

Kent State University

Financial Report
June 30, 2009



Mary Taylor, CPA

Auditor of State

Board of Trustees
Kent State University
224 Michael Schwartz Center
P.O. Box 5190
Kent, Ohio 44242

We have reviewed the *Independent Auditor's Report* of the Kent State University, Portage County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 18, 2009

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KENT STATE UNIVERSITY
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KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2009 and 2008

This section of Kent State University's ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2009 and 2008. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes and this discussion are the responsibility of University management.

Using the Annual Financial Report

This annual report consists of financial statements prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows) present financial information in a form similar to that used by corporations. They are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Kent State University Foundation (the "Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation is discretely presented in the University's financial statements. The Foundation has been excluded from Management's Discussion and Analysis.

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 non-operating. A public university's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies State appropriations and gifts as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

Noteworthy Financial Activity

The University was again negatively impacted in fiscal year 2009 by the disruptions in the investment markets. Investment loss increased \$39,649 from fiscal year 2008.

The University's financial position, as a whole, was consistent during the fiscal year ended June 30, 2009 as compared to the previous year. Highlights from the financial statements are as follows:

- The University's total assets decreased over the prior year by \$36.4 million, of which \$57.8 million is attributed to a decrease in investments. This decrease is offset by increases in cash and cash equivalents of \$10.8 million and net capital assets of \$8.5 million.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited)

As of June 30, 2009 and 2008

- Total liabilities increased by \$27.1 million mainly due to a \$19.3 million increase in accounts payable and accrued liabilities. Of this increase, \$8.6 million is due to the liability associated with the University Employee Separation Plan that was implemented in fiscal year 2009. The remaining increase is associated with increased accruals in the plant funds.
- The University's net assets decreased by \$63.5 million to \$547.6 million, of which \$345 million is either invested in capital assets or restricted. Of the remaining \$202.6 million in unrestricted assets, all but \$795 thousand is designated for specific purposes.
- Operating revenues increased by \$12.0 million compared to the prior year, primarily due to significant increases in both state and non-governmental grants.
- The University's operating expenses increased by \$44.0 million, with expected increases in most functional expense categories due primarily to inflationary factors.

Kent State University
Condensed Statement of Net Assets
as of June 30, 2009, 2008 and 2007
(in thousands)

ASSETS	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 364,688	\$ 409,594	\$ 417,298
Capital assets	574,484	565,972	547,880
Total assets	<u>\$ 939,172</u>	<u>\$ 975,566</u>	<u>\$ 965,178</u>
LIABILITIES			
Long-term debt	\$ 270,172	\$ 271,887	\$ 268,846
Other	121,344	92,524	83,694
Total liabilities	<u>\$ 391,516</u>	<u>\$ 364,411</u>	<u>\$ 352,540</u>
NET ASSETS			
Invested in capital assets net of related debt	\$ 312,422	\$ 299,576	\$ 278,926
Restricted, expendable and not expendable	32,596	27,262	25,224
Unrestricted:			
Designated	201,843	283,522	306,623
Undesignated (unallocated)	795	795	1,865
Total net assets	<u>\$ 547,656</u>	<u>\$ 611,155</u>	<u>\$ 612,638</u>

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Management's Discussion and Analysis (unaudited) As of June 30, 2009 and 2008

2009 Versus 2008 During the year ended June 30, 2009:

In fiscal 2009, the University's current assets of \$196.9 million were sufficient to cover current liabilities of \$102.3 million (current ratio of 1.9). In fiscal 2008, current assets of \$169.7 million were sufficient to cover current liabilities of \$73.7 million (current ratio of 2.3).

At June 30, 2009, total University assets were \$939.1 million, compared to \$975.6 million in fiscal 2008. The decrease of \$36.5 million is attributed to a decrease in the market value of investments of \$57.8 million, offset by increases in both cash and net capital assets.

Current and other assets decreased \$45 million to \$364.7 million, compared to \$409.6 million in fiscal year 2008, primarily due to the decrease in the market value of investments of \$57.8 million.

University liabilities total \$391.5 million at June 30, 2009 compared to \$364.4 million in fiscal 2008. This increase is primarily due to additional accruals recorded in the plant funds associated with the additional interest incurred as a result of the University's swap counterparty filing for bankruptcy. As a result of this, the debt issue was restructured resulting in increased debt. In addition, the University recorded an \$8.6 million liability associated with the University Employee Separation Plan implemented in fiscal year 2009.

Total net assets decreased by \$63.5 million to \$547.6 million. Unrestricted net assets total \$202.6 million, 99.6% of which (\$201.8 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

2008 Versus 2007 During the year ended June 30, 2008:

In fiscal 2008, the University's current assets of \$169.7 million were sufficient to cover current liabilities of \$73.7 million (current ratio of 2.3). In fiscal 2007, current assets of \$177.9 million were sufficient to cover current liabilities of \$66.9 million (current ratio of 2.7).

At June 30, 2008, total University assets were \$975.6 million, compared to \$965.2 million in fiscal 2007. The University's largest asset is its investment in physical plant of \$566 million at June 30, 2008 compared to \$547.9 million in fiscal 2007.

Current and other assets decreased \$7.7 million to \$409.6 million, compared to \$417.3 in fiscal year 2007. Cash and cash equivalents of \$123.1 million is the largest non-capital asset.

University liabilities total \$364.4 million at June 30, 2008 compared to \$352.5 million in fiscal 2007. Long-term debt of \$277.5 million, consisting of bonds payable, is the largest liability.

Total net assets decreased by \$1.5 million to \$611.2 million. Unrestricted net assets total \$284.3 million, 99.7% of which (\$283.5 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited) As of June 30, 2009 and 2008

Kent State University
Condensed Statement of Revenues, Expenses and Changes in Net Assets
as of June 30, 2009, 2008 and 2007
(in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues			
Tuition, net	\$ 205,682	\$ 205,035	\$ 203,544
State appropriations	138,552	128,504	121,317
Federal and state grants	78,761	65,171	58,967
Auxiliary activities	84,404	82,831	79,877
Other	<u>(2,683)</u>	<u>35,705</u>	<u>87,450</u>
Total revenues	<u><u>\$ 504,716</u></u>	<u><u>\$ 517,246</u></u>	<u><u>\$ 551,155</u></u>
Expenses			
Instruction	\$ 190,587	\$ 180,911	\$ 170,509
Research	20,798	15,456	14,726
Institutional support	52,606	47,090	32,245
Scholarships and fellowships	27,062	24,149	20,555
Other	<u>277,162</u>	<u>251,123</u>	<u>233,571</u>
Total expenses	<u><u>\$ 568,215</u></u>	<u><u>\$ 518,729</u></u>	<u><u>\$ 471,606</u></u>

2009 Versus 2008 During the year ended June 30, 2009:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts.

Operating expenditures, including depreciation of \$40.1 million, totaled \$545.5 million.

State appropriations were the most significant non-operating revenue totaling \$138.6 million.

2008 Versus 2007 During the year ended June 30, 2008:

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts.

Operating expenditures, including depreciation of \$40.3 million, totaled \$501.6 million.

State appropriations were the most significant non-operating revenue totaling \$128.5 million.

KENT STATE UNIVERSITY

**Management's Discussion and Analysis (unaudited)
As of June 30, 2009 and 2008**

**Kent State University
Condensed Statement of Cash Flows
as of June 30, 2009, 2008 and 2007
(in thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash (used in)/provided by:			
Operating activities	\$ (126,114)	\$ (121,604)	\$ (99,863)
Investing activities	5,750	(17,895)	(12,473)
Capital and related financing activities	(53,873)	(49,647)	(67,995)
Non-capital financing activities	<u>185,015</u>	<u>162,563</u>	<u>152,763</u>
Net increase/(decrease) in cash	10,778	(26,583)	(27,568)
Cash and cash equivalents, beginning of year	<u>123,135</u>	<u>149,718</u>	<u>177,286</u>
Cash and cash equivalents, end of year	<u>\$ 133,913</u>	<u>\$ 123,135</u>	<u>\$ 149,718</u>

2009 Versus 2008 During the year ended June 30, 2009:

Major sources of cash included student tuition and fees (\$160.3 million), state appropriations (\$138.5 million), auxiliary activities (\$84.1 million), and grants and contracts (\$51.5 million). The largest payments were for suppliers (\$197.2 million) and employees (\$245.5 million).

2008 Versus 2007 During the year ended June 30, 2008:

Major sources of cash included student tuition and fees (\$157.4 million), state appropriations (\$128.5 million), auxiliary activities (\$82.6 million), and grants and contracts (\$43.8 million). The largest payments were for suppliers (\$178.2 million) and employees (\$231.7 million).

Capital Asset and Debt Administration

Capital Assets

At the end of 2009, the University had invested \$574.5 million in a broad range of capital assets, including equipment, buildings, building improvements and land. This amount represents a net increase (including additions and deductions) of \$8.5 million, or 1.5 percent, over last year.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 11.3	\$ 11.0	\$ 10.0
Equipment	52.0	59.9	60.5
Buildings and improvements	481.1	483.2	450.9
Construction in progress	<u>30.1</u>	<u>11.9</u>	<u>26.5</u>
Total	<u>\$ 574.5</u>	<u>\$ 566.0</u>	<u>\$ 547.9</u>

KENT STATE UNIVERSITY

Management's Discussion and Analysis (unaudited)

As of June 30, 2009 and 2008

In fiscal year 2010, the University is anticipating significant construction projects, including the renovation of the Risman Plaza estimated to cost \$3.3 million.

More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

Long-term Debt

At year-end, the University had \$276.0 million in bonds and notes outstanding—a decrease of .5 percent over last year. More detailed information about the University's long-term liabilities is presented in Note 6 to the financial statements.

Kent State University's Outstanding Debt

(in millions of dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General receipts bonds (backed by the University)	\$ 265.9	\$ 264.8	\$ 267.1
Capital leases	<u>10.1</u>	<u>12.7</u>	<u>6.1</u>
	<u>\$ 276.0</u>	<u>\$ 277.5</u>	<u>\$ 273.2</u>

Factors Affecting Future Periods

The ability of the University to fulfill its mission and execute its strategic plan is directly influenced by enrollment, legislative restrictions on tuition, changes in state support, and the ability to manage rising costs. The University is focusing on several strategic initiatives such as student retention, freshman selectivity, fund raising, and increased research to improve the position of the University.

The State appropriations act for the biennium ending June 30, 2011 was passed allowing a 3.5% maximum annual increase in instructional and general fees for in-state undergraduate students at the state public institutions. The Board of Trustees of the University authorized a 3.5% increase in such fees for the 2009-2010 academic year.

