, and other miscellaneous revenues	820,404	\$ 8,373	828,777
Broadcasts and telecasts rights	35,153		35,153
Private gifts and grants	503,267	129,910	633,177
Advertising	579,125		579,125
Total revenues	<u>4,191,116</u>	<u>138,283</u>	<u>4,329,399</u>
Expenditures and mandatory transfers:			
Administrative and general:			
Salaries and wages	1,503,024		1,503,024
Staff benefits	370,937		370,937
Supplies	128,993	7,452	136,445
Guarantees	404,400		404,400
Travel and entertainment	262,964	43,912	306,876
Information and communications	498,505	754	499,259
Other	306,917		306,917
Total administrative and general	<u>3,475,740</u>	<u>52,118</u>	<u>3,527,858</u>
Sports:			
Baseball	355,383	7,500	362,883
Basketball	693,220	12,970	706,190
Football	2,949,087	7,161	2,956,248
Swimming	322,692	15,360	338,052
Track	304,772	356	305,128
Golf	161,803		161,803
Tennis	129,527	10,189	139,716
Women's softball	354,365	1,117	355,482
Women's basketball	642,945	1,467	644,412
Women's track	349,296	13,242	362,538
Women's volleyball	420,865	1,970	422,835
Women's tennis	175,199	9,921	185,120
Women's swimming	369,597		369,597
Women's soccer	286,501	1,951	288,452
Women's golf	168,338	1,821	170,159
Cheerleading and other	35,938	380	36,318
Training and equipment	415,872	760	416,632
Total sports	<u>8,135,400</u>	<u>86,165</u>	<u>8,221,565</u>

**The University of Toledo**  
Schedule of Current Revenues, Expenditures, and Other Changes (continued)  
Intercollegiate Athletics  
Year ended June 30, 2002

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Expenditures and mandatory transfers, cont.:			
Operation and maintenance of plant:			
Salaries and wages	145,623		145,623
Staff benefits	38,617		38,617
Supplies	39,302		39,302
Repair and maintenance	37,837		37,837
Utilities	109,305		109,305
Insurance	13,757		13,757
Other	26,121		26,121
Total operation and maintenance of plant	<u>410,562</u>	-	<u>410,562</u>
Total expenditures	12,021,702	138,283	12,159,985
Mandatory transfers to investment in plant fund	<u>117,096</u>		<u>117,096</u>
Total expenditures and mandatory transfers	<u>12,138,798</u>	138,283	<u>12,277,081</u>
Nonmandatory transfers and additions:			
Allocated fund	1,014,717	-	1,014,717
Interfund transfers	6,932,965	-	6,932,965
Excess of restricted disbursements over receipts	<u>-</u>	<u>20,080</u>	<u>20,080</u>
Net increase in fund balance	<u>-</u>	<u>20,080</u>	<u>20,080</u>

THE UNIVERSITY OF TOLEDO  
Reports Pursuant to the OMB Circular A-133  
Year ended June 30, 2002  
with Report of Independent Auditors

The University of Toledo  
Reports Pursuant to the OMB Circular A-133

Year ended June 30, 2002

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## Report of Independent Auditors on the Schedule of Expenditures of Federal Awards

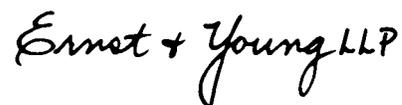
The Board of Trustees  
The University of Toledo

We have audited the financial statements of The University of Toledo (the University) as of June 30, 2002, and have issued our report thereon dated September 27, 2002. These financial statements are the responsibility of The University of Toledo's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2002 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the University taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2002 is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



