

Kent State University

Federal Entity Identification Number 31-6402079

**Report on Federal Awards In Accordance With
OMB Circular A-133
For the Year Ended June 30, 2002**



**Auditor of State
Betty Montgomery**

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 6, 2003

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KENT STATE UNIVERSITY
Report On Federal Awards
In Accordance With OMB Circular A-133
For the Year Ended June 30, 2002

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KENT STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Kent State University ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2002. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes 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*. These financial statements differ significantly, in both the form and the accounting principles utilized, from prior financial statements. The financial statements presented in prior years focused on the accountability of fund groups, while these statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

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

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or 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

To respond to steadily increasing enrollment and to provide a state-of-the-art living environment for residential students, the University is building six residence halls and removing or replacing all existing residence halls on its Kent Campus. The project, which is scheduled for completion by Fall 2003, is being funded by a debt issuance.

In connection with this renovation, in February 2001, the University issued \$155.5 million in Series 2001 General Receipts bonds to finance various capital additions and improvements to dormitory facilities. During

KENT STATE UNIVERSITY

Management's Discussion and Analysis (Unaudited) -- Continued

the fiscal year ended June 30, 2002 the University expended \$37.4 million from the proceeds of these bonds resulting in corresponding increases in capital assets and total assets.

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

- The University's total assets increased over the prior year by \$86.4 million, of which, \$51.9 million is attributed to an increase in capital assets. Current assets increased by \$21.5 million, all of which is attributable to gains in cash and investments.
- Total liabilities increased by \$61.5 million which is primarily due to the \$60.0 million in bonds sold to finance capital expenditures.
- The University's net assets increased by \$24.8 million to \$354.8 million, of which \$254.5 is either invested in capital assets or restricted. Of the remaining \$100.3 million in unrestricted assets, all but \$1.3 million is designated for specific purposes.
- Operating revenues increased by \$29.3 million compared to the prior year, of which \$13.6 million is directly related to increased student tuition and fees.
- The University's operating expenses increased by \$23.4 million, with expected increases in all functional expense categories due primarily to inflationary factors.
- Non-operating revenue decreased by \$7.2 million, the majority of which is related to a \$3.8 million decrease in State appropriations. Investment income accounted for \$3.1 million of the remaining non-operating revenue decrease which resulted from changes in the overall investment market.
- The operating loss and principal debt payments totaled \$124.3 million, of which 96.6% was funded by State appropriations.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (Unaudited) -- Continued

**Kent State University
Condensed Statements of Net Assets
as of June 30, 2002 and 2001
(in thousands)**

	<u>2002</u>	<u>2001</u>	Total Percentage Change <u>2001 - 2002</u>
ASSETS			
Current and other assets	\$ 357,749	\$ 323,247	10.7%
Capital assets	<u>359,328</u>	<u>307,451</u>	16.9%
Total assets	<u><u>\$ 717,077</u></u>	<u><u>\$ 630,698</u></u>	13.7%
LIABILITIES			
Long-term debt outstanding	\$ 285,166	\$ 230,408	23.8%
Other	<u>77,127</u>	<u>70,354</u>	9.6%
Total liabilities	<u><u>\$ 362,293</u></u>	<u><u>\$ 300,762</u></u>	20.5%
NET ASSETS			
Invested in capital assets net of related debt	\$ 231,650	\$ 232,872	0.5%
Restricted, expendable and not expendable	22,838	22,419	1.9%
Unrestricted:			
designated	98,981	73,302	35.0%
undesignated	<u>1,315</u>	<u>1,343</u>	2.1%
Total net assets	<u><u>\$ 354,784</u></u>	<u><u>\$ 329,936</u></u>	7.5%

In fiscal 2002, the University's current assets of \$226.1 million were sufficient to cover current liabilities of \$60.6 million (current ratio of 3.7). In fiscal 2001, current assets of \$204.6 million were sufficient to cover current liabilities of \$54.0 million (current ratio of 3.8).