Independent Auditor's Report

To the Board of Trustees
Kent State University

We have audited the accompanying statement of net assets of Kent State University (the "University") as of June 30, 2009 and June 30, 2008 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Kent State University Foundation (the "Foundation"), which represent all the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 audits provide a reasonable basis for our opinion.

As explained in Note 3, the financial statements include investments valued at approximately \$94,000,000 (17 percent of net assets) and \$140,000,000 (23 percent of net assets) as of June 30, 2009 and 2008, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kent State University as of June 30, 2009 and 2008 and the results of its operations and cash flows for the years 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 October 15, 2009 on our consideration of Kent State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for year ended June 30, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Trustees
Kent State University

The management's discussion and analysis presented on pages 1 through 6 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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

Plante & Moran, PLLC

Toledo, Ohio
October 15, 2009

KENT STATE UNIVERSITY
STATEMENT OF NET ASSETS
as of June 30, 2009 and 2008
(in thousands)

	<u>University</u>		<u>University Related Foundation</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 133,913	\$ 123,135	\$ 1,588	\$ 2,510
Short-term investments	24,699	10,597	95,755	113,024
Accounts and pledges receivable, net	32,045	29,947	8,059	7,999
Inventories	1,862	1,814	-	-
Deposits and prepaid expenses	3,629	3,502	-	-
Accrued interest receivable	777	675	-	-
Total current assets	<u>196,925</u>	<u>169,670</u>	<u>105,402</u>	<u>123,533</u>
Noncurrent assets:				
Student loans receivable, net	24,636	25,032	-	-
Long-term investments	140,290	212,203	4,628	7,606
Long-term pledges receivable, net	-	-	5,864	7,617
Capital assets, net	574,484	565,972	961	1,052
Other assets	2,837	2,689	522	602
Total noncurrent assets	<u>742,247</u>	<u>805,896</u>	<u>11,975</u>	<u>16,877</u>
Total assets	<u>\$ 939,172</u>	<u>\$ 975,566</u>	<u>\$ 117,377</u>	<u>\$ 140,410</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	43,557	24,296	701	743
Accrued payroll	11,525	10,944	-	-
Payroll taxes and accrued fringe benefits	12,923	10,974	-	-
Unearned fees and deposits	28,450	21,899	-	-
Current portion of long-term debt	5,847	5,645	-	-
Total current liabilities	<u>102,302</u>	<u>73,758</u>	<u>701</u>	<u>743</u>
Noncurrent liabilities:				
Accrued compensated absences	17,357	16,816	-	-
Accrued liabilities	-	-	4,114	4,105
Long-term unearned fees and deposits	1,685	1,950	4,379	5,351
Long-term debt	270,172	271,887	-	-
Total noncurrent liabilities	<u>289,214</u>	<u>290,653</u>	<u>8,493</u>	<u>9,456</u>
Total liabilities	<u>391,516</u>	<u>364,411</u>	<u>9,194</u>	<u>10,199</u>
NET ASSETS				
Invested in capital assets, net of related debt	31,242	299,576	961	1,052
Restricted, nonexpendable	5,883	883	28,672	64,424
Restricted, expendable	26,713	26,379	78,208	64,051
Unrestricted	202,638	284,317	342	684
Total net assets	<u>547,656</u>	<u>611,155</u>	<u>108,183</u>	<u>130,211</u>
Total liabilities and net assets	<u>\$ 939,172</u>	<u>\$ 975,566</u>	<u>\$ 117,377</u>	<u>\$ 140,410</u>

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

KENT STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
for the years ended June 30, 2009 and 2008
(in thousands)

	University		University Related Foundation	
	2009	2008	2009	2008
OPERATING REVENUES				
Student tuition and fees	\$ 247,285	\$ 242,114	\$ -	\$ -
Less scholarship allowances	(41,603)	(37,079)	-	-
Net student tuition and fees	<u>205,682</u>	<u>205,035</u>	<u>-</u>	<u>-</u>
Federal grants and contracts	25,280	25,757	-	-
State grants and contracts	20,806	12,160	-	-
Local grants and contracts	654	621	-	-
Nongovernmental grants and contracts	6,266	3,595	-	-
Sales and services of educational departments	8,127	7,806	-	-
Auxiliary activities	84,404	82,831	-	-
Other operating revenues	7,547	8,960	113	207
Total operating revenues	<u>358,766</u>	<u>346,765</u>	<u>113</u>	<u>207</u>
OPERATING EXPENSES				
Instruction	190,587	180,911	-	-
Research	20,798	15,456	-	-
Public service	18,192	15,969	-	-
Academic support	45,116	41,947	-	-
Student services	25,731	24,418	-	-
Institutional support	52,606	47,090	20,443	14,322
Scholarships and fellowships	27,062	24,149	2,763	2,677
Operation and maintenance of plant	46,471	32,470	-	-
Auxiliary activities	78,763	78,827	-	-
Depreciation	40,190	40,315	2	781
Total operating expenses	<u>545,516</u>	<u>501,552</u>	<u>23,208</u>	<u>17,780</u>
Operating loss	<u>(186,750)</u>	<u>(154,787)</u>	<u>(23,095)</u>	<u>(17,573)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	138,552	128,504	-	-
Federal Pell Grant revenue	32,675	27,254	-	-
Gifts	13,556	6,668	16,902	19,804
Investment loss	(51,959)	(12,310)	(16,807)	(5,143)
Interest on capital asset-related debt	(20,738)	(15,447)	-	-
Other nonoperating revenues/expenses	(1,961)	(1,730)	972	110
Net nonoperating revenues	<u>110,125</u>	<u>132,939</u>	<u>1,067</u>	<u>14,771</u>
Income (loss) before other revenues, expenses, gains or losses	<u>(76,625)</u>	<u>(21,848)</u>	<u>(22,028)</u>	<u>(2,802)</u>
Capital appropriation	<u>13,126</u>	<u>20,365</u>	<u>-</u>	<u>-</u>
Decrease in net assets	<u>(63,499)</u>	<u>(1,483)</u>	<u>(22,028)</u>	<u>(2,802)</u>
NET ASSETS				
Net assets, beginning of year	611,155	612,638	130,211	133,013
Net assets, end of year	<u>\$ 547,656</u>	<u>\$ 611,155</u>	<u>\$ 108,183</u>	<u>\$ 130,211</u>

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS
for the years ended June 30, 2009 and 2008
(in thousands)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 160,294	\$ 157,370
Cash received from auxiliary activities	84,084	82,575
Cash received from other sources	20,322	7,640
Grants and contracts	51,532	43,849
Federal student loan funds received	10	18
Student loans granted, net of repayments	315	(3,152)
Cash paid to employees	(245,518)	(231,712)
Cash paid to suppliers	(197,153)	(178,192)
Net cash used in operating activities	<u>(126,114)</u>	<u>(121,604)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	79,265	118,072
Purchases of investments	(50,993)	(146,344)
Interest received	<u>(22,522)</u>	<u>10,377</u>
Net cash provided/(used) in investing activities	<u>5,750</u>	<u>(17,895)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Net proceeds from bond issuance	217,635	43,170
Early extinguishment of bonds	(213,500)	(42,695)
Principal payments under debt obligations, net	(5,654)	(5,132)
Proceeds from master lease agreement	-	9,036
Interest paid	(14,675)	(14,384)
Capital appropriations	9,488	8,274
Purchases of capital assets	(45,206)	(46,186)
Other payments	<u>(1,961)</u>	<u>(1,730)</u>
Net cash used in capital and related financing activities	<u>(53,873)</u>	<u>(49,647)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	138,552	128,504
Gifts received from KSU Foundation	13,788	6,805
Cash received from Federal Pell grants	<u>32,675</u>	<u>27,254</u>
Net cash provided by noncapital financing activities	<u>185,015</u>	<u>162,563</u>
 Net increase/(decrease) in cash and cash equivalents	10,778	(26,583)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>123,135</u>	<u>149,718</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 133,913</u>	<u>\$ 123,135</u>

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

KENT STATE UNIVERSITY
STATEMENT OF CASH FLOWS--CONTINUED
for the years ended June 30, 2009 and 2008
(in thousands)

	2009	2008
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (186,750)	\$ (154,787)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	40,190	40,315
Change in assets and liabilities:		
Accounts receivable, net	(2,330)	(10,106)
Inventories	(48)	(93)
Deposits and prepaid expenses	(127)	(302)
Student loans receivable, net	396	(3,060)
Accounts payable and accrued liabilities	13,198	4,406
Accrued payroll	581	1,763
Payroll taxes and accrued fringe benefits	1,949	(125)
Unearned fees and deposits	6,286	(1,547)
Accrued compensated absences	541	1,932
Total change in assets and liabilities	20,446	(7,132)
Net cash used in operating activities	\$ (126,114)	\$ (121,604)

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

(1) Reporting Entity and Basis of Presentation

(a) Reporting Entity

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

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

The accompanying financial statements consist of the accounts of the University and the accounts of the Kent State University Foundation ("Foundation"). The Foundation, which is a component unit of the University as determined in accordance with the provisions of the Governmental Accounting Standards Board ("GASB") Statement 39, is described more fully in Note 10. The Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

Furthermore, in accordance with GASB Statement No. 39, the Foundation is reported in a separate column on the University's financial statements to emphasize that it is legally separate from the University. The Foundation is a not-for-profit organization supporting the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which they hold and invest are restricted to support the activities of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, it is considered a component unit of the University. Financial statements for the Foundation may be obtained by writing to Kent State University Foundation, Kent, Ohio 44242.

(b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Pursuant to GASB Statement No. 20, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

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

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

(c) Upcoming Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the University's 2010 fiscal year end. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This Statement also establishes specific conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the University's 2010 fiscal year end. This Statement requires derivative instruments (such as interest rate swap agreements) to be reported at fair value. In addition, for derivative instruments that qualify as effective hedges, changes in fair value will be reported as deferrals in the statement of net assets, while changes in the fair value of the derivative instruments that do not qualify as effective hedges, including investment derivative instruments, will be reported as investment income. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2009 and 2008

(in thousands)

(2) Summary of Significant Accounting Policies

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

(a) Cash and Cash Equivalents

The University considers cash, time deposits and all other highly liquid investments with an original maturity of three months or less to be cash equivalents.

(b) Investments

Investments in marketable securities are carried at fair market value as established by the major securities markets. Investment income includes realized and unrealized gains and losses on investments, interest income and dividends.