September 27, 2002

# The University of Toledo

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Student Financial Aid—Cluster</b>			
<i>U.S. Department of Education:</i>			
Federal Supplemental Education Opportunity Grants	84.007	N/A	\$ 1,282,632
Federal Work-Study Program	84.003	N/A	1,290,568
Federal Perkins Loan Program	84.038	N/A	437,565
Federal Pell Grant Program	84.063	N/A	<u>11,059,947</u>
Total Student Financial Aid—Cluster			14,070,712
<b>Research and Development—Cluster</b>			
<i>U.S. Department of Agriculture:</i>			
Cooperative Forestry Research:			
Direct	10.202	200138870-10386	41,588
Direct	10.202	01JV11231300-103	14,566
Direct	10.202	01JV11231300	9,738
Direct	10.202	02JVH231300-011	26,738
Grants for Agriculture Research—Special Research Grants			
Pass-through from:			
Ohio State University Research Foundation	10.200	Q37113	4,133
Grants for Agriculture Research—Competitive Research Grants:			
Direct	10.206	98351096750	60,942
Direct	10.206	00-35301-9276	66,324
Grants for Agriculture Research—Basic and Applied Research			
Higher Education Challenge Grants	10.001	58-3607-1193	67,303
Soil and Water Conservation	10.217	02JV11272164-005	9,473
Soil and Water Conservation	10.902	60-5E34-01786	<u>33,088</u>
Total U.S. Department of Agriculture			333,893
<i>U.S. Department of Commerce (Economic Development Administration):</i>			
Research and Evaluation Program:			
Direct	11.312	IP1009	26,740
Pass-through from Ohio Department of Natural Resources:			
National Ocean Service Intern Program	11.480	PO7094	<u>14,273</u>
Total U.S. Department of Commerce (Economic Development Administration)			41,013
<i>U.S. Department of the Navy:</i>			
Basic and Applied Scientific Research:			
Direct	12.300	N00149910392	102,995
Direct	12.300	N00149910392	<u>1,635</u>
Subtotal Direct			104,630

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
Pass-through from:			
Office of Naval Research	12.300	441059B	33,653
Total U.S. Department of the Navy			<u>138,283</u>
<i>U.S. Department of the Army:</i>			
Military Medical Research and Development:			
Direct	12.420	DAMD	35,304
Direct	12.420	DAMD179818352	3,906
Direct	12.420	17-98-1-8251	127,117
Direct	12.420	DAMD17-00-1-9406	131,826
Direct	12.420	DAMD17-00-1-0467	29,561
Direct	12.420	DAMD17-00-1-0468	19,524
Direct	12.420	DAMD17-00-1-0469	29,520
Direct	12.420	DAMD17-01-1-0652	23,386
Subtotal direct			<u>400,144</u>
Mathematical Sciences Grant Program:			
Pass-through from:			
Academy of Applied Science	12.401	DAAG55-98-0468	1,486
Research and Technology Department:			
Direct	12.910	VA-AFIT-01-01	11,741
Pass-through from:			
Advanced Technology	12.910	3001-32	63,537
Total U.S. Department of the Army			<u>476,908</u>
<i>U.S. Department of the Air Force:</i>			
Air Force Defense Research Sciences Program			
Pass-through from:			
Orbital Research, Inc.	12.800	ORBITAL RES INC	28,026
Total U.S. Department of the Air Force			<u>28,026</u>
<i>U.S. Department of the Interior:</i>			
U.S. Geological Survey—Research Data Acquisition:			
Pass-through from:			
Ohio Department of Natural Resources	15.608	N/A	2,563
Fish and Wildlife Management Assistance:			
Pass-through from:			
Ohio State University	15.808	OOCRAG0031	26,632
Total U.S. Department of the Interior			<u>29,195</u>

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
<i>U.S. Department of Transportation:</i>			
University Transportation Centers Program:			
Pass-through from:			
City of Toledo	20.507	N/A	10,790
Total U.S. Department of Transportation			<u>10,790</u>
<i>National Aeronautics and Space Administration:</i>			
Aerospace Education Services Program:			
Direct	43.001	NAG5-8054	91,830
Direct	43.001	NAG5-8052	42,810
Direct	43.001	DMI-01800	95,772
Direct	43.001	NAG5-8052	9,206
Direct	43.001	NGT3-522342	3,219
Direct	43.001	NAG3-2565	24,452
Direct	43.001	NAG8-1578	117,419
Direct	43.001	NCC3-881	95,125
Technology Transfer:			
Direct	43.002	NAG5-3248	17,401
Direct	43.002	NAG5-8183	1,664
Direct	43.002	NAG5-4957	87,879
Direct	43.002	NAG5-8671	94,124
Direct	43.002	NAG5-47889	470
Direct	43.002	NAG5-8794	26,327
Direct	43.002	NAG5-3248	2,221
Direct	43.002	NAG5-8982	27,263
Direct	43.002	NAG5-9202	31,973
Direct	43.002	NAG5-9376	110,380
Direct	43.002	NAG57754	5,013
Direct	43.002	NAG5-10305	31,063
Direct	43.002	NCC3-527	266
Direct	43.002	NCC-524	145,691
Direct	43.002	NCC3-605	167,354
Direct	43.002	NCC3-604	(1,969)
Direct	43.002	NCC3-719	32,460
Direct	43.002	NAG3-2269	202,487
Direct	43.002	NCC3-2717	41,929