At June 30, 2002, total University assets were \$717.1 million, compared to \$630.7 million in fiscal 2001. The University's largest asset is its investment in physical plant of \$359.3 million at June 30, 2002 compared to \$307.5 million in fiscal 2001 (see dormitory project discussion above in Noteworthy Financial Activity).

Current and other assets increased \$34.5 million to \$357.7 million, compared to \$323.2 in fiscal year 2001. The largest component of the increase related to cash and cash equivalents, which increased by \$19.5 million or 10.6%, primarily due to unspent bond proceeds (see dormitory project discussion above in Noteworthy Financial Activity).

University liabilities total \$362.3 million at June 30, 2002 compared to \$300.8 million in fiscal 2001. Long-term debt of \$285.2 million, consisting of bonds payable, is the largest liability. Total long-term debt increased in fiscal 2002 due to a \$60 million bond issuance (see dormitory project discussion above in Noteworthy Financial Activity).

Total net assets increased by \$24.8 million to \$354.8 million. Unrestricted net assets total \$100.3 million, 98.7% of which (\$99.0 million) is designated for ongoing academic and research programs, capital projects and other initiatives.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (Unaudited) -- Continued

Kent State University
Condensed Statements of Revenues, Expenses and Changes in Net Assets
for the years ended June 30, 2002 and 2001
(in thousands)

	<u>2002</u>	<u>2001</u>	<u>Total Percentage</u> <u>Change</u>
Revenues			
Tuition	\$ 123,545	\$ 109,977	12.3%
State appropriations	120,163	123,963	3.1%
Federal and state grants	48,969	42,688	14.7%
Auxiliary activities	67,250	60,006	12.1%
Other	51,408	48,946	5.0%
Total revenue	<u>\$ 411,335</u>	<u>\$ 385,580</u>	6.7%
Expenses			
Instruction	\$ 137,769	\$ 129,999	6.0%
Research	12,765	12,491	2.2%
Institutional support	26,919	25,869	4.1%
Scholarships and fellowships	12,649	11,226	12.7%
Other	196,385	179,055	9.7%
Total expenses	<u>\$ 386,487</u>	<u>\$ 358,640</u>	7.8%

The most significant sources of operating revenues for the University are tuition and fees, auxiliary services, and grants and contracts. Tuition and auxiliary activities revenues grew during fiscal year 2002 as compared to 2001 by 12.3% and 12.1%, respectively. These increases were a result of a combination of enrollment growth and increases in rates for tuition and other student charges. The 14.7% increase in Federal and state grants was primarily a result of increases in federal and state student aid support.

Operating expenditures, including depreciation of \$28.4 million, totaled \$373.8 million. The scholarship and fellowship functional expense category grew by 12.7%, primarily related to an increase in University funded scholarships.

State appropriations were the most significant non-operating revenue totaling \$120.2 million.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (Unaudited) -- Continued

**Kent State University
Condensed Statements of Cash Flows
for the years ended June 30, 2002 and 2001
(in thousands)**

	<u>2002</u>	<u>2001</u>
Cash provided/(used) by:		
Operating activities	\$ (86,986)	\$ (108,146)
Investing activities	(467)	14,753
Capital and related financing activities	(15,742)	125,929
Non-capital financing activities	<u>122,674</u>	<u>127,748</u>
Net increase in cash	19,479	160,284
Cash and cash equivalents, beginning of year	<u>183,240</u>	<u>22,956</u>
Cash and cash equivalents, end of year	<u><u>\$ 202,719</u></u>	<u><u>\$ 183,240</u></u>

Major sources of cash included student tuition and fees (\$95.9 million), state appropriations (\$120.2 million), auxiliary activities (\$67.1 million), and grants and contracts (\$53.4 million). The largest payments were for suppliers (\$125.2 million) and employees (\$188.0 million).

