

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

The University of Toledo  
Years Ended June 30, 2006 and 2005  
With Report of Independent Auditors

The University of Toledo

Financial Statements and  
Supplemental Information

Years Ended June 30, 2006 and 2005

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## Report of Independent Auditors on Basic Financial Statements and Schedule of Expenditures on Federal Awards

The Board of Trustees  
The University of Toledo

We have audited the accompanying financial statements of The University of Toledo (the University), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2006 and 2005 which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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. We were not engaged to perform an audit of the University's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

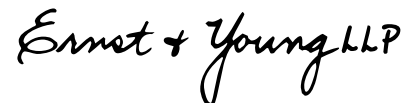
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The University of Toledo and its discretely presented component unit as of June 30, 2006 and 2005, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 9 to the financial statements, in fiscal 2006, the University adopted Government Auditing Standards Board (GASB) Statement No. 47, *Accounting for Termination Benefits*, which required an accrual to be recorded for voluntary and involuntary termination benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006 as of and for the year ended June 30, 2006 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the GASB. 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of The University of Toledo taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2006, is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



September 29, 2006

# THE UNIVERSITY OF TOLEDO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial position and activity of the University of Toledo (the University) as of and for the fiscal years ended June 30, 2006, 2005 and 2004. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion have been prepared by and are the responsibility of University management.

### Using the Annual Financial Report

The annual financial statements are 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*. Financial statements prescribed by GASB Statement No. 35 (the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements 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.

GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*, amending GASB Statement No. 14, provides additional guidance for determining whether certain organizations, such as not-for-profit foundations, should be displayed in the University's financial report. The University has determined that the University of Toledo Foundation meets the GASB 39 criteria for inclusion in the University's financial statements as a discretely presented component unit.

The Statements of Net Assets include 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 Statements of Revenues, Expenses and Changes in Net Assets present the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public university's dependency on State support could result in operating deficits because State appropriations are required by GASB to be classified as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Noteworthy Financial Activity

The changes in the University's financial position during the fiscal year ended June 30, 2006 compared to the previous year are evidenced by the following:

- Total assets decreased over prior year by \$11.2 million or 2.2%, primarily due to a decrease in current assets from the use of investments held by bond trustees.
- Total liabilities decreased \$13.7 million or 5.9%, primarily from the decrease in accounts payable and accrued liabilities as well as the principal payments on general receipts bonds.
- The University's net assets increased \$2.4 million from \$284.6 million to \$287.1 million or .9%, of which net investment in capital assets decreased by \$2.5 million or 1.4%, unrestricted net assets decreased \$296,000 or .8% and expendable restricted net assets increased by \$5.2 million or 9%.
- Operating revenues increased \$9.3 million or 3.9% from student tuition and fees, federal grants and contracts, and auxiliary enterprises.
- Operating expenses increased \$18.7 million or 6.0% resulting from across the board increases most notably from instruction, institutional support, and depreciation.
- Non-operating revenues, expenses and other changes decreased \$3.7 million or 4.1% due to a reduction in state share of instruction and capital appropriation.

The Statements of Net Assets and the Statements 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.

### Statements of Net Assets

The Statements of Net Assets (SNA) present the assets, liabilities, and net assets of the University as of the end of each fiscal year. The purpose of the SNA is to present the readers of the financial statements with a financial snapshot of the University of Toledo taken 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 capital assets. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Statements of Net Assets (continued)

From the data presented in the SNA, 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 SNA provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Following are condensed Statements of Net Assets of the University as of June 30, 2006, 2005 and 2004 (in thousands).

	2006	2005	Variance 2006 to 2005		2004	Variance 2005 to 2004	
			Amount	Percentage		Amount	Percentage
<b>Assets:</b>							
Current assets	\$ 42,786	\$ 52,580	\$(9,794)	-18.6%	\$ 71,630	\$(19,050)	-26.6%
Capital assets, net	345,480	345,388	92	-.0%	301,880	45,508	14.4%
Other assets	118,704	120,227	(1,523)	-1.3%	106,347	13,880	13.1%
<b>Total Assets</b>	<b>506,970</b>	<b>518,195</b>	<b>(11,225)</b>	<b>-2.2%</b>	<b>479,857</b>	<b>38,338</b>	<b>8.0%</b>
<b>Liabilities</b>							
Current liabilities	65,591	73,016	(7,425)	-10.2%	45,759	27,257	59.6%
Non-current liabilities	154,276	160,523	(6,247)	-3.9%	165,089	(4,586)	-2.8%
<b>Total Liabilities</b>	<b>219,867</b>	<b>233,539</b>	<b>(13,672)</b>	<b>-5.9%</b>	<b>210,848</b>	<b>22,691</b>	<b>10.8%</b>
<b>Net Assets</b>							
Investment in capital assets, net of debt	174,886	177,347	(2,461)	-1.4%	170,894	6,453	3.8%
Restricted – nonexpendable	10,033	10,031	2	0.0%	10,028	3	0.0%
Restricted – expendable	63,233	58,031	5,202	9.0%	54,888	3,143	5.7%
Unrestricted	38,951	39,247	(296)	-.8%	33,199	6,048	18.2%
<b>Total Net Assets</b>	<b>\$ 287,103</b>	<b>\$ 284,656</b>	<b>\$ 2,447</b>	<b>.9%</b>	<b>\$ 269,009</b>	<b>\$ 15,647</b>	<b>5.8%</b>

### Fiscal Year 2006 Compared to 2005

At June 30, 2006, total University assets were \$507 million decreasing \$11.2 million or 2.2%. The University's largest assets, investment in capital assets, increased slightly from \$345.4 million to \$345.5 million. Total current assets decreased \$9.8 million or 18.6% due to the use of investments held by bond trustees for construction related projects and reduction of accounts receivable related to grants and contracts.

In fiscal 2006, the University's current assets of \$42.8 million were below current liabilities of \$65.6 million (current ratio of .65:1 compared to .72:1 in prior year). This is consistent with the University's strategic initiative for long term investments and capital projects.

University total liabilities were \$219.9 million decreasing \$13.7 million or 5.9%. Non-current debt of \$154.3 million consisted of bonds, notes, and leases payable, of which \$147.3 million is related to bonds payable.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Fiscal Year 2006 Compared to 2005 (continued)

Total net assets increased from \$284.6 million to \$287.1 million. Unrestricted net assets totaled \$39 million, of which 59.2% or \$23.2 million is internally designated for ongoing academic and research programs, capital projects and other initiatives.

### Fiscal Year 2005 Compared to 2004

At June 30, 2005, total University assets were \$518.2 million increasing \$38.3 million or 8%. The University's largest asset, investment in capital assets, increased from \$301.9 million to \$345.4 million or 14.4% and current assets decreased \$19 million or 26.6% due to the purchase of long term investments and the use of bond investments for construction related projects.

In fiscal 2005, the University's current assets of \$52.6 million were below current liabilities of \$73 million (current ratio of .72:1 compared to 1.57:1 in prior year). This is consistent with the University's strategic initiative for long term investments and capital projects.

University liabilities were \$233.5 million at June 30, 2005. Long-term debt of \$160.5 million consisted of bonds, notes, and leases payable, of which \$158 million is bonds payable and comprises the largest portion of non-current liabilities.

Total net assets increased from \$269 million to \$284.6 million. Unrestricted net assets totaled \$39.2 million, of which 56.6% or \$22.2 million is internally designated for ongoing academic and research programs, capital projects and other initiatives.

### Statements of Revenues, Expenses and Changes in Net Assets

Changes in total net assets are based on the activity reflected in the Statements of Revenues, Expenses and Changes in Net Assets (SRECNA). These statements present operating and non-operating 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. Non-operating revenues are received without an exchange of goods or services. For example, state appropriations are considered non-operating as they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

Following are condensed statements of revenues, expenses and changes in net assets for each of the three years ended June 30 (in thousands).



## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Statements of Revenues, Expenses and Changes in Net Assets (continued)

	2006	2005	Variance 2006 to 2005		2004	Variance 2005 to 2004	
			Amount	Percentage		Amount	Percentage
<b>Operating revenues</b>							
Student tuition and fees	\$140,477	\$135,449	\$ 5,028	3.7%	\$130,816	\$ 4,633	3.5%
Grants and Contracts	47,656	45,785	1,871	4.1%	43,182	2,603	6.0%
Auxiliary enterprises	49,878	47,887	1,991	4.2%	45,715	2,172	4.8%
Other operating revenue	7,389	6,987	402	5.7%	5,256	1,731	32.9%
<b>Total operating revenues</b>	<b>245,400</b>	<b>236,108</b>	<b>9,292</b>	<b>3.9%</b>	<b>224,969</b>	<b>11,139</b>	<b>5.0%</b>
<b>Operating expenses</b>							
Educational and general	258,873	245,080	13,793	5.6%	242,163	2,917	1.2%
Auxiliary enterprises	51,624	48,911	2,713	5.5%	47,513	1,398	2.9%
Depreciation	20,263	18,023	2,240	12.4%	15,956	2,067	13.0%
<b>Total operating expenses</b>	<b>330,760</b>	<b>312,014</b>	<b>18,746</b>	<b>5.9%</b>	<b>305,632</b>	<b>6,382</b>	<b>2.1%</b>
Operating loss	(85,360)	(75,906)	(9,454)	12.5%	(80,663)	4,757	-5.9%
<b>Non-operating revenues, expenses and other changes</b>							
State share of instruction	75,478	77,812	(2,334)	-3.0%	79,921	(2,109)	-2.6%
Other non-operating revenues	17,482	15,412	2,070	13.4%	18,163	(2,751)	-15.1%
Capital appropriations	6,112	10,394	(4,282)	-41.2%	8,482	1,912	22.5%
Non-operating expenses	(11,265)	(12,065)	800	-6.6%	(7,712)	(4,353)	56.4%
<b>Total non-operating revenues, expenses and other changes</b>	<b>87,807</b>	<b>91,553</b>	<b>(3,746)</b>	<b>-4.1%</b>	<b>98,854</b>	<b>(7,301)</b>	<b>7.4%</b>
Increase in net assets	2,447	15,647	(13,200)	-84.4%	18,191	(2,544)	-14.0%
Net assets at beginning of year	284,656	269,009			250,818		
Net assets at end of year	\$287,103	\$284,656	\$2,447	.9%	\$269,009	\$ 15,647	5.8%

### Fiscal Year 2006 Compared to 2005

Significant sources of operating revenues for the University are tuition and fees of \$140.5 million, grants and contracts of \$47.7 million, and auxiliary enterprises sales of \$49.9 million, compared to \$135.4 million, \$45.8 million and \$47.9 million from the prior year.

