

# **Kent State University**

**Federal Entity Identification Number 31-6402079**

**Report on Federal Awards In Accordance With  
OMB Circular A-133  
For the Year Ended June 30, 2001**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
Columbus, Ohio 43215  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-728-7398  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Board of Trustees  
Kent State University  
226 Michael Schwartz Center  
Kent, Ohio 44242-0001

We have reviewed the Independent Auditor's Report of the Kent State University, Portage County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

March 11, 2002

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**Kent State University  
Report On Federal Awards  
In Accordance With OMB Circular A-133  
for the year ended June 30, 2001**

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**FINANCIAL**

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## Report of Independent Accountants

To the Board of Trustees of  
Kent State University:

In our opinion, the accompanying balance sheet and the related statements of changes in fund equities, and current fund revenues, expenditures and other changes in fund equities present fairly, in all material respects, the financial position of Kent State University (the "University"), a component unit of the State of Ohio, at June 30, 2001, and the changes in its fund equities, and current fund revenues, expenditures and other changes in fund equities for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2000 financial statements, and in our report dated September 15, 2000, we expressed an unqualified opinion on those statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2001 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

September 24, 2001

**KENT STATE UNIVERSITY**

**Balance Sheets  
June 30, 2001 and 2000  
(in thousands)**

<u>Assets</u>	<u>Current Funds</u>			
	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Cash and cash equivalents (note 2)	\$ 11,150	\$ 8,885	\$ 1	\$ 4
Investments, at fair value (note 2)	105,381	93,866	-	-
Deposits	-	-	-	-
Accounts receivable, net (notes 3 and 11)	8,388	7,614	4,976	5,072
Notes receivable, net (note 3)	-	-	-	-
Accrued interest receivable, net (note 3)	1,381	1,160	-	-
Inventories	2,176	2,175	-	-
Prepaid expenses and deferred charges	2,473	2,779	-	-
Deposits held by trustees (note 4)	-	-	-	-
Investment in plant (note 5)	-	-	-	-
Due from (to) other funds	<u>(20,747)</u>	<u>(23,559)</u>	<u>3,981</u>	<u>2,561</u>
Total assets	<u>\$ 110,202</u>	<u>\$ 92,920</u>	<u>\$ 8,958</u>	<u>\$ 7,637</u>
 <b><u>Liabilities and Fund Equities</u></b>				
Liabilities				
Accounts payable	\$ 8,764	\$ 9,049	\$ 441	\$ 251
Accrued liabilities (note 10)	23,046	24,194	68	45
Deposits and deferred credits	17,226	16,042	-	-
Bonds and lease obligations payable (notes 6 and 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	\$ 49,036	\$ 49,285	\$ 509	\$ 296
Fund equities (note 8)				
Educational and general	\$ 52,160	\$ 39,728	\$ 8,449	\$ 7,341
Auxiliary enterprises	9,006	3,907	-	-
Loan	-	-	-	-
Endowment and similar	-	-	-	-
Unexpended plant	-	-	-	-
Renewals and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Net investment in plant	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equities	<u>\$ 61,166</u>	<u>\$ 43,635</u>	<u>\$ 8,449</u>	<u>\$ 7,341</u>
Total liabilities and fund equities	<u>\$ 110,202</u>	<u>\$ 92,920</u>	<u>\$ 8,958</u>	<u>\$ 7,637</u>

<u>Loan Funds</u>		<u>Endowment and Similar Funds</u>		<u>Plant Funds</u>		<u>Agency Funds</u>	
<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
\$ 2,252	\$ 2,361	\$ 10	\$ 6	\$ 159,799	\$ 11,700	\$ -	\$ -
-	-	130	129	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	652	567	166	267
19,690	19,094	-	-	-	-	-	-
332	336	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,289	2,043	-	-
-	-	-	-	1	9	-	-
-	-	-	-	537,727	510,673	-	-
5	(178)	2,639	2,644	13,313	17,737	809	795
<u>\$ 22,279</u>	<u>\$ 21,613</u>	<u>\$ 2,779</u>	<u>\$ 2,779</u>	<u>\$ 715,781</u>	<u>\$ 542,729</u>	<u>\$ 975</u>	<u>\$ 1,062</u>

\$ -	\$ -	\$ -	\$ -	\$ 998	\$ 2,006	\$ 7	\$ 13
-	-	-	-	1,860	597	23	24
-	-	-	-	312	312	945	1,025
-	-	-	-	234,407	81,774	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,577</u>	<u>\$ 84,689</u>	<u>\$ 975</u>	<u>\$ 1,062</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
22,279	21,613	-	-	-	-	-	-
-	-	2,779	2,779	-	-	-	-
-	-	-	-	7,234	7,137	-	-
-	-	-	-	10,014	9,857	-	-
-	-	-	-	(2,192)	(577)	-	-
-	-	-	-	463,148	441,623	-	-
<u>\$ 22,279</u>	<u>\$ 21,613</u>	<u>\$ 2,779</u>	<u>\$ 2,779</u>	<u>\$ 478,204</u>	<u>\$ 458,040</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 22,279</u>	<u>\$ 21,613</u>	<u>\$ 2,779</u>	<u>\$ 2,779</u>	<u>\$ 715,781</u>	<u>\$ 542,729</u>	<u>\$ 975</u>	<u>\$ 1,062</u>

See accompanying notes to financial statements.

**KENT STATE UNIVERSITY**  
**Statement of Changes in Fund Equities**  
**Year ended June 30, 2001**  
**(in thousands)**

	<b>Current Funds</b>		
	<b>Unrestricted</b>		
	<b>Educational and General</b>	<b>Auxiliary Enterprises</b>	<b>Total Unrestricted</b>
Revenues and other additions:			
Unrestricted current fund revenue:	\$ 275,840	\$ 60,766	\$ 336,606
State appropriations - restricted	-	-	-
Federal grants and contracts - restricted	-	-	-
State grants and contracts - restricted	-	-	-
Local government grants and contracts - restricted	-	-	-
Private gifts, grants and contracts - restricted	-	-	-
Investment income - restricted	-	-	-
Interest on notes receivable	-	-	-
Expended for plant facilities (includes \$3,459 charged to current fund expenditures)	-	-	-
Retirement of indebtedness	-	-	-
Other	-	-	-
Total revenues and other additions	275,840	60,766	336,606
Expenditures and other deductions			
Educational and general expenditures:	250,329	-	250,329
Auxiliary enterprises expenditures:	-	57,810	57,810
Indirect costs recovered	-	-	-
Refunded to grantors	-	-	-
Loan cancellation and write-off:	-	-	-
Administration and collection costs:	-	-	-
Expended for plant facilities (includes \$3,238 of noncapitalized expenditures)	-	-	-
Retirement of indebtedness	-	-	-
Interest on indebtedness	-	-	-
Disposals of assets	-	-	-
Other	-	-	-
Total expenditures and other deductions	250,329	57,810	308,139
Transfers among funds - additions (deductions)			
Mandatory transfers for			
Principal and interest	(4,809)	(2,656)	(7,465)
Loan fund matching grants	(113)	-	(113)
Nonmandatory transfers for			
Renewals and replacements - plant fund:	(3,233)	(376)	(3,609)
Other transfers	(4,924)	5,175	251
Total transfers	(13,079)	2,143	(10,936)
Net increase for the year	12,432	5,099	17,531
Fund equities at beginning of year	39,728	3,907	43,635
Fund equities at end of year	\$ 52,160	\$ 9,006	\$ 61,166

See accompanying notes to financial statements.