(c) Inventories

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

(d) Estimates

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(e) Revenue Recognition

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

(f) Accrued Liabilities

Accrued liabilities consist primarily of accrued employee compensation and benefits. Accrued compensated absences are classified as non-current liabilities on the Statement of Net Assets because the current portion cannot be closely estimated.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

(g) Deferred Revenue

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

(h) Capital Assets

Capital assets are stated at cost or fair value at date of gift. Depreciation of plant physical properties is provided on a straight-line basis over the estimated useful lives (3 to 40 years) of the respective assets. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

(i) Operating Versus Nonoperating Revenues and Expenses

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

(j) Risks and Uncertainties

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

(3) Investments

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

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

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

Custodial credit risk on deposits with banks is the risk that in the event of a bank failure, the University’s deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At June 30, 2009 and 2008, the bank amount of the University’s deposits was \$38,839 and \$9,322, respectively. Of that amount, \$9,426 and \$4,450, respectively, was insured. The remaining \$29,413 and \$4,872 at June 30, 2009 and 2008, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized.

The values of investments at June 30, 2009 and 2008 are as follows:

	2009	2008
Common stock	\$ 130,915	\$ 200,395
Equity mutual funds	13,107	21,402
US government obligations	4,440	2,857
US government agency obligations	9,151	11,645
Corporate bonds and notes	1,813	1,350
Bond mutual funds	66,641	72,083
Other	34,698	27,703
Total	\$ 260,765	\$ 337,435

Included in common stock above are approximately \$94 million of alternative investments and \$140 million as of June 30, 2009 and June 30, 2008, respectively, primarily private equity and hedge funds. Alternative investments do not have readily available market prices. These investments are carried at estimated fair value provided by the fund’s management. The University believes that the carrying amounts are reasonable estimates of fair value as of the year end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

Net depreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the years ended June 30, 2009 and June 30, 2008, the University realized a net loss of (\$28,390) and (\$25,973), respectively, from the sale of investments. The calculation of realized gains and losses is independent of the net depreciation in the fair value of investments held at year end. Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year. The net depreciation in the fair value of investments during the years ended June 30, 2009 and June 30, 2008 was (\$58,128) and (\$20,172), respectively. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized depreciation during fiscal year 2009 on investments was (\$23,738). In fiscal year 2008, the unrealized appreciation was \$5,801.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

The components of the net investment income are as follows:

	Interest and dividends, net	Net appreciation (depreciation) in market value of investments	Net investment income (loss)
Total 2009	\$6,169	(\$58,128)	(\$51,959)
Total 2008	\$7,862	(\$20,172)	(\$12,310)

Additional Disclosures Related to Interest-Bearing Investments

Statement Nos. 3 and 40 of the Governmental Accounting Standards Board require certain additional disclosures related to the interest-rate, credit and foreign currency risks associated with interest-bearing investments.

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

The maturities of the University's interest-bearing investments at June 30, 2009 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 4,440	\$ 3,192	\$ 1,248	\$ -	\$ -
US government agency obligations	9,151	1,819	6,710	622	-
Corporate bonds and notes	1,813	1,018	795	-	-
Bond mutual funds	66,641	2,312	30,891	23,985	9,453
Total	\$ 82,045	\$ 8,341	\$ 39,644	\$ 24,607	\$ 9,453

The maturities of the University's interest-bearing investments at June 30, 2008 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
US government obligations	\$ 2,857	\$ 744	\$ 2,113	\$ -	\$ -
US government agency obligations	11,645	2,275	4,757	4,287	326
Corporate bonds and notes	1,350	1,025	325	-	-
Bond mutual funds	72,165	7,727	27,790	29,143	7,505
Total	\$ 88,017	\$ 11,771	\$ 34,985	\$ 33,430	\$ 7,831

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

The credit ratings of the University's interest-bearing investments at June 30, 2009 are as follows:

Credit Rating (Moody's)	Total	Government Obligations	US Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 35,541	\$ 4,440	\$ 9,151	\$ 431	\$ 21,519
AA+	15,713	-	-	30	15,683
AA	5,858	-	-	161	5,697
AA-	4,765	-	-	-	4,765
A+	-	-	-	-	-
A	3,155	-	-	623	2,532
OTHER	17,013	-	-	568	16,445
Total	\$ 82,045	\$ 4,440	\$ 9,151	\$ 1,813	\$ 66,641

The credit ratings of the University's interest-bearing investments at June 30, 2008 are as follows:

Credit Rating (Moody's)	Total	Government Obligations	US Agency Obligations	Corporate Bonds	Bond Mutual Funds
AAA	\$ 44,399	\$ 2,857	\$ 11,229	\$ -	\$ 30,313
AA+	-	-	-	-	-
AA	26,630	-	416	-	26,214
AA-	627	-	-	625	2
A+	15,624	-	-	-	15,624
A	303	-	-	298	5
OTHER	434	-	-	427	7
Total	\$ 88,017	\$ 2,857	\$ 11,645	\$ 1,350	\$ 72,165

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2009, the University had no exposure to foreign currency risk.

(4) Accounts Receivable

Accounts receivable consist of the following as of June 30, 2009 and 2008:

	2009	2008
Sponsor accounts	\$ 7,167	\$ 5,923
Student accounts	17,609	12,165
Other	9,570	14,130
	<u>\$ 34,346</u>	<u>\$ 32,218</u>
Less allowances for loss on accounts receivable	(2,301)	(2,271)
Accounts receivable, net	<u>\$ 32,045</u>	<u>\$ 29,947</u>

In addition, the University has student loans receivable of \$29,108 and \$29,423 as of June 30, 2009 and 2008, respectively. The related allowances as of June 30, 2009 and 2008 are \$4,472 and \$4,391, respectively.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

(5) Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation.

Capital assets consist of the following as of June 30, 2009:

	<u>2008</u>	Additions/ <u>Transfers</u>	Net <u>Retirements</u>	<u>2009</u>
Land	\$ 10,990	\$ 332	\$ -	\$ 11,322
Infrastructure	93,775	(1,219)	564	91,992
Buildings	649,341	21,481	5,940	664,882
Equipment	195,308	9,932	7,972	197,268
Construction-in-progress	11,904	18,176	-	30,080
	<u>961,318</u>	<u>48,702</u>	<u>14,476</u>	<u>995,544</u>
Less accumulated depreciation	<u>395,346</u>	<u>38,745</u>	<u>13,031</u>	<u>421,060</u>
Capital assets, net	<u>\$ 565,972</u>	<u>\$ 9,957</u>	<u>\$ 1,445</u>	<u>\$ 574,484</u>

Included in depreciation expense of \$40,190 for the year ended June 30, 2009 is a loss of \$1,445 from the disposal of obsolete capital assets.

Capital assets consist of the following as of June 30, 2008:

	<u>2007</u>	Additions/ <u>Transfers</u>	Net <u>Retirements</u>	<u>2008</u>
Land	\$ 9,974	\$ 1,034	\$ 18	\$ 10,990
Infrastructure	91,988	1,787	-	93,775
Buildings	598,725	50,616	-	649,341
Equipment	176,541	19,533	766	195,308
Construction-in-progress	26,468	(14,564)	-	11,904
	<u>903,696</u>	<u>58,406</u>	<u>784</u>	<u>961,318</u>
Less accumulated depreciation	<u>355,816</u>	<u>39,753</u>	<u>223</u>	<u>395,346</u>
Capital assets, net	<u>\$ 547,880</u>	<u>\$ 18,653</u>	<u>\$ 561</u>	<u>\$ 565,972</u>

Included in depreciation expense of \$40,315 for the year ended June 30, 2008 is a loss of \$561 from the disposal of obsolete capital assets.

(6) Long-term Liabilities

Long-term Debt

In accordance with the General Receipts bonds Trust Agreement, the Series 1998, Series 2000, Series 2009, Series 2008B and Series 2008A General Receipts bonds are subject to mandatory or optional redemption.

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

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2009 and 2008

(in thousands)

In August 2008, the University issued \$60,000 in Series 2008B General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2002 General Receipts bonds with an outstanding principal balance of \$60,000. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the University's long-term obligations.

In April 2009, the University issued \$157,635 in Series 2009A General Receipts bonds. The proceeds from the bond sale were used for the early redemption of Series 2001 General Receipts bonds with an outstanding principal balance of \$153,500. The additional \$4,135 related to capitalized interest and costs of issuance. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the University's long-term obligations.

In fiscal year 1998, the University defeased Dormitory Revenue bonds by creating separate irrevocable trust funds. University resources were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been legally defeased and therefore removed as a liability from the University's net investment in plant fund. At June 30, 2009 and 2008, \$0 and \$410 respectively, of this defeased debt was outstanding.

The University has entered into a 30-year interest rate swap agreement for \$155,500 of the variable rate 2001 Series General Receipts bonds. During 2009, the interest rate swap agreement was re-identified in connection with refunding of the 2001 Series General Receipt bonds through the issuance of 2009A Series General Receipt bonds. Based on the swap agreement, the University owes interest calculated at a fixed rate of 5.02% to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counter-party. The \$155,500 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the University effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The University will be exposed to variable rates only if the counter-party to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the University paying or receiving a termination payment. No mark-to-market adjustment for this swap is required under government accounting standards. The fair value of the swap agreement was (\$24,624) and (\$24,798) at June 30, 2009 and 2008, respectively.

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2009 and 2008

(in thousands)

The University has entered into a 30-year interest rate swap agreement for \$60,000 of the variable rate 2002 Series General Receipts bonds. During 2009, the interest rate swap agreement was re-identified in connection with refunding of the 2002 Series General Receipt bonds through the issuance of 2008B Series General Receipt bonds. Based on the swap agreement, the University owes interest calculated at a fixed rate of 3.72% to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate. The \$60,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. A termination of the swap agreement may also result in the University paying or receiving a termination payment. No mark-to-market adjustment for this swap is required under government accounting standards. The fair value of the swap agreement was (\$6,419) and (\$2,901) at June 30, 2009 and 2008, respectively.

The University has entered into a 22-year interest rate swap agreement for \$29,310 of the variable rate 2006 Series General Receipts bonds. During 2008, the interest rate swap agreement was re-identified in connection with refunding of the 2006 Series General Receipt bonds through the issuance of 2008A Series General Receipt bonds. Based on the swap agreement, the University owes interest calculated at a fixed rate of 4.18% to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate. The \$29,310 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. A termination of the swap agreement may also result in the University paying or receiving a termination payment. No mark-to-market adjustment for this swap is required under government accounting standards. The fair value of the swap agreement was (\$3,450) and (\$2,328) at June 30, 2009 and 2008, respectively.

The University has entered into a 15-year interest rate swap agreement for \$15,610 of the variable rate 2008A Series General Receipts bonds. Based on the swap agreement, the University owes interest calculated at a fixed rate of 3.76% to the counter-party to the swap. In return, the counter-party owes the University interest based on a variable rate. The \$15,610 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The University continues to pay interest to the bondholders at the variable rate provided by the bonds. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. A termination of the swap agreement may also result in the University paying or receiving a termination payment. No mark-to-market adjustment for this swap is required under government accounting standards. The fair value of the swap agreement was (\$1,242) and (\$709) at June 30, 2009 and 2008, respectively.