Operating expenses totaled \$330.8 million compared to \$312 million, which includes depreciation of \$20.3 million and \$18 million, respectively. Educational and general expenses were \$258.9 million compared to \$245.1 an increase of \$13.8 million or 5.6%. Auxiliary expense totaled \$51.6 million compared to \$48.9 million an increase of \$2.7 million or 5.5%.

State appropriations were the most significant source of non-operating revenue, totaling \$75.5 million compared to \$77.8 million, a decrease of \$2.3 million or 3%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Fiscal Year 2006 Compared to 2005 (continued)

Other changes reflect a decrease in capital appropriations spending of \$4.3 million as significant projects were completed in prior fiscal year as part of the University's ongoing capital improvement program.

### Fiscal Year 2005 Compared to 2004

Significant sources of operating revenues for the University are tuition and fees of \$135.4 million, grants and contracts of \$45.8 million, and auxiliary enterprises sales of \$47.9 million, compared to \$130.8 million, \$43.2 million and \$45.7 million from the prior year.

Operating expenses totaled \$312 million compared to \$305.6 million, which includes depreciation of \$18 million compared to \$15.9 million. Further, research expenditures have increased proportionally to the additional revenue from grants and contracts.

State appropriations were the most significant source of non-operating revenue, totaling \$77.8 million compared to 79.9 million, a decrease of \$2.1 million or 2.6%.

Other changes reflect an increase in capital appropriations spending of \$1.9 million the majority of which was utilized in the University's ongoing capital improvement program.

### Statements of Cash Flows

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

The SCF is split into five sections. The first section includes operating cash flows (the net cash provided/used in operating activities). The second section includes cash flows from non-capital financing activities, which reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section includes cash flows from capital and related financing activities including the cash used for capital acquisition and construction. The fourth section includes the cash flows from investing which reflects the purchases, proceeds, and interest received from investing activities. The last section reconciles the net cash to operating income (loss) as reflected in the SRECNA.

Following are condensed statements of cash flows for the three years ended June 30, (in thousands):

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Statements of Cash Flows (continued)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash provided by (used in):			
Operating activities	\$ (71,212)	\$ (54,003)	\$ (67,490)
Non-capital financing activities	87,414	88,810	89,661
Capital and related financing activities	(31,551)	(47,282)	(16,776)
Investing activities	<u>13,873</u>	<u>18,022</u>	<u>(1,580)</u>
Net change in cash	(1,476)	5,547	3,815
Cash and cash equivalents at beginning of year	<u>9,652</u>	<u>4,105</u>	<u>290</u>
Cash and cash equivalents at end of year	<u>\$ 8,176</u>	<u>\$ 9,652</u>	<u>\$ 4,105</u>

### Fiscal Year 2006 Compared to 2005

Major sources of cash included student tuition and fees (\$140.3 million compared to \$134.3 million), state appropriations (\$75.5 million compared to \$77.8 million), auxiliary activities (\$50.8 million compared to \$47.2 million), and grants and contracts (\$46.2 million compared to \$44.5 million). The largest payments were for suppliers and employees (\$315.3 million compared to \$285.9 million).

### Fiscal Year 2005 Compared to 2004

Major sources of cash included student tuition and fees (\$134.3 million compared to \$130.1 million), state appropriations (\$77.8 million compared to \$79.9 million), auxiliary activities (\$47.2 million compared to \$45.1 million), and grants and contracts (\$44.5 million compared to \$43.4 million). The largest payments were for suppliers and employees (\$285.9 million compared to \$291 million).

### Capital Assets and Debt Administration

#### Capital Assets

The University has an ongoing capital improvement program consisting of new construction and the renovation of existing facilities. During the fiscal year ended June 30, 2006, construction of the Ottawa House dormitory was completed as well as renovation projects for Palmer Hall, various sports facilities, water line replacements, and electrical upgrades.

The University has planned capital improvements of approximately \$19.7 million for the fiscal year ending June 30, 2007. Renovation projects are scheduled or currently in progress for Gilliam Hall, University Hall, Carlson Library, Law Center, Student Union, North Engineering High and Low Bay Research, and infrastructure improvements for parking lots, road repairs, data cabling, ventilators and humidity controls, and firewater line replacement. Capital improvement projects are expected to be funded from a variety of sources including gifts, state capital appropriations, debt financing, and University funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Capital Assets and Debt Administration (continued)

#### Capital Assets (continued)

The University had \$345.5 million in capital assets, net of accumulated depreciation of \$257.6 million at June 30, 2006 compared to \$345.4 million in capital assets for the prior fiscal year. The charges for depreciation included in the SRECNA total \$20.3 million and \$18 million for the fiscal years ended June 30, 2006 and 2005 respectively. Detailed information about the University's capital assets is presented in the notes to the financial statements.

#### Debt Administration

The University has a strong financial position and manages its financial resources effectively, including the prudent use of debt to finance capital projects. Standard & Poor's Rating Services assigns an underlying rating ranging from AAA to BBB on investment grade insured bond issues. Moody's Investor Services, Inc. also assigns an underlying rating for investment grade long-term issues ranging from Aaa to Baa. The University's underlying ratings are A and Aa, respectively.

### 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 employee compensation, health care, and utilities.

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 6% increase in student fees. Enrollment numbers as of the census day, September 5, 2006, indicated an increase in students for the Fall semester of .4%.

### 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 Thomas H. Page, Controller, Mail Stop 325, Rocket Hall 1740, 2801 W. Bancroft Street, Toledo, Ohio 43606.

**The University of Toledo**  
**Statements of Net Assets**  
**June 30, 2006 and 2005**  
**(Dollars in thousands)**

	<u>University</u>		<u>Foundation</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b><u>ASSETS</u></b>				
Current Assets				
Cash and cash equivalents	\$ 8,176	\$ 9,652	\$ 619	\$ 389
Short-term investments	5,892	3,086		
Accounts receivable, net	22,617	24,670	335	336
Contributions receivable, net allowance for uncollectible			1,115	1,582
Inventories	612	368		
Investments held by bond trustee	574	10,538		
Notes receivable, net	3,001	2,487	67	64
Other assets	1,914	1,779	60	71
<b>Total Current Assets</b>	<b>42,786</b>	<b>52,580</b>	<b>2,196</b>	<b>2,442</b>
Non-current Assets				
Endowment and loan investments	45,592	42,269	110,362	100,788
Notes receivable, net	11,974	12,658	25	91
Long-term investments	58,050	62,019		
Contributions receivable, net allowance for uncollectible			10,573	3,045
Deferred bond issuance costs	3,088	3,281		
Capital assets, net	345,480	345,388	4,038	3,545
<b>Total Non-current Assets</b>	<b>464,184</b>	<b>465,615</b>	<b>124,998</b>	<b>107,496</b>
<b>Total Assets</b>	<b>506,970</b>	<b>518,195</b>	<b>127,194</b>	<b>109,911</b>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable and accrued liabilities	23,721	30,763	932	837
Deferred revenue	13,227	13,483		
Deposits	264	289		
Compensated absences - current portion	9,493	9,617		
Long-term liabilities - current portion	18,886	18,864	67	64
<b>Total Current Liabilities</b>	<b>65,591</b>	<b>73,016</b>	<b>999</b>	<b>901</b>
Non-current Liabilities				
Compensated absences	2,028	2,608		
Long-term liabilities	152,248	157,915	5,228	5,560
<b>Total Non-current Liabilities</b>	<b>154,276</b>	<b>160,523</b>	<b>5,228</b>	<b>5,560</b>
<b>Total Liabilities</b>	<b>219,867</b>	<b>233,539</b>	<b>6,227</b>	<b>6,461</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	174,886	177,347	4,038	3,545
Restricted for:				
Nonexpendable	10,033	10,031	48,652	47,126
Expendable	63,233	58,031	61,163	46,234
Unrestricted	38,951	39,247	7,114	6,545
<b>Total Net Assets</b>	<b>\$ 287,103</b>	<b>\$ 284,656</b>	<b>\$ 120,967</b>	<b>\$ 103,450</b>

See notes to financial statements

**The University of Toledo**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Year Ended June 30, 2006 and 2005**  
**(Dollars in thousands)**

	University		Foundation	
	2006	2005	2006	2005
<b>Revenues</b>				
Operating revenues:				
Student tuition and fees, net of student aid of \$27,265 and \$23,108	\$ 140,477	\$ 135,449		
Federal grants and contracts	32,273	31,182		
State grants and contracts	7,053	6,886		
Local grants and contracts	1,450	1,522		
Private grants and contracts	6,880	6,195		
Sales and services	4,947	4,278		
Auxiliary enterprises , net of student aid of \$2,987 and \$3,357	49,878	47,887		
Gifts			\$ 13,720	\$ 9,322
Other operating revenues	2,442	2,709	733	620
Total operating revenues	245,400	236,108	14,453	9,942
<b>Expenses</b>				
Operating expenses:				
Instruction	126,353	120,867		
Research	19,361	17,727	95	119
Public service	4,503	4,955		
Academic support	30,421	29,592	3,376	2,537
Student services	18,190	18,493		
Institutional support	27,750	24,069	1,787	1,766
Student aid	14,140	13,133	1,893	1,519
Operation and maintenance of plant	18,155	16,244	583	949
Depreciation	20,263	18,023	138	115
Auxiliary enterprises	51,624	48,911	1,155	599
Total operating expenses	330,760	312,014	9,027	7,604
Operating (loss) income	(85,360)	(75,906)	5,426	2,338
<b>Non-operating revenues (expenses)</b>				
State share of instruction	75,478	77,812		
Income (loss) after state share of instruction	(9,882)	1,906	5,426	2,338
State grants and contracts	5,968	5,558		
Gifts	3,678	3,083		
Investment income	7,058	6,667	10,430	8,560
Interest on debt	(7,567)	(5,759)		
Other non-operating (expense) revenues	(3,476)	(6,248)	511	276
Total other non-operating revenues	5,661	3,301	10,941	8,836
Income (loss) before other changes	(4,221)	5,207	16,367	11,174
<b>Other Changes</b>				
Capital appropriations	6,112	10,394		
Capital grants, gifts, and contracts	777	102		
Addition to permanent endowment	1	2	1,150	840
Asset disposal	(222)	(58)		
Total other changes	6,668	10,440	1,150	840
Increase in net assets	2,447	15,647	17,517	12,014
<b>Net assets</b>				
Net assets at beginning of year	284,656	269,009	103,450	91,436
Net assets at end of year	\$ 287,103	\$ 284,656	\$ 120,967	\$ 103,450