<b>Educational and General</b>	<b>Restricted</b>		<b>Total Current Funds</b>	<b>Loan Funds</b>
	<b>Auxiliary Enterprises</b>	<b>Total Restricted</b>		
\$ -	\$ -	\$ -	\$ 336,606	\$ -
4,066	-	4,066	4,066	-
33,485	159	33,644	33,644	340
8,595	-	8,595	8,595	-
199	-	199	199	-
4,182	-	4,182	4,182	-
6	-	6	6	138
-	-	-	-	428
-	-	-	-	-
-	-	-	-	-
-	-	-	-	177
<u>50,533</u>	<u>159</u>	<u>50,692</u>	<u>387,298</u>	<u>1,083</u>
46,858	-	46,858	297,187	-
-	159	159	57,969	-
2,434	-	2,434	2,434	-
83	-	83	83	-
-	-	-	-	517
-	-	-	-	13
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>49,375</u>	<u>159</u>	<u>49,534</u>	<u>357,673</u>	<u>530</u>
-	-	-	(7,465)	-
-	-	-	(113)	113
-	-	-	(3,609)	-
<u>(50)</u>	<u>-</u>	<u>(50)</u>	<u>201</u>	<u>-</u>
<u>(50)</u>	<u>-</u>	<u>(50)</u>	<u>(10,986)</u>	<u>113</u>
1,108	-	1,108	18,639	666
7,341	-	7,341	50,976	21,613
<u>\$ 8,449</u>	<u>\$ -</u>	<u>\$ 8,449</u>	<u>\$ 69,615</u>	<u>\$ 22,279</u>

**Plant Funds**

<u>Endowment and Similar Funds</u>	<u>Plant Funds</u>			
	<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebt- edness</u>	<u>Net Investment in Plant</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	14,719	-	1,675	-
-	-	-	-	-
-	-	-	-	-
-	438	-	-	950
5	-	-	2	-
-	-	-	-	-
-	-	-	-	18,995
-	-	-	-	5,523
-	7,329	43	8	-
5	22,486	43	1,685	25,468
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	19,201	3,948	-	-
-	-	-	5,523	-
-	-	-	7,781	-
-	-	-	-	3,943
-	-	-	-	-
-	19,201	3,948	13,304	3,943
-	(2,539)	-	10,004	-
-	-	-	-	-
-	(329)	3,938	-	-
(5)	(320)	124	-	-
(5)	(3,188)	4,062	10,004	-
-	97	157	(1,615)	21,525
2,779	7,137	9,857	(577)	441,623
\$ 2,779	\$ 7,234	\$ 10,014	\$ (2,192)	\$ 463,148

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**KENT STATE UNIVERSITY**  
**Statement of Current Funds Revenues, Expenditures and Other Changes in Fund Equities**  
**Year ended June 30, 2001**  
**with comparative totals for 2000**  
**(in thousands)**

	<b>Unrestricted</b>		
	<b>Educational and General</b>	<b>Auxiliary Enterprises</b>	<b>Total Unrestricted</b>
<b>Revenues</b>			
Tuition, fees and other student charges	\$ 130,968	\$ 14,152	\$ 145,120
State appropriations	120,606	-	120,606
Federal grants and contracts	2,115	-	2,115
State grants and contracts	93	-	93
Local grants and contracts	65	-	65
Private gifts, grants and contracts	3,095	-	3,095
Sales and services	6,045	42,080	48,125
Investment income	11,152	760	11,912
Endowment income	-	-	-
Other	1,701	3,774	5,475
Total revenues	<u>275,840</u>	<u>60,766</u>	<u>336,606</u>
<b>Expenditures and mandatory transfers</b>			
<b>Educational and general</b>			
Instructional and departmental research	126,835	-	126,835
Separately budgeted research	2,738	-	2,738
Public services	8,965	-	8,965
Academic support	30,041	-	30,041
Student services	23,800	-	23,800
Institutional support	26,088	-	26,088
Operation and maintenance of plant	23,208	-	23,208
Scholarships and fellowships	8,654	-	8,654
Total educational and general expenditures	<u>250,329</u>	<u>-</u>	<u>250,329</u>
Auxiliary enterprises	-	57,810	57,810
<b>Mandatory transfers for</b>			
Principal and interest	4,809	2,656	7,465
Loan fund matching grant	113	-	113
Total expenditures and mandatory transfers	<u>255,251</u>	<u>60,466</u>	<u>315,717</u>
<b>Nonmandatory transfers and other additions (deductions)</b>			
<b>Nonmandatory transfers for</b>			
Renewals and replacements - plant funds	(3,233)	(376)	(3,609)
Other transfers	(4,924)	5,175	251
<b>Other additions (deductions)</b>			
Excess of restricted receipts over transfers to revenue	-	-	-
Refunded to grantors	-	-	-
Net increase in fund equities	<u>\$ 12,432</u>	<u>\$ 5,099</u>	<u>\$ 17,531</u>

See accompanying notes to financial statements.



<b>Restricted</b>			<b>Totals</b>	
<b>Educational and General</b>	<b>Auxiliary Enterprises</b>	<b>Total Restricted</b>	<b>2001</b>	<b>2000</b>
\$ -	\$ -	\$ -	\$ 145,120	\$ 134,318
3,357	-	3,357	123,963	116,920
31,103	159	31,262	33,377	29,965
8,828	-	8,828	8,921	8,086
202	-	202	267	277
3,357	-	3,357	6,452	5,357
-	-	-	48,125	46,327
-	-	-	11,912	6,007
11	-	11	11	12
-	-	-	5,475	4,643
46,858	159	47,017	383,623	351,912
4,682	-	4,682	131,517	121,101
10,499	-	10,499	13,237	11,627
5,960	-	5,960	14,925	14,079
863	-	863	30,904	30,478
1,151	-	1,151	24,951	23,606
89	-	89	26,177	25,603
48	-	48	23,256	23,307
23,566	-	23,566	32,220	27,362
46,858		46,858	297,187	277,163
-	159	159	57,969	52,907
-	-	-	7,465	6,546
-	-	-	113	104
46,858	159	47,017	362,734	336,720
-	-	-	(3,609)	(5,491)
(50)	-	(50)	201	(4,936)
1,241	-	1,241	1,241	1,722
(83)	-	(83)	(83)	(39)
\$ 1,108	\$ -	\$ 1,108	\$ 18,639	\$ 6,448

