

**BOWLING GREEN STATE UNIVERSITY**

**Financial Statements**

**June 30, 2002**

**(With Independent Auditors' Report Thereon)**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

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

JIM PETRO  
Auditor of State

December 4, 2002

**BOWLING GREEN STATE UNIVERSITY**

June 30, 2002

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# BOWLING GREEN STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Overview of the Financial Statements and Financial Analysis**

This section of the Bowling Green State University ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2002. This discussion, prepared by University management, provides an overview of the University's financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

The annual report consists of the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows, prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. Effective with the fiscal year ended June 30, 2002, the University adopted Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* as amended by GASB Statements No. 37 and implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements. The financial statements presented in prior years focused on the accountability of fund groups, while these statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. The financial statements for the fiscal year ended June 30, 2001 have not been restated and are not included for comparative purposes in these financial statements. Future years' statements will be comparative.

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

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

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

## **Noteworthy Financial Activity**

The University's financial position, changed and grew in most areas during the fiscal year ended June 30, 2002 as compared to the previous year as evidenced by:

- The University's total assets increased over the prior year by \$32.3 million, of which \$36.6 million is attributed to an increase in capital assets. Current assets decreased by \$1.5 million, mainly due to the spend down of \$14.7 million for capital projects.
- Total liabilities decreased by \$2.3 million which is primarily due to the \$4.2 million decrease in bonded debt.
- The University's net assets increased by \$34.7 million to \$297.1 million, of which \$219.6 million is either invested in capital assets or restricted, the remaining \$77.5 million is unrestricted.
- Operating revenues increased by \$10.8 million compared to the prior year with \$8.6 million directly related to increased student tuition and fees.
- The University's operating expenses increased by \$.9 million, predominantly due to an increase in instruction.
- Nonoperating revenue changed, primarily due to a \$4.1 million decrease in State appropriations, an investment income decrease of \$3.0 million, and an increase in nonoperating revenue of \$5.7 million, primarily due to revenue received from the Foundation for the construction of the Bowen-Thompson Student Union.

## **Statement of Net Assets**

The Statement of Net Assets includes all assets and liabilities. It is 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. Assets and liabilities are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A summarization of the University's assets, liabilities and net assets at June 30, 2002 follows:

	<u>2002</u>
	(in thousands)
<b>ASSETS</b>	
Current assets	\$131,320
Noncurrent assets:	
Capital Assets	\$285,509
Other	<u>11,006</u>
Total Noncurrent Assets	<u>296,515</u>
Total assets	<u>\$427,835</u>
<b>LIABILITIES</b>	
Current liabilities	\$40,305
Noncurrent liabilities	<u>90,405</u>
Total liabilities	\$130,710
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	\$204,691
Restricted, expendable	14,905
Unrestricted	<u>77,529</u>
Total net assets	<u>\$297,125</u>

At June 30, 2002, total University assets were \$427.8 million, compared to \$395.5 million in fiscal 2001. The University's largest asset is its investment in physical plant of \$285.5 million at June 30, 2002 compared to \$248.9 million in fiscal 2001.

In fiscal 2002, the University's current assets of \$131.3 million were sufficient to cover current liabilities of \$40.3 million (current ratio of 3.3:1). In fiscal 2001, current assets of \$132.8 million were sufficient to cover current liabilities of \$37.7 million (current ratio of 3.5:1). Cash decreased by \$1.3 million due to the spend down of bond proceeds for the Bowen-Thompson Student Union, the Infrastructure Project, and residence hall renovations.

University liabilities total \$130.7 million at June 30, 2002 compared to \$133.1 million in fiscal 2001. Long-term debt of \$90.4 million is comprised primarily of \$78.8 million of bonds payable.

Total net assets increased by \$34.7 million to \$297.1 million, due in part to an increase of \$26.9 million in investment in capital assets, net of related debt. Unrestricted net assets total \$77.5 million, while \$14.9 million is restricted or designated for loans, capital projects and debt service.

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University, as well as the nonoperating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary activities. Given a public university's dependency on revenues such as state appropriations and investment income which are prescribed by GASB as nonoperating revenues, operating expenses will typically exceed operating revenues resulting in an operating loss. To determine the increase or decrease in Net Assets, net nonoperating revenue or expense needs to be included.

A summary of the University's revenues, expenses and changes in net assets for the year ended June 30, 2002 follows:

	<u>2002</u>
	(in thousands)
Operating Revenues:	
Student Tuition and Fees	\$104,256
Auxiliary Enterprises	53,715
Grants and Contracts	13,474
Sales and Service	7,154
Other Operating Revenues	<u>956</u>
Total Operating Revenues	\$179,555
Operating Expenses:	
Educational and General	\$211,635
Auxiliary Enterprises	51,200
Other Expenditures	<u>5,942</u>
Total Operating Expenses	<u>268,777</u>
Operating loss	\$ (89,222)
Nonoperating revenues:	
State Appropriations	\$85,183
Other Nonoperation Revenues and Expenses	<u>19,889</u>
Total Nonoperating Revenue	<u>\$105,072</u>
Income before other revenues, expenses, gains or losses	15,850
Capital appropriations and gifts	<u>21,816</u>
Total increase in net assets	\$37,666
Net assets at beginning of year, as originally reported	\$443,946
Cumulative effect of change in accounting principle	<u>(184,487)</u>
Net assets at the beginning of the year as adjusted	<u>259,459</u>
Net assets, end of year	<u>\$297,125</u>

The most significant sources of operating revenues for the University are tuition and fees \$104.3 million, auxiliary enterprises \$53.7 million, grants and contracts \$13.5 million, and sales and services of educational departments \$7.2 million.

Operating expenditures, including auxiliary enterprises of \$51.2 million and depreciation of \$12.5 million, totaled \$268.8 million. The student aid functional expense category grew by \$2.1 million or 17%, primarily related to an increase in University funded scholarships.

State appropriations are the most significant nonoperating revenue, totaling, \$85.2 million a decrease of \$4.1 million from the prior year. Capital appropriations totaled \$21.8 million up by \$8.4 million from fiscal 2001.

The cumulative effect of the change in accounting principle of \$184.5 million is due to the recognition of prior years' depreciation of \$173.3 million, \$8.2 million for federal student loan deposits, and workers' compensation allocation of \$3.0 million.



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## Independent Auditors' Report

The Board of Trustees  
Bowling Green State University:

We have audited the accompanying basic financial statements of Bowling Green State University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2002, as listed in the table of contents. 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.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2002 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.

As described in note 1, during the year ended June 30, 2002, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – An Amendment of GASB Statement No. 34*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of 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.