See notes to financial statements

**The University of Toledo**  
**Statements of Cash Flows**  
**Year Ended June 30, 2006 and 2005**  
(Dollars in thousands)

	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 140,250	\$ 134,274
Grants and contracts	46,150	44,468
Sales and services of educational activities	4,706	3,715
Payments to suppliers	(161,464)	(138,462)
Payments to employees	(153,859)	(147,470)
Loans issued to students	(3,270)	(2,922)
Collection of loans from students	3,033	2,525
Auxiliary enterprise charges	50,800	47,160
Other	2,442	2,709
Net cash from operating activities	(71,212)	(54,003)
<b>Cash flows from non-capital financing activities</b>		
State share of instruction	75,478	77,812
Student direct lending receipts	109,079	104,755
Student direct lending disbursements	(106,814)	(102,420)
Gifts, grants, and contracts	9,648	8,643
Agency Transactions	23	20
Net cash from non-capital financing activities	87,414	88,810
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(25,725)	(61,588)
Principal paid on capital debt	(18,873)	(5,446)
Capital appropriations	6,389	10,037
Proceeds from debt issuance	13,225	14,860
Capital grants and gifts	926	337
Interest paid on capital debt	(7,493)	(5,482)
Net cash from capital and related financing activities	(31,551)	(47,282)
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	140,918	329,918
Interest on investments	3,618	3,234
Purchase of investments	(130,663)	(315,130)
Net cash from investing activities	13,873	18,022
Net increase in cash	(1,476)	5,547
Cash and cash equivalents - beginning of year	9,652	4,105
Cash and cash equivalents - end of year	\$ 8,176	\$ 9,652
See notes to financial statements		

**The University of Toledo**  
**Statements of Cash Flows – Continued**  
**Year Ended June 30, 2006 and 2005**

(Dollars in thousands)

	<b>2006</b>	<b>2005</b>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (85,360)	\$ (75,906)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	20,263	18,023
(Increase) decrease in assets:		
Accounts receivable, net	(793)	(5,797)
Inventories	244	(15)
Other current assets	(133)	933
Notes receivable, net	170	303
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(5,155)	10,196
Deferred revenue	256	(2,018)
Compensated absences	(704)	278
	\$ (71,212)	\$ (54,003)
Net cash used in operating activities		

See notes to financial statements



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

Year Ended June 30, 2006

(Dollars in Thousands)

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

The accompanying financial statements consist of the University of Toledo (University) and the University of Toledo Foundation (Foundation).

Reporting Entity - The University is a component unit of the State of Ohio (State), as established by the General Assembly of 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, Ohio workers' compensation program 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) (3), 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 through 514.

In 2004, the University retroactively implemented Governmental Accounting Standards Board (GASB) Statement No. 39 *Determining Whether Certain Organizations are Component Units*, which requires 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 Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The Foundation is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The twenty-eight member board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipt from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 1 - Reporting Entity, Basis of Presentation, and Summary of Significant Accounting Policies (continued)**

During the years ended June 30, 2006 and 2005 the Foundation transferred approximately \$5,557 and \$4,095, respectively, to the University for both restricted and unrestricted purposes. 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 years ended June 30, 2006 and 2005, the University incurred management fees paid or payable to the Foundation of \$528 and \$496, respectively. Requests for additional information or financial statements should be addressed to The University of Toledo Foundation, Driscoll Center MS 318, 2801 W Bancroft Street, Toledo, Ohio 43606.

Basis of Presentation - The financial statements have been prepared to incorporate all fund groups utilized by the University. These statements have been prepared in conformity with generally accepted accounting principles as prescribed by the GASB and require 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.

The University has the option to apply all 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.

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 expense. All items not meeting this definition are reported as non-operating 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. All investments with maturities less than 90 days are considered cash and cash equivalents.
2. Investments in marketable securities are carried at fair value as established by the major securities market. Investment income includes realized and unrealized gains and losses on investments, amortization of premium and discount, interest income, and dividends.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 1 - Reporting Entity, Basis of Presentation, and Summary of Significant Accounting Policies (continued)**

Summary of Significant Accounting Policies (continued)

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 General Receipts Bonds have been capitalized in the Other Assets category on the Statements of Net Assets and are being amortized over the life of the bonds on the straight-line method, which approximates the interest method.
6. University employees earn vacation and sick leave based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitation are forfeited. The liability and expense incurred are recorded at year-end as long-term and short-term liabilities in the Statements of Net Assets, and as a component of operating expense in the Statements of Revenues, Expenses, and Changes in Net Assets.
7. 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, 2006 is not significant to the financial statements as a whole and will not have a material impact on the future operations when paid.
8. Summer term tuition and fees, and corresponding expenses relating to various sessions falling in the fiscal year are recognized in the fiscal year they occur. The portion of sessions falling into the next fiscal year are recorded as deferred revenue and prepaid expenses in the Statements of Net Assets and will be recognized in the following year.

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 1 - Reporting Entity, Basis of Presentation, and Summary of Significant Accounting Policies (continued)**

Summary of Significant Accounting Policies (continued)

9. State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.
10. Interest on construction projects is capitalized until substantial completion of the project.
11. The University's and the Foundation's Board of Trustees established an investment policy for the endowment and quasi endowments with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of the University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 5% of the three year market average, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.
12. The University enters into various interest rate swaps in order to manage risks associated with interest on its 2002 bond. As currently allowed under accounting principles generally accepted in the United States, the University does not record the fair value or changes in the fair value of interest rate swaps in its financial statements. See Note 6 for relevant disclosures.

**Note 2 – Cash and Cash Equivalents**

Cash balances are combined into one pool for making daily cash and investment transactions. At June 30, 2006, the carrying amount of the University's cash and cash equivalents for all funds was \$8,176. Items in transit and outstanding checks cause the difference in the carrying amount of \$8,176 and the bank balance of \$1,318. Of the bank balance, \$100 was covered by federal depository insurance and \$1,218 was insured by a financial institution collateral pool (collateralized with securities held by the pledging financial institution's trust department or agent in the University's name).

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 3 – Investments**

The Board approved revisions to the University's investment policy effective November 2003. The policy establishes investment objectives, strategies and measures for evaluation. The University's policy complies with the State of Ohio regulations provided by legislation. The University adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, which requires certain additional disclosures related to the interest rate, credit, foreign currency and custodial risks associated with interest-bearing investments as of June 30, 2006. At the present time, the University does not have formal policies addressing these types of risk.

The University's investment policy authorizes the investment of non-endowed funds in the following investments:

- Obligation of the US Treasury and other federal agencies
- Municipal and state bonds
- Certificate of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds
- Commercial paper
- Bankers acceptances
- Corporate bonds and stock
- Asset backed securities
- Mortgage pools and mortgage related securities
- Guaranteed investment contract

The University's investment policy authorizes the investment of endowed funds in the following investments:

- Obligation of the US Treasury and other federal agencies
- Municipal and state bonds
- Certificate of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds
- Corporate bonds and stocks
- Mortgages and collateralized mortgage obligations

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 3 – Investments (continued)**

The cost and fair values, exclusive of accrued interest, of investments at June 30, consisted of the following:

	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds	\$ 8,346	\$ 8,214	\$ 18,498	\$ 18,505
Corporate stock	27,192	34,361	25,023	30,710
Mutual funds / Hedge funds	19,968	20,223	-	-
Municipal bonds	60	60	2,025	2,020
U.S. Government/agency Obligations	44,355	43,550	51,115	50,606
	99,921	106,408	96,661	101,841
Common and collective trust Funds	10,223	10,502	19,871	20,381
Real estate	1,107	1,107	982	982
	111,251	118,017	117,514	123,204
Less: Cash equivalents	7,925	7,909	5,309	5,292
Net Investments	<u>\$ 103,326</u>	<u>\$ 110,108</u>	<u>\$ 112,205</u>	<u>\$ 117,912</u>

*Interest Rate Risk*

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

As of June 30, 2006, the University had the following interest-bearing investments and maturities.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1 Year	1 - 5	6 - 10	Greater than 10
US Government	\$ 3,727	\$ -	\$ 3,168	\$ 486	\$ 73
US Government Agencies	39,823	5,389	25,931	1,671	6,832
Corporate Bonds	8,214	839	5,223	640	1,512
Municipal Bonds	60	-	60	-	-
Total	<u>\$ 51,824</u>	<u>\$ 6,228</u>	<u>\$ 34,382</u>	<u>\$ 2,797</u>	<u>\$ 8,417</u>

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 3 – Investments (continued)**

*Credit Risk*

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

The credit ratings of the University's interest-bearing investments at June 30, 2006 are as follows:

Credit Rating (Moody's)	Total	U.S. Government Obligation	U.S. Agency Obligations	Corporate Bonds	Municipal Bonds
Aaa	\$ 48,949	\$ 3,727	\$ 39,823	\$ 5,339	\$ 60
Aa	750			750	
A	1,693			1,693	
Baa	432			432	
<b>Total</b>	<b>\$ 51,824</b>	<b>\$ 3,727</b>	<b>\$ 39,823</b>	<b>\$ 8,214</b>	<b>\$ 60</b>

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2006, the University had no exposure to foreign currency risk.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment of \$1,107 in real estate and \$10,502 in common and collective trusts are not evidenced by securities that exist in physical or book entry form. The remaining investments are uninsured and unregistered with securities held by the counter party's trust department or agent in the University's name.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2005  
(Dollars in Thousands)

**Note 4 – Accounts and Notes Receivable**

The accounts and notes receivable, shown net of allowances for uncollectible accounts at June 30, are summarized as follows:

	2006	2005
Accounts receivable:		
Tuition and Fees	\$ 4,761	\$ 4,790
Sales and services	2,626	1,841
Auxiliary services	2,557	2,884
Grants and contracts	11,592	13,565
Interest receivable	302	379
Interest receivable – endowments	58	66
Plant fund	721	1,145
Total accounts receivable - net of allowances	22,617	24,670
Notes receivable:		
Current	3,001	2,487
Non current	11,974	12,658
Total notes receivable - net of allowances	14,985	15,145
Total accounts and notes receivables - net of allowances	\$ 37,592	\$ 39,815

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 \$1,919 and \$1,799 for fiscal 2006 and 2005 respectively. Student notes receivable are recorded net of allowance for uncollectible accounts of \$760 for fiscal 2006 and 2005.