The University has entered into several interest rate swap agreements as a means of lowering its borrowing costs to protect against the potential of rising interest rates.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

Long-term debt consists of the following as of June 30, 2009:

	<u>Rates</u>	<u>Maturity</u>	<u>2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>2009</u>
General Receipts Bonds of 2009A	6.75	2009-2031	\$ -	\$157,635	\$1,030	\$156,605
General Receipts Bonds of 2008A	4.5-4.96	2009-2028	43,170	-	1,655	41,515
General Receipts Bonds of 2008B	4.32	2028-2032	-	60,000	-	60,000
General Receipts Bonds of 2002	3.72	2028-2032	60,000	-	60,000	-
General Receipts Bonds of 2001	5.02	2007-2031	153,500	-	153,500	-
General Receipts Bonds of 2000	5.0-6.0	2004-2024	8,120	-	325	7,795
Other	various	various	12,742	6	2,644	10,104
			<u>\$ 277,532</u>	<u>\$ 217,641</u>	<u>\$ 219,154</u>	<u>\$ 276,019</u>
Less current portion long-term debt			5,645			5,847
			<u>\$ 271,887</u>			<u>\$ 270,172</u>

Long-term debt consists of the following as of June 30, 2008:

	<u>Rates</u>	<u>Maturity</u>	<u>2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>2008</u>
General Receipts Bonds of 2008A	3.76-4.18	2009-2028	\$ -	\$ 43,170	\$ -	\$ 43,170
General Receipts Bonds of 2006	4.18	2007-2028	28,400	-	28,400	-
General Receipts Bonds of 2002	3.72	2028-2032	60,000	-	-	60,000
General Receipts Bonds of 2001	5.02	2007-2031	154,500	-	1,000	153,500
General Receipts Bonds of 2000	5.0-6.0	2004-2024	8,430	-	310	8,120
General Receipts Bonds of 1998	4.1-5.0	2004-2023	15,810	-	15,810	-
Other	various	various	6,013	9,036	2,307	12,742
			<u>\$ 273,153</u>	<u>\$ 52,206</u>	<u>\$ 47,827</u>	<u>\$ 277,532</u>
Less current portion long-term debt			4,307			5,645
			<u>\$ 268,846</u>			<u>\$ 271,887</u>

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$5,847	\$15,772	\$21,619
2011	6,024	15,476	21,500
2012	8,214	15,227	23,441
2013	8,685	14,713	23,398
2014	9,049	14,227	23,276
2015-2019	44,280	63,517	107,797
2020-2024	54,550	48,756	103,306
2025-2029	80,265	30,954	111,219
2030-2032	59,105	5,413	64,518
Total	<u>\$276,019</u>	<u>\$ 224,055</u>	<u>\$ 500,074</u>

Accrued Compensated Absences

Per University policy, faculty and staff earn vacation up to a maximum of 25 days per year with a maximum accrual of 75 days. Upon termination, they are entitled to a payout of their accumulated balance. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The liability for accrued vacation at June 30, 2009 and 2008 is \$12,730 and \$12,156, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro-rata monthly basis for salaried employees and on a pro-rata hourly basis for classified hourly employees). Employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25% of unused days (maximum of 30 days). The liability for accrued sick leave at June 30, 2009 and 2008 is \$4,627 and \$4,660, respectively.

A summary of accrued compensated absences at June 30, 2009 and 2008 is as follows:

<u>For the year ended</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
June 30, 2009	\$16,816	\$2,225	\$ 1,684	\$ 17,357
June 30, 2008	14,884	3,811	1,879	16,816

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

(7) Retirement Benefits

(a) Basic Retirement Benefits

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Ohio Public Employees Retirement System (“OPERS”) and the State Teachers Retirement System of Ohio (“STRS Ohio”). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members. The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS Ohio 3.5% of earned compensation for those employees participating in the alternative retirement program. The University’s contribution to the alternative retirement fund for the years ended June 30, 2009, 2008, and 2007 were \$827, \$742, and \$655, respectively.

The Ohio Public Employees Retirement System’s Comprehensive Annual Financial Report may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of covered payroll and the University is required to contribute 14% of covered payroll. The University’s contributions to OPERS for the years ended June 30, 2009, 2008, and 2007 were \$12,906, \$11,843, and \$10,965, respectively, equal to the required contributions for each year.

The State Teachers Retirement System of Ohio’s Comprehensive Annual Financial Report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% of covered payroll and the University is required to contribute 14% of covered payroll. The University’s contributions to STRS Ohio for the years ended June 30, 2009, 2008, and 2007 were \$12,987, \$12,345, and \$11,423, respectively, equal to the required contributions for each year.

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

OPERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying State service credit. Health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. The 2008 employer contribution rate for health care was 7% of covered payroll.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

OPERS benefits are advance-funded on an actuarially determined basis. OPERS actuarially accrued liability and the unfunded actuarial accrued liability, based on an entry age normal actuarial cost method of valuation, were \$29.8 billion and \$17 billion, respectively. Significant actuarial assumptions include a 6.5% investment return, 4% individual pay increases, and a 4.5% to 8% increase in health care costs. All investments are carried at market value. For actuarial valuations purposes, a smoothed market approach is used. As of December 31, 2007, the actuarial value of the retirement system's net assets available for other post-employment benefits was \$12.8 billion. The number of active contributing participants in the traditional and combined plans was 363,503 as of December 31, 2008.

STRS Ohio provides access to health care coverage to retirees who participated in the defined benefit or combined plans. Coverage includes hospitalization, physician's fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Pursuant to the Ohio Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Ohio Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By State law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The State Teachers Retirement Board currently allocates employer contributions, which equals 1% of covered payroll, to a health care stabilization fund from which health care benefits are paid. The balance in the health care stabilization fund was \$3.7 billion at June 30, 2008.

For the year ended June 30, 2008, the net health care costs paid by STRS Ohio were \$288,878. There were 126,506 eligible benefit recipients.

(c) Ohio Public Employees Deferred Compensation Program

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

In 1998, the Ohio Public Employees Deferred Compensation Program Board implemented a trust to hold the assets of the Program in accordance with Internal Revenue Code Section 457. The program assets are the property of the trust, which holds the assets on behalf of the participants.

Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this program are not reported in the accompanying financial statements.

At June 30, 2009 and 2008, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were \$6,367 and \$6,392, respectively, which represents the fair market value at such dates.

KENT STATE UNIVERSITY

Notes to Financial Statements

June 30, 2009 and 2008

(in thousands)

(8) Contingencies and Commitments

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against any and all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University is a defendant in a lawsuit filed by one of its construction contractors for alleged construction delays and inefficiencies. In July 2009, a judgment in favor of the plaintiff was rendered in the amount of \$4,080. The University recorded this amount as a liability at June 30, 2009.

The University is also self-insured for workers' compensation, unemployment compensation and substantially all employee health benefits. The University's risk exposure is limited to claims incurred.

Total claims paid during the years ended June 30, 2009 and 2008 were \$36,222 and \$32,929, respectively. A liability for unpaid claims (including incurred but not reported claims) in the amount of \$5,216 and \$5,097 has been accrued as of June 30, 2009 and 2008, respectively. This estimate is based on an analysis of historical claims paid.

In March 2009, the University approved a University Employee Separation Plan (UESP) offered to select employees. The UESP is a one-time offer to full-time faculty, unclassified and classified (represented and unrepresented) employees who achieved 15 or more years of service with the University as of June 30, 2009. Part-time employees and employees who had retired and were subsequently re-hired by the University were not eligible to participate in the plan. Eligible employees who chose the UESP left the University on June 30 with a separation package that included a base amount plus an amount equivalent to a portion of the employee's accrued sick leave pay. The University contracted with Educators Preferred Corp. (EPC) to administer the leave plan. Total costs including the base payout, accrued sick leave, and administrative costs associated with the implementation and administration of the plan were recorded as a liability as of June 30, 2009 in the amount of \$8,630.

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2009 and 2008 for operating leases amounted to approximately \$876 and \$1,023, respectively.

Future minimum payments on non-cancelable operating leases subsequent to June 30, 2009 are as follows:

	<u>Operating Leases</u>
2010	\$645
2011	494
2012	438
2013	423
2014	425
2015	<u>403</u>
Total future minimum payments	<u><u>\$ 2,828</u></u>

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2009 and 2008 (in thousands)

(9) Related Party Transactions

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

(10) Component Unit

The University is the sole beneficiary of the Foundation, a separate not-for-profit entity organized for the purpose of promoting educational and research activities. The Foundation is a legally separate entity from the University and maintains a self-appointing Board of Trustees. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation. Accordingly, management historically concluded that the Foundation was not a component unit of the University as defined by GASB Statement No. 14, *The Financial Reporting Entity*. However, under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation now meets the revised definition as a component unit.

Assets totaling approximately \$117,377 and \$140,410 at June 30, 2009 and 2008, respectively, most of which have been restricted by donors for specific purposes, are presented separately. Amounts received by the University from the Foundation are included in the accompanying financial statements. The University received approximately \$13,556 and \$6,668 of financial support during the years ended June 30, 2009 and 2008, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2009 and 2008, the University had outstanding receivables from the Foundation of approximately \$9 and \$241, respectively.

During the year ended June 30, 2009, the Foundation changed its method of accounting related to collections. This change in accounting principle is reported through retrospective application of the change to all periods presented. Refer to the Foundation's financial statements for further detail.

(11) Subsequent Events

In September 2009, the University issued \$234,366 in 2009B General Receipts bonds. The proceeds of the bond sale will be used for the early redemption of the Series 2000 bonds, aggregating \$7,795, the Series 2008A bonds aggregating \$41,515, and the Series 2009A bonds, aggregating \$156,605. In addition, proceeds of the bond sale were used for the termination of three swap agreements associated with the above noted bond series.



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

To the Board of Trustees
Kent State University

We have audited the basic financial statements of Kent State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2009. Our report was modified to include reference to other auditors. We have 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. Other auditors audited the financial statements of Kent State University Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kent State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Board of Trustees
Kent State University

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of trustees, others within the entity, 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.

Plante & Morse, PLLC

October 15, 2009

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

To the Board of Trustees
Kent State University

Compliance

We have audited the compliance of Kent State University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The major federal programs of Kent State University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Kent State University's management. Our responsibility is to express an opinion on Kent State 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 Kent State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kent State University's compliance with those requirements.

In our opinion, Kent State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

To the Board of Trustees
Kent State University

Internal Control Over Compliance

The management of Kent State 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 Kent State 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, 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.