**KPMG LLP**

September 26, 2002

Bowling Green State University  
**Statement of Net Assets**  
June 30, 2002

**ASSETS**

**Current Assets**

Cash (Note 2)	\$	1,737,396
Short-term investments (Note 2)		117,029,327
Accrued interest receivable		1,429,775
Accounts receivable (Note 3)		7,065,962
Inventories		2,383,954
Notes receivable (Note 4)		1,426,520
Other assets		246,908
Total current assets		131,319,842

**Noncurrent Assets**

Long-term investments (Note 2)		4,342,991
Notes receivable (Note 4)		6,664,066
Capital assets, net (Note 5)		285,508,649
Total noncurrent assets		296,515,706
Total Assets	\$	427,835,548

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued expenses	\$	14,670,992
Deferred revenue		11,756,110
Deposits		1,957,376
Current portion of long-term debt and other obligations (Note 6)		11,920,400
Total current liabilities		40,304,878

**Noncurrent Liabilities**

Long-term debt and other obligations (Note 6)		90,405,364
Total Liabilities		130,710,242

**NET ASSETS**

Invested in capital assets, net of related debt		204,691,406
Restricted for expendable:		
Loans		750,912
Capital projects		7,798,802
Debt service		6,355,558
Unrestricted		77,528,628
Total net assets	\$	297,125,306

See accompanying notes to financial statements

Bowling Green State University  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
Year Ended June 30, 2002

**REVENUES**

**Operating Revenues**

Student tuition and fees (net of scholarship allowance of \$ 27,527,476)	\$ 104,256,191
Federal grants and contracts	6,814,631
State grants and contracts	1,732,574
Local grants and contracts	37,402
Nongovernmental grants and contracts	4,889,777
Sales and services of educational departments	7,154,089
Auxiliary enterprises (net of scholarship allowance of \$ 2,968,810)	53,714,811
Other operating revenues	955,710
Total operating revenues	<u>179,555,185</u>

**EXPENSES**

**Operating Expenses**

Educational and General	
Instruction	90,337,316
Research	4,471,859
Public services	9,019,547
Academic support	24,408,987
Student services	18,824,314
Institutional support	21,337,150
Operations and maintenance of plant	16,052,139
Depreciation	12,517,849
Student aid	14,665,603
Auxiliary enterprises	51,199,761
Other expenditures	5,942,359
Total operating expenditures	<u>268,776,884</u>
Operating loss	<u>(89,221,699)</u>

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	85,182,505
Nonexchange grants and contracts	11,733,486
Investment income, net	6,543,969
Interest on capital asset-related debt expenditure	(4,504,222)
Other nonoperating revenues	6,115,784
Net nonoperating revenues	<u>105,071,522</u>
Income before other revenues, expenses, gains, or losses	15,849,823
Capital appropriations	21,802,412
Capital grants and gifts	14,304
Total other revenues	<u>21,816,716</u>
Increase in net assets	<u>37,666,539</u>

**NET ASSETS**

Net assets at the beginning of year, as originally reported	443,945,835
Cumulative effect of change in accounting principle (Note 1)	<u>(184,487,068)</u>
Net assets at the beginning of year as adjusted	259,458,767
Net assets at the end of year	<u>\$ 297,125,306</u>

See accompanying notes to financial statements

Bowling Green State University  
**Statement of Cash Flows**  
Year Ended June 30, 2002

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$ 105,289,696
Research grants and contracts	12,401,954
Payments to vendors for supplies and services	(74,086,145)
Payments to employees and benefits	(170,260,340)
Payments for scholarships and fellowships	(14,910,055)
Student loans granted, net of loans collected	(11,669)
Auxiliary enterprises	53,942,241
Sales and services of educational departments	7,154,089
Other receipts	796,034
Net cash used by operating activities	<u>(79,684,195)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	85,182,505
Grants received for other than capital purposes	11,733,486
Net cash provided by noncapital financing activities	<u>96,915,991</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Capital appropriations	21,802,412
Capital grants received	6,130,088
Purchases of capital assets	(49,168,223)
Principal paid on long-term debt	(4,160,000)
Interest paid on long-term debt	(4,504,222)
Net cash used by capital financing activities	<u>(29,899,945)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales and maturities of investments	370,481,645
Interest on investments	6,273,032
Purchase of investments	(365,416,559)
Net cash provided by investing activities	<u>11,338,118</u>
Net decrease in cash	(1,330,031)
Cash--beginning of year	3,067,427
Cash--end of year	<u>\$ 1,737,396</u>
<b>Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:</b>	
Operating loss	\$ (89,221,699)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	12,517,849
Amortization of bond premium	(115,721)
Workers' compensation allocation	(303,125)
Changes in assets and liabilities:	
Receivables, net	(1,487,638)
Inventories	(274,517)
Other assets	(43,955)
Accounts payable and accrued expenses	7,797
Deferred revenue	1,171,232
Deposits held for others	242,768
Retirement Incentive	(2,299,334)
Compensated absences	116,126
Loans to students	6,022
Net cash used by operating activities	<u>\$ (79,684,195)</u>

See accompanying notes to financial statements

**BOWLING GREEN STATE UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

1. **ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations: Bowling Green State University is an instrumentality of the State of Ohio that serves the state, national, and international communities by providing its students with opportunities in learning, leadership, and research by providing expert faculty, premier facilities and modern resources.

Reporting Entity: Bowling Green State University (the "University"), founded in 1910, is a component unit of the State of Ohio as established by the General Assembly of the State of Ohio under Chapter 3341 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include those activities and functions over which the University is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (1) the State's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the State.

Accounts of the Bowling Green State University Foundation, Inc. are not included in the financial statements as it is a legally separate entity. (see Note 10. Related Organization)

Financial Statement Presentation: In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35 *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statement Nos. 37 and implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Bowling Green State University is implementing these Statements as of and for the year ended June 30, 2002. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required. The most significant accounting change made in order to comply with the new requirements is the adoption of depreciation on capital assets. The financial statements for the fiscal year ended June 30, 2001 have not been restated and are not included for comparative purposes in these financial statements. Future years' statements will be comparative.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant interfund transactions have been eliminated.

The University follows all applicable GASB pronouncements. In addition, the University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

**Investments:** All investments are stated at fair value in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Nonpublicly traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenue, Expenses, and Changes in Net Assets.

**Accounts Receivable:** Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. All amounts recorded are believed collectible. Any uncollectible amounts will not have a significant impact on the financial statements.

**Inventories:** Inventories are stated at the lower of average cost or market (net realizable value).

**Short-term Investments:** Short-term investments include highly liquid and short duration assets. These assets can be withdrawn on demand.

**Noncurrent Investments:** Investments that are externally restricted to make debt service payments, or to maintain sinking or reserve funds, are classified as noncurrent assets in the Statement of Net Assets.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a cost of \$3,500 or more, and an estimated useful life of greater than one year. Renovations to buildings that exceed 5% of the cumulative building cost are capitalized. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 to 30 years for infrastructure and improvements, and 5 to 12 years for equipment. Library materials are capitalized and written off over 10 years.

**Deferred Revenue:** Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Summer term revenue and expenditures are recorded net in the accompanying financial statements. The effect of not allocating the summer term between fiscal years does not have a significant impact on the financial statement presentation. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

**Compensated Absences:** University employees earn vacation and sick leave benefits 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 limitations are forfeited. The liability and expense incurred are recorded at year-end as long-term liabilities in the Statement of Net Assets, and as a component of operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

**Noncurrent Liabilities:** Noncurrent liabilities include (1) principal amounts of revenue and general receipts bonds and notes payable with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year and (3) federal student loan deposits.

**Net Assets:** The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Invested in capital assets, net of related debt.

*Restricted net assets – expendable:* Restricted expendable net assets include resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general obligations of the University, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

**Income Tax:** The University, as an instrumentality of the State of Ohio, is excluded from Federal income taxes under Section 115 of the Internal Revenue Code, as amended. Certain activities of the University may be subject to taxation as unrelated business income.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

Classification of Revenues: The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most Federal, state and local grants and contracts.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No 34, such as State appropriations and investment income.

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

Auxiliary Enterprises: Auxiliary activities mainly represent revenues generated from Residence Halls and Dining Services, Intercollegiate Athletics, Bookstore, and various other activities that provide services to the student body, faculty, staff and general public.

Eliminations: In preparing the financial statements, the University eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statement of Net Assets. Similarly, revenues and expenses related to internal activities are also eliminated from the Statement of Revenues, Expenses and Changes in Net Assets. Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts where the University has discretion over such expenses, while stipends and other payments made directly to students are presented as scholarships and fellowships expenses.