Capital Asset and Debt Administration

Capital Assets

At the end of 2002, the University had invested \$359.3 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 \$51.8 million, or 16.8 percent, over last year (see dormitory project discussion above in Noteworthy Financial Activity).

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

	<u>2002</u>	<u>2001</u>	<u>Total Percentage Change</u> <u>2001- 2002</u>
Land	\$ 9.6	7.7	24.7%
Equipment	52.7	53.1	0.8%
Buildings and improvements	220.9	227.3	2.8%
Construction in progress	76.1	19.4	292.3%
Total	<u><u>\$ 359.3</u></u>	<u><u>\$ 307.5</u></u>	16.8%

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 \$290.7 million in bonds and notes outstanding—an increase of 24.0 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

Management's Discussion and Analysis (Unaudited) – Continued

Kent State University's Outstanding Debt (in millions of dollars)

	<u>2002</u>	<u>2001</u>	<u>Total Percentage Change 2001-2002</u>
General receipts bonds (backed by the University)	\$ 278.4	\$ 220.8	26.1%
Capital Leases	12.3	13.6	9.6%
	<u>\$ 290.7</u>	<u>\$ 234.4</u>	24.0%

New debt resulted mainly from issuing receipts bonds for the acquisitions of capital assets comprising portions of the University's capital budget for the prior, current, and three subsequent fiscal years.

Factors Affecting Future Periods

Looking toward the future, management believes that Kent State is well positioned to maintain its strong financial condition and its level of service to students, the state and the country. This outlook is connected to the University's ability to continue to recruit and enroll quality students, receive adequate financial support from the State of Ohio, generate grant and contract funding for research, public service and instructional activities and expand private funding for scholarships and academic programs and services.

Enrollments at Kent State University reached an all-time record for Fall 2001 with 33,465 students, enabling Kent State's enrollment to become the second largest in the state. Enrollment growth is expected to continue as record applications and admissions were achieved for Fall 2002. Opportunities for future enrollment growth are present on all eight campuses. New enrollment opportunities for programs delivered through distributed learning modalities also continue to be expanded creating new enrollment opportunities in addition to the growth in students attending one of the eight campuses.

The greatest challenge to maintaining strong enrollments is the increasing cost for students given recent cuts in state support. Appropriations from the State of Ohio were cut by over 6% from the amount originally appropriated for fiscal year 2002. Given the enrollment growth experienced by Kent State, state appropriations are expected to grow by 2-3% in fiscal year 2003.

Future growth in state appropriations is expected to be below the level historically provided. The exact level provided will be dependent on the state's economy and the amount of growth that occurs in state revenues. While the recent trend of transferring a larger share of the cost of public higher education to the student is likely to continue for the immediate future, Kent State expects demand for its programs to continue as the cost at competing university campuses has grown faster than at Kent State, and its regional campus system offers a lower cost alternative for students affected by the rising cost of tuition.

In fiscal year 2002 Kent State continued to experience growth in grant and contract appropriations. Opportunities for future growth are good as Ohio has established the Third Frontier initiative that is expected to appropriate \$1.5 billion for research and technology transfer activities over the next ten years. Kent State already was the benefactor of this new emphasis through an endowment of an imminent research scholar and is recognized by the Carnegie Foundation as one of the top 100 research extensive universities in the country.

KENT STATE UNIVERSITY

Management's Discussion and Analysis (Unaudited) – Continued

In 1997 Kent State undertook its first ever capital gift campaign with a \$100 million goal. Kent State expects that the campaign will be successfully completed by the end of the calendar year providing expanded scholarships and other support. The rate of return on the investments resulting from these gifts is currently constrained by the negative performance in the stock market, which will influence the full extent of the benefit that is to be provided.

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FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees of
Kent State University:

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses and changes in net assets and cash flows, present fairly, in all material respects, the financial position of Kent State University (the "University") at June 30, 2002 and 2001, and its revenues, expenses and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in Note 1, the University adopted the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for the Public Colleges and Universities*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statements Note Disclosures* as of July 1, 2001. The University adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* as of July 1, 2000.