Plante & Moran, PLLC

October 15, 2009

Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
STUDENT FINANCIAL AID			
Department of Education			
Direct Programs			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 986,765
Federal Work-Study Program	84.033		1,456,785
Federal Perkins Loan Program	84.038		1,880,778
Federal Pell Grant Program	84.063		32,674,863
Academic Competitiveness Grants	84.375		971,965
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		<u>167,084</u>
Total Department of Education			38,138,240
Department of Health and Human Services			
Direct Program			
Nursing Student Loans	93.364		<u>436,958</u>
Total Major Programs			38,575,198
OTHER PROGRAMS			
RESEARCH AND DEVELOPMENT			
Department of Agriculture			
Pass-through Programs			
Ohio Aeronautics Institute - Grants for Agricultural Research Special Research Grants	10.200	R-300-100193-40023	10,019
University of Toledo - Grants for Agricultural Research Special Research Grants	10.200	KSU 445431	<u>20,000</u>
Total			30,019
Miami University - Grants for Agricultural Research Competitive Research	10.206	USDA-2007-35320-18349	<u>33,658</u>
Total Department of Agriculture			63,677
Department of Commerce			
Direct Programs			
Measurement and Engineering Research and Standards	11.609		147,344
Climate and Atmospheric Research	11.431		145,949
Pass-through Programs			
Ohio Sea Grant Program - Sea Grant Support	11.417	NA06OAR4170020	32,713
Colorlink - Advanced Technology Program	11.612	96-01-0263	<u>2,088</u>
Total Department of Commerce			328,094

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Defense			
Direct Programs			
Basic and Applied Scientific Research	12.300		\$ 154,837
Basic Scientific Research	12.431		41,947
Air Force Defense Research Sciences Program	12.800		1,127,572
Mathematical Sciences Grants Program	12.901		7,926
Research and Technology Development	12.910		91,103
Pass-through Programs			
Oregon State University - Basic and Applied Scientific Research	12.300	K9474J-A	214
Dynamic Eye Inc - Dual Mode Eye Shields	NONE	W911QY-08-C-0049	30,985
Cornerstone Research Group Inc. - STTR Phase II	NONE	FA9550-05-C-0036	3,212
Dynamic Eye Inc - Segmented Flash Blindness Lenses	NONE	SA1-PO014	19,202
General Dynamics Information Technology	NONE	GDIT	23,741
Pixel Optics Inc - Super Vision Project	NONE	1FA7014-07-C-0013	258,502
Battelle Memorial Institute - Alternative Energy Fuel Cell Power Generator	NONE	#220300	93,988
Total			<u>429,630</u>
Total Department of Defense			1,853,229
Department of Housing and Urban Development			
Pass-through Programs			
Center for Community Solutions - Community Development Block Grants/Entitlement Grants	14.218	68-318 PRIME	36
Department of the Interior			
Pass-through Programs			
Ohio Department of Natural Resources - Fish, Wildlife and Plant Conservation Resource Management	15.231	KSU 444560	16,894
Minnesota Department of Natural Resources - State Wildlife Grants	15.634	A89365	53
Total Department of the Interior			16,947
Department of Justice			
Direct Program			
Special Data Collections and Statistical Studies	16.734		37,137
Pass-through Programs			
Ohio Department of Youth Services - Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2005-JJ-SI1-0522	507
The Urban Institute - Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	08208-000-00-KSU-01	17,271
Research Triangle Institute - Part D - Research, Evaluation, Technical Assistance and Training	16.542	9-312-0209835	58,340
University of Akron - Justice Research Development and Evaluation Project	16.560	5-34166-KSU	23,734
City of Cleveland - Edward Byrne Memorial State and Local Law Enforcement	16.580	PO CLEVE-SG67943A	222,623

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Justice (Continued)			
Pass-through Programs (Continued)			
Ohio Criminal Justice Studies - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-JG-EOR-6475	\$ 804
NEOUCOM - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2007-JG-EOR-6583	1,521
NEOUCOM - Edward Byrne Memorial Justice Assistance Grant Program (A,B)	16.738	2007-JG-EOR-6583	<u>11,022</u>
Total			13,347
Ohio Criminal Justice Studies - Anti-gang Initiative	16.744	2006-PS-CAG-373	<u>38,394</u>
Total Department of Justice			411,353
Department of Transportation			
Pass-through Programs			
Ohio Department of Transportation - Highway Planning and Construction	20.205	21436	172,509
Arkansas State Highway & Transportation Dept. - Highway Planning and Construction	20.205	061134	<u>631</u>
Total			173,140
University of Akron - University Transportation Centers Program	20.701	DTRT06-G-0037	<u>16,786</u>
Total Department of Transportation			189,926
National Aeronautics and Space Administration			
Pass-through Programs			
ATK Space Systems - Development of Particle-Based Flow Diagnostic Techniques	NONE	0009300	9,121
Institute of Museum and Library Services			
Direct Programs			
Museums for America	45.301		8,634
National Leadership Grants	45.312		152,126
Pass-through Programs			
State Library of Ohio - Grants to States	45.310	VII-01-06	<u>337</u>
Total Institute of Museum and Library Services			161,097
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		133,933
Mathematical and Physical Sciences	47.049		1,969,498
Geosciences	47.050		108,120

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
National Science Foundation (Continued)			
Direct Programs (Continued)			
Computer and Information Science and Engineering	47.070		\$ 188,339
Biological Sciences	47.074		101,235
Social, Behavioral, and Economic Sciences	47.075		133,458
Education and Human Resources	47.076		933,365
Polar Programs	47.078		51,879
International Science and Engineering (OISE)	47.079		22,391
IPA ASSIGNMENT	NONE	0603961	12,805
Pass-through Programs			
Kent Displays Inc. - Engineering Grants	47.041	OII-0610809	813
Kent Displays Inc. - Engineering Grants	47.041	610809	140
Kent Displays Inc. - Engineering Grants	47.041	IIP0750379	99,229
Total			100,182
Institute for Complex Adaptive Matter - Mathematical and Physical Sciences	47.049	KSU 444290	25,242
Ohio State Research Foundation - Mathematical and Physical Sciences	47.049	60004660	7,464
Total			32,706
Indiana University - Biological Sciences	47.074	PO # 419481	27,690
Indiana University - Biological Sciences	47.074	PO # 419481	420
Total			28,110
University of Wisconsin-Milwaukee - Social Behavioral and Economic Sciences	47.075	BCS-0616957	(19,255)
University of Florida - Social, Behavioral, and Economic Sciences	47.075	UF08058	20,729
Total			1,474
Ohio State Research Foundation - Education and Human Resources	47.076	Project #745925	41,826
Temple University - Education and Human Resources	47.076	332304181	3,870
Eastern Michigan University - Education and Human Resources	47.076	KSU 446448	2,138
Total			47,834
Total National Science Foundation			3,865,329
Environmental Protection Agency			
Direct Program			
Assessment and Watershed Protection Program Grants	66.480		28,989
Department of Energy			
Direct Program			
Office of Science Financial Assistance Program	81.049		812,002
Pass-through Programs			
University of Chicago - Office of Scientific and Technical Information	81.064		37,632
Total Department of Energy			849,634

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Education			
Direct Programs			
Fund for the Improvement of Postsecondary Education	84.116		\$ 211,982
National Institute on Disability and Rehabilitation Research	84.133		99,763
Education Research, Development, and Dissemination	84.305		444,639
Pass-through Programs			
Ohio Department of Education - Special Education Grants to States	84.027	EDU01-0000003002	311,205
Virginia Commonwealth University - National Institute on Disability and Rehabilitation	84.133	PT101165-SC100174	98,828
Cleveland Municipal School District - Drug-Free Schools and Communities National Programs	84.184	74724239	32
Ohio State Research Foundation - Fund for the Improvement of Education	84.215	PO FR01087885 / ED U215K040292	3,169
Franklin Parrish School Board - Education Technology State Grants	84.318	FP101	<u>(3,636)</u>
Total Department of Education			1,165,982
Department of Health and Human Services			
Direct Programs			
Injury Prevention and Control Research and State and Community Based Programs	93.136		463,712
Research and Training in Complementary and Alternative Medicine	93.213		196,194
Mental Health Research Grants	93.242		1,059,487
Drug Abuse and Addiction Research Programs	93.279		39,071
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		4,371
Nursing Research	93.361		231,162
Cancer Cause and Prevention Research	93.393		46,250
Cancer Treatment Research	93.395		20,880
Cardiovascular Diseases Research	93.837		527,364
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		120,361
Digestive Diseases and Nutrition Research	93.848		415,457
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		546,283
Child Health and Human Development Extramural Research	93.865		612,813
Aging Research	93.866		239,568
Pass-through Programs			
Cuyahoga County Community Mental Health Board - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	0800050-01	368,450
Cuyahoga County Community Mental Health Board - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	0800050-01	6,365
Cuyahoga County Community Mental Health Board - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1 U79 SM56055-01	<u>216,508</u>
Total			591,323

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Health and Human Services (Continued)			
Pass-through Programs (Continued)			
Hospital for Special Surgery - Oral Diseases and Disorders Research	93.121	2R04 DE004141-31A1	\$ 95,013
Stanford University - Human Genome Research	93.172	30162-A	52,318
Temple University - Mental Health Research Grants	93.242	36-1811-491	9,621
Summa - Mental Health Research Grants	93.242	080786-89701-KSU	<u>8,470</u>
Total			18,091
HUMADAOP - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	KSU 440470	85,402
Stark County Mental Health & Recovery Service Bd - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	KSU 440880	<u>21,565</u>
Total			106,967
University of Tennessee - Alcohol Research Programs	93.273	OR9636-001.01	75,836
Ohio Department of Alcohol & Drug Addiction Services - Substance Abuse and Mental Health Services-Access to Recovery	93.275	KSU 440879	10,995
University of Pittsburgh - Nursing Research	93.361	5 R01 NR004749-09	34,474
Case Western Reserve University - Nursing Research	93.361	RES502761/1R01-NR010787- 01A2	<u>10,477</u>
Total			44,951
Butler Hospital - Heart and Vascular Diseases Research	93.837	9279-8344	13,285
Stanford University - Biomedical Research and Research Training	93.859	22747060-41598-A	91,103
California State University San Marcos Foundation - Biomedical Research and Research Training	93.859	85168 573-40	<u>57,247</u>
Total			148,350
University of Minnesota Applied Psychology - Population Research	93.864	S2986113101	14,179
Georgia Institute of Technology - Aging Research	93.866	G-42-682-G3	45,042
University of Pittsburgh - Aging Research	93.866	113322-1	<u>9,036</u>
Total			54,078
Ohio Department of Alcohol and Drug Abuse Services - Block Grants for Prevention and Treatment of Substance	93.959	99-3402-HEDUC-P-08-0077	(1,380)
Ohio Department of Alcohol & Drug Addiction Services - Block Grants for Prevention and Treatment of Substance Abuse	93.959	99-3402-HEDUC-P-007	<u>25,005</u>
Total			23,625
Macro International, Inc - Treatment Effectiveness Study	NONE	35126-5S-666	15,040
Macro International, Inc - Treatment Effectiveness Study	NONE	35126-8S-1176	<u>17,485</u>
Total			<u>32,525</u>
Total Department of Health and Human Services			<u>5,804,509</u>
Total Research and Development			14,747,923