Use of Estimates: 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 reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Change in Accounting Principle: As a result of the adoption of GASB Statement No. 34, the University was also required to make certain changes in accounting principles, specifically adoption of depreciation on capital assets of \$173,320,322, recording federal student loan deposits of \$8,183,173, and workers' compensation allocation of \$2,983,573. Net assets at July 1, 2001 were reduced by \$184,487,068 for the cumulative effect of these changes on years prior to fiscal year 2002.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

2. CASH AND INVESTMENTS

Monies held in the University treasury are pooled for the purpose of investment management. Authorized investment instruments consist of (1) bonds, notes or other obligations guaranteed by the United States; (2) bonds, notes or other obligations issued by any federal agency; (3) certificates of deposit; (4) repurchase agreements under the terms of which agreement the University purchases and the seller agrees unconditionally to repurchase any of the securities listed in (1) or (2); (5) bonds and other obligations of State of Ohio or its political subdivisions; (6) the Ohio State Treasurer's investment pool and (7) commercial paper and banker's acceptances.

Deposits

Amounts available for deposit are as follows:

Cash and Cash Equivalents: (Carrying amounts)	\$1,583,563
Reconciling items (net) to arrive at bank balances of deposits	<u>1,523,106</u>
Total available for deposit and investment (Bank balances of deposits)	<u>\$3,106,669</u>

The carrying amount shown above does not include \$153,833 held in cash funds.

Any public depository, at the time it receives a University deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, equals or exceeds the amount of University funds deposited. Of the bank balance, \$258,790 was covered by federal depository insurance, and \$2,847,879 was covered by the pledge described above.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The current market value of the pool of securities so pledged together with the amount covered by federal insurance must be at least equal to 110% of all public monies on deposit with the depository.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

**Investments**

Investments of the University are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial credit risk by the three categories described below:

- Category 1            Investments that are insured or registered, or securities held by the University or its agent in the University's name.
- Category 2            Investments that are uninsured and unregistered, with securities held by the counter-party's trust department or agent in the University's name.
- Category 3            Investments that are uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the University's name.

The University's investments at June 30, 2002, all of which are classified as Category 1 based on the above criteria, are as follows:

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>
Federal Governmental Securities	\$83,440,462	\$84,607,785
Money Market Funds	7,929,130	7,929,130
Corporate Bonds	24,296,520	23,260,553
Other	<u>16,933</u>	<u>16,933</u>
	115,683,045	115,814,401
Investment in State Treasurer's Asset Reserve (STAR Ohio)	<u>5,557,917</u>	<u>5,557,917</u>
Totals	<u>\$121,240,962</u>	<u>\$121,372,318</u>

The fair value of investments, other than investments in STAR Ohio, is based on market values provided by the broker or dealer holding the University's investments.

The University's investment in STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio are backed by the securities purchased by STAR Ohio. Historically, over 90% of investments purchased by STAR Ohio are U.S. Government Obligations and all securities purchased are held in a third party custodial arrangement on behalf of STAR Ohio. This investment is similar in concept to a money market fund and therefore maintains a constant net asset value in which cost approximates market.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

Off-Balance Sheet Risk - The University's investment strategy incorporates certain financial instruments which involve, to varying degrees, elements of market risk and credit risk in excess of amount recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and rate fluctuations embodied in forward, futures, commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of the counterparty to perform according to the terms of the contract. The university's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the Statement of Net Assets and is not represented by the contract or notional amounts of the instruments.

3. ACCOUNTS RECEIVABLE

The composition of accounts receivable at June 30, 2002 is summarized as follows:

Student receivables for fees, room and board	\$4,036,364
Research and sponsored programs	2,515,067
Other	<u>514,531</u>
Accounts Receivable	<u>\$7,065,962</u>

4. NOTES RECEIVABLE

Principal repayment and interest rate terms of federal and university loans vary considerably. Federal loan programs are funded principally with federal contributions to the University under the Perkins and Nursing Loan programs. All amounts recorded are believed collectible. Any uncollectible amounts will not have a significant impact on the financial statements.

The University distributed \$59,117,000 for student loans through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

5. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Assets</b>				
Land	\$2,824,267	\$348,500	\$ -	\$3,172,767
Construction in progress	<u>55,386,303</u>	<u>(3,991,279)</u>	<u>-</u>	<u>51,395,024</u>
Non-depreciable assets	58,210,570	(3,642,779)	-	54,567,791
Buildings	282,623,207	34,489,773	-	317,112,980
Infrastructure	22,987,721	2,247,486	-	25,235,207
Equipment	33,136,423	13,219,246	7,472,772	38,882,897
Library books	<u>25,220,676</u>	<u>2,854,497</u>	<u>2,184,006</u>	<u>25,891,167</u>
Depreciable assets	363,968,027	52,811,002	9,656,778	407,122,251
Total Capital Assets	422,178,597	49,168,223	9,656,778	461,690,042
<b>Less accumulated depreciation</b>				
Buildings	122,455,599	6,898,294	-	129,353,893
Infrastructure	13,952,794	552,909	-	14,505,703
Equipment	24,707,243	2,763,050	7,472,772	19,997,521
Library books	<u>12,204,686</u>	<u>2,303,596</u>	<u>2,184,006</u>	<u>12,324,276</u>
Total	<u>173,320,322</u>	<u>12,517,849</u>	<u>9,656,778</u>	<u>176,181,393</u>
<b>Capital Assets, Net</b>	<u>\$248,858,275</u>	<u>\$36,650,374</u>	<u>\$ -</u>	<u>\$285,508,649</u>

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

6. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt and other obligations are summarized as follows:

	<b>Beginning</b>				<b>Ending</b>	<b>Due In</b>
<b>Bonds &amp; notes payable:</b>	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>		<b>Balance</b>	<b>One Year</b>
Notes payable	\$ 480,000	\$ -	\$ 35,000		\$ 445,000	35,000
Dormitory system bonds	35,390,000	-	3,050,000		32,340,000	2,965,000
Other bonds	47,545,000	-	1,075,000		46,470,000	3,085,000
Bond premium	1,677,964	-	115,721		1,562,243	115,721
<b>Total bonds &amp; notes payable</b>	<b>85,092,964</b>	<b>-</b>	<b>4,275,721</b>		<b>80,817,243</b>	<b>6,200,721</b>
<b>Other liabilities:</b>						
Retirement incentives	3,282,013	-	2,299,334		982,679	982,679
Vacation pay	5,749,095	213,828	-		5,962,923	4,159,000
Workers' compensation allocation	2,983,573		303,125		2,680,448	300,000
Sick leave	3,797,000	126,566	251,566		3,672,000	278,000
Federal student loan deposits	8,183,173	27,298	-		8,210,471	-
<b>Total other liabilities</b>	<b>23,994,854</b>	<b>367,692</b>	<b>2,854,025</b>		<b>21,508,521</b>	<b>5,719,679</b>
<b>Total long-term liabilities</b>	<b>\$ 109,087,818</b>	<b>\$ 367,692</b>	<b>\$ 7,129,746</b>		<b>\$ 102,325,764</b>	<b>11,920,400</b>

The maturity dates, interest rates and outstanding principal of bonds payable at June 30, 2002, are as follows:

<u>Bonds</u>	<u>Maturity</u> <u>Dates</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u>
<u>Revenue:</u>			
Dormitory System	2003 - 2004	3.0% - 4.75%	\$520,000
Student Facilities	2003 - 2007	4.0% - 5.0%	1,725,000
<u>General Receipts:</u>			
Dormitory System	2003 - 2016	3.7% - 6.35%	31,820,000
Other	2003 - 2016	4.75% - 6.7%	44,745,000
			<u>\$78,810,000</u>

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

The scheduled maturities of the bonds for the five fiscal years subsequent to June 30, 2002, and subsequent periods thereafter are as follows:

	Revenue		General Receipts			Total
	Dormitory System	Student Facilities	Dormitory System	Other	Interest	
2003	\$ 255,000	\$ 320,000	\$ 2,710,000	\$ 2,765,000	4,257,683	\$ 10,307,683
2004	265,000	335,000	2,860,000	2,910,000	3,941,571	10,311,571
2005		345,000	3,010,000	3,070,000	3,608,943	10,033,943
2006		360,000	3,170,000	3,240,000	3,260,635	10,030,635
2007		365,000	3,345,000	3,420,000	2,890,420	10,020,420
2008 - 2012			11,945,000	14,515,000	9,618,323	36,078,323
2013 - 2016			4,780,000	14,825,000	2,896,275	22,501,275
<b>Totals</b>	<b>\$ 520,000</b>	<b>\$ 1,725,000</b>	<b>\$ 31,820,000</b>	<b>\$ 44,745,000</b>	<b>\$ 30,473,850</b>	<b>\$ 109,283,850</b>

In November 2000, the University issued \$54,660,000 General Receipts Bonds for dormitory renovations, Bowen Thompson Student Union renovation, Recreation Center air conditioning and the campus infrastructure project. Interest rates range from 4.75% to 5.75%. In 1985, the University entered into three debt escrow agreements to set-aside with trustees investments sufficient to meet, at the time of creation of the escrow agreements, all future principal and interest payments of the indebtedness arising from the Dormitory System Revenue Bond issues. The agreements, which are revocable by the University, allow the University to utilize the interest income of the investments for any lawful purpose of the University. Investments were purchased and subsequently deposited with the trustees, fully funding the outstanding principal for the Dormitory System Revenue Bond issues, plus interest on such bonds over their lives. At June 30, 2002, the fair value of these investments amounted to approximately \$3,121,000.

In accordance with the trust agreements relating to the bond issues not included in the aforementioned debt escrow agreements, reserves must be maintained equal to specific future debt service requirements on the outstanding bonds. At June 30, 2002 such reserves amounted to approximately \$1,222,000 which exceeded the requirements on that date.

7. **OPERATING LEASES**

The University leases certain properties and equipment under non-cancelable operating leases which expire at various dates through 2004. Rent expenses were \$513,512 for the year ended June 30, 2002. Future minimum rental payments under non-cancelable operating leases as of June 30, 2002 are:

2003	\$338,000
2004	17,000

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

8. **PENSION OBLIGATIONS**

Substantially all employees of the University are covered by one of two pension plans administered and controlled by the State of Ohio, both of which are statewide cost-sharing multiple-employer defined benefit public retirement systems. The State Teachers Retirement System (STRS) provides benefits to all certified employees. Non-certified employees are covered under the Public Employees Retirement System (PERS). Students working less than 1,500 hours per calendar year for the University have an option to exempt themselves from membership.

STRS and PERS provide retirement, disability and death benefits with annual cost of living adjustments to plan members and beneficiaries. Authority to establish or amend benefits is established by Ohio Revised Code sections 3307 and 145 for STRS and PERS, respectively.

Both STRS and PERS issue stand-alone financial reports. A copy of the STRS report may be obtained by writing to 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090. A copy of the PERS report may be obtained by writing to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

The employees participating in the STRS and PERS contribute 9.3% and 8.5%, respectively of their annual compensation and the University contributes 14% and 13.31%, respectively of the same base. The Ohio Revised Code grants authority to the respective Boards of STRS and PERS to establish and amend employee and employer contribution rates. The University's contributions to STRS for the years ending June 30, 2002, 2001 and 2000, were \$6,807,000, \$6,611,000, and \$6,399,000, respectively. The University's contribution to PERS for the years ending June 30, 2002, 2001 and 2000 were \$7,750,000, \$6,161,000, and \$7,014,000, respectively. Contributions by the University to STRS and PERS include amounts for other postemployment benefits (see Note 10). The University's contributions to both plans were equal to 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 for qualified 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. Bowling Green State University Board of Trustees adopted such a plan effective January 25, 2000. This plan is a defined contribution plan under IRS Section 401 (a).

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

Eligible employees (those who are full-time and salaried) have 90 days under STRS and 120 days under PERS 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 the employee's share of retirement contributions (9.3% STRS or 8.5% PERS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.50% to STRS (no contribution is required for PERS). The University has chosen to make as an employer contribution an amount that is currently equal to what would have been the employer's share of the appropriate retirement system, less the aforementioned 3.50%, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

During 1989, the Board of Trustees of the University approved the adoption of the State Teachers Retirement System Early Retirement Incentive Plans. In March 1998, the Board of Trustees of the University voted to discontinue these plans effective July 1, 1998. These plans allowed groups of University employees who met certain eligibility requirements, to annually elect early retirements and the University to purchase a specified number of years of service credit in the applicable plan for the retiring employee. These liabilities will be paid in annual installments, with interest, on June 30 of each year.

A summary of the University's plan is as follows:

University Cost	\$39,534,000
Interest Rate	7.75%
Years of Service Credit Purchased	up to 5 years
Installments due through	2003
Principal paid through June 30, 2002	\$38,926,000
Interest paid through June 30, 2002	\$7,905,000

9. **OTHER POSTEMPLOYMENT BENEFITS**

**STRS**

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 Ohio Revised Code, the State Teachers Retirement Board (the 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 coverage paid from STRS funds shall be included in the employer contribution rate, which is currently 14% of covered payroll.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

The Board currently allocates employer contributions equal to 4.5% of covered payroll to a health care reserve fund from which payments for health care benefits are paid. For the year ended June 30, 2002, the approximate amount of the University's total contribution to STRS that was allocated to the health care reserve fund was \$2,169,000. The balance in the STRS health care reserve fund was \$3.26 billion at June 30, 2001, the date of the most recent information available from STRS.

For the year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

**PERS**

PERS provides postretirement 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. 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 2002 employer contribution rate for state employers was 13.31% of covered payroll; 4.3% was the portion that was used to fund health care for the year. During 1998, the PERS board adopted a new calculation method for determining employer contributions applied to OPEB. Effective January 1, 2000, employer contributions equal to 4.3% of member covered payroll are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage. For the year ended June 30, 2002, the approximate amount of the University's total contribution to PERS that was used to fund other postemployment benefits was \$2,449,000.

The number of benefit recipients eligible for OPEB was 132,603 at December 31, 2001. PERS' net assets available for other postemployment benefits, as of December 31, 2001, was \$9.9 billion. OPEB expenditures were \$693,484,000 during 2001.

**10. RELATED ORGANIZATION**

The University is the sole beneficiary of the Bowling Green State University Foundation, Inc., a separate not-for-profit entity organized for the purpose of promoting educational and research activities. As of June 30, 2002, audited assets totaling approximately \$53,876,000, 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. Approximately \$10,915,000 was transferred to the University in support of institutional programs from the Foundation in fiscal 2002. These amounts are included in the accompanying financial statements.

**11. RISK MANAGEMENT**

During the normal course of operations, the University has become a defendant in various legal and administrative actions. In accordance with FASB Statement No. 5, liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and University management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the University.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2002**

The University self-insures its health care program up to a specific limit of \$200,000 per individual event. Specific stop loss coverage is provided by Medical Mutual of Ohio.

The University is a member of the Inter-university Council Insurance Consortium retention pool for property loss risks between \$100,000 and \$900,000 after which property insurance is carried. The University is responsible for property loss up to \$100,000 per occurrence.