The Management's Discussion and Analysis (MD&A) on pages 1 to 7 is not a required part of the financial statements but is supplemental information required by the GASB. The MD&A has been reviewed in accordance with standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion on the MD&A information.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2002 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

PricewaterhouseCoopers LLP

November 22, 2002

KENT STATE UNIVERSITY
STATEMENT OF NET ASSETS
as of June 30, 2002 and 2001
(in thousands)

	<u>2002</u>	<u>2001</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 202,719	\$ 183,240
Short-term investments	2,715	801
Accounts receivable, net	14,102	14,182
Inventories	1,887	2,176
Deposits and prepaid expenses	3,071	2,474
Accrued interest receivable	1,558	1,713
Total current assets	<u>226,052</u>	<u>204,586</u>
Noncurrent assets:		
Student loans receivable, net	20,806	19,690
Long-term investments	106,727	94,682
Capital assets, net	359,328	307,451
Other assets	4,164	4,289
Total noncurrent assets	<u>491,025</u>	<u>426,112</u>
Total assets	<u>\$ 717,077</u>	<u>\$ 630,698</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,574	\$ 13,228
Accrued payroll	6,587	6,295
Payroll taxes and accrued fringe benefits	5,254	5,506
Unearned fees and deposits	27,659	24,943
Current portion of long-term debt	5,569	3,999
Total current liabilities	<u>60,643</u>	<u>53,971</u>
Noncurrent liabilities:		
Accrued compensated absences	10,296	10,319
Accrued fringe benefits	4,662	4,076
Long-term unearned fees and deposits	1,526	1,988
Long-term debt	285,166	230,408
Total noncurrent liabilities	<u>301,650</u>	<u>246,791</u>
Total liabilities	<u>362,293</u>	<u>300,762</u>
NET ASSETS		
Invested in capital assets, net of related debt	231,650	232,872
Restricted, nonexpendable	132	140
Restricted, expendable	22,706	22,279
Unrestricted	100,296	74,645
Total net assets	<u>354,784</u>	<u>329,936</u>
Total liabilities and net assets	<u>\$ 717,077</u>	<u>\$ 630,698</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, 2002 and 2001
(in thousands)

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Student tuition and fees	\$ 148,883	\$ 130,968
Less scholarship allowances	25,338	20,991
Net student tuition and fees	<u>123,545</u>	<u>109,977</u>
Federal grants and contracts	39,933	33,767
State grants and contracts	9,036	8,921
Local grants and contracts	308	267
Nongovernmental grants and contracts	4,052	3,357
Sales and services of educational departments	6,649	6,045
Auxiliary activities	67,250	60,006
Other operating revenues	2,810	1,943
Total operating revenues	<u>253,583</u>	<u>224,283</u>
OPERATING EXPENSES		
Instruction	137,769	129,999
Research	12,765	12,491
Public service	13,924	14,626
Academic support	29,920	27,984
Student services	25,659	24,720
Institutional support	26,919	25,869
Scholarships and fellowships	12,649	11,226
Operation and maintenance of plant	25,352	27,194
Auxiliary activities	60,371	57,595
Depreciation	28,440	18,625
Total operating expenses	<u>373,768</u>	<u>350,329</u>
Operating loss	<u>(120,185)</u>	<u>(126,046)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	120,163	123,963
Gifts	3,284	3,533
Investment income	13,338	16,457
Interest on capital asset-related debt	(12,097)	(7,781)
Other nonoperating expenses	(622)	(530)
Net nonoperating revenues (expenses)	<u>124,066</u>	<u>135,642</u>
Income before other revenues, expenses, gains, or losses	3,881	9,596
Capital appropriation	20,967	16,394
Capital gifts	-	950
Total other revenues	<u>20,967</u>	<u>17,344</u>
Increase in net assets	24,848	26,940
NET ASSETS		
Net assets, as restated, beginning of year	329,936	302,996
Net assets, end of year	<u>\$ 354,784</u>	<u>\$ 329,936</u>