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
<i>National Aeronautics and Space Administration (continued):</i>			
Direct	43.002	NCC3-527	(41,271)
Direct	43.002	NCC3-605	(261)
Direct	43.002	NCC3-774	69,442
Direct	43.002	NAG3-2338	112,143
Direct	43.002	NAG3-2409	30,024
Direct	43.002	NAG3-2408	52,254
Direct	43.002	NAG32502	137,784
Direct	43.002	NAG3-2507	9,387
Direct	43.002	NAG32505	138,478
Direct	43.002	NAG32338	9,357
Direct	43.002	NAG3-2269	(78,515)
Direct	43.002	NCC3-855	214,496
Direct	43.002	NCC3-719	4,298
Direct	43.002	NCC3-605	(63,291)
Direct	43.002	NCC3-717	(9,188)
Direct	43.002	NAC3-2594	54,431
Direct	43.002	NAC3-1380	(20,707)
Direct	43.002	NCC8-134	12,352
Direct	43.002	NAG8-1380	114,485
Direct	43.002	NAG-1-2244	66,748
Direct	43.002	NAG5-11440	19,231
Direct	43.002	NAG5-8183	49,730
Direct	43.002	NAG5-7754	109
Direct	43.002	NCC3-954	39,367
Direct	43.002	NCC3-943	31,233
Direct	43.002	NAG3-2756	60,328
Direct	43.002	NCC3-939	37,123
Direct	43.002	NCC3-926	129,372
Direct	43.002	NCC3-923	108,253
Direct	43.002	NAG3-2673	10,080
Direct	43.002	NAG3-2674	82,929
Direct	43.002	NCC3-924	65,485
Direct	43.002	NCC3-925	66,563
Direct	43.002	NCC3-922	63,397
Direct	43.002	NCC3-916	124,667
Direct	43.002	NAG3-2646	178,231
Direct	43.002	NCC3-907	68,496
Direct	43.002	NAG3-2641	30,149
Direct	43.002	NGT3-52375	19,308

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
<i>National Aeronautics and Space Administration (continued):</i>			
Direct	43.002	NAS3-01116	214,060
Direct	43.002	NAG3-2508	59,356
Direct	43.002	NCC3-774	5,632
Direct	43.002	NCC3-524	7,336
Direct	43.002	NCC3-524	1,740
Direct	43.002	NAG8-1838	95,369
Direct	43.002	NAG8-1825	157,041
Direct	43.002	NAG3-1380	(144)
Aerospace Education Services Program:			
Pass-through from:			
Ohio Aerospace Institute	43.001	98-1-002	31,795
Ohio Aerospace Institute	43.001	12300100172-4018	27,568
Ohio Aerospace Institute	43.001	N/A	32,215
Ohio Aerospace Institute	43.001	N/A	(37,165)
Ohio Aerospace Institute	43.001	PO 26743	10,090
Ohio Aerospace Institute	43.001		379
Ohio Aerospace Institute	43.001	R7004003-40108	158,112
Technology Transfer:			
Pass-through from:			
Jet Propulsion Laboratory	43.002	1205634	883
Jet Propulsion Laboratory	43.002	959451	5,171
Jet Propulsion Laboratory	43.002	961486	1,653
Space Telescope Science Institute	43.002	AR083520197A	805
Toledo Public Schools	43.002	TOLPUBLSCHOOLS	24,026
Ohio Space Grant Consortium	43.002	N/A	1,837
Ohio Space Grant Consortium	43.002	N/A	36,828
Ohio Space Telescope	43.002	HST-G008577.D1A	14,436
Jet Propulsion Laboratory	43.002	961486	168
Toledo Public Schools	43.002	N/A	71,476
Toledo Public Schools	43.002	N/A	6,110
Ohio Space Grant Consortium	43.002	N/A	(180)
Total National Aeronautics and Space Administration			4,426,923
<i>National Science Foundation:</i>			
Engineering Grants:			
Direct	47.041	CMS-9753099	6,333
Direct	47.041	DMI-9713743	2,940
Direct	47.041	BES-9873553	(676)
Direct	47.041	BES-9809243	43,060
Direct	47.041	ECS-9800247	4,026
Direct	47.041	CTS-9996102	13,598
Direct	47.041	ECS-9800247	2,361
Direct	47.041	BES-9809243	2,462