Changes in the balances of claims liabilities for the years indicated for the health coverage are as follows:

	<u>2002</u>	<u>2001</u>
Unpaid claims - July 1	\$1,300,000	\$900,000
Incurred claims	11,307,619	11,506,260
Claim payments	<u>11,316,619</u>	<u>11,106,260</u>
Unpaid claims - June 30	<u>\$1,291,000</u>	<u>\$1,300,000</u>

This liability is the University's best estimate based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

The University participates in a plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods. The University's pro-rata share of this estimated liability for such future payments has been calculated by the State of Ohio Office of Management and Budget on the basis of the University's share of actual cash payments paid to the Bureau in the preceding fiscal year divided by such payments made by all participating entities. In previous years, this liability was recorded in the State's General Long-Term Obligations Account Group. As a result of implementing GASB 34 in fiscal year 2002, the University accrued its share of the liability.

The cumulative pro-rata share of the University's liability of \$2,983,573 is reported as an adjustment to beginning net assets as of July 1, 2001. The current year's expense of \$42,000 is recorded in the Statement of Revenues, Expenses and Changes in New Assets for the year ended June 30, 2002.

**BOWLING GREEN STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

12. **CONTINGENCIES**

In the normal course of its activities, the University is a party in various legal and administrative actions. Although some actions have been brought for large amounts, the University has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending action and information relative to potential future claims based on past events, the University's management is of the opinion that the outcome thereof will not have a material effect on the University's financial position.

Grants and contracts - The University receives grants and contracts from certain federal, state, and local agencies to fund research and other activities. Revenues from government grants and contracts are recognized when all eligibility requirements have been met. The University records indirect costs related to such grants and contracts at predetermined rates that are negotiated with the University's federal cognizant agency. Both direct and indirect costs charged to the grants or contracts are subject to audit and approval by the granting agencies. University management believes any adjustments of costs resulting from such examination by the granting agency would be insignificant.

**BOWLING GREEN STATE UNIVERSITY**

OMB Circular A-133 Report

Year Ended June 30, 2002

(With Independent Auditors' Reports Thereon)

**BOWLING GREEN STATE UNIVERSITY**

OMB Circular A-133 Report

Year ended June 30, 2002

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**BOWLING GREEN STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

<u>Federal agency/program</u>	<u>CFDA number</u>	<u>Grant number</u>	<u>Project period</u>	<u>Expenditures</u>
Research and Development – Cluster:				
U.S. Department of Agriculture:				
Agriculture research grant	10.206	2001-35201-10150	12/01/00 - 11/30/03	\$ 646
U.S. Department of Commerce:				
Economic development technical assistance	11.303	99-06-07477	8/20/01 - 9/30/02	80,098
Public telecommunications facilities grant	11.550	2018	8/11/00 - 6/10/01	32
Total U.S. Department of Commerce				<u>80,130</u>
U.S. Department of Defense:				
Pass-through from:				
Department of Navy:				
Basic and applied scientific research	12.300	N00014-97-1-0834	6/01/97 - 9/30/01	23,992
Army Research:				
Military medical research and development	12.420	DAMD17-01-1-0484	5/01/01 - 5/31/03	55,151
Army Research:				
Military medical research and development	12.420	DAMD17-01-1-0485	5/01/01 - 5/31/03	41,906
National Security Agency:				
Mathematical sciences grant program	12.901	MDA904-01-1-0023	11/28/00 - 11/28/02	24,889
National Security Agency:				
Mathematical sciences grant program	12.901	MDA904-02-1-0091	3/12/02 - 3/11/03	3,219
Total U.S. Department of Defense				<u>149,157</u>
U.S. Geological Survey:				
ALGAL/Pacific Northwest – research and data acquisition	15.808	1434	7/14/98 - 6/30/01	84
U.S. Department of Justice:				
ALGAL/Pacific Northwest – research and data acquisition	16.562	N/A	4/01/01 - 2/28/02	26,144
National Science Foundation:				
Mathematical and physical sciences program	47.049	DMR-9526755	5/15/96 - 4/30/00	—
Mathematical and physical sciences program	47.049	CHE-0134782	3/01/02 - 2/29/04	12,851
Mathematical and physical sciences program	47.049	CHE-9727527	2/15/98 - 1/31/02	95,639
Mathematical and physical sciences program	47.049	DMS-9896154	2/01/98 - 6/30/00	—
Mathematical and physical sciences program	47.049	AST9988259	5/01/00 - 4/30/03	31,929
Mathematical and physical sciences program	47.049	AST9988247	7/01/00 - 6/30/03	4,348
Mathematical and physical sciences program	47.049	DMR-9803006	9/01/98 - 8/31/99	—
Mathematical and physical sciences program	47.049	DMS-0774279	8/15/00 - 7/31/03	24,172
Mathematical and physical sciences program	47.049	DMR-0091689	1/01/01 - 12/31/03	90,741
Mathematical and physical sciences program	47.049	DMS-0079696	9/01/00 - 8/31/03	—
Mathematical and physical sciences program	47.049	CHE-0097779	5/01/01 - 4/30/03	56,495
Geosciences program	47.050	OCE-0095404	5/15/02 - 4/30/04	36,714
Geosciences program	47.050	OCE-9911592	5/15/00 - 4/30/02	98,300
Geosciences program	47.050	EAR-0087607	1/01/01 - 12/31/03	30,423
Computer and Information Science and Engineering	47.070	ANI-0124684	1/01/02 - 12/31/03	20,000
Biological sciences program	47.074	IBN-9874608	3/01/99 - 2/28/02	47,533
Biological sciences program	47.074	IBN-0091189	8/01/01 - 7/31/04	28,037
Biological sciences program	47.074	OCE-9902658	7/15/99 - 6/30/03	15,165
Biological sciences program	47.074	INT-9908522	3/01/00 - 8/31/02	9,743
Biological sciences program	47.074	OPP-0196481	3/16/01 - 2/28/02	54,899
Biological sciences program	47.074	IBN-0131320	7/01/02 - 6/30/03	3,320
Biological sciences program	47.074	MCB-0118992	9/15/01 - 8/30/02	24,109
Biological sciences program	47.074	DUE-9952421	1/01/00 - 8/31/01	23,685
Biological sciences program	47.074	DBI-9724112	3/01/98 - 6/30/01	2,213
Biological sciences program	47.074	IBN-0075891	8/15/00 - 7/31/02	96,210
Social behavioral and economic sciences program	47.075	SES-0100112	12/01/00 - 11/30/02	804
Education and human resources program	47.076	DUE-008511	5/01/01 - 4/30/03	1,127
Education and human resources program	47.076	DUE -0126785	3/01/02 - 3/31/03	46,964
Education and human resources program	47.076	DUE-0088703	1/01/01 - 12/31/02	30,885
Education and human resources program	47.076	DGE-0196128	10/01/00 - 12/31/02	30,186
Polar programs	47.078	OPP-0003702	8/01/00 - 7/31/02	37,413
Polar programs	47.078	OPP-0095089	4/01/01 - 3/31/04	49,518
Total National Science Foundation				<u>1,003,423</u>
U.S. Environmental Protection Agency:				
Lupinus Perennis/Oak Savannah				
Septic System Education	66.501	R-826596-01-1	1/01/99 - 12/31/02	48,776
Total Environmental Protection Agency				<u>48,776</u>