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

STATEMENT OF CASH FLOWS
for the years ended June 30, 2002 and 2001
(in thousands)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 95,947	\$ 81,397
Cash received from auxiliary activities	67,089	59,902
Cash received from other sources	10,714	7,886
Grants and contracts	53,368	47,175
Federal student loan funds received	443	340
Student loans granted, net of repayments	(1,410)	(780)
Cash paid to employees	(187,963)	(178,822)
Cash paid to suppliers	(125,174)	(125,244)
Net cash used in operating activities	(86,986)	(108,146)
 CASH FLOWS FROM INVESTING ACTIVITIES		
(Payments for) proceeds from investments, net	(16,405)	1,399
Interest received	15,938	13,354
Net cash (used in) provided by investing activities	(467)	14,753
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds, net	59,253	153,615
Principal payments under debt obligations	(4,153)	(5,523)
Interest paid	(11,774)	(6,518)
Capital appropriations	723	2,478
Purchases of capital assets	(59,169)	(17,593)
Other payments	(622)	(530)
Net cash (used in) provided by capital and related financing activities	(15,742)	125,929
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from State appropriations	120,163	123,963
Gifts received from KSU Foundation	2,511	3,785
Net cash provided in noncapital financing activities	122,674	127,748
 Net increase in cash and cash equivalents	 19,479	 160,284
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 183,240	 22,956
 CASH AND CASH EQUIVALENTS, END OF YEAR	 \$ 202,719	 \$ 183,240

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, 2002 and 2001
(in thousands)

	<u>2002</u>	<u>2001</u>
Reconciliation of net operating revenues (expenses) to net cash provided (used) in operating activities:		
Operating loss	\$ <u>(120,185)</u>	\$ <u>(126,046)</u>
Adjustments to reconcile net income (loss) to net cash provided (used) in operating activities:		
Depreciation expense	28,440	18,625
Change in assets and liabilities:		
Accounts receivable, net	854	(914)
Inventories	289	(1)
Deposits and prepaid expenses	(471)	304
Student loans receivable, net	(1,116)	(596)
Accounts payable and accrued liabilities	3,013	(388)
Accrued payroll	292	655
Payroll taxes and accrued fringe benefits	(333)	(2,129)
Unearned fees and deposits	2,254	2,212
Accrued compensated absences	(23)	132
Total change in assets and liabilities	<u>4,759</u>	<u>(725)</u>
Net cash used in operating activities	\$ <u>(86,986)</u>	\$ <u>(108,146)</u>

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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (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.

(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 ("GASB"). The University adopted the provisions of GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues*, No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001. As a result of these adoptions, changes to the presentation of amounts in the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows have been made. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the university as a whole, with resources classified for accounting and reporting purposes into four net asset categories according to externally imposed restrictions. Previously, financial statements focused on the accountability of individual fund groups rather than on the university as a whole.

The four required net asset categories are 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 they be maintained permanently by the University.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

- 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.

(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 that are financed in whole or in part by fees charged the external parties for goods or services.

(a) 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. Payments for and proceeds from investment activity are shown as net on the Statement of Cash Flows.

(b) Inventories

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

(c) 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.

(d) 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. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts and investment income.

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Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

(e) Accrued Liabilities

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

(f) Revenues and Expenditures

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

(g) 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 (three to forty 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.

(3) Cash, Cash Equivalents, and Investments

In accordance with the *Policies of the Board of Trustees of The University*, the only types of investments that may not be purchased by the University are derivative instruments.

Cash and cash equivalents consist of the following as of June 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Cash and repurchase agreements	\$ 178,643	\$ 173,212
Mutual funds	24,076	10,028
	<u>\$ 202,719</u>	<u>\$ 183,240</u>

Cash and cash equivalents include mutual and pooled investment funds that allow for daily withdrawals. The mutual and pooled investment funds have short-term to intermediate-term durations and are stated at quoted market value.