**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.

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 and amortization on capital leases are recognized on a straight-line basis over the estimated useful life of the asset, as follows:

Classification	Life
Infrastructure	15 to 25 years
Buildings	40 years
Building Additions	15 to 40 years
Equipment	5 years



**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 5 – Capital Assets (continued)**

Capital assets consist of the following as of June 30:

	<b>Balance</b>		<b>Reallocation/</b>	<b>Balance</b>
	<b>June 30, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2006</b>
Capital assets, not being depreciated:				
Land	\$ 20,658	\$	\$ (2,464)	\$ 18,194
Land improvements	1,706			1,706
Construction in progress	70,413	8,557	(59,484)	19,486
Total capital assets, not being depreciated	92,777	8,557	(61,948)	39,386
Capital assets, being depreciated:				
Infrastructure	48,716	1,725	8,117	58,558
Buildings	402,774	7,782	52,947	463,503
Equipment	40,388	3,397	(2,145)	41,640
Total capital assets, being depreciated	491,878	12,904	58,919	563,701
Less accumulated depreciation:				
Infrastructure	22,643	2,508		25,151
Buildings	186,168	13,992		200,160
Equipment	30,456	3,763	(1,923)	32,296
Total	239,267	20,263	(1,923)	257,607
Total capital assets, being depreciated, net	252,611	(7,359)	60,842	306,094
<b>Capital Assets, net</b>	<b>\$ 345,388</b>	<b>\$ 1,198</b>	<b>\$ (1,106)</b>	<b>\$ 345,480</b>

**Note 6 – Long-term Liabilities**

On January 24, 2006, the University issued \$13.1 million in General Receipt Bond Anticipation Notes, Series 2006 to extinguish the General Receipt Bond Anticipation Notes, Series 2005A.

On January 27, 2005, the University issued \$13 million in General Receipt Bond Anticipation Notes, Series 2005A to finance the acquisition and installation of steam and chilled water utility equipment, new telecommunications equipment to serve new and existing campus facilities, and the acquisition of a building for use as office and research space.

On March 1, 2004, the University issued \$14.1 million General Receipt Bonds, Series 2004 to refund and redeem the General Receipt Bonds, Series 1994 in the amount of \$13.2 million with the remainder of the issue being used to fund the bond issuance cost and the call premium.

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 6 – Long-term Liabilities (continued)**

On November 19, 2002, the University issued \$104.5 million General Receipt Bonds, Series 2002, with a variable interest rate, to finance the construction of a residence hall, improve dining facilities and currently refund and redeem the General Receipts Bonds, Series 1992A in the amount of \$46.1 million. A total of \$47 million of the proceeds was utilized to pay the call premium of \$921 and redeem all of the outstanding 1992 bonds on December 1, 2002.

On December 1, 2002, the University entered into interest rate swap agreements with Bear Stearns & Co., Inc. and JP Morgan Chase (formerly Bank One N.A.) for \$104.5 million to hedge the exposure against interest rate fluctuations arising from the variable interest rates on the Series 2002 Bonds. Based on the swap agreements, the University owes interest calculated at an average fixed rate of 4.35% to the counterparties to the swap agreements. In return, the counterparties owe the University interest at a variable rate based on two indices: (1) 67% of the London Interbank Offered Rate (LIBOR) rate on 42% of the notional amount; and (2) 71% of LIBOR on 58% of the notional amount. Only the net difference in interest payments is actually exchanged with the counterparties. The University continues to pay interest to the bondholders at the variable rate provided by the bonds; however, during the term of the swap agreements, the University effectively pays a fixed rate on the debt. The swap agreements expire on June 20, 2020 (\$47.5 million) and June 1, 2032 (\$57 million) and can only be terminated by the University at its sole option. If the swap agreements terminated at June 30, 2006, the University would be liable for a termination payment of approximately \$2.9 million. The swap agreements fair value is estimated using the zero-coupon method, whereby the future net settlement payment as required by the swap is calculated, then discounted using the spot rates implied by the current yield curve. The University will be exposed to variable rates only if the counter-parties to the swap default or if the University terminates the swap agreement.

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, 2004. The debt defeased remains outstanding as of June 30, 2006.

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 6 – Long-term Liabilities (continued)**

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 remains outstanding as of June 30, 2006 is \$26.4 million.

The principal and interest payments of all of the 2004, 2002, 2001, and 1998 Series General Receipts Bonds and the 2006 General Receipts Bond Anticipation Notes 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 three debt agreements and a refinancing agreement during fiscal 2003. In September 2002, the University entered into a debt agreement to complete funding for the athletic training facility on the Scott Park campus, which bears an interest rate of 200 basis points over LIBOR for an estimated 3.96%. In November 2002, the University entered into two debt agreements for the purchase of video equipment and land, which bear interest rates of 5.35% and 4.75% respectively. In April 2003, existing debt and lease agreements were refinanced at an interest rate of 2.98% for the fiber optic network and equipment purchases. 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, fiber optic network, athletic turf, and equipment under capital lease agreements. An asset of \$14.8 million, representing the cost of the building and equipment, and a corresponding liability for the lease obligation are recorded in the financial statements.

Interest expense, net of interest income, related to the borrowing is capitalized as part of the cost of construction. No interest was capitalized during fiscal 2006 and \$1.4 million, net of interest income of \$781, was capitalized during fiscal 2005.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 6 – Long-term Liabilities (continued)**

Long-term liabilities consist of the following as of June 30:

	Due Dates	Interest Rate	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Current
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%	\$ 10,270	\$ -	\$ 515	\$ 9,755	\$ 525
General receipts series 2001, serial and term bonds:							
Student housing	2002-2030	4.25 to 5.22%	32,715	-	800	31,915	825
General receipts series 2002, serial and term bonds:							
Student housing and advance refund general receipt series 1992	2003-2032	Various	98,010	-	1,995	96,015	2,095
General receipts series 2004, serial and term bonds:							
Advance refund prior general receipt bond (1994)	2005-2025	2.0 to 4.125%	14,070	-	500	13,570	510
General receipts series 2005A, Anticipation Notes:							
Renovations	2006	3.25%	13,000	-	13,000	-	-
General receipts series 2006, Anticipation Notes:							
Renovations	2007	4.25%	-	13,100	-	13,100	13,100
Lease obligations	1996-2017	Various	8,431	-	1,980	6,451	1,753
Notes payable	1999-2018	Various	283	125	80	328	78
Compensated absences			12,225	562	1,266	11,521	9,493
			\$189,004	\$ 13,787	\$ 20,136	182,655	\$28,379
Less current portion long-term liabilities			28,481			28,379	
Long-term liabilities			\$160,523			\$ 154,276	

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 bond agreements are as follows:

	Principal	Interest	Total
2007	\$ 17,055	\$ 7,265	\$ 24,320
2008	4,235	6,530	10,765
2009	9,325	6,327	15,652
2010	4,630	5,945	10,575
2011	4,855	5,733	10,588
2012 – 2016	27,330	25,032	52,362
2017 – 2021	24,880	18,024	42,904
2022 – 2026	11,825	13,885	25,710
2027 – 2031	8,095	11,196	19,291
2032	52,125	2,030	54,155
Total	\$ 164,355	\$ 101,967	\$ 266,322

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 6 – Long-term Liabilities (continued)**

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

	Principal	Interest	Total
2007	\$ 1,753	\$ 221	\$ 1,974
2008	1,610	162	1,772
2009	1,642	108	1,750
2010	440	60	500
2011	374	42	416
2012 – 2016	612	82	694
2017	20	-	20
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 6,451</u>	<u>\$ 675</u>	<u>\$ 7,126</u>

The future amounts of principal and interest payments required by the notes payable are as follows:

	Principal	Interest	Total
2007	\$ 78	\$ 18	\$ 96
2008	36	15	51
2009	13	14	27
2010	14	13	27
2011	14	12	26
2012 – 2016	88	44	132
2017 – 2018	85	13	98
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 328</u>	<u>\$ 129</u>	<u>\$ 457</u>

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 7 – Retirement Benefits (continued)**

The funding policy for the above plans is as follows:

*PERS:* The ORC provides statutory authority for employee and employer contributions and administers three separate pension plans as described below:

*Traditional Pension Plan* – A cost sharing, multiple-employer defined benefit pension plan.

*Member-Directed Plan* – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

*Combined Plan* – A cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by PERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulated retirement assets in a manner similar to the Member-Directed Plan.

During fiscal year 2006, the contribution percentages changed. From July 1, 2005 through December 31, 2005, CWA and PSA OPERS employees contributed 8.5% of their salary to the plan and the University contributed 13.31% of covered payrolls to the plan. From January 1, 2006 through June 30, 2006, employee's contributed 9.0% while the University contributed 13.54%. From July 1, 2005 through December 21, 2005, law enforcement employees contributed 10.1% of their salary and the University contributed 16.7% of covered payrolls. From January 1, 2006 through June 30, 2006 law enforcement contributed 10.10% and the University contributed 16.93%. The total employer contributions to PERS for the years ended June 30, 2004, 2005, and 2006 were \$7,112, \$7,011 and \$7,303, respectively, which were equal to 100% of the required contributions for each year.

*STRS:* STRS is a statewide retirement plan for licensed teachers and other faculty members and provides a choice of three retirement plan options.

*Defined Benefit Plan (DB Plan)* – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying final average salary by 2.2% for the first 30 years of credited service. Each year over 30 years is incrementally increased by .1%, starting at 2.5%

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 7 – Retirement Benefits (continued)**

for the 31<sup>st</sup> year of contributing service up to a maximum allowance of 100% of final average salary. Upon reaching 35 years of Ohio service, the first 31 years of Ohio contributing service is multiplied by 2.5% , and each year over 31 years is incrementally increased by .1% starting at 2.6% for the 32<sup>nd</sup> year. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to compute the maximum annual retirement allowance.

*Define Contribution Plan (DC Plan)* – Benefits are established under Sections 3307.80 to 3307.89 of the ORC. For members who select the DC Plan all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

*Combined Plan* – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retire member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 7 – Retirement Benefits (continued)**

The ORC provides statutory authority for employee and employer contributions. During 2006, STRS employees contributed 10% of their salary to the plan and the University contributed 14% of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2004, 2005, and 2006 were \$8,290, \$8,284 and \$8,625, 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 years ended June 30, 2004, 2005, and 2006, were \$2,731, \$2,893 and \$3,075, 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 (10% STRS or 8.5% PERS) to one of eight private providers approved by the State Department of Insurance. For employees who elect an ARP, employers are required to remit employer contributions to STRS Ohio at a rate of 3.5%. The employer contribution is the lower of a rate determined by independent actuarial study or the portion of the STRS Ohio DC Plan employer contribution rate that is allocated to the defined benefit unfunded liability. PERS does not require an employer contribution for employees electing an ARP. The University plan provides these employees with immediate plan vesting.

A retiree of STRS or PERS is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

**Note 8 – Post-employment Benefits**

In addition to the pension benefits described in note 7, the Ohio Revised Code provides the statutory authority requiring the University to fund post-retirement health care through employer contributions to PERS and STRS.