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of Kent State University (University) have been prepared on the accrual basis and are in accordance with generally accepted accounting principles applicable to public colleges and universities as prescribed by the American Institute of Certified Public Accountants' College Guide Model. The accompanying Statement of Changes in Fund Equities represents a statement of financial activities of funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

In accordance with Governmental Accounting Standards Board (GASB), Statement No. 14, *The Financial Reporting Entity*, the University's financial statements are included, as a component unit, in the State of Ohio's Consolidated Annual Financial Report.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The University adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* on July 1, 2000. This Statement establishes accounting and financial reporting standards for the nonexchange transactions of state and local governments. The adoption of GASB Statement No. 33 did not have a material effect on the University's financial statements.

(b) Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." Thus, resources for various purposes are classified into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund equities restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by the University. Externally restricted funds may only be utilized in accordance with the purposes established by the source of funds and are in contrast with unrestricted funds over which the University retains full control to use in achieving any of its institutional purposes.

(Continued)

# KENT STATE UNIVERSITY

## Notes to Financial Statements June 30, 2001 and 2000 (in thousands)

Unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds, including government grants and contracts, are reported as revenues and expenditures when expended for current operating purposes.

Allocated funds have been established by the University to set aside certain portions of the current unrestricted fund equities. Revenues and expenditures flow through the current unrestricted accounts and transfers are then made to these allocated funds.

The following are descriptions of the fund groups used:

- *Current funds* include resources that are available for current operations and can be either unrestricted or restricted. Current funds are considered unrestricted unless external agencies restrict their use to specific purposes, programs, colleges, departments, or schools. Unrestricted current funds are comprised of the educational and general funds and the auxiliary enterprises funds.

Educational and general funds are used primarily to account for transactions related to performing the primary and support objectives of instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, and scholarships and fellowships.

Auxiliary enterprises funds are used for transactions of activities designed to be substantially self-supporting. These activities primarily provide services for students, faculty and staff. Auxiliary enterprises include, but are not limited to, residence halls, food services, bookstores and intercollegiate athletics.

- *Loan funds* include resources available for loans to students. These funds are financed primarily by the federal government. As these loans are repaid, the principal and accumulated interest become available for future student loans. Loan fund equities consisting of the University's matching portion provided in accordance with the requirements of the Perkins Loan and Nursing Student Loan programs must be retained in the loan fund as long as the University participates in the programs. These amounts are reflected as restricted fund equities.
- *Endowment and similar funds* are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. The Board of Trustees has set aside certain funds of the University for the same purposes as endowment funds (quasi-endowment). Future expenditures of such funds are only permitted with Board approval.
- *Plant funds* account for the transactions relating to investment in the University properties and are comprised of the unexpended funds, the renewals and replacements funds, the retirement of indebtedness funds, and the investment in plant funds.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

Unexpended funds include resources set aside for acquisition of land, improvements, buildings, and equipment. Renewals and replacements funds include resources set aside for future renewal and replacement of long-lived assets and other capital projects.

Retirement of indebtedness funds include resources specifically accumulated for the payment of principal and interest on debt incurred in connection with the acquisition of properties primarily pursuant to the terms of bond indentures. Investment in plant funds represents the net of land, buildings and equipment and related liabilities.

- *Agency funds* consist primarily of assets held by the University as custodian or fiscal agent for others. Accordingly, the transactions of this fund do not affect the Statement of Revenues, Expenditures and Other Changes in Fund Equities.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, certificates of deposit and bank repurchase agreements, with maturity at acquisition date of three months or less.

(d) Investments

All unrealized changes in the fair value of investments, and gains and losses from the sale or other disposition of investments and other noncash assets are accounted for in the fund owning such assets. Ordinarily, income is recognized in the fund owning the related assets which generated the income, except for income derived from investments of endowment and similar funds, which is recognized in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds.

(e) Inventories

Inventories are stated at the lower of first-in, first-out cost or net realizable value.

(f) Investment in Plant

Land, buildings and equipment are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of moveable equipment and library books; (2) mandatory transfers, in the case of required provision for principal and interest payments and equipment renewal and replacement; and (3) as transfers of a nonmandatory nature for all other cases. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant is reduced accordingly. Depreciation on plant and equipment is not recorded.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

(g) Accrued Liabilities

Accrued liabilities consist primarily of accrued employee compensation and benefits.

(h) Revenues and Expenditures

Revenues and expenditures related to academic terms conducted over two fiscal years, such as summer sessions, are recognized in the fiscal year in which the program is predominately conducted.

(i) Income Taxes

The University is exempt from income taxes as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service, except for unrelated business income.

(j) Reclassifications

Certain reclassifications have been made to the 2000 financial information to conform with the 2001 presentation.

(2) Cash, Cash Equivalents and Investments

At June 30, 2001 and 2000, the carrying amounts of the University's cash for all funds were \$2,567 and \$3,683, respectively (including certificates of deposit aggregating \$602 and \$0 in 2001 and 2000, respectively) as compared to bank balances of \$2,009 and \$2,688, respectively. The differences in carrying amounts and bank balances were caused by outstanding checks and deposits in-transit. Of the bank balances, \$419 and \$357 for 2001 and 2000, respectively, were covered by federal deposit insurance, and \$1,493 and \$2,296, respectively, were uninsured but collateralized by pools of U.S. government and other securities pledged by the depository banks and held by the Federal Reserve Bank of Cleveland in the member bank's name. The remaining 2001 and 2000 balances of \$97 and \$35, respectively, were uncollateralized and uninsured.

The deposits held by Star Ohio are not classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The cost of these funds was \$7 and \$16 at June 30, 2001 and 2000, respectively, which approximates fair value.

The deposits held in repurchase agreements are uninsured and unregistered investments for which securities are held in the name of the University (Category 2). The cost of these funds was \$170,645 and \$19,281 at June 30, 2001 and 2000, respectively, which approximates fair value.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

In accordance with the *Policies of the Board of Trustees of The University*, the types of investments which may be purchased by the University, except through the endowment fund, are restricted to United States government securities, federal agency securities, certificates of deposit, bank repurchase agreements, commercial paper, banker's acceptances, bonds and other obligations of the State of Ohio.

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered for which securities are held by the University or its agent in the name of the University. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the University. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the University's name.