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
<i>National Science Foundation (continued):</i>			
Engineering Grants (continued):			
Direct	47.041	DMI-0096009	67,426
Direct	47.041	CTS-9975452	88,746
Direct	47.041	BES-9984918	28,280
Direct	47.041	DMI-9984390	14,770
Direct	47.041	BES-078748	11,442
Mathematical and Physical Sciences:			
Direct	47.049	PHYC970791	683
Direct	47.049	INT-991383	2,714
Direct	47.049	AST-9819928	72,315
Direct	47.049	SES-9988038	56,281
Direct	47.049	PHY-9970791	19,183
Direct	47.049	PHY-0097367	62,760
Direct	47.049	PHY-9731880	963
Direct	47.049	RP1-2264	4,278
Biological Sciences:			
Direct	47.074	MCB-0196107	75,893
Direct	47.074	MCB-0196103	90,603
Direct	47.074	DEB0129405	127,554
Social, Behavioral, and Economic Sciences:			
Direct	47.075	BCS-0116876	18,712
Direct	47.075	INT-0120044	3,224
Direct	47.075	INT-9996161	2,054
Education and Human Resources:			
Direct	47.076	ESI-9731306	425,095
Direct	47.076	ESI-9731306	765,234
Direct	47.076	DUE-0126910	9,390
Subtotal Direct			2,021,704
Engineering Grants:			
Pass-through from:			
Embry-Riddle Aeronautical	47.041	BES-9713110	12,691
Virginia Polytech	47.041	CR-427794	4,813
Georgia Institute of Technology	47.041	E-24-T55-G1	11,617
Mathematical and Physical Sciences:			
Pass-through from:			
Ohio State University	47.049	RF#848226	16,913
Biological Sciences:			
Pass-through from:			
Institute for EcoSystems Studies	47.074	388/5936	32,359
Subtotal pass-through programs			78,393
Total National Science Foundation			2,100,097

The University of Toledo

Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
<i>U.S. Environmental Protection Support:</i>			
Air Pollution Control Program Support:			
Direct	66.606	XP-9755 8001	37,535
Environmental Protection Consolidated Research:			
Direct	66.500	R826374-01-0	(135)
Direct	66.500	R-8280601-0	97,476
Direct	66.500	IC-R263—NTEX	15,606
Pollution Prevention Grants Program:			
Direct	66.708	NP97529701	20,407
Direct	66.708	NP97529701	58,038
Subtotal Direct			<u>228,927</u>
Training and Fellowships for the Environmental Protection Agency:			
Pass-through from:			
University of Illinois	66.607	UILL2530946	42,721
State Indoor Random Grants:			
Pass-through from:			
Ohio Department of Health	66.032	48401PBA392	12,122
Ohio Department of Health	66.032	48-4002-2-BA-02	5,940
Water Quality Management Planning:			
Pass-through from:			
Lake Erie Protection Fund	66.454	N/A	11,047
Subtotal pass-through programs			<u>71,830</u>
Total U.S. Environmental Protection Agency			<u>300,757</u>
<i>U.S. Department of Energy:</i>			
Office of Science Financial Assistance Program:			
Direct	81.049	DEFG0294ER144615	10,225
Direct	81.049	DEFG0200ER62998	160,344
Direct	81.049	DEFG02-94ER14461	49,197
Direct	81.049	981120	14,766
Subtotal Direct			<u>234,532</u>
Energy-Related Inventions:			
Pass-through from:			
University of Hawaii	81.036	PO #Z518507	16
Office of Science Financial Assistance Program:			
Pass-through from:			
National Renewable Energy Laboratory (SERI)	81.049	ACI-9-29118-01	11,044
Conservation Research and Development:			
Pass-through from:			
DaimlerChrysler Corporation	81.086	JMEAL050-27/31A	23,204