**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 8 – Post-Employment Benefits (continued)**

PERS provides post-retirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2005 employer contribution rate for state employers was 13.31% of covered payroll; 4% was the portion that was used to fund health care for the year. The law enforcement employer rate for 2005 was 16.70% and 4% was used to fund health care.

OPEB's are advance-funded on an actuarially determined basis. Summary of assumptions are as follows:

*Actuarial Review* – The assumptions and calculations were based on the latest actuarial review performed as of December 31, 2004.

*Funding Method* – An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

*Assess Valuation Method* – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

*Investment Return* – The investment assumption rate for 2004 was 8%.

*Active Employee Total Payroll* – An annual increase of 4%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4% base increase, were assumed to range from .5% to 6.3%.

*Health Care* – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 8 – Post-Employment Benefits (continued)**

At year-end 2005, the number of active contribution participants totaled 376,109. The amount of \$10.8 billion represents the actuarial value of PERS' net assets available for OPEB's at December 31, 2004. The actuarial accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the PERS retirement board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures PERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, STRS has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the health care benefits are not guaranteed and the cost of the coverage paid from STRS funds shall be included in the employers' contribution rate, currently 14% of covered payroll.

The STRS board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund, from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$3.3 billion at June 30, 2005.

For the year ended June 30, 2005, the net health care costs paid by STRS were \$254,780. There were 115,395 eligible benefit recipients.

**Note 9 – Termination Benefits**

The University offered a voluntary early retirement incentive program for certain faculty members effective prior to year-end. The incentive consisted of a one-time payout based on years of service and current annual salary, and a continuation of health care benefits through June 30, 2007. The University recorded a liability in accordance with GASB Statement No. 47, *Accounting for Termination Benefits* of approximately \$2,000 for its obligation related to the early retirement incentive program as of June 30, 2006. The University also has an obligation in the amount of \$313 as of June 30, 2006 related to voluntary retirement agreements that include payouts based on annual salary and retirement contributions.

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

Year Ended June 30, 2006

(Dollars in Thousands)

**Note 10 - 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, property loss, and blanket business interruption and liability coverage through the Inter-University Council Insurance Consortium (IUCIC). 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 2006.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate 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.

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 based on the University's experience and actuarial valuation. Settlements have not exceeded insurance coverage in each of the past three years.

Changes in such liabilities for the years ended June 30 are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims - July 1	\$ 3,223	\$ 2,971
Incurred claims	20,226	18,984
Claim payments	<u>(20,314)</u>	<u>(18,732)</u>
Unpaid claims - June 30	<u>\$ 3,135</u>	<u>\$ 3,223</u>

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended June 30, 2006  
(Dollars in Thousands)

**Note 11 – Natural Classification of Expenses**

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

	<u>2006</u>	<u>2005</u>
Salaries, wages, benefits	\$ 210,960	\$ 201,343
Compensation non-payroll	29,417	28,857
Supplies	16,820	16,062
Travel and entertainment	7,699	6,938
Information and communication	8,151	7,535
Occupancy	14,880	13,048
Scholarship expense	16,019	13,393
Depreciation	20,263	18,023
Other	6,551	6,815
Total operating expenses	<u>\$ 330,760</u>	<u>\$ 312,014</u>

**Note 12 – Subsequent Events**

Effective July 1, 2006, the General Assembly of the State of Ohio enacted into law the combination of the University and the Medical University of Ohio (MUO) into one state university to be known as The University of Toledo. MUO consists of the Medical University of Ohio, and component units including the Medical University of Ohio at Toledo Foundation and the Medical College of Ohio Clinical Facility Inc. MUO is a nonprofit component unit of the State of Ohio and state supported medical school located in Toledo, Ohio. The University of Toledo will be classified as a state instrumentality under Internal Revenue Code Section 115 and a charitable organization under Internal Revenue Code Section 501 ( c ) (3).

# Supplemental Information

The University of Toledo  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2006

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<b>Student Financial Aid – Cluster</b>			
<i>U.S. Department of Education:</i>			
Federal Supplemental Education Opportunity Grants	84.007	(1)	\$ 1,062,176
Federal Work-Study Program	84.033	(1)	978,503
Federal Perkins Loan Program	84.038	(1)	79,722
Federal Pell Grant Program			
Pass-through from:			
Ohio Department of Education	84.063	(1)	<u>11,973,642</u>
<b>Total Student Financial Aid – Cluster</b>			<b><u>14,094,043</u></b>
<b>Research and Development – Cluster</b>			
<i>U.S. Department of Agriculture:</i>			
Agriculture Research – Special Research Grants			
Direct	10.200	200238870-01934	128
Direct	10.200	200338870-02061	28,875
Direct	10.200	200338894-02032	379,805
Direct	10.200	200438898-02140	366,653
Direct	10.200	200138873-011523	376,989
Direct	10.200	200438870-00251	72,893
Direct	10.200	200538903-02315	222,297
Direct	10.200	200538898-03269	132,237
Direct	10.200	200538894-02307	3,598
Pass-through from:			
Ohio State University Research Foundation	10.200	RF01010203	261,847
Ohio State University Research Foundation	10.200	RF01037938	<u>85,074</u>
			1,930,396
Grants for Agriculture Research – Competitive Research Grants			
Direct	10.206	200138873-11523	63,277
Direct	10.206	2005-03156	7,168
Pass-through from:			
Ohio State University Research Foundation	10.206	F 743441	<u>3,958</u>
			74,403
Grants for Agriculture Research – Basic and Applied Research			
Direct	10.001	58-3607-1193	254,259
Direct	10.001	58643530073	514,446
Direct	10.001	58-3607-4-119	188,643
Direct	10.001	586435330073	5,416
Direct	10.001	53-3604-4209	8,534
Direct	10.001	(1)	22,646
Pass-through from:			
Edison Industrial Service Center	10.001	(1)	25,280
Edison Industrial Service Center	10.001	(1)	25,000
Ohio State University Research Foundation	10.001	PO#RF0092114	<u>(5,350)</u>
			1,038,874
Higher Education Challenge Grants			
Direct	10.217	02JV11272164-005	56,298
Biotechnology Risk Assessment Research			
Direct	10.219	200333120-13957	16,045
Pass-through from:			
Great Lakes Commission	10.219	(1)	<u>8,481</u>
			24,526
Fund for Rural America - Research, Education, and Extension Activities			
Pass-through from:			
Heidelberg College	10.224	(1)	43,933

The University of Toledo

Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Agriculture (continued):</i>			
Forestry Research			
Direct	10.652	SRS 04CA11301470	209,227
Direct	10.652	43360440254	4,767
Direct	10.652	05-CA-11242343-098	8,047
			<u>222,042</u>
Soil and Water Conservation			
Pass-through from:			
Great Lakes Commission	10.902	(1)	11,147
Conservation Security Program			
Direct	10.921	(1)	39,507
Total U.S. Department of Agriculture			<u>3,441,126</u>
<i>U.S. Department of Commerce:</i>			
Sea Grant Support			
Pass-through from:			
Illinois-Indiana Seagrant	11.417	(1)	39,564
State University of New York	11.417	(1)	6,206
Ohio State Research Foundation	11.417	PORF0102644	82,708
Ohio State Research Foundation	11.417	742652R/LR-5	5,054
			<u>133,532</u>
Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes			
Pass-through from:			
University of Michigan	11.432	(1)	5,760
Measurement and Engineering Research and Standards			
Direct	11.609	70NANB6H6095	2,308
Total U.S. Department of Commerce			<u>141,600</u>
<i>U.S. Department of Navy:</i>			
Basic and Applied Scientific Research			
Direct	12.300	N00014030533	(46,085)
Direct	12.300	N00014-05-1-0397	124,474
Total U.S. Department of Navy			<u>78,389</u>
<i>U.S. Department of Army, Department of Defense:</i>			
Collaborative Research and Development			
Pass-through from:			
Orbital Research, Inc.	12.114	(1)	43,120
University of Michigan-DOD	12.114	M000269	92,621
			<u>135,741</u>
Military Medical Research and Development			
Direct	12.420	DAMD17-02-1-0149	27,774
Direct	12.420	DAMD17-03-1-0743	27,450
			<u>55,224</u>
Basic Scientific Research			
Direct	12.431	DAAD19-03-1-0012	(15,293)
Direct	12.431	W911NF-05-04542	460,191
Direct	12.431	DAAD19-03-1-0012	83,218
			<u>528,116</u>
Total U.S. Department of Army			<u>719,081</u>
<i>U.S. Department of Airforce, Department of Defense:</i>			
Air Force Defense Research Sciences Program			
Direct	12.800	F29601-02-C-0304	357,367
Pass-through from:			
Universal Technology Corporation	12.800	(1)	579,657

The University of Toledo

Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Airforce, Department of Defense (continued):</i>			
Orbital Research, Inc.	12.800	FA 930005C0010	17,446
Orbital Research, Inc.	12.800	FA8650-05-C-1834	30,442
Orbital Research, Inc.	12.800	FA8650-04-C-3405	5,421
MacAulay-Brown	12.800	PO#24484	<u>7,975</u>
			998,308
<i>U.S. Department of Defense:</i>			
Basic, Applied, and Advanced Research in Science and Engineering			
Pass-through from:			
Impact Engineering	12.630	W56HZV0430006SC2	82,171
Mathematical Sciences Grant Program			
Direct	12.901	H98230-05-1-0023	12,271
Research and Technology Development			
Pass-through from:			
Advanced Technology Instruments	12.910	2001-32	72,001
Orbital Research, Inc.	12.910	FA 8650-05M3540	<u>5,653</u>
			<u>77,654</u>
Total U.S. Department of Defense			<u>172,096</u>
<i>U.S. Department of the Interior:</i>			
Water Desalination Research and Development Program			
Direct	15.506	05FC81149	30,770
Pass-through from:			
Central State University	15.506	04FC811041	<u>30,785</u>
			61,555
Assistance to State Water Resources Research Institutes			
Pass-through from:			
Ohio State University Research Foundation	15.805	(1)	(5,503)
Cooperative Research Units Program			
Direct	15.812	J23400040044	<u>25,804</u>
Total U.S. Department of Interior			<u>81,856</u>
<i>U.S. Department of Justice:</i>			
Edward Byrne Memorial Formula Grant Program			
Pass-through from:			
Ohio Criminal Justice Council	16.579	(1)	73,070
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program			
Direct	16.580	2005DD-BX-1066	<u>355,543</u>
Total U.S. Department of Justice			<u>428,613</u>
<i>U.S. Department of Labor:</i>			
WIA Pilots, Demonstrations, and Research Projects			
Direct	17.261	AF-14587-05-60	255,935
<i>U.S. Department of Transportation:</i>			
Highway Planning and Construction			
Pass-through from:			
Ohio Department of Transportation	20.205	ODOT-1478(0)	(1,112)
Ohio Department of Transportation	20.205	11236	15,869
Ohio Department of Transportation	20.205	20063	3,899
Ohio Department of Transportation	20.205	20313	83,821
Ohio Department of Transportation	20.205	20336	<u>57,197</u>
			159,674