At June 30, 2002 and 2001, the carrying amounts of the University's cash for all funds were \$2,983 and \$2,567, respectively (including certificates of deposit aggregating \$666 and \$602 in 2002 and 2001, respectively) as compared to bank balances of \$2,361 and \$2,009, respectively. The differences in carrying amounts and bank balances were caused by outstanding checks and deposits in-transit. Of the bank balances, \$374 and \$419 for 2002 and 2001, respectively, were covered by federal deposit insurance, and \$1,893 and \$1,493, respectively, were uninsured but collateralized by pools of U. S. government and other securities pledged by the depository banks and held by the Federal Reserve Bank of Cleveland in the member bank's name. The remaining 2002 and 2001 balances of \$94 and \$97, respectively, were not collateralized and uninsured.

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**Notes to Financial Statements
June 30, 2002 and 2001
(in thousands)**

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

Fair value is based on the quoted market price. The University held the following types of investments at June 30, 2002 and 2001 (in thousands):

	2002		2001	
	Market	Cost	Market	Cost
Category 1:				
Corporate Bonds	\$44,929	\$46,692	\$40,950	\$39,876
Stock	97	90	216	204
	45,026	46,782	41,166	40,080
Category 2:				
U.S. Government Securities	63,847	63,074	54,310	53,933
Uncategorized				
State Treasury Asset Reserve ("Star Ohio")	569	569	7	7
Total Investments	\$109,442	\$110,425	\$95,483	\$94,020

STAR Ohio is an investment pool created pursuant to Ohio statutes and managed by the Treasurer of the State of Ohio. Amounts invested with STAR Ohio are not classifiable as to risk category because the University does not own identifiable securities of the pool. STAR Ohio is not registered with the Security and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940.

(4) Accounts Receivable

Accounts receivable consist of the following, as of June 30, 2002 and 2001:

	2002	2001
Sponsor accounts	\$ 4,161	\$ 4,976
Student accounts	6,994	5,820
Other	3,572	3,846
	\$ 14,727	\$ 14,642
Less allowances for loss on accounts receivable	(625)	(460)
Accounts receivable, net	\$ 14,102	\$ 14,182

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

In addition, the University has student loans receivable of \$24,397 and \$22,987 as of June 30, 2002 and 2001, respectively. The related allowances as of June 30, 2002 and 2001 are \$3,591 and \$3,297, respectively.

(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 consists of the following, as of June 30, 2001 and 2002:

	2001	Additions/ Transfers	Net Retirements	2002
Land	\$ 7,697	\$ 1,928		\$ 9,625
Infrastructure	45,649	680	74	46,255
Buildings	328,932	3,094	-	332,026
Equipment	138,435	17,859	6,656	149,638
Construction-in-progress	19,392	56,756	-	76,148
	540,105	80,317	6,730	613,692
Less accumulated depreciation	232,654	28,223	6,513	254,364
Capital assets, net	\$ 307,451	\$ 52,094	\$ 217	\$ 359,328

(6) Long-term Debt

In April 2002, the University issued \$60,000 in Series 2002 General Receipts bonds. The proceeds from the bond sale are being used for acquisitions of equipment, furnishings, real property and other improvements and renovations and rehabilitations of facilities comprising portions of the University's capital budget for the prior, current and three subsequent fiscal years.

In accordance with the General Receipts bonds Trust Agreement, the Series 1996, Series 1998, Series 2000, Series 2001 and Series 2002 General Receipts bonds are subject to mandatory or optional redemption. The Series 1994 General Receipts bonds are not subject to mandatory or optional redemption.

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

In fiscal year 1997, the University defeased Dormitory Revenue bonds by creating separate irrevocable trust funds. University resources were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

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, 2002 and 2001, \$5,057 and \$6,057, respectively, of this defeased debt was outstanding.