**BOWLING GREEN STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Federal agency/program	CFDA number	Grant number	Project period	Expenditures
U.S. Department of Education: A Model of Excellence research grant	84.117	ED-98-CO-0086	9/30/98 - 3/29/01	\$ 260,251
U.S. Department of Health and Human Services:				
Research relating to deafness and communication disorder	93.173	R01-DCO3577-4	7/01/98 - 6/30/02	308,816
Research relating to deafness	93.173	5-RO3-DC04960-02	5/01/01 - 4/30/03	66,536
Mental health research grant	93.242	1-R01-MH66046001	2/05/02 - 12/31/02	7,283
Drug abuse national research	93.278	7-F31-DA1414502	12/01/01 - 11/30/02	9,985
Mental health national research service	93.282	5-F31MH1271102	5/01/01 - 4/30/03	28,970
Biomedical technology	93.371	5R21RR1265402	8/01/99 - 7/31/02	32,195
Academic research enhancement program	93.390	1-R15-GM57636-02	5/01/98 - 3/31/05	630
Academic research enhancement program	93.390	1-R15-GM5435702	7/01/98 - 6/30/05	30,082
Academic research enhancement program	93.390	1-R15-HL 60241-01	9/08/98 - 8/31/02	29,490
Academic research enhancement program	93.390	1-R15-GM60258-01	5/01/00 - 4/30/03	55,147
Cancer Treatment Research	93.395	5-RO1CA9102702	5/15/01 - 4/30/03	172,192
Cancer Treatment Research	93.395	1-R15CA9185601A1	6/01/02 - 5/30/05	2,352
Cell biology and bio physics research program	93.821	2R15GM/5589802	6/01/97 - 6/30/03	29,332
Clinical research related to neurological disorders	93.853	2-RO1NS3519105	9/01/91 - 8/31/02	31,414
Basal Forebrain Function	93.854	5-R29-NS35389-05	9/10/95 - 8/31/01	40,783
Microbiology and infectious disease research	93.856	1-R15-A146481-01	3/01/00 - 8/15/01	14,169
Biological chemistry research	93.859	R01 - GM61171-03	4/01/00 - 4/30/03	112,959
Population research program	93.864	5-R03-HD39835-02	6/01/01 - 5/31/03	40,018
Population research program	93.864	5-R01-HD3622303	9/01/99 - 8/31/02	497,245
Aging research program	93.866	1-R03-AG19846-01	9/01/01 - 9/29/03	4,119
Aging research program	93.866	1-R03-AG17332-01	8/01/99 - 7/31/01	2,894
Subtotal direct				1,516,611
Pass-through from:				
Health Research Institute:				
Cancer treatment research	93.395	CA55791-07	9/03/92 - 1/31/03	37,096
University of California – Irvine:				
Naturalization/immigration assistance	93.864	HD-39075	9/01/99 - 8/31/02	64,988
University of Michigan:				
Research for Mother and Children	93.865	F001367	9/30/98 - 6/30/02	49,537
Case Western Reserve University:				
Geriatric education center	93.969	2-D31-AH70041-04	9/01/97 - 6/30/02	30,545
Subtotal pass-through programs				182,166
Total U.S. Department of Health and Human Services				1,698,777
National Research Council	93.000	N/A	9/01/01 - 12/01/02	14,723
National Endowment for the Humanities	45.000	N/A	9/01/01 - 12/31/02	6,804
NASA:				
Direct:				
Technology transfer program	43.002	NAS3 - 99202	9/24/99 - 12/31/99	38,839
Technology transfer program	43.002	NAG9-1186	1/10/00 - 11/30/01	9,436
Technology transfer program	43.002	NAG3-2443	5/19/00 - 9/30/01	42,542
Total NASA				90,817
Total Research and Development – Cluster				3,379,732
Student Financial Aid – Cluster:				
U.S. Department of Education:				
Federal Supplementary Education Opportunity Grant	84.007	N/A	N/A	609,935
Federal Work Study	84.033	N/A	N/A	1,109,175
Federal Perkins Loan	84.038	N/A	N/A	1,534,110
Pell Grant	84.063	N/A	N/A	7,736,903
Federal Direct Loans	84.268	N/A	N/A	59,542,151
Total U.S. Department of Education				70,532,274
U.S. Department of Health and Human Services:				
Nursing Student Loan	93.364	N/A	7/01/97 - 6/30/99	97,396
Total Student Financial Aid – Cluster				70,629,670

**BOWLING GREEN STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Other programs:

U.S. Department of Education:

Project Enhance	84.029	H029A70142	7/01/97 - 6/30/01	\$ 9,331
Student support services	84.042	PO42A011199	9/01/01 - 8/31/02	399,527
Student support services	84.042	P042A70758	9/01/97 - 8/31/01	111,676
Talent search	84.044	P0044A40466-97	10/01/82 - 9/30/98	—
Talent search	84.044	P044A980164	10/01/98 - 8/31/02	286,479
Upward Bound	84.047	P047A50230	9/01/95 - 8/31/99	—
Upward Bound	84.047	P047A990332	9/01/99 - 8/31/02	401,338
Alcohol Misperception Program – postsecondary improvement	84.116	P116X990003	10/01/99 - 9/30/00	—
Rehabilitation long-term training	84.129	H129R80003	8/01/98 - 7/31/02	143,272
Business and international education project	84.153	P153A000089	9/01/00 - 8/31/02	73,244
Business and international education project	84.153	P153A80072 -99	9/01/98 - 8/31/01	18,015
Project Focus	84.325	H325A990084	7/01/99 - 6/30/03	255,145
Partnership grant	84.336	P336B000004	10/01/00 - 9/30/02	637,918
Project PICT – Teacher for Technology	84.342	P342A000105	6/01/00 - 5/31/03	481,523
Project PICT – Teacher for Technology	84.342	P34A990077	9/22/99 - 9/21/00	—
Subtotal direct				<u>2,817,468</u>

Pass-through from:

State of Ohio:

Vocational education	94.004	SV-S6-2000	9/24/99 - 9/30/01	7,104
Vocational education	84.048	ODE-OEC-GS-SI-03	7/01/90 - 4/30/03	59,938
Vocational education	84.048	AOVEC99-1	7/01/99 - 6/30/01	2,500
Vocational education	84.048	N/A	1/01/00 - 6/30/02	51,144
Vocational education	84.048	200-410 41E5	5/17/01 - 6/30/02	24,110
Vocational education	84.048	VE27 - VE28	7/01/99 - 6/30/02	104,160
Vocational education	84.048	30619	3/01/00 - 6/30/01	6,020
Vocational education	84.048	30618	3/01/00 - 6/30/01	4,049
Vocational education	84.048	N/A	7/03/93 - 6/01/01	10,000
Vocational education	84.048	N/A	11/17/98 - 6/30/02	28,602
Goals 2000	84.276	N/A	9/01/98 - 9/30/99	—
State Program Improvement Grants	84.323	062893-ST-S1-00	2/01/00 - 1/31/02	18,746

Subtotal pass-through programs				<u>316,373</u>
Total U.S. Department of Education				<u>3,133,841</u>
Total other programs				<u>3,133,841</u>
Total expenditures of federal awards				<u>\$ 77,143,243</u>

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report.

**BOWLING GREEN STATE UNIVERSITY**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

**(1) Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bowling Green State University (University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**(2) Loan Advances**

The following schedule represents loans outstanding balances for the Perkins and Nursing Student Loan programs for the year ended June 30, 2002:

	<u>CFDA number</u>		<u>Outstanding balance</u>
Perkins Loan Program	84.038	\$	7,929,445
Nursing Student Loans	93.364		374,918



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

The Board of Trustees  
Bowling Green State University:

We have audited the financial statements of Bowling Green State University (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 26, 2002. 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 these specified parties.

**KPMG LLP**

September 26, 2002



Suite 1200  
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**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
and Schedule of Expenditures of Federal Awards**

The Board of Trustees  
Bowling Green State University:

**Compliance**

We have audited the compliance of Bowling Green 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 its major federal programs for the year ended June 30, 2002. The University's major federal programs are identified in the Summary of Auditors' 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 its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

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



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

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the University as of and for the year ended June 30, 2002 and have issued our report thereon dated September 26, 2002. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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 these specified parties.