The University of Toledo

Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Transportation (continued):</i>			
Federal Transit - Metropolitan Planning Grants			
Pass-through from:			
Toledo Metropolitan Area Council of Governments	20.505	(1)	88,135
Transportation Planning, Research and Education			
Pass-through from:			
Ohio Department of Transportation	20.931	(1)	981
Midwest Regional University Transportation	20.931	997B732	32,265
			<u>33,246</u>
Total U.S. Department of Transportation			281,055
<i>National Aeronautics and Space Administration:</i>			
Aerospace Education Services Program			
Direct	43.001	NCC5-673	16,788
Direct	43.001	NGT5-50469	7,259
Pass-through from:			
Ohio Aerospace Institute	43.001	R300100275-4018	1,610
Institute for Global Environmental Strategy	43.001	PO 011013	(628)
State of Ohio	43.001	(1)	21,184
			<u>46,213</u>
Technology Transfer			
Direct	43.002	NAG5-9376	84,963
Direct	43.002	NAG5-11440	(1,142)
Direct	43.002	NAG5-12186	141,282
Direct	43.002	NNG04GD31G	51,759
Direct	43.002	NNG04GQ37G	10,344
Direct	43.002	NNG05GA97G	18,302
Direct	43.002	NNG06GA70G	28,536
Direct	43.002	05-APRA05-77	50,294
Direct	43.002	NCC3-1012	154,996
Direct	43.002	NCC3-1018	52,785
Direct	43.002	NAG-2859	87,442
Direct	43.002	NCC3-1068	(295)
Direct	43.002	NNC04AA24A	79,277
Direct	43.002	NNC044AA25A	19,157
Direct	43.002	NNC04AA67A	170,932
Direct	43.002	NNC04GB44G	56,428
Direct	43.002	NNC04AA74A	866,567
Direct	43.002	NAG32505	42,478
Direct	43.002	NCC3925	56,638
Direct	43.002	NCC3924	129,578
Direct	43.002	NCC3923	51,626
Direct	43.002	NCC3-939	37,581
Direct	43.002	NAG32756	8,058
Direct	43.002	NCC3954	34,872
Direct	43.002	NCC3995	68,114
Direct	43.002	NCC3-1055	(12)
Direct	43.002	NNC04AA16A	75,166
Direct	43.002	NNC04GA24G	187,451
Direct	43.002	NNC04AA38A	106,503
Direct	43.002	NNC04AA53A	102,708
Direct	43.002	NAG32505	(268)
Direct	43.002	NCC3916	49,303
Direct	43.002	NNC3-916	3,865
Direct	43.002	NAG8-1838	16,860

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Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>National Aeronautics and Space Administration (continued):</i>			
Direct	43.002	BBC05AA04A	161,914
Direct	43.002	NNC05AA08A	179,008
Direct	43.002	NNC05AA09A	163,840
Direct	43.002	NNC05AA10A	261,698
Direct	43.002	NNC05AA12A	167,376
Direct	43.002	NNC05AA18A	110,330
Direct	43.002	NNC05AA51A	84,803
Direct	43.002	NNC05AA52A	52,454
Direct	43.002	NNC05AA21A	95,116
Direct	43.002	NNC06GA04G	6,946
Direct	43.002	NNC06GA07G	40,953
Direct	43.002	NNC05GA52G	60,910
Direct	43.002	NNC05AA37A	125,897
Direct	43.002	NNC05AA42A	68,158
Direct	43.002	NNC05GA69G	183,576
Direct	43.002	NNC05AA45A	105,841
Direct	43.002	NNC05AA48A	135,748
Direct	43.002	NNC05AA57A	34,037
Direct	43.002	NNC06AA047A	89,831
Direct	43.002	NNC06AA03A	91,063
Direct	43.002	NNC06AA06A	30,799
Pass-through from:			
Bowling Green State University	43.002	NAG3-2790	48,149
Ohio Aerospace Institute	43.002	R300100172-40108	(959)
Ohio Aerospace Institute	43.002	R700400300-40108	11,105
MERC	43.002	03-0032	66,058
Penn State University	43.002	3059UT-NASA-0019	25,000
Jet Propulsion Laboratory	43.002	2615-WD	1,243
Jet Propulsion Laboratory	43.002	13713	4,730
Space Telescope Institute	43.002	(1)	30,001
Space Telescope Institute	43.002	HST- AR09921.01-A	15,034
			<u>5,292,807</u>
Total National Aeronautics and Space Administration			5,339,020
<i>National Science Foundation:</i>			
<i>Engineering Grants</i>			
Direct	47.041	CTS-0331778	71,150
Direct	47.041	ECS-0238779	46,547
Direct	47.041	BES-0449188	47,701
Direct	47.041	DMI-0323679	20,456
Direct	47.041	BES-078748	16,713
Direct	47.041	ECS-0403930	31,222
Direct	47.041	BES-0448377	8,498
Direct	47.041	EEC-0531983	4,169
Direct	47.041	CTS-610624	1,039
Pass-through from :			
Catacel, Inc.	47.041	(1)	1,357
Catacel, Inc.	47.041	0548677	10,830
Texas A&M	47.041	TA&MCTS-0421310	20,600
University of Texas	47.041	UTA02-040	3,978
			<u>284,260</u>
<i>Mathematical and Physical Sciences</i>			
Direct	47.049	DMR-0137240	48,529
Direct	47.049	DMR-0545517	17,586

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Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
National Science Foundation (continued):			
Direct	47.049	AST-0307686	67,528
Direct	47.049	DMR-0355171	44,759
Direct	47.049	AST-0307307	51,550
Direct	47.049	MCB-0314034	47,810
Direct	47.049	CHE-0407542	599
Direct	47.049	PHY-0353899	58,205
Direct	47.049	PHY-0457060	12,477
Direct	47.049	DMR0219328	6,573
Direct	47.049	PHY-0140295	23,861
Direct	47.049	CHE-0547504	2,106
Direct	47.049	040784	120,110
			501,693
Geosciences			
Direct	47.050	GEO-0222905	72,117
Direct	47.050	94-33677-0415	42,946
Pass-through from:			
Ohio State University Research Foundation	47.050	RF#849226	35,618
			150,681
Computer and Information Science and Engineering			
Direct	47.070	CNS-0437586	21,262
Direct	47.070	CCF-0515263	18,362
Pass-through from:			
Kansas State University	47.070	(1)	89,521
			129,145
Biological Sciences			
Direct	47.074	MCB-0196103	447
Direct	47.074	DEB0129405	38,571
Direct	47.074	MCB-0346960	128,683
Direct	47.074	IBN-0344105	113,221
Direct	47.074	DEB-0456972	102,341
Direct	47.074	MCB-0446218	234,183
			617,446
Social, Behavioral, and Economic Sciences			
Direct	47.075	OISE-352974000	15,832
Direct	47.075	SES-0243872	22,900
Direct	47.075	SES-0318239	49,274
			88,006
Education and Human Resources			
Direct	47.076	DUE-0510769	36,113
Direct	47.076	EHR-0227899	124,475
Pass-through from:			
Stark State College of Technology	47.076	(1)	42,559
University of Michigan	47.076	F013475	31,565
			234,712
Total National Science Foundation			2,005,943
<i>U.S. Department of Veteran Affairs:</i>			
Veterans Domiciliary Care			
Direct	64.008	01TM01060140100001628	538

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Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>Environmental Protection Agency:</i>			
State Indoor Radon Grants			
Pass-through from:			
Ohio Department of Health	66.032	4-4-002-BA06	9,157
Ohio Department of Health	66.032	(1)	<u>18,605</u>
			27,762
Surveys, Studies, Investigations, Demonstrations and Special Purposes Activities			
Relating to the Clean Air Act			
Direct	66.034	XA-083276001	31,651
Great Lakes Program			
Direct	66.469	GL965518-010	9,200
Office of Research and Development Consolidated Research/Training			
Direct	66.511	CR83281401-0	110,590
Congressionally Mandated Projects			
Direct	66.202	XP-97558001	20,473
Pass-through from:			
University of Illinois	66.202	(1)	<u>2,237</u>
			22,710
Pollution Prevention Grants Program			
Direct	66.708	NP-96502901-0	99,358
Solid Waste Management Assistance Grants			
Direct	66.808	X1-96590101	<u>6,207</u>
Total Environmental Protection Agency			307,478
<i>U.S. Department of Energy:</i>			
State Energy Program			
Direct	81.041	04-09	50,000
Office of Science Financial Assistance Program			
Direct	81.049	DEFG0200ER62998	45,595
Pass-through from:			
National Renewable Energy Laboratory	81.049	AC1-9-29118-01M3	1,420
University of New Mexico	81.049	(1)	<u>18,895</u>
			65,910
Conservation Research and Development			
Pass-through from:			
Daimler Chrysler, Inc.	81.086	JMEAL050-27/31A	551
Universal Technology Corporation	81.086	(1)	<u>35,523</u>
			36,074
Renewable Energy Research and Development			
Direct	81.087	DEF 3605GO85025	196,578
Pass-through from:			
National Renewable Energy Laboratory	81.087	(1)	
National Renewable Energy Laboratory	81.087	ZXL544205-01	311,046
National Renewable Energy Laboratory	81.087	NDJ23063001	2,880
National Renewable Energy Laboratory	81.087	ZXL54420501	242,517
National Renewable Energy Laboratory	81.087	XAT-4-33624-06	205,424
National Renewable Energy Laboratory	81.087	NDS-1-30630-02	30
National Renewable Energy Laboratory	81.087	NDJ-2-30630-08	49,625
Catacel, Inc.	81.087	(1)	26,769
Catacel, Inc.	81.087	(1)	<u>4,234</u>
			1,039,103
State Energy Program Special Projects			
Pass-through from:			
Edison Materials Technology Center	81.119	EFC-H2-22	35,351