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
<i>U.S. Department of Energy (continued):</i>			
Renewable Energy Research and Development:			
Pass-through from:			
National Renewable Energy Laboratory (SERI)	81.087	2AF8176194	25,949
National Renewable Energy Laboratory (SERI)	81.087	ZAF817619914	19,501
National Renewable Energy Laboratory (SERI)	81.087	2AF81761914	132
National Renewable Energy Laboratory (SERI)	81.087	AAT-1-30620-09	141,108
Solar Cells	81.087	N/A	191
Chrysler Corporation	81.087	JMEALO3262-B	7,918
Subtotal Pass-through programs			229,063
Total U.S. Department of Energy			463,595
 <i>U.S. Department of Health and Human Services (NIH):</i>			
Biological Response to Environmental Health Hazards:			
Direct	93.113	IR15ES1104-8-01	48,985
Oral Disease and Disorders Research:			
Direct	93.121	DE12308-03	2,220
Research Related to Deafness and Communication Disorder			
Direct	93.121	5R01DC029600	34,600
Cancer Treatment Research:			
Direct	93.395	11R15CA8213801-A1	1,096
Direct	93.395	7R15GM5762602	21,927
Cancer Biology Research:			
Direct	93.396	7R01CA9083	99,474
Nursing Research:			
Direct	93.361	F2001-4	53,012
Cell Biology and Biophysics Research:			
Direct	93.821	R15GM5593302	2,513
Heart and Vascular Disease Research:			
Direct	93.837	1R03HL625770	2,032
Direct	93.837	R01HL6030103	189,159
Direct	93.837	RO1HL6030101	7,580
Diabetes, Endocrinology, and Metabolism Research:			
Direct	93.847	5R29DK51274	64,317
Extramural Research Programs in the Neurosciences and Neurological Disorders:			
Direct	93.853	NS35030501A2	(764)
Direct	93.853	2R01NS31173-04A3	159,996
Direct	93.853	NS3503051A2	17,626
Microbiology and Infectious Chemistry Research			
Direct	93.856	2RO1AI18427-19	197,136
Direct	93.856	2RO1AI4514701AI	100,863
Direct	93.856	R15A14478201	14,747
Pharmacology, Physiology, and Biological Chemistry Research:			
Direct	93.859	1R01GM621401-01	290,908

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Research and Development—Cluster (continued)</b>			
<i>U.S. Department of Health and Human Services (NIH) (continued):</i>			
Research Related to Families:			
Direct	93.865	1R03HD39412-01A1	53,549
Research and Related to Deafness and Communication Disorders:			
Pass-through from:			
Bowling Green State University	93.173	1 RO1 DC0357702	28,830
Wayne State University	93.173	N/A	112,836
Biological Response to Environmental Health Hazards:			
Pass-through from Lamoza Pharmaceutical	93.113	RH3GMS770601	25
Community Health Centers:			
Pass-through from:			
Community Health Family Medical Center of Michigan, Inc.	93.224	6H19CS02960-2153	59,299
Arthritis Musculoskeletal and Skin Diseases Research:			
Direct	93.846	1R03AR4755990-01	65,699
Allergy, Immunology and Transplantation Research:			
Pass-through from University of Texas Health Science Center	93.855	1R01A143061	103,186
Total U.S. Department of Health and Human Services (NIH)			<u>1,730,851</u>
Total Research and Development—Cluster			<u>10,080,331</u>
<b>Trio Cluster</b>			
<i>U.S. Department of Education:</i>			
Student Services Support Program (Trio)	84.042	P042A010487	109,286
Trio—Upward Bound	84.047	P047A990864	380,924
Total Trio Cluster			<u>490,210</u>
<b>Highway Planning and Construction Center</b>			
<i>U.S. Department of Transportation:</i>			
Pass-through from:			
Ohio Department of Transportation	20.205	8657/14676	18,795
Ohio Department of Transportation	20.205	8953	38,202
Ohio Department of Transportation	20.205	8953	1,354
Ohio Department of Transportation	20.205	ODOT-9797	29,016
Ohio Department of Transportation	20.205	ODOT1478(0)	92,820
Ohio Department of Transportation	20.205	11236	129
Ohio Department of Transportation	20.205	8657/14676	5,747
Allen County	20.205	N/A	(231)
Total Highway Planning and Construction Center			<u>185,832</u>
<b>Other Programs</b>			
<i>U.S. Department of Air Force:</i>			
Post-Vietnam Era Veteran's Educational Assistance:			
Direct	64.120	N/A	19,315
Passed-through from			
Ohio Air National Guard	64.120	N/A	657
Bowling Green State University	64.120	N/A	35,012
Total U.S. Department of Air Force			<u>54,984</u>