**KPMG LLP**

October 29, 2002 (except for the report on the  
schedule of expenditures of federal awards,  
as to which the date is September 26, 2002)

**BOWLING GREEN STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

**(1) Summary of Auditors' Results**

- |   |                     |
|---|---------------------|
| (a) <i>Type of report issued on the financial statements:</i>   | Unqualified Opinion |
| (b) <i>Reportable conditions in internal control were disclosed by the audit of the financial statements:</i>   | None Reported       |
| <i>Material weaknesses:</i>   | No                  |
| (c) <i>Noncompliance which is material to the financial statements:</i>   | No                  |
| (d) <i>Reportable conditions in internal control over major programs:</i>   | None Reported       |
| <i>Material weaknesses:</i>   | No                  |
| (e) <i>Type of report issued on compliance for major program:</i>   | Unqualified Opinion |
| (f) <i>Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:</i>   | No                  |
| (g) <i>Major program CFDA #'s 84.007, 84.033, 84.038, 84.063, 84.268, and 93.364: Student Financial Aid Cluster; CFDA #'s 84.042, 84.044, and 84.046: TRIO Cluster; CFDA #84.336: Teacher Quality Enhancement (Partnership grant) CFDA #84.342: Preparing Tomorrow's Teacher (Project PICT)</i> |                     |
| (h) <i>Dollar threshold used to distinguish between Type A and Type B programs:</i>   | \$479,088           |
| (i) <i>Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133:</i>   | Yes                 |

**(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:** None

**(3) Findings and Questioned Costs Relating to Federal Awards:** None

**BOWLING GREEN STATE UNIVERSITY**

Intercollegiate Athletics Department  
National Collegiate Athletic Association  
Agreed-upon Procedures Report

June 30, 2002

# **BOWLING GREEN STATE UNIVERSITY**

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## **Independent Accountants' Report on Applying Agreed-upon Procedures**

Dr. Sidney A. Ribeau, President  
Bowling Green State University:

We have performed the procedures enumerated below, which were agreed to by Bowling Green State University (University), solely to assist the University in evaluating compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. The engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University and the NCAA. 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:

### **Procedures Related to the Schedule of Operating Revenues and Expenditures**

- (a) We obtained the Intercollegiate Athletics Department Schedule of Operating Revenues and Expenditures (schedule 1) for the year ended June 30, 2002, as prepared by management. We recalculated the addition of the amounts on the Schedule and compared the amounts on each line of the Schedule to the corresponding amounts on the worksheets prepared by management and to the revenue and expense accounts in the general ledger.

We found such amounts to be in agreement.

The Schedule does not include the activities of booster organizations supporting the University's intercollegiate athletic program. Such activities are being reported to you in a separate schedule (schedule 2).

- (b) We applied the following analytical review procedures to the revenues and expenditures contained in the schedule mentioned above:
1. Compared total revenues and expenditures for the current year to those recorded in the prior year and obtained the following explanations from University management regarding the reasons for the variances:  
  
Total revenues increased by \$432,040, or 4%, mainly due to an increase in student activity fees. Total expenditures increased by \$156,145, or 1%, mainly due to an increase in coaches' and other salaries and financial aid expenditure.
  2. Obtained the ticket analysis prepared by the Intercollegiate Athletic Department summarizing total tickets issued, sold, and unsold for the 2001 football season, recalculated revenue earned



by multiplying the number of tickets sold by the stated ticket prices, and compared the total ticket revenue to the amount on the worksheet prepared by management in (a) above.

We found such amounts to be in agreement.

3. Compared approved budgeted versus actual expenditures for each line item on the Schedule for the year. We inquired about variances in excess of \$100,000 and 10% between approved budgeted and actual amounts and obtained the following explanations from management regarding the reasons for the variances:

*Other salaries:* Actual expenses exceeded approved budgeted amount by \$123,036, or 13%, because the Athletics department had to pay for two fired coaches and this was not budgeted for, as the department was under the impression the University was going to pay for them.

*Financial aid:* Expenses for financial aid were lower than the approved budgeted amount by \$443,000, or 11%. This was due to the fact that in prior years, the department would allow coaches to reallocate scholarships for students who left school early. Coaches can no longer do this effective this fiscal year.

*Material and Supplies (operating expenses):* Actual expenses exceeded the approved budgeted amount by \$140,378, or 17%. This was due to an increase in conference dues. Also, the department paid for football renovations this year out of this budget, and the expense was not included in the original approved budget.

#### **Procedures Related to Internal Control Over Financial Reporting**

- (c) We haphazardly selected the following 10 cash disbursements from the University’s check register for the year ended June 30, 2002. For each of the disbursements, we compared the disbursed amount and payee from the check register to corresponding information on a vendor invoice, which was authorized by the signature of either Linda Kidd, Business Officer – Athletics, or David Saylor, Assistant Director for Financial Affairs – Athletics.

<u>Check date</u>	<u>Check number</u>	<u>Vendor</u>	<u>Amount</u>
7/12/01	634,554	Tape Company	\$ 460.05
10/2/01	645,180	Susan Schoenberg	110.00
11/7/01	650,122	Home City Ice	128.00
11/17/01	652,072	Parker Brothers	1,303.50
12/1/01	653,918	Dave Smith	1,198.65
12/28/01	657,740	Calumus Broadcast	450.00
1/23/02	660,619	Friends Business	198.00
3/29/02	670,386	D. Zimmerman	160.00
5/3/02	675,455	Team Sports	5,700.00
5/22/02	678,136	Go Travel	238.00

We found such information to be in agreement.



We also haphazardly selected the following 10 cash receipts from the transmittal sheet listings and traced the selected items to deposit tickets and agreed the amount on the deposit tickets to the amount on the bank statements. We also noted approval of the deposit by Scot Bressler, Director of Ticket Operations – Athletics.

<u>Deposit date</u>	<u>Amount</u>
October 11, 2001	\$ 17,000.00
October 24, 2001	12,957.55
December 6, 2001	30,116.58
January 25, 2002	76,628.18
February 20, 2002	314,467.00
March 27, 2002	8,719.94
April 4, 2002	9,631.90
May 21, 2002	7,352.50
June 18, 2002	3,321.17
June 20, 2002	612.17

We found such amounts to be in agreement.

**Procedures Related to Support by Booster Organizations**

- (d) We obtained the list of booster organizations and their related financial activities for the year ended June 30, 2002 (schedule 2) from the Bowling Green State University Foundation.
- (e) We haphazardly selected the following six organizations from Schedule 2 and agreed contributions to pledge cards and check copies.

<u>Name</u>	<u>Amount</u>
Falcon Club	\$ 405,439.61
Stadium Club	84,680.00
Hockey Renovation Fund	132,948.00
Vivian Endowment Hockey School	60,000.00
Stadium Suites	97,242.00

We found such information to be in agreement.

Distributions by booster organizations on behalf of intercollegiate athletic programs of the University to third parties were vouched on a judgmental basis. Disbursements by the following six organizations to the University were traced to disbursement order form and check copy.

<u>Name</u>	<u>Amount</u>
Falcon Club	\$ 512,016.69
Varsity BG Club	12,796.10
Hockey Renovation Fund	279,397.74
Stadium Club	115,428.62
Stadium Suites	268,260.75

We found such information to be in agreement.

Receipts and disbursements on behalf of intercollegiate athletic programs of the University are listed on the Schedule of Intercollegiate Athletics Program Support by Booster Organizations.