The University has entered into a thirty-year interest rate swap agreement for \$155,500 of the variable rate 2001 Series General Receipts bonds. Based on the swap agreement, the University owes interest calculated at a fixed rate of 5.02% to the 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.

Long-term debt consists of the following as of June 30, 2001 and 2002:

	Interest Rates	Maturity	2001	Outstanding Additions	Principal Retirements	2002
General Receipts Bonds of 2002	Variable	2028-2032	\$ -	\$ 60,000	\$ -	\$ 60,000
General Receipts Bonds of 2001	5.02	2007-2031	155,500	-	-	155,500
General Receipts Bonds of 2000	5.0-6.0	2002-2024	10,005	-	230	9,775
General Receipts Bonds of 1998	4.1-5.0	2002-2023	20,770	-	525	20,245
General Receipts Bonds of 1996	4.1-5.5	2002-2028	33,140	-	1,000	32,140
General Receipts Bonds of 1994	2.9-4.95	2002-2003	1,375	-	665	710
Other	Various	Various	13,617	514	1,766	12,365
			<u>234,407</u>	<u>\$ 60,514</u>	<u>\$ 4,186</u>	<u>290,735</u>
Less current portion long-term debt			<u>3,999</u>			<u>5,569</u>
			<u>\$230,408</u>			<u>\$285,166</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

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

generally callable. 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>
2003	\$ 5,569	\$ 12,710	\$ 18,279
2004	3,285	12,453	15,738
2005	3,106	12,299	15,405
2006	2,997	12,146	15,143
2007	4,096	12,000	16,096
2008 - 2012	23,477	57,269	80,746
2013 - 2017	38,560	49,409	87,969
2018 - 2022	49,830	38,421	88,251
2023 - 2027	54,900	24,835	79,735
2028 - 2032	104,915	10,671	115,586
Total	<u>\$ 290,735</u>	<u>\$ 242,213</u>	<u>\$ 532,948</u>

(7) Retirement Benefits

(a) Basic Retirement Benefits

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Public Employees Retirement System (PERS) and the State Teachers Retirement System (STRS). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS and PERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members. The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 5.76% of earned compensation for the period July, 2001 through September, 2001 and 3.5% of earned compensation for the period October, 2001 through June, 2002 for those employees participating in the alternative retirement program. The University's contribution to the alternative retirement fund for the year ending June 30, 2002 was \$363.

The Public Employees Retirement System's Comprehensive Annual Financial Report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% of covered payroll and the University is required to contribute 13.31% of covered payroll. The University's contributions to PERS for the years ending June 30, 2002, 2001 and 2000 were \$9,464, \$7,577 and \$8,709, respectively, equal to the required contributions for each year.

The State Teachers Retirement System's Comprehensive Annual Financial Report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 9.3% of covered payroll and the University is required to contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$10,961, \$10,789 and \$10,071, respectively, equal to the required contributions for each year.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

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

PERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS. The 2001 employer contribution rate for health care was 4.3% of covered payroll.

PERS actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively. As of December 31, 2000, the actuarial value of the Retirement System's net assets available for other post employment benefits was \$11,735.9 million. The number of active contributing participants was 411,076.

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

The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The State Teachers Retirement Board currently allocates employer contributions, which equals 4.5% of covered payroll, to a health care reserve fund from which payments for health care benefits are paid. The balance in the health care reserve fund was \$3.256 billion at June 30, 2001.

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

(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.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

The program assets are property of the trust, which holds the assets on behalf of the participants. Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this program are not reported in the accompanying Financial Statements.

At June 30, 2002 and 2001, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were \$1,883 and \$1,630, respectively, which represents the fair market value at such dates.

(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 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, 2002 and 2001 were \$20,985 and \$16,439. A liability for unpaid claims (including incurred but not reported claims) in the amount of \$331 and \$288 have been accrued as of June 30, 2002 and 2001. This estimate is based on an analysis of historical claims paid.