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Other Programs (continued)</b>			
<i>U.S. Department of Army:</i>			
Direct	64.120	N/A	2,414
Direct	64.120	N/A	246,451
Direct	64.120	N/A	9,037
Direct	64.120	N/A	33,093
Total U.S. Department of Army			<u>290,995</u>
<i>U.S. Department of Navy:</i>			
Post-Vietnam Era Veteran's Educational Assistance:			
Direct	64.120	N/A	1,635
Total U.S. Department of Navy			<u>1,635</u>
<i>U.S. Department of Housing and Urban Development:</i>			
Community Outreach Partnership Center Program:			
Direct	14.511	COPH-0H-99-014	94,539
Pass-through programs:			
City Toledo	14.218	N/A	15,000
Total U.S. Department of Housing and Urban Development			<u>109,539</u>
<i>U.S. Department of Justice:</i>			
Troops to COPS	16.711	96UMWX1196	2,666
Police Corps:			
Direct	16.712	2001-P0-R008	286,324
Direct	16.712	2001-P0-R088	11,800
Total U.S. Department of Justice			<u>300,790</u>
<i>U.S. Department of Labor:</i>			
Trade Adjustment Assistance Workers:			
Pass-through from:			
Ohio Department of Jobs and Family Services	17.245	N/A	9,473
Job Opportunities for Low Income Individuals	93.593	N/A	4,823
Temporary Assistance for Needy Families:			
Lucas County Department of Jobs and Family Services	17.258	N/A	(2,178)
WIA Adult Program:			
Pass-through from:			
Northwest Ohio WIA	17.258	N/A	25,549
Lucas County Department of Jobs and Family Services	17.258	48-02-OP-26	16,696
Lucas County Department of Jobs and Family Services	17.258	N/A	160,306
Total U.S. Department of Labor			<u>214,669</u>
<i>National Endowment of the Humanities:</i>			
Promotion of Humanities Federal State Partnership:			
Pass-through from:			
Ohio Humanities Council	45.129	OHC 01-030	3,875
Ohio Humanities Council	45.129	OHC R02-051	1,600
Total National Endowment of the Humanities			<u>5,475</u>

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Other Programs (continued)</b>			
<i>U.S. Department of Veterans Affairs:</i>			
Vocational Rehabilitation for Disabled Veterans:			
Direct	64.124	N/A	98,944
Total U.S. Department of Veterans Affairs			98,944
 <i>U.S. Department of Education:</i>			
Undergraduate International Studies and Foreign Language Program:			
Direct	84.016	PO 16A80065	831
Direct	84.016	P0 61A80065-99	6,231
International: Overseas Group Projects Abroad:			
Direct	84.021	PO21A000043	33,655
Early Education for Children with Disabilities:			
Direct	84.024	24P50045-97	(55)
Special Education—Research and Innovation to Improve Services and Results for Children with Disabilities:			
Direct	84.324	H324M980197	139,874
Direct	84.324	H324M980197	164
Special Education—Personnel Preparation to Improve Services and Results for Children with Disabilities:			
Direct	84.325	H325N990053	134,373
Direct	84.325	H325NA980107	75,883
Direct	84.325	H325N990053	30
Teacher Quality Enhancement Grants	84.336	29A50006-06	28,000
Gaining Early Awareness and Readiness for Undergraduate Programs:			
Direct	84.334	P334A00134	631,130
Business and International Education Programs:			
Direct	84.153	P153A000003	56,025
Preparing Tomorrow's Teachers to Utilize Technology:			
Direct	84.342	N/A	348,771
Subtotal Direct			1,454,912
 Vocational Education—Basic Grants to States:			
Pass-through from:			
OBOR/ODOEA	84.048	CP-111-P02	88,814
Ohio Department of Education	84.048	CP-111-P00	(349)
Ohio Department of Education	84.048	CP-111-P01	14,489
Ohio Department of Education	84.048	P0823027	413
TPS TOL PUB SCH	84.048	P0608347	62
National Vocation Education Research:			
Pass-through from:			
Ohio Department of Education	84.051	N/A	76,151
Ohio Department of Education	84.051	N/A	10,451
Rehabilitation Services—Vocational Rehabilitation Grants to States:			
Pass-through from:			
Ohio Bureau of Vocational Rehabilitation	84.126	N/A	578,844