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Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Energy (continued):</i>			
Nuclear Energy Research, Development and Demonstration			
Pass-through from:			
Midwest Optical Electronics LLC	81.121	(1)	1,345
Total U.S. Department of Energy			1,227,783
<i>U.S. Department of Education:</i>			
Rehabilitation Services - Vocational Rehabilitation Grants to States			
Pass-through from:			
Bureau of Vocational Rehabilitation	84.126	(1)	464,846
Rehabilitation Services - Service Projects			
Pass-through from:			
Ability Center	84.128	(1)	10,069
Special Education - Preschool Grants			
Pass-through from:			
Ohio Department of Education	84.173	063099-ECAD-2006	34,538
Education Research, Development and Dissemination			
Direct	84.305	R305M050005	262,658
Pass-through from:			
University of Virginia	84.305	GM10019-123125	251,436
			514,094
Research in Special Education			
Direct	84.324	H32N040046	34,891
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities			
Pass-through from:			
University of Connecticut Health Center	84.325	(1)	78
Special Education - Technology and Media Services for Individuals with Disabilities			
Direct	84.327	H37A040103	158,552
Teacher Quality Enhancement Grants			
Pass-through from:			
Ohio Department of Education	84.336	EP-AG-06	12,672
Lucas County Commissioners	84.336	05-CO252	9,336
			22,008
Total U.S. Department of Education			1,239,076
<i>U.S. Department of Health and Human Services:</i>			
Biological Response to Environmental Health Hazards			
Direct	93.113	1R15ES11048-01	3,019
Research Related to Deafness and Communication Disorders			
Direct	93.173	1R03DC00532501A1	59,735
Direct	93.173	1R21DC00662901A2	46,086
Pass-through from:			
Wright State University	93.173	(1)	4
Bowling Green State University	93.173	1R01 DC035770-5	46,353
University of Cincinnati	93.173	(1)	17,478
			169,656
Demonstration Cooperative Agreements for Development and Implementation of Criminal Justice Treatment Networks			
Pass-through from:			
The Toledo Hospital	93.229	(1)	7,649
Mental Health Research Grants			
Pass-through from:			
Cognitive Pharmaceuticals	93.242	1R43MH06743001A2	57,440

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Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Health and Human Services (continued):</i>			
Drug Abuse and Addiction Research Programs Direct	93.279	1R03DA14999-01A1	(2,226)
National Center for Research Resources Pass-through from: Health Research, Inc.	93.389	RR10742-09	136
Nursing Research Pass-through from: University of Louisville	93.361	03-0421	10,399
Academic Research Enhancement Award Direct	93.XXX	1R15GM071405-01	85,245
Cancer Treatment Research Direct	93.395	1R15CA10638001A1	94,955
Cancer Biology Research Direct	93.396	7R01CA90837-02	65,752
Direct	93.396	7R01CA092172-02	179,031
Pass-through from: Biomide Corporation	93.396	(1)	21,534
Ridgeway Biosystems	93.396	CH#003286	21,501
			287,818
Heart and Vascular Diseases Research Direct	93.837	1F31HL07799601A1	4,859
Arthritis, Musculoskeletal, and Skin Diseases Research Direct	93.846	1R21AR052629-01	607
Diabetes, Endocrinology and Metabolism Research Direct	93.847	1R15DK067059-01	54,927
Extramural Research Programs in the Neurosciences and Neurological Disorders Direct	93.853	2R15NS35305-02	73,565
Direct	93.853	2RO1NS03117308A1	203,204
Direct	93.853	1RO1NS04564401A2	229,867
			506,636
Allergy, Immunology and Transplantation Research Direct	93.855	1R15AI068758-01	1,195
Pass-through from: University of Texas	93.855	1RO1A143061	(754)
			441
Microbiology and Infectious Diseases Research Direct	93.856	1R15AI0642890-01	67,381
Direct	93.856	2RO1AI045147-06	482,238
Direct	93.856	2RO1AI4514701A1	(101,982)
Direct	93.856	1R15AI50641-01A1	16,225
			463,862
Biomedical Research and Research Training Direct	93.859	1R01GM62140-01	128,727
Direct	93.859	1R15GM073758-01	55,107
Direct	93.859	1R01GM072667	269,028
Direct	93.859	1R15GM072529-01	70,006
			522,868
Child Health and Human Development Extramural Research Direct	93.865	1R15HD045296-01	49,929

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Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Health and Human Services (continued):</i>			
Aging Research			
Pass-through from:			
Cognitive Pharmaceuticals	93.866	(1)	95,807
Cognitive Pharmaceuticals	93.866	(1)	<u>(271)</u>
			95,536
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems			
Pass-through from:			
K.I.D. Pro/Ohio Department of Health	93.988	CH#142	<u>1,385</u>
Total U.S. Department of Health and Human Services			<u>2,415,141</u>
<b>Total Research and Development Cluster</b>			<b>19,133,038</b>
<b>Other Programs</b>			
<i>U.S. Department of Army:</i>			
Basic Scientific Research			
Pass-through from:			
Academy of Applied Sciences	12.431	(1)	563
Academy of Applied Sciences	12.431	(1)	<u>19,996</u>
			20,559
<i>Office of Personnel Management</i>			
Presidential Management Intern Program			
Direct	27.013	10266170215	72,978
<i>U.S. Department of Health and Human Services:</i>			
Undergraduate Scholarship Program for Individuals from Disadvantaged Backgrounds			
Pass-through from:			
Lucas County Jobs and Family Services	93.187	(1)	84,022
Temporary Assistance for Needy Families			
Pass-through from:			
Lucas County Department of Human Services	93.558	(1)	4,650
Community Services Block Grant - Discretionary Awards			
Pass-through from:			
National Youth Sports Program	93.570	(1)	72,795
Block Grants for Prevention and Treatment of Substance Abuse			
Pass-through from:			
Ohio Department of Alcohol and Drug Addiction Services	93.959	908230HEDUCP059	10
Ohio Department of Alcohol and Drug Addiction Services	93.959	908203HEDUCP069	18,443
Lucas County Commissioners	93.959	(1)	<u>13,032</u>
			31,485
Community Services Block Grant			
Pass-through from:			
Lucas County Department of Human Services	93.569	48-06TXX02	<u>5,914</u>
Total U.S. Department of Health and Human Services			198,866
<i>National Aeronautic Space Administration:</i>			
Aerospace Education Services Program			
Direct	43.001	EEC-0230588	1,615
Technology Transfer			
Direct	43.002	IPA	241,909
Pass-through from:			
Ohio Aerospace Institute	43.002	R300100375-40108	8,677
Ohio Aerospace Institute	43.002	(1)	<u>35,972</u>
			286,558
Total National Aeronautic Space Administration			288,173

The University of Toledo

Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>National Science Foundation:</i>			
Education and Human Resources			
Direct	47.076	ESI-9731306	(52)
Direct	47.076	DUE-0126910	(347)
Direct	47.076	DUE-0220796	80,312
Pass-through from:			
Georgia Institute of Technology	47.076	C36-A98-G1	71,635
Ohio State University Research Foundation	47.076	HRD-0331560	32,698
			184,246
<i>U.S. Department of Energy:</i>			
Office of Scientific and Technical Information			
Pass-through from:			
Department of Energy - Los Alamos National Laboratory	81.064	CH#1012565	2,745
<i>U.S. Department of Housing and Urban Development:</i>			
Resident Opportunity and Supportive Services - Homeownership and Family			
Pass-through from:			
Lucas County Metropolitan Housing Authority	14.870	(1)	27,367
<i>U.S. Department of Justice:</i>			
Police Corps			
Direct	16.712	2003-PO-R-058	9
Direct	16.712	2001-POR088	2,216
Direct	16.712	2001-PO-R008	248,387
Total U.S. Department of Justice			250,612
<i>U.S. Department of Labor:</i>			
WIA Adult Program			
Pass-through from:			
Ohio Jobs and Family Services	17.258	(1)	116,460
WIA Dislocated Workers			
Pass-through from:			
Toledo & Lucas County Workforce Investment	17.260	(1)	165,611
Northwest Ohio Workforce Investment	17.260	(1)	6,878
			172,489
Incentive Grants - WIA Section 503			
Pass-through from:			
State of Ohio Bureau of Workforce Services	17.267	G-04-15-0313	7,922
Total U.S. Department of Labor			296,871
<i>National Endowment for the Humanities:</i>			
Promotion of Humanities - Federal / State Partnership			
Pass-through from:			
Ohio Humanities Council	45.129	OHC#R05-133	4,000
<i>U.S. Department of Veterans Affairs:</i>			
All-Volunteer Force Educational Assistance			
Pass-through from:			
Veterans Vocational Rehabilitation	64.124	(1)	204,157



The University of Toledo

Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Veterans Affairs (continued):</i>			
Post-Vietnam Era Veterans' Educational Assistance			
Pass-through from:			
U.S. Airforce	64.120	(1)	22,230
ACES	64.120	(1)	76,789
U.S. Army ROTC	64.120	(1)	350,417
U.S. Marine	64.120	(1)	15,281
Coast Guard	64.120	(1)	13,961
Army/Army Tank	64.120	(1)	86,310
Bowling Green State University - USAF ROTC	64.120	(1)	38,669
			<u>603,657</u>
Total U.S. Department of Veterans Affairs			807,814
<i>U.S. Department of Education - TRIO Cluster:</i>			
TRIO - Student Support Services			
Direct	84.042	PO42A010487	31,744
Direct	84.042	PO42A051096	149,886
			<u>181,630</u>
TRIO - Upward Bound			
Direct	84.047	PO447A030119	361,335
Total U.S. Department of Education - TRIO Cluster			<u>542,965</u>
<i>U.S. Department of Education:</i>			
Javits Fellowships			
Direct	84.170	(1)	25,798
Javits Gifted and Talented Students Education Grant Program			
Direct	84.206	S206A040096	414,984
Fund for the Improvement of Education			
Pass-through from:			
Toledo Public Schools	84.215	(1)	16,874
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education			
Direct	84.333	P333A020055	77,861
Gaining Early Awareness and Readiness for Undergraduate Programs			
Direct	84.334	P334A000134	436,413
Pass-through from:			
Bowling Green State University	84.334	(1)	75,690
			<u>512,103</u>
Title I Grants to Local Educational Agencies			
Pass-through from:			
Ohio Board of Regents	84.010	02-38	2,257
Migrant Education – State Grant Program			
Pass-through from:			
Ohio Board of Regents	84.011	04-39	129,735
Ohio Department of Education	84.011	(1)	22,023
Ohio Department of Education	84.011	(1)	49,367
			<u>201,125</u>
Vocational Education - Basic Grants to States			
Pass-through from:			
Ohio Department of Education	84.048	VEPD-CB-05UT	7,510
Ohio Department of Education	84.048	(1)	4,710
Ohio Department of Education	84.048	VECPTPCS-2006	101,504
Ohio Department of Education	84.048	VEPDCB06UT	78,909
Toledo Public Schools	84.048	PO 608347	226
			<u>192,859</u>
Safe and Drug-Free Schools and Communities States Grants			
Pass-through from:			
Alcohol and Drug Addiction Services of Lucas County	84.186	(1)	1,189