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
TRIO Programs			
Department of Education			
Direct Programs			
TRIO Student Support Services	84.042		\$ 347,515
TRIO Upward Bound	84.047		976,648
TRIO McNair Post-Baccalaureate Achievement	84.217		<u>206,573</u>
Total TRIO Programs			<u>1,530,736</u>
WIA Programs			
Department of Labor			
Pass-through Programs			
Ohio Department of Job and Family Services - WIA Adult Program	17.258	G-89-15-1479	75,811
Department of Defense			
Direct Programs			
Flood Plain Management Services	12.104		4,541
Mathematical Sciences Grants Program	12.901		<u>92,262</u>
Total Department of Defense			96,803
Department of Housing and Urban Development			
Pass-through Programs			
Stark County Regional Planning Commission - Community Development Block Grants/Entitlement Grants	14.218	PO 111601	26,881
Stark County Regional Planning Commission - Community Development Block Grants/Entitlement Grants	14.218	B-07-UC-39-0005	<u>418</u>
Total Department of Housing and Urban Development			27,299
Department of Justice			
Direct Program			
Bulletproof Vest Partnership Program	16.607		8,150
Department of Labor			
Direct Program			
WIA Pilots, Demonstrations, and Research Projects	17.261		83,827
Pass-through Programs			
Ohio Department of Education - Incentive Grants - WIA Section 503	17.267	062976-AB-WIA-2009	<u>70,929</u>
Total Department of Labor			154,756
Department of State			
Direct Program			
US DOS - Euphrates Tigris Initiative	NONE	S-LMAQM-07-GR-320	5,609

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of State (Continued)			
Pass-through Programs			
International Research & Exchange Board - International Education Training and Research	19.430	FY07-ILEP-KENT-02	\$ 8,616
International Research & Exchange Board - International Education Training and Research	19.430	FY08-ILEP-KENT-01	118,511
Academy For Educational Development	NONE	S-ECAAE-06-CA-121	<u>1,253</u>
Total Department of State			133,989
National Endowment for the Arts			
Direct Program			
Promotion of the Arts - Grants to Organizations and Individuals	45.024		15,000
National Endowment for the Humanities			
Direct Program			
Promotion of the Humanities - Professional Development	45.169		12,900
Pass-through Programs			
Ohio Humanities Council - Promotion of the Humanities - Federal/State Partnership	45.129	OHC-09-012	7,170
Eastern Illinois University - Promotion of the Humanities - Professional Development	45.163	08-01	<u>25,377</u>
Total National Endowment for the Humanities			45,447
Institute of Museum and Library Services			
Direct Program			
Laura Bush 21st Century Librarian Program	45.313		477,653
National Science Foundation			
Direct Programs			
Geosciences	47.050		172,147
Education and Human Resources	47.076		140,753
Pass-through Program			
National Academy of Engineering - Education and Human Resources	47.076		<u>2,100</u>
Total National Science Foundation			315,000
Small Business Administration			
Pass-through Programs			
Kent Regional Business Alliance - Small Business Development Center	59.037	KSU 445028	49,133
Kent Regional Business Alliance - Small Business Development Center	59.037	KSU 445052	25,293
Ohio Department of Development - Small Business Development Center	59.037		118,136
Ohio Department of Development - Small Business Development Center	59.037		68
Ohio Department of Development - Small Business Development Center	59.037		87,473
Ohio Business Development Organization - Small Business Development Center	59.037	OMDT 28-07043	57,742
Ohio Business Development Organization - Small Business Development Center	59.037	OMDT 28-07043	<u>7,000</u>
Total Small Business Administration			344,845

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Direct Programs			
Rehabilitation Long-Term Training	84.129		\$ 106,474
National Institute for Literacy	84.257		185,635
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		707,191
Demonstration Projects to Support Postsecondary Faculty, Staff, and Administrations in Educating Students with Disabilities	84.333		151,391
Pass-through Programs			
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-2007C	39,779
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2008	57,552
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2009	496,714
Ohio Department of Education - Adult Education - Basic Grants to States	84.002	062976-AB-SL-2008C	<u>20,503</u>
Total			614,548
Ohio Department of Education - Special Education - Grants to States	84.027	6B-SP-08	77,112
Ohio Department of Education - Career and Technical Education - Basic Grants to States	84.048	VEPD-CB-09-062976	111,195
Special Projects and Demonstrations for Providing	84.235		36,179
Ohio Department of Education - Tech-Prep Education	84.243	062976-ETC-2008	12,655
Ohio Department of Education - Tech-Prep Education	84.243	062976-ETC-2009	<u>153,877</u>
Total			166,532
Ohio Rehabilitation Services Commission - National Institute for Literacy	84.257	X257T060001	67,703
University of Tennessee - National Institute for Literacy	84.257	OR8999-001.01	53,786
Pennsylvania State University - National Institute for Literacy	84.257		133,048
World Education - National Institute for Literacy	84.257	EDX257T060001	<u>21,205</u>
Total			275,742
University of Akron - Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities (B)	84.325		56,193
Canton City Schools - Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GEAR UP	7,065
Ohio Department of Education - Teacher Quality Enhancement Grants (B)	84.336	C1667-OMAP-08-15	28,414
Ohio Department of Education - Teacher Quality Enhancement Grants (B)	84.366	C1667-OMAP-09-04	<u>124,561</u>
Total			152,975
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	06-21	26,511
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	06-22	3,928
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	07-17	122,550
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	08-18	10,074
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	07-18	93,147
Ohio Department of Education - Improving Teacher Quality State Grants	84.367	062976-OFEA	27,713
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	08-15	8,538
Ohio Board of Regents - Improving Teacher Quality State Grants (A)	84.367	07-20	<u>123,625</u>
Total			416,086

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Education (Continued)			
Pass-through Programs (Continued)			
National Writing Project Corp - National Writing Project	84.928	97OH03	\$ 351
National Writing Project Corp - National Writing Project	84.928	97-OH-03	8,422
National Writing Project Corp - National Writing Project	84.928	97-OH03	<u>32,854</u>
Total			<u>41,627</u>
Total Department of Education			3,105,945
National Archives and Records Administration			
Direct Program			
National Historical Publications and Records Grants	89.003		989
Department of Health and Human Services			
Direct Programs			
Advanced Education Nursing Traineeships	93.358		42,130
Health Care and Other Facilities	93.887		39,668
Pass-through Programs			
Cuyahoga County Board of Commissioners - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	AG 0800028-01	29,882
Canton Regional Area Health Education Center - Model State-supported Area Health Education Centers	93.107	28-C-2	265
Canton Regional Area Health Education Center - Model State-supported Area Health Education Centers	93.107	03-C-2	23,486
Canton Regional Area Health Education Center - Model State-supported Area Health Education Centers	93.107	30-C-3	3,807
Canton Regional Area Health Education Center - Model State-supported Area Health Education Centers	93.107	31-C-2	<u>2,081</u>
Total			29,639
Center for Research to Practice - Mental Health Research Grants	93.242		17,396
Ohio Department of Mental Health - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	TA.09.01.01.01	12,586
Ohio Department of Mental Health - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	TA-09-02-01-01	23,732
Ohio Department of Mental Health - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	TA-08-20.01.01	24,322
Ohio Department of Mental Health - Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	TA-08-21.01.01	<u>29,794</u>
Total			90,434

Kent State University

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2009

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Identifying Number	Expenditures
Department of Health and Human Services (Continued)			
Pass-through Programs (Continued)			
Licking County Children and Family First Council - Temporary Assistance for Needy Families	93.558	KSU 440514	\$ 5,548
National Youths Sport Program - Community Services Block Grant - Discretionary Awards	93.570	NYSPF 04-1073	374
Ohio Department of Mental Health - Block Grants for Community Mental Health Services	93.958	OCS-411-09-01	<u>362,993</u>
Total Department of Health and Human Services			<u>618,064</u>
Total Other Programs			<u>21,698,410</u>
Total Federal Awards			<u>\$ 60,273,608</u>

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 1 - Significant Accounting Policies

Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the University and is presented on the same basis of accounting as the basic financial statements. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Facilities and Administrative Costs - The University has approved predetermined facilities and administrative cost rates, which are 46 percent from July 1, 2008 to June 30, 2009 for on-campus research and 26 percent from July 1, 2008 to June 30, 2009 for off-campus research.

Note 2 - Loans Outstanding

The institution had the following loan balances outstanding at June 30, 2009. These loan balances are not included in the federal expenditures presented in the schedule.

Cluster/Program Title	CFDA	Amount	
	Number	Advances	Outstanding
Perkins Loan Program	84.038	\$1,810,487	\$ 26,829,710
Nursing Student Loan Program	93.364	402,150	2,205,101

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 3 - Federal Direct Loan Program

During the year ended June 30, 2009, the University processed applications for the following loan amounts under the federal direct loan program which includes Stafford Loans, unsubsidized Stafford Loans, and Parent Plus Loans for Undergraduate Students.

	CFDA Number	Advances
Federal direct loan advances	84.268	\$ 166,223,625

Note 4 - Subrecipient Awards

During the year ended June 30, 2009, the University disbursed funds to subrecipients as follows:

CFDA Number	Federal Grantor/Program Title	Amount
NONE	Pixel Optics Inc - Super Vision Project	\$ 65,900
12.800	Basic Scientific Research	708,005
20.205	Highway Planning and Construction	84,100
47.050	Geosciences	55,291
47.075	Social, Behavioral, and Economic Sciences	19,148
47.076	Education and Human Resources	265,973
59.037	Small Business Development Centers	64,156
66.480	Assessment and Watershed Protection Program Grants	5,556
84.002	Adult Education - Basic Grants to States	26,449
84.243	Tech-Prep Education	10,642
84.257	National Institute for Literacy	204,576
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	104,193
93.136	Injury Prevention and Control Research and State and Community Based Programs	137,502
93.213	Research and Training in Complimentary and Alternative Medicine	59,958
93.242	Mental Health Research Grants	271,240
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	62,154

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 4 - Subrecipient Awards (Continued)

CFDA Number	Federal Grantor/Program Title	Amount
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	\$ 2,512
93.837	Heart and Vascular Diseases Research	63,360
93.848	Digestive Diseases and Nutrition Research	306,469
93.865	Child Health and Human Development Extramural Research	23,717
93.866	Aging Research	<u>34,727</u>
	Total	<u>\$ 2,575,627</u>

Note 5 - Federal Expenditure Reconciliation

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

Expenditures per the schedule	\$ 60,273,608
Perkins Loan Funds excluded from federal grants on the Statement	(1,880,778)
Nursing Student Loan Funds excluded from the federal grants on the Statement	(436,958)
Indirect costs excluded from federal grants on the Statement	<u>(3,886,443)</u>
Total	<u>\$ 54,069,429</u>

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

Note 6 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the University transferred \$122,642 of Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007) award funds to the Federal Work Study (FWS) Program (84.003) for the 2008-2009 award year.