# The University of Toledo

## Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Other Programs (continued)</b>			
<i>U.S. Department of Education (continued):</i>			
Business and International Education Projects:			
Pass-through from:			
U.S. Department of Education	84.153	PO#102131	107,883
Safe and Drug-Free Schools and Communities—National Programs:			
Pass-through from:			
Kent State University	84.184	EDS184H000040	11,593
Tech-Prep Education:			
Pass-through from:			
U.S. Department of Education	84.243	VETP2002-23-FB	245,197
Ohio Department of Education	84.243	VETP2001213A1	8,106
Ohio Department of Education	84.243	VETP2001-23-SB	49,561
U.S. Department of Education	84.243	VETP200123FPI	5,347
Eisenhower Professional Department State Grants:			
Pass-through from:			
Ohio Board of Regents	84.281	01-61	6,291
Ohio Board of Regents	84.281	01-61	10,753
Ohio Board of Regents	84.281	01-58	116,386
Ohio Board of Regents	84.281	EISENHOWER	2,728
Ohio Board of Regents	84.281	N/A	1,424
Ohio Board of Regents	84.281	0051 EISENHOWER	31,488
Ohio Board of Regents	84.281	0053 EISENHOWER	10,023
Ohio Board of Regents	84.281	0052 EISENHOWER	54,127
Innovative Education Program Strategies:			
Pass-through from:			
University of California—Berkeley	84.298	92-OH02 #7	(7,198)
University of California—Berkeley	84.298	92-OH02 #8	28,925
Special Education—State Program Improvement Grants for Children with Disabilities:			
Pass-through from:			
Ohio Department of Education	84.323	06300999-ST-S1-01	18,835
Ohio Department of Education	84.323	063099STS199	6,158
Subtotal pass-through programs			1,476,502
Total U.S. Department of Education			2,931,414
 <i>U.S. Department of Health and Human Services:</i>			
Community Services Block Grant Discretionary Awards:			
Pass-through from:			
National Collegiate Athletic Association	93.570	NYSP-GSC	125
National Collegiate Athletic Association	93.570	N/A	407

The University of Toledo

Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA	Agency or Pass-Through Number	Expenditures
<b>Other Programs (continued)</b>			
<i>U.S. Department of Health and Human Services (continued):</i>			
Block Grants for Prevention and Treatment of Substance Abuse:			
Ohio Department of Alcohol and Drug Addiction Services	93.959	48-4392-02-HEDUC	25,248
Family Support Payments to States—Assistance Payments:			
Pass-through from:			
Lucas County Job and Family	93.560	48-02-0P-25	54,125
Lucas County Job and Family	93.560	48-02-WIA-08	21,370
Lucas County Job and Family	93.560	48-020-WIA-08	14,796
Lucas County Job and Family	93.560	N/A	(149)
Aging Research:			
Pass-through from:			
Central Park WOST Rehab	93.886	N/A	7,861
Institute for the Study of Aging	93.866	ISOA	110,249
Total U.S. Department of Health and Human Services			<u>234,032</u>
<i>U.S. International Development Cooperation Agency:</i>			
Technical Teacher Program:			
Direct	19.418	N/A	1,208
Total U.S. International Development Cooperation Agency			<u>1,208</u>
<i>Department of Veterans Affairs:</i>			
Direct	64.100	N/A	802
Total Department of Veteran Affairs			<u>802</u>
Total Other Programs			4,244,487
Total Expenditures of Federal Awards			<u>\$ 29,071,572</u>

See accompanying notes to schedule of expenditures of federal awards.