The University's investments consist principally of U.S. government securities. The cost and market value of investments were \$104,041 and \$105,504, respectively, at June 30, 2001 and \$95,403 and \$93,979, respectively, at June 30, 2000.

The U.S. government securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form in the name of the respective banks, but who also internally designate the securities as owned by or pledged to the University (Category 2).

(3) Accounts and Notes Receivable

Accounts receivable at June 30, 2001 and 2000 are net of allowances for doubtful accounts in current unrestricted funds of \$460 and \$410, respectively.

Notes receivable at June 30, 2001 and 2000 consist primarily of Perkins Loans and Nursing Student Loans and are net of allowances for doubtful accounts of \$3,297 and \$3,113, respectively.

Accrued interest receivable in loan funds at June 30, 2001 and 2000 are net of allowances for doubtful accounts of \$354 and \$317, respectively.

(4) Deposits Held by Trustees

Deposits with trustees consist of the following:

	<u>June 30</u>	
	<u>2001</u>	<u>2000</u>
Cash equivalents	<u>\$ 1</u>	<u>\$ 9</u>

Interest on these deposits is retained in the trust for payment of principal and interest on outstanding bonds.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

(5) Investment in Plant

Investment in plant consists of the following:

	June 30	
	2001	2000
Land	\$ 7,697	\$ 6,747
Improvements other than buildings	45,649	39,727
Buildings	328,932	305,331
Moveable equipment, furniture, and library books	136,057	131,397
Construction in progress	19,392	27,471
	\$ 537,727	\$ 510,673

A portion of moveable equipment represents assets purchased using federal grant funds. Title to the equipment generally transfers to the University when acquired by the grant. At June 30, 2001 and 2000, the University recorded \$5,923 and \$6,033, respectively, of equipment purchased with federal funds, of which \$1,731 and \$1,921, respectively, did not have title conveyed. Historically, the University has received title to all such moveable equipment acquired in this manner. Accordingly, these assets have been presented as assets of the University.

The estimated cost to complete construction in progress at June 30, 2001 and 2000 was \$138,100 and \$2,982, respectively.

(6) Bonds Payable

Bonds payable consist of General Receipts bonds. Maturity dates, interest rates and outstanding principal at June 30, 2001 and 2000 are as follows:

	<u>Series</u>	<u>Maturity Dates Through</u>	<u>Interest Rates</u>	<u>Original Principal</u>	<u>Outstanding Principal</u>	
					<u>2001</u>	<u>2000</u>
General Receipts bonds	1994	2003	2.9 - 4.95	\$ 8,990	\$ 1,375	\$ 2,395
	1996	2028	4.1 - 5.5	37,280	33,140	33,760
	1998	2023	4.1 - 5.0	23,425	20,770	22,945
	2000	2024	5.0 - 6.0	10,005	10,005	10,005
	2001	2031	5.02	155,500	155,500	-
Total bonds payable				\$235,200	\$220,790	\$ 69,105

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements**  
**June 30, 2001 and 2000**  
**(in thousands)**

The scheduled maturities of the General Receipts bonds, including mandatory sinking fund requirements, for fiscal years subsequent to June 30, 2001 are as follows:

2002	\$	2,420
2003		3,980
2004		1,815
2005		1,860
2006		1,715
Thereafter		<u>209,000</u>
Total	\$	<u>220,790</u>

In February 2001, the University issued \$155,500 in Series 2001 General Receipts bonds. The proceeds from the bond sale are being used for various capital additions and improvements to dormitory facilities.

In accordance with the General Receipts bonds Trust Agreement, the Series 1996, Series 1998, Series 2000, and Series 2001 General Receipts bonds are subject to mandatory or optional redemption. The Series 1994 General Receipts bonds are not subject to mandatory or optional redemption.

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

In fiscal year 1997, the University defeased Dormitory Revenue bonds by creating separate irrevocable trust funds. University resources were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been legally defeased and therefore removed as a liability from the University's Net Investment in Plant Fund. At June 30, 2001 and 2000, \$6,057 and \$7,170 of this defeased debt was outstanding, respectively.

(Continued)



**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

The University has entered into a thirty-year interest rate swap agreement for \$155,500 of the variable rate 2001 Series General Receipts bonds. Based on the swap agreement, the University owes interest calculated at a fixed rate of 5.02% to the counterparty to the swap. In return, the counterparty owes the University interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The \$155,500 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The University will be exposed to variable rates only if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the University paying or receiving a termination payment.

(7) Leases

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2001 and 2000 for operating leases amounted to approximately \$2,031 and \$959, respectively.

The University's capital leases represent a liability for installment purchases of equipment. The book value of the leased equipment amounted to approximately \$14,984 and \$14,800 at June 30, 2001 and 2000, respectively. The capital leases bear interest at rates varying from 1.28% to 10.17% and mature at various dates through 2011.

Future minimum payments on capital leases and non-cancelable operating leases subsequent to June 30, 2001 are as follows:

	Year Ending June 30,	Capital Leases	Operating Leases
	2002	\$ 2,233	\$ 1,471
	2003	2,029	1,396
	2004	1,843	1,335
	2005	1,650	1,315
	2006	1,632	1,303
	Thereafter	7,637	17,474
Total future minimum payments		17,024	\$ 24,294
Less interest		3,407	
Total capital lease obligations		\$ 13,617	

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

(8) Fund Equities

Fund equities consist of the following:

	<u>2001</u>	<u>2000</u>
Unrestricted current funds		
Educational and general		
Allocated - other	\$ 50,817	\$ 38,770
Allocated - retirement incentives	-	(369)
Unallocated	1,343	1,327
Auxiliary enterprises		
Allocated	1,839	868
Unallocated	7,167	3,039
Restricted current funds		
Educational and general	8,449	7,341
Loan funds		
University funds - restricted	3,159	3,071
U. S. government grants refundable	19,120	18,542
Endowment and similar funds		
Endowment	140	136
Quasi-endowment - unrestricted	2,639	2,643
Plant funds		
Unexpended		
Restricted	1,406	1,282
Unrestricted	5,828	5,855
Renewals and replacements		
Unrestricted	10,014	9,857
Retirement of indebtedness - restricted	(2,192)	(577)
Net investment in plant	463,148	441,623

(9) Grants and Contracts

The University receives grants and contracts from certain federal and state agencies to fund research and other activities. The federal grants are audited in accordance with the Office of Management and Budget Circular A-133. Federal agencies also may conduct any additional audit work necessary to carry out their responsibilities under federal laws or regulations, and may arrange for funding the cost of such additional audits. The state grants are subject to review and audit by the grantor agencies or their designee. Such federal or state audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant.

No significant costs have been questioned to date. Management is of the opinion that any disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

(10) Retirement Plans

(a) Basic Retirement Benefits

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Public Employees Retirement System (PERS) and the State Teachers Retirement System (STRS). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members.