We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Schedule of Operating Revenues and Expenditures and the Schedule of Intercollegiate Athletics Program Support by Booster Organizations, or an examination of Bowling Green State University Intercollegiate Athletics Association's internal control over financial reporting, the objective of which would be the expression of an opinion on its effectiveness. Accordingly, we do not express any such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

KPMG LLP

September 26, 2002

## BOWLING GREEN STATE UNIVERSITY

Intercollegiate Athletics Department

## Schedule of Operating Revenues and Expenditures

Year ended June 30, 2002

	Men's football	Men's basketball	Men's hockey	Other sports (note 2)	Nonprogram specific	Total
Operating revenues:						
Ticket sales	\$ 354,234	231,477	131,854	14,786	—	732,351
Post-season game proceeds	—	—	—	16,913	—	16,913
Television broadcasting rights	8,778	22,743	3,479	—	—	35,000
Concessions	—	—	—	—	20,862	20,862
Student activity fees (note 3)	—	—	—	—	6,851,617	6,851,617
Game guarantees	438,530	35,000	10,000	8,500	—	492,030
Programs	9,486	2,426	1,263	390	—	13,565
Advertising	8,426	7,987	5,345	—	—	21,758
Parking	28,271	—	9,565	—	—	37,836
Gifts	—	—	—	—	401,651	401,651
Sports schools and camps	—	—	—	—	459,979	459,979
Miscellaneous	6,269	1,500	153	1,489	1,535,133	1,544,544
Total operating revenues	853,994	301,133	161,659	42,078	9,269,242	10,628,106
Operating expenditures:						
Coaches' salaries	599,251	238,143	204,313	820,041	—	1,861,748
Other salaries	28,796	7,000	—	19,867	1,657,205	1,712,868
Staff benefits	152,730	64,375	45,970	219,095	375,637	857,807
Financial aid	1,083,497	205,256	299,939	1,821,138	137,924	3,547,754
Films	3,534	763	376	327	—	5,000
Travel:						
Team	170,118	55,377	66,238	282,720	—	574,453
Recruiting	80,646	39,351	28,614	72,865	—	221,476
Equipment purchases	82,050	11,945	43,063	92,162	84,744	313,964
Supplies and office expense	217,080	80,987	45,345	145,710	1,795,192	2,284,314
Total operating expenditures	2,417,702	703,197	733,858	3,473,925	4,050,702	11,379,384
Operating revenues over (under) expenditures	\$ (1,563,708)	(402,064)	(572,199)	(3,431,847)	5,218,540	(751,278)

See accompanying notes to schedule of operating revenues and expenditures.

**BOWLING GREEN STATE UNIVERSITY**

Intercollegiate Athletics Department

Notes to Schedule of Operating Revenues and Expenditures

June 30, 2002

**(1) Summary of Significant Accounting Policies**

The amounts in the Schedule of Operating Revenues and Expenditures for the Intercollegiate Athletics Department were obtained from the Bowling Green State University's general ledger, which is maintained on an accrual basis. Certain Intercollegiate Athletics Department costs included in the Schedule of Operating Revenues and Expenditures are charged to other departments. All costs directly associated with various sports programs were disclosed as such. All remaining costs were identified as nonprogram specific.

**(2) Other Sports**

Other sports include all men's and women's sports programs not specifically noted.

**(3) Student Activity Fees**

Student activity fees include an appropriation for salaries, employee benefits associated with those salaries, and other miscellaneous expenditures of the Intercollegiate Athletics Department.

**BOWLING GREEN STATE UNIVERSITY**  
 Schedule of Intercollegiate Athletics Program Support  
 by Booster Organizations  
 Year ended June 30, 2002

Booster organization	Beginning fund balance	Adjustments	Receipts	Disbursements on behalf of program	Ending fund balance
Bowling Green State University Foundation, Inc.:					
Athletic Department Advancement	\$ 1,711	(20)	33,224	11,983	22,932
Athletic Department Scholarship	338,006	4,073	100	363,380	(21,201)
Athletic Department Special Projects	144,643	(661)	623,640	568,182	199,440
Athletic Fitness and Weight Room	330	(53)	2	—	279
University Athletic Scholarship	455,668	5,487	292,920	18,700	735,375
Doyt and Loretta Perry Scholarship	246,997	2,900	—	48,505	201,392
Earl E. Rupright Basketball Scholarship	24,371	294	—	2,737	21,928
Falcon Club	433,668	(2,916)	445,658	521,130	355,280
Athletic Golf Fund	—	—	18,994	352	18,642
Golf Course	3,228	—	—	3,228	—
Harms Cross Country Fund	42,726	515	—	4,782	38,459
Hockey Renovation	239,907	4,424	113,588	279,398	78,521
Hodge Family Soccer Scholarship	15,118	180	—	1,422	13,876
Mark A. Brecklen Athletics/Footbal	—	—	8,025	—	8,025
Barb Veselich Award	—	—	500	—	500
John Weinert Scholarship	17,372	210	—	1,234	16,348
Joyce S. Hof Scholarship	34,079	404	950	3,703	31,730
Lanny L. Miles Memorial Scholarship	82,413	955	500	12,165	71,703
Mel Brodt Track/Cross Country Scholarship	25,862	310	2,831	1,050	27,953
Mickey Cochrane Soccer Scholarship	42,635	484	600	4,122	39,597
Soccer Stadium	2,051	(120)	14	—	1,945
Stadium Club	22,831	(1,552)	141,658	115,429	47,508
Stadium Scoreboard Fund	57	—	—	16	41
William J. Lloyd Athletic Scholarship	77,880	888	—	5,267	73,501
Carl C. Bachman Scholarship	60,354	(2,656)	—	5,716	51,982
Perry Stadium Enhancement	6,015	—	43	—	6,058
Grants-in-Aid for Women Athletes	1,478	—	—	1,478	—
Coaches Fund for Excellence	319,734	3,582	—	35,202	288,114
Dewey and Ellen Fuller Scholarship	60,375	680	—	10,308	50,747
Cara Whelan Wilson Scholarship	1,015	(9)	510	—	1,516
Alumni/Athletics Endowment	76,050	914	—	8,780	68,184
Athletic Campaign – General	292	—	—	292	—
Athletics Promotions	(898)	(4)	902	—	—
Study of Sport and Diversity	2,560	(27)	17	250	2,300
Intramural Sports	2,480	(23)	58	79	2,436
John and Diane McNutt Scholarship	15,848	(3,315)	—	—	12,533
Doyt and Loretta Perry Documentary	(25,253)	—	20,253	—	(5,000)
Helen and Willard Schaller Scholarship	20,090	228	—	3,212	17,106
Stadium Suites	74,225	(492)	204,766	268,261	10,238
Ryan Bernthysel Fund	2,539	—	18	—	2,557
Larry and Sharon Barnett Scholarship	50,876	585	—	3,465	47,996
Falcon Club Athletic Scholarship	59,460	719	—	3,345	56,834
Vivian Endowed Hockey Scholarship	39,936	239	54,657	—	94,832
Stadium Lights Project	609	(5)	4	—	608
The Varsity BG Club	31,485	(132)	12,522	12,796	31,079
Don Cunningham Memorial	2,870	(13)	29,334	—	32,191
Gregory I. Brooks Soccer Scholarship	22,900	(523)	—	1,037	21,340
Athletics Special Events	68,724	1,091	41,900	35,236	76,479
Glenn Sharp Scholarship	5,613	—	21,348	—	26,961
BGSU Cheering	304	(1)	703	—	1,006
Bob and Karen Sebo Scholarship	109,875	658	—	8,144	102,389
Men's Basketball Int'l Travel	18,058	(81)	91	16,100	1,968
	<u>\$ 3,279,167</u>	<u>17,217</u>	<u>2,070,330</u>	<u>2,380,486</u>	<u>2,986,228</u>



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**BOWLING GREEN STATE UNIVERSITY**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 19, 2002**