# The University of Toledo

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2002

### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The University of Toledo (the University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the financial statements.

### **2. Family Education Loan Program (CFDA No. 84.032)**

The University acts as the intermediary for students obtaining Family Education Loans (CFDA No. 84.032) from lending institutions. The lending institution is responsible for billings and collections of the loans. The University assists the lending institutions by processing the applications and forwarding checks from the lending institutions to the students. Loans advanced to students during fiscal year ended June 30, 2002 totaled \$61,294,972.

### **3. Federal Perkins Loan Program (CFDA No. 84.038)**

Revolving loan funds are established to maintain Perkins loans. Repayments of principal and interest are deposited back into the program for new loans. The University is responsible for administering the program, including the approving, disbursing and collecting of the loans. As of June 30, 2002, outstanding Perkins loans totaled \$14,331,792.

The University of Toledo

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2002

**4. Subrecipients**

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

<u>Sub-grantee</u>	<u>Federal CFDA number</u>	<u>Amount provided</u>
University of Texas	43.002	\$ 29,771
Dennison University	43.002	441
University of Michigan	81.049	60,799
Toledo Botanical Gardens	84.281	4,360
LOu Glatzer	11.480	6,000
Toledo Public Schools	47.076	562,528
Bowling Green State University	47.076	289,756
Springfield Local Schools	47.076	76,418
HRL Laboratories	43.001	14,228
Techsolve, Inc.	66.708	14,087
Edison Welding Institute	66.708	2,889
EISC, Inc.	66.708	13,716
Camp, Inc.	66.708	17,830
Medical College of Ohio	93.837	6,319
Kaukini Medical Center	93.837	2,068
Stanford H Odesky & Company	84.184	16,500

**5. Indirect Costs**

The University recovers indirect costs by means of predetermined fixed indirect cost rates. The predetermined fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The fixed rate effective for the period July 1, 2000 to June 30, 2003 for on-campus research is 42% of direct costs, and the off-campus rate is 26% of direct costs.

# Supplemental Information

Report of Independent Auditors on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

The Board of Trustees  
The University of Toledo

We have audited the financial statements of The University of Toledo (the University) as of and for the year ended June 30, 2002, and have issued our report thereon dated September 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

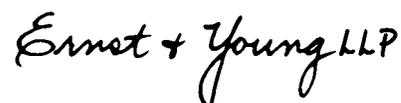
### Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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



September 27, 2002

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

The Board of Trustees  
The University of Toledo

### Compliance

We have audited the compliance of The University of Toledo (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

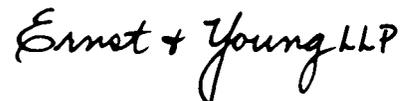
In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

## Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



September 27, 2002

The University of Toledo  
 Schedule of Findings and Questioned Costs

June 30, 2002

**Part I - Summary of Auditor's Results**

**Financial Statement Section**

(i) Type of auditor's report issued:	Unqualified
(ii) Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u>  x  </u> no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes <u>  x  </u> none reported
(iii) Noncompliance material to financial statements noted?	_____ yes <u>  x  </u> no

**Federal Awards Section**

(viii) Dollar threshold used to determine Type A programs:	\$3,140,950
(ix) Auditee qualified as low-risk auditee?	<u>  x  </u> yes      _____ no
(v) Type of auditor's report on compliance for major programs?	Unqualified
(iv) Internal control over compliance:	
Material weakness(es) identified?	_____ yes <u>  x  </u> no
Were reportable condition(s) identified not considered to be material weakness(es)?	_____ yes <u>  x  </u> none reported
(vi) Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	_____ yes <u>  x  </u> no

The University of Toledo

Schedule of Findings and Questioned Costs (continued)

**Part I - Summary of Auditor's Results (continued)**

(vii) Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.038, 84.007 84.033, 84.032	Student Financial Aid Cluster
Various	Research and Development Cluster

**Part II - Schedule of Financial Statement Findings**

None

**Part III - Schedule of Federal Award Findings and Questioned Costs**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**UNIVERSITY OF TOLEDO**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 26, 2002**