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 5.76% of earned compensation for those employees participating in the alternative retirement program. The University's contribution for the year ending June 30, 2001 was \$432 which equals 5.76% of earned compensation.

The Public Employees Retirement System's Comprehensive Annual Financial Report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town St., Columbus, Ohio 43215-4642. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% of covered payroll and the University is required to contribute 10.65% of covered payroll. The University's contributions to PERS for the years ending June 30, 2001, 2000 and 1999 were \$7,577, \$8,709 and \$8,671, respectively, equal to the required contributions for each year.

The State Teachers Retirement System's Comprehensive Annual Financial Report may be obtained by writing to STRS Ohio, 275 East Broad St., Columbus, Ohio 43215-3371. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 9.3% of covered payroll and the University is required to contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$10,789, \$10,071 and \$9,661, respectively, equal to the required contributions for each year.

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

PERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS. The 2000 employer contribution rate for health care was 4.3% of covered payroll.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements**  
**June 30, 2001 and 2000**  
**(in thousands)**

PERS actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively. As of December 31, 1999, the actuarial value of the Retirement System's net assets available for other post employment benefits was \$10,805.5 million. The number of active contributing participants was 401,339.

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

The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The State Teachers Retirement Board currently allocates employer contributions, which equals 8% of covered payroll, to a health care reserve fund from which payments for health care benefits are paid. The balance in the health care reserve fund was \$3.419 billion at June 30, 2000.

For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

(c) Ohio Public Employees Deferred Compensation Program

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

In 1998, the Ohio Public Employees Deferred Compensation Program Board implemented a trust to hold the assets of the program in accordance with Internal Revenue Code Section 457. The program assets are property of the trust, which holds the assets on behalf of the participants. Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this program are not reported in an agency fund of the University.

At June 30, 2001 and 2000, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were \$1,630 and \$1,640, respectively, which represents the fair market value at such dates.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements  
June 30, 2001 and 2000  
(in thousands)**

(11) Related Organizations

The University is the sole beneficiary of the Kent State University Foundation (Foundation), a separate not-for-profit entity organized for the purpose of promoting educational and research activities. The Foundation is a legally separate entity from the University and maintains a self appointing Board of Trustees. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation. Accordingly, management has determined that the Foundation is not a component unit of the University as defined by GASB Statement No. 14, *The Financial Reporting Entity*. Assets totaling approximately \$80,149 and \$74,920 at June 30, 2001 and 2000, respectively, most of which have been restricted by donors for specific purposes, are held by the Foundation and are not recorded in the accompanying financial statements. Amounts received by the University from the Foundation are included in private support in the accompanying financial statements.

The University received approximately \$3,161 and \$4,998 of financial support during the years ended June 30, 2001 and 2000, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2001 and 2000, the University had outstanding receivables from the Foundation of approximately \$538 and \$790, respectively.

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

(12) State Support

The University is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the State.

In addition to the student subsidies, the State provides the funding for the construction of major academic plant facilities, except for auxiliary enterprises, on the University campuses. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn is followed by funding of construction costs of the facility by the Ohio Board of Regents. Costs incurred during construction are included in construction in progress. The Board of Regents turns control over to the University upon completion of a facility.

University facilities are not pledged as collateral for the revenue bonds issued by the OPFC. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

(Continued)

**KENT STATE UNIVERSITY**

**Notes to Financial Statements**  
**June 30, 2001 and 2000**  
**(in thousands)**

As a result of the above described financial assistance provided by the State to the University, outstanding debt issued by OPFC is not included on the University's balance sheet. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the University, and the related debt service payments are not recorded in the University's accounts.

(13) Contingent Liabilities

The University is a party to a number of legal actions. Management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial statements.

## **SUPPLEMENTAL FINANCIAL INFORMATION**

**Kent State University  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2001**

**STUDENT FINANCIAL AID**

**Department of Education**

**Direct Programs**

Supplemental Education Opportunity Grant	84.007	\$ 792,185.25
College Work Study	84.033	1,525,500.14
Perkins Loan Program	84.038	(897.45)
Pell Grants	84.063	15,320,594.00

**Total Department of Education**

17,637,381.94

**Department of Health and Human Services**

**Direct Programs**

Nursing Student Loan	93.364	<u>13,951.94</u>
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**Total Student Financial Aid**

**17,651,333.88**

**RESEARCH AND DEVELOPMENT**

**Department of Agriculture**

**Direct Programs**

Forestry Research	10.652	719.03
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**National Oceanic Atmospheric Administration**

**Pass-through programs**

Ohio State University - Sea Grant	11.417	18,147.62
University of Delaware - Remote Sensing of the Earth and Environment	11.440	5,056.86
Coastal Ocean Program	11.478	5,206.75

**Total National Oceanic Atmospheric Administration**

28,411.23

**National Institute for Standards and Technology**

**Direct programs**

Measurement and Engineering Research Standards	11.609	19,763.44
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**Pass-through programs**

BF Goodrich - Advance Technology Programs	11.612	154,254.28
Colorlink - Advance Technology Programs	11.612	1,794.73

**Total National Institute for Standards and Technology**

175,812.45

**Department of Defense**

**Direct programs**

Flood Plain Management Services	12.104	3,939.44
ONR - Basic and Applied Scientific Research	12.300	77,141.93
Basic Scientific Research	12.431	45.00
ONR - Basic, Applied, and Advanced Research in Science and Engineering	12.630	383.36
Research Sciences Program	12.800	128,108.40
Research and Technology Development	12.910	395,815.67

**Pass-through programs**

Rutgers University - Military Medical Research and Development	12.420	10,565.99
Sarnoff - Basic, Applied, and Advanced Research in Science and Engineering	12.630	46,630.78
Stanford - Basic, Applied, and Advanced Research in Science and Engineering	12.630	56,356.62
Horn Laboratories - Research Sciences Program	12.800	13.65
University of Washington - Research Sciences Program	12.800	(73.76)
Boulder Nonlinear Systems - Research Sciences Program	12.800	68,566.60
California Institute of Technology - Research Sciences Program	12.800	200,658.70