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Schedule of Expenditure of Federal Awards (continued)

Federal Grantor/Pass-through from Grantor/Program Title	CFDA	Agency or Pass-through from Number	Expenditures
<i>U.S. Department of Education (continued):</i>			
Tech-Prep Education			
Pass-through from:			
Ohio Department of Education	84.243	(1)	7,193
Ohio Department of Education	84.243	(1)	355,826
Ohio Department of Education	84.243	VETPC2006STP	292,596
Ohio Department of Education	84.243	VETPDC-2006-FB	11,309
Ohio Department of Education	84.243	VETPPD-DE-2006-2	24,810
Ohio Department of Education	84.243	VETP200423FB0630	93
			<u>691,827</u>
Special Education - State Personnel to Improve Services and Results for Children with Disabilities			
Direct	84.325	H029A80107	145
Direct	84.325	H325A980107	54
Direct	84.325	H325N990053	9
Direct	84.325	H325A020104	267,512
			<u>267,720</u>
Advanced Placement Program			
Pass-through from:			
Ohio Department of Education	84.330	(1)	36,362
Teacher Quality Enhancement Grants			
Direct	84.336	P336B040031	971,029
Pass-through from:			
Ohio Board of Regents	84.336	05-34	11,181
Ohio Board of Regents	84.336	05-41	9,739
Ohio Board of Regents	84.336	05-36	10,003
Ohio Board of Regents	84.336	05-40	7,008
			<u>1,008,960</u>
Improving Teacher Quality State Grants			
Pass-through from:			
Ohio Board of Regents	84.367	03-45	1,558
Ohio Board of Regents	84.367	03-24	1,590
Ohio Board of Regents	84.367	03-44	1,716
			<u>4,864</u>
Innovative Education Program Strategies			
Pass-through from:			
National Writing Project	84.XXX	92-OH02 #8	30,520
Special Education - Grants to States			
Pass-through from:			
Ohio Department of Education	84.027	0630996BSE06	183,706
Total U.S. Department of Education			<u>3,669,009</u>
<b>Total Other Programs</b>			<u><b>6,366,205</b></u>
<b>Total Federal Expenditures</b>			<u><b>\$ 39,593,286</b></u>

(1) No agency or pass-through entity identifying number is available for this program.

# The University of Toledo

## Notes to the Schedule of Expenditures of Federal Awards

June 30, 2006

### 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 using the accrual basis of accounting. The information in this schedule is presented in accordance with the 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. Federal Direct Student Loan Program (CFDA No. 84.268)

The University acts as the intermediary for students obtaining Direct Loans from the U.S. Department of Education. The Department of Education is responsible for billings and collections of the loans. The University assists the Department of Education by processing the applications and disbursing the funds from the Department of Education to the students. Loans advanced to students during the fiscal year ended June 30, 2006 were as follows:

<b>Federal Direct Student Loans</b>	
Direct Subsidized	\$37,690,221
Direct Unsubsidized	30,596,037
Parent PLUS	<u>21,997,177</u>
<b>Total</b>	<b><u><u>\$90,283,435</u></u></b>

### 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. The outstanding balance as of June 30, 2005 totaled \$15,807,115 and loan expenditures for the year ended June 30, 2006 totaled \$79,722. As of June 30, 2006, the outstanding Perkins loans totaled \$15,610,850.

The University of Toledo

Notes to the Schedule of Expenditures of Federal Awards (continued)

**4. Subrecipients**

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

<b>Sub-Grantee</b>	<b>Federal CFDA Number</b>	<b>Amount Provided</b>
International Institute	10.001	\$ 465
American University	10.200	1,011
Bowling Green	10.200	130,724
Medical University of Ohio	10.200	131,520
OAI	10.200	921
Ohio State University	10.200	191,305
Thread, Inc.	10.200	45,000
University of Michigan	10.200	28,084
Hull & Associates Inc	10.206	21,144
University of Maryland	10.219	12,123
National Composite Center	12.431	46,788
Applied Research Associates, Inc.	20.205	3,899
Catacel Corporation	43.002	8,281
Teledyne Continental	43.002	567,952
Owens Community College	47.076	10,000
University of Cincinnati	47.076	3,631
Camp Inc.	66.708	4,000
EISC, Inc.	66.708	27,793
Techsolve, Inc.	66.708	28,735
Midwest Optoelectronics	81.087	51,158
Miami University	84.206	197,983
Northwest State Community College	84.243	108,000
Sylvania Schools	84.243	1,060
Utah State University	84.327	77,951
Lima City Schools	84.330	87
COSI - Toledo	84.336	9,000
Toledo Zoo	84.336	12,000
COSI – Toledo	93.570	5,000

## The University of Toledo

### Notes to the Schedule of Expenditures of Federal Awards (continued)

#### **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 predetermined fixed rate effective for the period July 1, 2004 to June 30, 2006 for on-campus organized research is 44% of modified total direct costs, and the off-campus rate is 26% of modified total direct costs.

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

The Board of Trustees  
The University of Toledo

We have audited the financial statements of The University of Toledo, a component unit of the State of Ohio, and its discretion presented component unit, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. 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.

**Internal Control Over Financial Reporting**

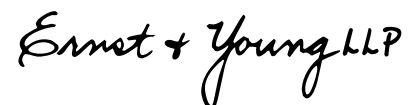
In planning and performing our audit, we considered The University of Toledo's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial 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 reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the University in a separate letter dated September 29, 2006.

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 29, 2006

## Report of Independent Auditors on Compliance and on 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 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, 2006. The University of Toledo'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 of Toledo's management. Our responsibility is to express an opinion on The University of Toledo'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 of Toledo'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 of Toledo's compliance with those requirements.

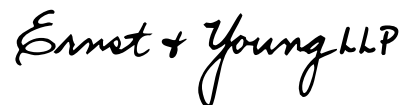
In our opinion, The University of Toledo complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are disclosed in the accompanying schedule of findings and questioned costs as items 06-01 and 06-02.

## Internal Control Over Compliance

The management of The University of Toledo 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 of Toledo'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 reportable 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 caused by error or fraud 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 29, 2006



The University of Toledo

Schedule of Findings and Questioned Costs

June 30, 2006

**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   X   no
- Reportable condition(s) identified not considered to be material weaknesses?        yes   X   none reported
- (iii) Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards Section**

- (viii) Dollar threshold used to determine Type A programs:       \$1,187,798
- (ix) Auditee qualified as low-risk auditee?   X   yes        no
- (v) Type of auditor’s report on compliance for major programs? Unqualified
- (iv) Internal control over compliance:
- Material weakness(es) identified?        yes   X   no
- Were reportable condition(s) identified not considered to be material weakness(es)?        yes   X   none reported
- (vi) Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?   X   yes        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
Various	Research and Development Cluster
84.336	Teacher Quality Enhancement Grant

**Part II – Financial Statement Findings Section**

This section identifies the reportable conditions, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standard* requires reporting in a Circular A-133 audit.

None

**Part III – Federal Award Findings and Questioned Costs Section**

This section identifies reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 Section .510. Where practical, findings should be organized by federal agency or pass-through entity.

**Finding 06-01**

**Federal Program Information:** Research and Development Cluster

**Criteria or Specific Requirement (including statutory, regulatory, or other citation):** Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Suspension and debarment certifications are required to be received or determinations are to be made for subawards and covered contracts before any procurement transactions take place.

## The University of Toledo

### Schedule of Findings and Questioned Costs (continued)

<b>Condition:</b>	We reviewed all contracts over \$25,000 and noted before entering into contracts, the University did not review the Excluded Parties List System website to ensure the vendor was not a suspended or debarred party.
<b>Questioned costs:</b>	None.
<b>Context:</b>	The University has contracts greater than \$100,000 with one vendor and two subcontractors in which suspension and debarment certifications are requested to be received or determinations are to be made.
<b>Effect:</b>	The University did not review to ensure vendors in which they entered into procurement transactions with were not a suspended or debarred party.
<b>Cause:</b>	The University did not review to ensure vendors in which they entered into procurement transactions with were not a suspended or debarred party according to the Federal agencies' codification of government wide non-procurement debarment and suspension common rule, Appendix II A-133.
<b>Recommendation:</b>	We recommend management institute procedures to ensure all procurement transactions are reviewed to ensure the vendor is not a suspended or debarred party.
<b>Views of Responsible Officials and Planned Corrective Actions:</b>	Management recognizes the importance of meeting the suspension and debarment requirements regarding procurement transactions as stated in the Federal agencies' codification. Management will continue to work towards ensuring that this requirement is met and the appropriate documentation is maintained. Management verified the vendors used were not listed on the Excluded Parties List System website.

The University of Toledo

Schedule of Findings and Questioned Costs (continued)

**Finding 06-02**

<b>Federal Program Information:</b>	Research and Development Cluster
<b>Criteria or Specific Requirement (including statutory, regulatory, or other citation):</b>	Circular A-122, Cost Principles for Educational Institutions requires the distribution of salaries and wages to be based on payrolls documented in accordance with the generally accepted practices of colleges and universities.
<b>Condition:</b>	We selected a sample of 30 time cards and noted two instances in which individuals were not paid for all hours worked, and two individuals which were paid at a higher pay rate than documented on the Personnel Action form.
<b>Questioned costs:</b>	Hourly employees were overpaid \$2,628 out of a sample of \$30,288. The total population for hourly employees was \$358,164.
<b>Context:</b>	In our sample population, the University has two individuals that were underpaid for hours worked and two individuals that were overpaid due to an incorrect pay rate being entered into the payroll system.
<b>Effect:</b>	The University did not properly review the time cards to ensure total hours being paid totaled appropriately nor did the University properly review to ensure that correct pay rates were included in the payroll system. As a result, payroll expenses were inappropriately charged to the grant.
<b>Cause:</b>	The University did not properly review the time cards to ensure total hours being paid totaled appropriately nor did the University properly review to ensure that correct pay rates were included in the payroll system.

The University of Toledo

Schedule of Findings and Questioned Costs (continued)

**Recommendation:**

We recommend management strengthen their controls over the review of time card and payroll registers to verify the total hours on the time cards and to ensure employee pay rates are entered into the system appropriately.

**Views of Responsible Officials and  
Planned Corrective Actions:**

Management recognizes the importance of proper controls around the approval of time cards and payroll registers and will continue to ensure items are being appropriately reviewed.