Kent State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 6 - Adjustments and Transfers (Continued)

In addition, the University carried forward \$123,292 of the 2008-2009 SEOG award to the 2009-2010 award year. The University also carried forward \$70,486 of the 2008-2009 FWS award to the 2009-2010 award year. The University additionally carried back \$144,357 of the 2008-2009 award to the 2007-2008 award year.

Kent State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified

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

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.375, 84.376, 84.268, 93.364	Student Financial Aid

Dollar threshold used to distinguish between type A and type B programs: \$1,808,208

Auditee qualified as low-risk auditee? Yes No

Kent State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Kent State University

Summary Schedule of Prior Audit Findings Year Ended June 30, 2009

Reference Number	Findings
2008-01	<p>Finding Type - Significant deficiency</p> <p>Condition - There was not a proper review performed on the capital lease reconciliation and related adjusting entry.</p> <p>Status - Corrective action has been taken.</p>
2008-02	<p>Finding Type - Significant deficiency</p> <p>Condition - Reconciliation of fixed assets and net assets were incorrectly prepared as part of the prior year's audit.</p> <p>Status - Corrective action has been taken.</p>

**Kent State University
National Collegiate Athletics Association**

**Agreed-upon Procedures Report
June 30, 2009**

Kent State University National Collegiate Athletics Association Report

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

Dr. Lester A. Lefton
President
Kent State University
Kent, OH 44242

We have performed the procedures enumerated below, which were agreed to by Kent State University (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program Statement of Revenues and Expenditures of Kent State University is in compliance with the National Collegiate Athletics Association ("NCAA"), Bylaw 6.2.3 for the year ended June 30, 2009. Kent State University's management is responsible for the statement of revenue and expenditures ("statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Statement of Revenues and Expenditures

The procedures that we performed and our results are as follows:

Internal Control Structure

- A. In preparation for our procedures related to the University's internal control structure, we met with the Senior Fiscal Manager of Intercollegiate Athletics and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment; we obtained and inspected the audited financial statements for the year ended June 30, 2009 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure; and we obtained and inspected any documentation of the accounting systems and procedures unique to the Intercollegiate Athletics Department. We then performed the following procedure:

I) We selected three games and tested the ticket collection receipting process by comparing the total receipts for such games to the reconciliation and documentation of the related cash deposit amount with the bank.

Result: We selected one football game, one men's basketball game, and one women's basketball game during the year and agreed the gate sales for such events, as documented by the University's ticket reconciliation procedures, to deposit slips of the related cash deposit amount with the bank. The reconciliations agreed to actual ticket sales per the Ticketmaster report to the revenue reported on the statement of revenue and expenditures.

Capital Expenditure Survey and Related Debt

B. In preparation for our procedures related to the Capital Expenditure Survey, we obtained the Capital Expenditure Survey for the reporting period, prepared by management; we obtained the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets; and we obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We then performed the following procedures:

I) **Procedure:** We agreed the data provided on the Capital Expenditure Survey to the University's general ledger and disclosed additions, deletions, and book values in the report.

Result: No exceptions were noted. See Note I for additions, deletions, and book values.

2) **Procedure:** We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We then agreed the total annual maturities to supporting documentation and the University's general ledger, as applicable and disclosed in the report.

Result: Per inquiry with management, there is no debt related to intercollegiate athletics. Outstanding debt of the University was agreed to the maturity schedule obtained from management and to the audited financial statements.

Intercollegiate Athletics Restricted and Endowment and Plant Funds

C. **Procedure:** We obtained a summary of significant additions exceeding 10 percent and \$50,000 or more of prior year balances to restricted funds related to intercollegiate athletics, as well as significant changes exceeding 10 percent and \$50,000 or more to endowment and plant funds related to intercollegiate athletics, prepared by management. We will disclose the significant additions in the report.

Result: See Note 3 for these significant additions and changes.

Statement of Revenues and Expenditures

D. **Procedure:** We obtained the Intercollegiate Athletics Program Statement of Revenues and Expenditures for the reporting period, prepared by management, and agreed all amounts back to the University's general ledger.

Result: No exceptions were noted upon performing the above procedures.

Revenues

E. Revenue Procedures:

1) Ticket Sales

Procedure:

- i. We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals.
- ii. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University.
- iii. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.
- iv. We compared the revenue account to prior period amounts and budget estimates.
- v. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: We completed procedure steps (i) through (iii) without exception, including agreeing tickets sold per the Ticketmaster report to the revenue reported on the statement of revenue and expenditures. Revenue receipts for the sample of three games for procedure step (iv) were agreed to bank deposit slips. See Appendix A for procedure (v).

2) Student Fees

Procedure:

- i. We compared and agreed student fees reported by the University in the statement for the reporting to student enrollments during the same reporting period.
- ii. We obtained and documented the University's methodology for allocating student fees to intercollegiate athletics programs, and recalculated totals.

- iii. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University.
- iv. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.
- v. We compared the revenue account to prior period amounts and budget estimates.
- vi. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: We completed procedure steps (i) through (iii) without exception, including agreeing the student fees revenue to the University's allocation calculation. We reviewed the calculation and noted it was consistently applied compared to prior year. As student fee revenue is determined based on the student fees allocation calculation, procedure (iv) was not performed. We compared student fees revenue amount for the Intercollegiate Athletics Program with the prior amount and noted no variations exceeding 10 percent and \$50,000 of the prior year balance.

3) Guarantees

Procedure:

- i. We selected a sample of three settlement reports for away games during the reporting period and agreed each selection to University's general ledger and/or the statement.
- ii. We selected a sample of one contractual agreement pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or the statement, and recalculated totals.
- iii. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University.
- iv. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.
- v. We compared the revenue account to prior period amounts and budget estimates.
- vi. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: Per discussion with management, settlement reports for away games do not exist as there are no agreements of guaranteed revenue amounts between Mid American Conference (“MAC”) institutions. No portion of the ticket revenue is paid to Kent State University for MAC away games. As such, procedure steps (i) and (iv) were not completed. Contractual agreements pertaining to revenues derived from guaranteed contests as described in procedure step (ii) only exist with non-conference institutions. We obtained the contractual agreement between the University and Iowa State University (“ISU”) in the amount of \$275,000. We vouched this amount to a copy of the check from ISU to the University. Guarantee revenue of \$275,000 was agreed to the University’s general ledger without exception. See Appendix A for procedures (v) and (vi).

4) Contributions

Procedure:

- i. We obtained supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent and \$50,000 of all contributions received for intercollegiate athletics during the reporting periods.
- ii. We disclosed the source and dollar value of these contributions in the report.
- iii. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University.
- iv. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.
- v. We compared the revenue account to prior period amounts and budget estimates.
- vi. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: We completed procedure steps (i) through (iv) without exception, including agreeing the sample of three revenue receipts to gift in-kind contribution forms. We compared the total contribution revenue amount for the Intercollegiate Athletics Program with the prior year amount and noted no variations exceeding 10 percent and \$50,000 of the prior year balance.

5) NCAA/Conference Distributions Including All Tournament Revenues

Procedure:

- i. We obtained and inspected agreements related to the University’s participation in revenues from tournaments during the reporting period.
- ii. We compared and agreed the related revenues to the University’s general ledger, and/or the statement, and recalculated totals.

- iii. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University.
- iv. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.
- v. We compared the revenue account to prior period amounts and budget estimates.
- vi. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: We completed procedure steps (i) through (iv) without exception, including agreeing the sample of three revenue receipts to bank deposit slips. We compared the total NCAA/Conference distribution revenue amount for the Intercollegiate Athletics Program with the prior year amount and noted no variations exceeding 10 percent and \$50,000 of the prior year balance.

Expenditures

F. Expenditure Procedures:

I) Athletic Student Aid

Procedure:

- i. We selected a sample of 30 student athletes from the listing of University student aid recipients during the reporting period.
- ii. We obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account and recalculated totals.
- iii. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University.
- iv. We compared and agreed a sample of 30 expenses obtained from the above expense supporting schedules to supporting documentation.
- v. We compared and agreed the expense account to prior period amounts and budget estimates.
- vi. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: For our sample of 30 students selected, each student's account detail agreed to their award letter and was recalculated except for the book voucher, which is offered but not disbursed to the student's account. We agreed a sample of 30 expenses and agreed expense amount to the offered and accepted award summary by student. No exceptions were noted. We compared the total Athletic Student Aid expenditure amount for the Intercollegiate Athletics Program with the prior year amount and noted no variations exceeding 10 percent and \$50,000 of the prior year balance.

2) Guarantees

Procedure:

- i. We obtained and inspected away-game settlement reports received by the University during the reporting period and agreed related expenses to the University's general ledger and/or the statement.
- ii. We obtained and inspected one contractual agreement pertaining to expenses recorded by the University from guaranteed contests during the reporting period.
- iii. We compared and agreed related amounts expensed by the University during the reporting period to the University's general ledger and/or the statement and recalculated totals.
- iv. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University.
- v. We compared and agreed a sample of three expenses obtained from the above expense supporting schedules to supporting documentation.
- vi. We compared and agreed the expense account to prior period amounts and budget estimates.
- vii. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: Per discussion with management, settlement reports for away games do not exist as there are no agreements of guaranteed revenue amounts between Mid American Conference ("MAC") institutions. No portion of the ticket revenue is paid to Kent State University for MAC away games. As such, procedure steps (i) and (v) were not completed. Contractual agreements pertaining to revenues derived from guaranteed contests as described in procedure step (ii) only exist with non-conference institutions. We completed procedure steps (ii) through (iv) without exception. We obtained the agreement between the University and Delaware State University ("DSU") in the amount of \$275,000 of guarantees. We vouched this amount to a copy of the check paid to DSU by the University. Guarantee expenditure of \$275,000 was agreed to the University's general ledger without exception. We noted that the guarantee expenditures are reported under the other operating expenses line of the Statement of Revenue and Expenditures. See Appendix A for procedures (vi) and (vii).

3) Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

Procedure:

- i. We obtained and inspected a listing of coaches employed by the University and related entities during the reporting period.
- ii. We selected a sample of five coaches' contracts that included football, and men's and women's basketball from the above listing.

- iii. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period.
- iv. We obtained and inspected W-2s, 1099s, etc. for each selection.
- v. We compared and agreed related W-2s, 1099s, etc. to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period, and recalculated totals.
- vi. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University.
- vii. We compared and agreed a sample of five expenses obtained from the above expense supporting schedules to supporting documentation.
- viii. We compared and agreed the expense account to prior period amounts and budget estimates.
- ix. We obtained and documented any significant variations exceeding 10 percent and \$50,000.

Result: We completed procedure steps (i) through (vii) without exception, including agreeing the sample of five expenses to coach's contract, W-2, and payroll personal action forms. There were no 1099s issued to the coaches by the University of the sample selected. We compared the total personal services and staff benefits expenditure amount for the Intercollegiate Athletics Program with the prior year amount and noted no variations exceeding 10 percent and \$50,000 of the prior year balance.

Affiliated and Outside Organizations

G. **Procedure:** We inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:

- 1) Booster organizations established by or on behalf of an intercollegiate athletics program
- 2) Independent or affiliated foundations or other organizations that have as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments or other monies, goods, or services to be used entirely or in part by the intercollegiate athletics program
- 3) Alumni organizations that have as one of its principal purposes the generating of monies, goods, or services for or on behalf of an intercollegiate athletics programs and that contribute monies, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted

We obtained documentation of the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We tested the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletic program by agreeing the organization's activity for the reporting period to the general ledger of the University.

Result: We inquired and obtained documentation for the University's practices and procedures for monitoring affiliated and outside organizations, which include the Blue and Gold Fund, the Varsity "K" Club, and the National Athletic Development Council. We agreed each organization's activity for the reporting period to the general ledger of the University. No exceptions were noted.

H. **Procedure:** For expenses on or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the University's accounting control, we obtained those organizations' financial statements for the reporting period. We agreed the amounts reported to the organizations' general ledger or confirmed the revenue and expenses directly with the responsible official of the organization. We obtained a summary of revenue and expenses for or on behalf of the organization and have included it with this report. We obtained and reviewed audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management. We performed the following supplemental procedures:

- 1) We compared and agreed a sample of three operating revenue categories reported in the organization's statement during the reporting period to supporting schedules provided by the organization.
- 2) We compared and agreed a sample of three operating revenue receipts obtained from the above operating revenue schedule to supporting documentation.
- 3) We compared and agreed each operating expense category reported in the organization's statement during the reporting period to supporting schedules provided by the organization.
- 4) We compared and agreed a sample of three operating expenses obtained from the above operating expense supporting schedules to supporting documentation.
- 5) We directly confirmed cash balances recorded at the end of the reporting period by the organization and compared to the related year-end bank reconciliations.
- 6) We obtained and inspected minutes of the organization's governing bodies during the reporting period and selected a sample of three financial transactions discussed in the minutes.

Kent State University
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- 7) We selected a sample of three financial transactions discussed in the minutes and compare and agreed each selection to the organization's accounting records, as applicable.
- 8) We obtained the documented internal controls in place surrounding revenues and expenses related to the organization.

Result: We noted that all affiliated and outside organizations are under the University's accounting controls; therefore, the above procedures are not applicable and none of the above procedures were performed.

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

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

Plante & Moran, PLLC

October 9, 2009

Kent State University National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenues and Expenditures Year Ended June 30, 2009

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating Revenues						
Ticket sales	\$ 118,724	\$ 188,336	\$ 14,401	\$ 22,721	\$ 61,578	\$ 405,760
Student fees	-	-	-	-	9,785,000	9,785,000
Guarantees	425,000	75,000	-	3,475	-	503,475
Contributions	55,116	56,595	30,114	186,224	265,399	593,448
Facility rentals and memberships	-	-	-	3,865	97,180	101,045
Sponsorship sales	-	-	-	-	424,678	424,678
NCAA/Conference distributions - Including all tournament revenues	-	-	-	-	903,801	903,801
Royalties, adv., sponsorships	-	-	-	-	96,010	96,010
Sports camp revenues	-	-	-	-	120,848	120,848
Other	3,507	-	-	20,981	99,413	123,901
Total operating revenue	602,347	319,931	44,515	237,266	11,853,907	13,057,966
Operating Expenditures						
Athletic student aid	1,830,106	341,161	298,671	2,326,464	117,472	4,913,874
Personnel services	794,357	428,064	389,462	1,301,195	2,398,770	5,311,848
Staff benefits	234,399	111,708	110,184	402,445	1,019,650	1,878,386
Recruiting	72,096	71,336	45,371	84,286	749	273,838
Team travel	381,991	165,579	131,371	665,288	230,837	1,575,066
Equipment, uniforms, and supplies	232,760	32,519	17,887	256,415	842,342	1,381,923
Entertainment	12,498	1,115	259	5,340	85,574	104,786
Printing and postage	9,247	7,595	4,408	17,420	201,923	240,593
Direct facilities, maintenance, and rental	37,266	16,922	16,324	53,338	879,588	1,003,438
Other operating expenses	593,149	246,863	41,188	124,801	743,945	1,749,946
Total operating expenditures	4,197,869	1,422,862	1,055,125	5,236,992	6,520,850	18,433,698
Excess of Revenue Over (Under) Expenditures	<u>\$ (3,595,522)</u>	<u>\$ (1,102,931)</u>	<u>\$ (1,010,610)</u>	<u>\$ (4,999,726)</u>	<u>\$ 5,333,057</u>	<u>\$ (5,375,732)</u>

Kent State University

National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenditures Year Ended June 30, 2009

Note I - Intercollegiate Athletics-related Assets

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 3-40 years depending on class.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2009 are as follows:

	Current Year Additions	Current Year Deletions
Football athletics facilities	\$ 4,267,327	\$ -
Other athletics facilities	<u>2,105</u>	<u>563,759</u>
Total athletics facilities	<u>\$ 4,269,432</u>	<u>\$ 563,759</u>
Other University facilities	<u>\$ 15,992,589</u>	<u>\$ 5,940,387</u>

The total estimated book values of property, plant, and equipment, net of depreciation, of the University as of the year ended June 30, 2009, are as follows:

	Estimated Book Value
Athletically related property, plant, and equipment balance	\$ 19,601,942
University's total property, plant, and equipment balances	\$ 574,483,914

Kent State University National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenditures Year Ended June 30, 2009

Note 2 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University as of the year ended June 30, 2009 is as follows:

	Annual Debt Service	Debt Outstanding
Athletically related facilities	\$ 18,476,787	\$ 265,915,000

Note 3 - Restrictive and Endowment Athletic Funds

The University has several restrictive and endowment athletic funds held for the benefit of the athletics program. For the year ended June 30, 2009, the following funds have grown over 10 percent and \$50,000 due to new contributions and earnings during the year:

Restrictive Fund	Source of Funds	Contribution	Value at June 30, 2009
Schoonover Baseball Stadium Project	Schoonover Investments LLP	\$ 225,000	\$ 81,710
Endowment Fund	Source of Funds	Contribution	Value at June 30, 2009
Bruno Santone Wrestling Scholarship	Bruno Gregory Santone Administrative Trust	\$ 500,000	\$ 731,881

Kent State University National Collegiate Athletics Association Report

Appendix A Intercollegiate Athletics Program Significant Variations and Explanations Year Ended June 30, 2009

	2008-09	2007-08			
	Total	Total	\$ Change	% Change	Explanation Provided by Intercollegiate Athletics Senior Fiscal Manager
Revenues					
Ticket sales	\$ 405,760	\$ 514,279	\$ (108,519)	-21%	Variance resulted from a \$54,000 decrease in ticket sales for men's basketball and a \$57,000 decrease in ticket sales revenue from the MAC Championship and NCAA tournaments due to the men's basketball team having a better season in the prior year.
Guarantees	\$ 503,475	\$ 1,227,640	\$ (724,165)	-59%	Variance due to a guarantee of \$650,000 that was received in the prior year, but not in the current year.
Sponsorship sales	\$ 424,678	\$ 370,886	\$ 53,792	15%	Variance resulted from three additional sponsorships totaling approximately \$57,000 in the current year.
Facility rentals and memberships	\$ 101,045	\$ 151,080	\$ (50,035)	-33%	Variance resulted from a \$51,000 decrease in membership sales in Athletic Facilities & Operations.
Sports camp revenues	\$ 120,848	\$ 51,335	\$ 69,513	135%	Variance due to incorrect cutoff of revenue during the prior year resulting in an approximately \$32,000 understatement in prior year and overstatement in the current year.
Other	\$ 123,901	\$ 291,333	\$ (167,432)	-57%	Variance due to Intercollegiate Athletics receiving an early termination fee of \$202,000 related to the termination of a coaching contract in the prior year.
Expenditures					
Recruiting	\$ 273,838	\$ 372,069	\$ (98,231)	-26%	Variance due to decreased spending in recruiting as a result of budget constraints.
Team travel	\$ 1,575,066	\$ 1,822,686	\$ (247,620)	-14%	Variance resulted from budget constraints leading to less team travel in the current year as well as a \$90,000 decrease in the current year for men's basketball due to team not participating in postseason tournaments.
Direct facilities, maintenance and rental	\$ 1,003,438	\$ 1,295,603	\$ (292,165)	-23%	Variance due to non-recurring expenses, such as the \$95,000 spent on the installation of scoreboards in the prior year, a decrease in auto lease expense, and a decrease in spending due to budget constraints.
Other operating expenses	\$ 1,749,946	\$ 1,122,345	\$ 627,601	56%	Variance is due to the following: 1) \$53,000 increase in the guarantees for men's basketball and football; 2) \$174,000 increase in the football operational account and \$133,000 increase to facilities and operations account due to new expenses such as EMS coverage at all athletic games in the MAC building, salaries for a table crew for men's basketball, women's basketball, and volleyball and increase in security cost. In addition, there was an increase in cost for additional lighting and mobile signs based on a difference in the timing of the scheduled games; 3) The training room had a \$72,000 increase relating to injury costs; this includes medical attention and supplies; 4) In 2009, preseason costs were recorded in the preseason account instead of the travel account which accounts for a \$52,000 increase. The remaining variance is due to a number of smaller increases in other programs and non-program areas.



Mary Taylor, CPA
Auditor of State

KENT STATE UNIVERSITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1, 2009**