Dayton Area Graduate Studies Institute - Research and Technology Development	12.910	44,691.07
Kent Display Systems - Research and Technology Development	12.910	20.57
Boulder Nonlinear Systems - Research and Technology Development	12.910	67,497.07
Rockwell - Research and Technology Development	12.910	114,250.04
HRL Laboratories - Research and Technology Development	12.910	42,144.72
<b>Total Department of Defense</b>		<u>1,256,755.85</u>
<b>US Geological Survey</b>		
<b>Direct programs</b>		
Geological Research Survey and Data Acquisition	15.808	73,960.60
National Cooperative Geologic Mapping Program	15.810	5,760.93
<b>Pass-through programs</b>		
Ohio University - Geological Research Survey and Data Acquisition	15.808	30,411.49
<b>Total US Geological Survey</b>		<u>110,133.02</u>
<b>Department of Justice</b>		
<b>Direct programs</b>		
Violence Against Women Formula Grants	16.588	71,199.43
<b>Pass-through programs</b>		
SAIC - Research, Evaluation, and Development Project Grants	16.560	32,510.53
SAIC - Byrne Formula Grant Program	16.579	(74.83)
State of Ohio - Byrne Formula Grant Program	16.579	(2,706.26)
State of Ohio - Byrne Formula Grant Program	16.579	78,084.36
State of Ohio - Byrne Formula Grant Program	16.579	64,681.67
State of Ohio - Byrne Formula Grant Program	16.579	56,300.39
Cuyahoga County - Edward Byrne Memorial State and Local Law	16.580	13,353.58
<b>Total Department of Justice</b>		<u>313,348.87</u>
<b>Department of Transportation</b>		
<b>Pass-through programs</b>		
Ohio Department of Transportation - Highway Planning and Construction	20.205	19,743.69
<b>National Aeronautics and Space Administration</b>		
<b>Direct programs</b>		
Research Grant	43.002	306,318.85
<b>National Science Foundation</b>		
<b>Direct programs</b>		
Engineering Grant	47.041	47,574.14
Mathematical and Physical Sciences	47.049	3,331,999.96
Geosciences	47.050	89,243.97
Computer and Information Science and Engineering	47.070	121,358.65
Biological Sciences	47.074	98,502.56
Social, Behavioral, and Economic Sciences	47.075	190,651.57
Education and Human Resources	47.076	(45.99)
Polar Programs	47.078	13,380.48
<b>Pass-through programs</b>		
Kent Display Systems - Engineering Grant	47.041	19,790.65
Santec - Engineering Grant	47.041	15,004.67
Kent Display Systems - Mathematical and Physical Sciences	47.049	10,611.60
Moxtek - Mathematical and Physical Sciences	47.049	42,095.18
National Research Council - Social, Behavioral, and Economic Sciences	47.049	2,557.44
University of Akron - Biological Sciences	47.074	21,239.55
<b>Total National Science Foundation</b>		<u>4,003,964.43</u>
<b>Small Business Administration</b>		
<b>Pass-through programs</b>		
Ohio Department of Development - Small Business Development Centers	59.037	239,874.56

<b>Environmental Protection Agency</b>		
<b>Direct Programs</b>		
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	79,080.27
<b>Pass-through programs</b>		
NALMS - Surveys, Studies, Investigations, and Special Purpose Grants	66.606	(2,029.86)
NALMS - Surveys, Studies, Investigations, and Special Purpose Grants	66.606	(260.86)
NALMS - Surveys, Studies, Investigations, and Special Purpose Grants	66.606	182.16
NALMS - Surveys, Studies, Investigations, and Special Purpose Grants	66.606	13,972.59
<b>Total Environmental Protection Agency</b>		<u>90,944.30</u>
<b>Department of Energy</b>		
<b>Direct programs</b>		
Office of Science Financial Assistance Program	81.049	344,811.44
<b>Pass-through programs</b>		
Mason & Hanger - Conservation Research and Development	81.086	(4.95)
<b>Total Department of Energy</b>		<u>344,806.49</u>
<b>Department of Education</b>		
<b>Direct programs</b>		
Safe and Drug-Free Schools and Communities--National Programs	84.184	57,296.08
Special Education--Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	85,947.56
Special Education - Parent Information Centers	84.328	241,613.41
<b>Pass-through programs</b>		
Ohio Department of Education - Adult Education - State Grant Program	84.002	1,003,516.35
Embry Riddle - Fund for the Improvement of Postsecondary Education	84.116	8,398.25
Cleveland Municipal School District - Safe and Drug-Free Schools and Communities--National Programs	84.184	384,030.94
<b>Total Department of Education</b>		<u>1,780,802.59</u>
<b>National Archives and Records Administration</b>		
<b>Direct programs</b>		
National Historical Publications and Records Grants	89.003	12,816.69
<b>Department of Health and Human Services</b>		
<b>Direct programs</b>		
Injury Prevention and Control Research and State Community Based Programs	93.136	21,441.15
Mental Health Research Grant	93.242	642,980.99
Alcohol Research Programs	93.273	454,212.76
Comparative Medicine Program	93.306	147,687.51
Clinical Research	93.333	169,032.09
Basic Nurse Education and Practice Grants	93.359	186,713.55
Nursing Research	93.361	205,381.30
Academic Research Enhancement Award	93.390	51,611.90
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	14,159.86
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	70,653.80
Genetics and Development Biology Research	93.862	101,634.44
Population Research	93.864	1,803.31
<b>Pass-through programs</b>		
University of Pennsylvania - Mental Health Research Grant	93.242	17,854.86
Biotraces - Mental Health Research Grant	93.242	2,965.76
Ohio Department of Alcohol and Drug Addiction Services - Community Services Block Grant Discretionary Awards	93.570	(4,313.42)
B.F. Goodrich - Community Services Block Grant - Discretionary Awards	93.570	34,285.81
Oregon Health Sciences University - Population Research	93.864	18,281.78
Kent State University Foundation - Aging Research	93.866	(241.88)
Pennsylvania State University - Aging Research	93.866	(114.96)
Case Western Reserve University - Aging Research	93.866	(161.59)
University of Wisconsin - Aging Research	93.866	(1,252.67)

Ohio Department of Alcohol and Drug Addiction Services - Block Grants for Prevention and Treatment of Substance Abuse	93.959	18,685.28
<b>Total Department of Health and Human Services</b>		<u>2,153,301.63</u>
<b>Social Security Administration</b>		
<b>Direct Programs</b>		
Social Security - Research and Demonstration	96.007	1,761.00
<b>Total Research and Development</b>		<u>10,839,514.68</u>
<b>Total Student Financial Aid and Research and Development</b>		<u>28,490,848.56</u>
<b>OTHER PROGRAMS</b>		
<b>Department of Defense</b>		
<b>Direct program</b>		
Air Force ROTC Uniform Commutation	12.800	11,094.73
<b>Department of Housing and Urban Development</b>		
<b>Pass-through programs</b>		
Stark County Commissioners - Community Block Development Grant	14.228	17,220.00
Trumbull Metropolitan Housing Authority - Economic Development and Supportive Services Program	14.246	78,206.72
<b>Total Department of Housing and Urban Development</b>		<u>95,426.72</u>
<b>US Geological Survey</b>		
<b>Direct Programs</b>		
Outdoor Recreation Acquisition, Development and Planning	15.916	27.70
<b>Department of Justice</b>		
<b>Direct Programs</b>		
Forfeiture Funds	16.607	35,938.00
<b>Pass-through programs</b>		
Cuyahoga County Juvenile Court - Title V--Delinquency Prevention Program	16.548	22,197.81
<b>Total Department of Justice</b>		<u>58,135.81</u>
<b>Department of Labor</b>		
<b>Pass-through programs</b>		
Columbus State Community College - One Stop Career Initiative	17.257	14,943.33
Region12 School to Work - One Stop Career Initiative	17.257	258.73
Region12 School to Work - WIA Dislocated Workers	17.260	11,016.93
Ohio Department of Jobs & Family Services - WIA Dislocated Workers	17.260	62,134.40
Ohio Department of Jobs & Family Services - Employment and Training Administration Evaluations	17.262	88,190.75
<b>Total Department of Labor</b>		<u>176,544.14</u>
<b>Federal Aviation Administration</b>		
<b>Direct programs</b>		
Airport Improvement Program	20.106	14,085.00
<b>National Endowment for the Arts</b>		
<b>Direct programs</b>		
Promotion of the Arts Grants to Organizations and Individuals	45.024	9,340.84
Institute of Museum and Library Services	45.301	222.00
Institute of Museum and Library Services - National Leadership Grants	45.312	67,104.30
<b>Pass-through programs</b>		
Promotion of the Humanities--Federal/State Partnership	45.129	1,626.03
Promotion of the Humanities--Seminars and Institutes	45.163	9,759.45
<b>Total National Endowment for the Arts</b>		<u>88,052.62</u>

<b>National Science Foundation</b>		
<b>Direct programs</b>		
Graduate Research Fellowship - Education and Human Services	47.076	663.40
<b>Department of State</b>		
<b>Direct programs</b>		
College and University Affiliations Program	19.406	101,833.08
<b>Department of Education</b>		
<b>Direct programs</b>		
TRIO - Student Support Services	84.042	286,581.87
TRIO - Upward Bound	84.047	791,896.05
McNair Post-Baccalaureate Achievement	84.217	<u>213,642.02</u>
<b>Total TRIO</b>		1,292,119.94
Rehabilitation Services Project	84.129	199,043.87
National Institute for Literacy	84.257	181,833.26
National Institute on Student Achievement, Curriculum, and Assessment	84.305	151,867.18
Special Education--Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	315,000.85
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	463,220.80
Special Education - Parent Information Centers	84.328	185,831.49
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333	92,409.67
Preparing Tomorrow's Teachers to Use Technology	84.342	720,276.97
<b>Pass-through programs</b>		
State of Ohio - Special Education - Grants to States	84.027	3,393.80
State of Ohio - Vocational Education-Basic Grants	84.048	201,436.42
State of Ohio - Tech Prep Education	84.243	100,347.97
Sacramento County Office of Education - National Institute of Literacy	84.257	1,442.60
NEOWP - Innovative Education Program Strategies	84.298	35,552.46
State of Ohio - Special Education - State Program Improvement Grants for Children with Disabilities	84.323	165,409.70
CHMCA - Special Education - Parent Information Centers	84.328	24,227.00
State of Ohio - Teacher Quality Enhancement Grants	84.336	<u>162,645.04</u>
<b>Total Department of Education</b>		4,296,059.02
<b>National Archives and Records Administration</b>		
<b>Direct programs</b>		
National Historical Publications and Records Grants	89.003	4,255.00
<b>Department of Health and Human Services</b>		
<b>Direct programs</b>		
Advanced Education Nursing Traineeships	93.358	52,740.00
<b>Pass-through programs</b>		
CARHEN - Area Health Education Centers - Modal Programs	93.107	12,476.17
National Youth Sports Program - Community Service Block Grant	93.570	600.00
Traineeship and Special Projects Programs	93.962	<u>(3,152.09)</u>
<b>Total Department of Health and Human Services</b>		62,664.08
<b>Total Other Programs</b>		<u><b>4,908,841.30</b></u>
<b>Total Federal Awards</b>		<u><u><b>\$ 33,399,689.86</b></u></u>

# Kent State University

## Notes To Schedule Of Expenditures of Federal Awards For the Year Ended June 30, 2001

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### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant transactions of Kent State University (the "University") recorded on the accrual basis of accounting.

#### Subrecipients

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

### 2. Loan Advances

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2001:

	<b>CFDA Numbers</b>	<b>Advances</b>	<b>Outstanding Balances</b>
Perkins Loan Program	84.038	\$3,820,901	\$21,408,143
Nursing Student Loan Program	93.364	\$271,950	\$1,486,609

### 3. Federal Direct Loan Program

During the year ended June 30, 2001, the University processed applications for the following loan amounts under the Federal Direct Loan program which includes Stafford Loans, unsubsidized Stafford Loans, and Parent Plus Loans for Undergraduate Students.

	<b>CFDA Numbers</b>	<b>Advances</b>
Federal Direct Loan Program	84.268	\$76,706,154

## Kent State University

### Notes To Schedule Of Expenditures of Federal Awards For the Year Ended June 30, 2001

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#### 4. Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule of Expenditures of Federal Awards to the revenue shown as federal grants and contracts on the Statement of Current Funds Revenues, Expenditures and Other Changes in Fund Equities (Statement), which is included as part of the University's financial statements:

Expenditures per Schedule of Expenditures of Federal Awards	\$33,399,690
Perkins Loan Funds excluded from federal grants on Statement	897
Nursing Student Loan Funds excluded from federal grants on Statement	(13,952)
Indirect costs excluded from federal grants on Statement	<u>(2,124,570)</u>
 Federal grants and contracts as shown on Statement	 <u>\$31,262,065</u>

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

**REPORTS ON COMPLIANCE AND ON THE  
INTERNAL CONTROL STRUCTURE**

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

To the Board of Trustees  
Kent State University:

We have audited the financial statements of Kent State University (the “University”), a component unit of the State of Ohio, as of and for the year ended June 30, 2001 and have issued our report thereon dated September 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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



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

*PricewaterhouseCoopers LLP*

September 24, 2001

**Report of Independent Accountants on Compliance with Requirements  
Applicable to each Major Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

To the Board of Trustees of  
Kent State University:

Compliance

We have audited the compliance of Kent State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

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

*PricewaterhouseCoopers LLP*

February 27, 2002

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# Kent State University

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2001

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

#### Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### Federal Awards:

Internal control over major programs:

Material weakness(es) identified?  yes  no

Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?  yes  no

#### Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
See Schedule of Expenditures of Federal Awards	Research and Development Ohio Department of Development – Small Business Development Centers Ohio Department of Education – Adult Education – State Grant Program TRIO

Dollar threshold used to distinguish between Type A and Type B programs: \$1,001,991

Auditee qualified as low-risk auditee?  yes  no

**Kent State University**

**Schedule of Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2001**

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**Section II - Financial Statement Findings**

No matters were reported.

**Kent State University**

**Schedule of Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2001**

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**Section III - Summary of Current Year Findings and Questioned Costs**

No current year findings.



**Kent State University**

**Schedule of Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2001**

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**Section IV - Summary of Prior Year Findings and Questioned Costs**

No prior year findings.

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# **Kent State University**

**Report on the Application of Agreed-Upon  
Procedures to the Accounting Records  
and Internal Control Structure of the  
Intercollegiate Athletics Programs  
June 30, 2001**

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**Kent State University**  
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Report of Independent Accountants on the Application of Agreed-Upon Procedures to the Accounting Records and Internal Control Structure of the Intercollegiate Athletics Programs .....	1-5

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**Report of Independent Accountants on the  
Application of Agreed-Upon Procedures**

Dr. Carol Cartwright  
President  
Kent State University

We have performed the procedures enumerated below, which were agreed to by management of Kent State University (the "University"), solely to assist the University in complying with National Collegiate Athletic Association ("NCAA") Constitution 6.2.3.1. Management of the University is responsible for the Statement of Revenues and Expenditures and internal control over the Athletics Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

I. Statement of Revenues and Expenditures Agreed-Upon Procedures

- A. We obtained the Statement of Revenues and Expenditures (the "Statement") for the Intercollegiate Athletics Programs and supporting worksheets for the year ended June 30, 2001. The Statement, as prepared by management of the University, is included in this report. We recalculated the addition of the amounts on the Statement and compared the amounts on the Statement to management's worksheets. No exceptions were found as a result of these comparisons. We agreed the amounts on management's worksheets to the applicable series of accounts in the University's general ledger. We noted no differences between the amounts in the applicable series of accounts in the general ledger and the amounts on the worksheets. We compared actual revenues and expenditures for the year ended June 30, 2001 to actual amounts recorded for the previous year and budgeted amounts for the current year. We calculated the differences and obtained explanations for significant fluctuations and variances.
- B. We agreed any single contribution from an "outside" organization that constituted more than 10 percent of all contributions donated to the Intercollegiate Athletics Programs to the supporting documentation.

The Athletic Department management represented that Kent State University Foundation ("KSUF") was the only "outside" organization which had expenditures for or on behalf of the University's Intercollegiate Athletics Programs.

- C. We obtained a summary schedule of financial activities of the Blue & Gold Club operating accounts prepared by KSUF. We verified with management that all activities of the Blue & Gold Club are recorded on KSUF's books.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

II. Internal Control: Policies and Procedures Related to Intercollegiate Athletics - Agreed-Upon Procedures

The management of the University is responsible for establishing and maintaining a system of internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

- D. We obtained the organization chart of the Athletics Department and discussed it with representatives of the Athletics Department. We reviewed the extent of documentation of accounting systems and procedures. We also reviewed the general control environment including control consciousness, competence of personnel, and protection of records and equipment.
- E. Management informed us of the University's procedures for gathering information on the nature and extent of booster group activity for or on behalf of the University's Intercollegiate Athletics Programs.



We were not engaged to, and did not, perform an examination of the University's system of internal control over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal control over financial reporting of the University as of June 30, 2001. Accordingly, we do not express such an opinion. We also were not engaged to examine and report on the operating effectiveness of the University's internal control over financial reporting as of June 30, 2001 and accordingly we express no opinion on its operating effectiveness. Had we performed additional procedures, or had we made an examination of the system of internal control over financial reporting, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to the financial statements of the University.

This report is intended solely for the information and use of University management and governing boards, and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

September 24, 2001

**Kent State University**  
**Statement of Revenues and Expenditures - For The Intercollegiate Athletics**  
**Programs**  
**For the year ended June 30, 2001**

	<b>Football</b>	<b>Men's Basketball</b>	<b>Women's Basketball</b>	<b>Other Sport Total</b>	<b>Non-Sport Total</b>	<b>Grand Total</b>
<b>Revenues:</b>						
Ticket sales	\$ 115,551	\$ 144,607	\$ 26,193	\$ 9,694	\$ (39,257)	\$ 256,788
Advertising sales	-	-	-	1,080	227,993	229,073
Contest guarantees	475,000	111,362	-	-	-	586,362
Concessions	-	-	-	-	(15,000)	(15,000)
Student activity fees	-	-	-	-	5,817,573	5,817,573
Other income	120	45,033	-	93,727	672,285	811,165
	<u>590,671</u>	<u>301,002</u>	<u>26,193</u>	<u>104,501</u>	<u>6,663,594</u>	<u>7,685,961</u>
Total revenues						
<b>Expenditures:</b>						
Coaches salaries	524,627	247,427	216,834	836,745	-	1,825,633
Other salaries	112,179	122,374	87,590	50,214	1,578,162	1,950,519
Staff benefits	140,553	46,862	73,884	241,605	477,616	980,520
Team travel	162,176	93,915	59,346	448,899	204,277	968,613
Recruiting	56,633	30,404	30,404	84,044	23	201,508
Financial aid	1,054,134	195,102	170,080	1,472,009	118,458	3,009,783
Maintenance and general administration	18,583	3,709	3,251	5,537	135,134	166,214
Equipment and supplies	126,081	25,226	20,091	136,294	296,376	604,068
Publicity	5,649	466	988	1,554	117,919	126,576
Insurance	2,916	1,296	972	2,268	76,986	84,438
Telephone	23,032	16,671	9,109	20,820	47,185	116,817
Postage	11,651	4,681	4,989	8,986	18,130	48,437
Entertainment	12,214	396	396	6,646	120,746	140,398
Guarantees	-	25,673	2,425	639	(7,778)	20,959
Other	12,479	14,164	11,936	32,737	535,269	606,585
	<u>2,262,907</u>	<u>828,366</u>	<u>692,295</u>	<u>3,348,997</u>	<u>3,718,503</u>	<u>10,851,068</u>
Total expenditures						
(Deficiency) excess of revenues over expenditures	<u>\$ (1,672,236)</u>	<u>\$ (527,364)</u>	<u>\$ (666,102)</u>	<u>\$ (3,244,496)</u>	<u>\$ 2,945,091</u>	<u>\$ (3,165,107)</u>

**Kent State University**  
**Summary Schedule of Financial Activities - Blue & Gold Operating Accounts**  
**For the year ended June 30, 2001**

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Fund balance at July 1, 2000	<u>\$ 177,733</u>
Total receipts/revenues	503,964
Total disbursements/expenses	<u>251,858</u>
Excess of receipts/revenues over disbursements/expenses	<u>252,106</u>
Fund balance at June 30, 2001	<u>\$ 429,839</u>





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**KENT STATE UNIVERSITY**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 11, 2002**