Under the State of Ohio's workers' compensation program, Public Employer State Agencies, including state universities and university hospitals, pay workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis. The Actuarial Section of the Bureau of Workers Compensation determines a rate for each governmental agency that will generate premium collections equal to the losses anticipated to be paid in the coming year. As part of the State of Ohio's implementation of GASB Statements No. 34 and 35, the State has allocated the unfunded workers' compensation liabilities for Public Employer State Agencies to the individual agencies. The Auditor of State has instructed state-assisted colleges and universities to incorporate these allocated liabilities in their financial reports. Accordingly, the University's Statement of Net Assets reflects unfunded workers' compensation liabilities of \$4,883 and \$4,216 at June 30, 2002 and 2001, respectively.

The University has operating leases for the use of real property and moveable equipment. Total expenditures during 2002 and 2001 for operating leases amounted to approximately \$1,471 and \$2,031, respectively.

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2002 and 2001 (in thousands)

Future minimum payments on non-cancelable operating leases subsequent to June 30, 2002 are as follows:

	<u>Leases</u>
2003	\$850
2004	790
2005	758
2006	745
2007	745
2008 - 2012	3,455
2013 - 2017	3,150
2018 - 2022	3,150
2023 - 2027	3,150
2028 - 2032	1,827
Total future minimum payments	<u>\$18,620</u>

(9) Related Party Transactions

The University is the sole beneficiary of the Kent State University Foundation (Foundation), a separate not-for-profit entity organized for the purpose of promoting educational and research activities. The Foundation is a legally separate entity from the University and maintains a self-appointing Board of Trustees. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation. Accordingly, management has determined that the Foundation is not a component unit of the University as defined by GASB Statement No. 14, *The Financial Reporting Entity*. However, under the recently issued GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation will be included as a component unit of the University in the fiscal year ending June 30, 2004. Assets totaling approximately \$77,501 and \$80,149 at June 30, 2002 and 2001, respectively, most of which have been restricted by donors for specific purposes, are held by the Foundation and are not recorded in the accompanying financial statements. Amounts received by the University from the Foundation are included in private support in the accompanying financial statements. The University received approximately \$2,751 and \$3,161 of financial support during the years ended June 30, 2002 and 2001, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2002 and 2001, the University had outstanding receivables from the Foundation of approximately \$1,311 and \$538, respectively.

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

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SUPPLEMENTAL FINANCIAL INFORMATION

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Kent State University

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

STUDENT FINANCIAL AID			
Department of Education			
Direct programs			
	Federal Supplemental Educational Opportunity Grants	84.007	\$ 1,119,763
	Federal Work-Study Program	84.033	1,749,901
	Federal Perkins Loan Program	84.038	4,465
	Federal Pell Grant Program	84.063	19,247,716
Total Department of Education			22,121,845
Department of Health and Human Services			
Direct program			
	Nursing Student Loans	93.364	25,910
Total Student Financial Aid			22,147,755
RESEARCH AND DEVELOPMENT			
Department of Agriculture			
Direct program			
	Forestry Research	10.652	8,769
National Oceanic Atmospheric Administration			
Pass-through programs			
	Ohio State University - Sea Grant Support	11.417	7,850
	University of Delaware - Environmental Sciences, Applications, Data, and Education	11.440	19,902
	Ohio State University - Center for Sponsored Coastal Ocean Research: Coastal Ocean Program	11.478	2,131
Total National Oceanic Atmospheric Administration			29,883
National Institute for Standards and Technology			
Direct program			
	Measurement and Engineering Research and Standards	11.609	45,456
Pass-through programs			
	BF Goodrich - Advance Technology Program	11.612	80,594
	Colorlink - Advance Technology Program	11.612	68
Total National Institute for Standards and Technology			126,118
Department of Defense			
Direct programs			
	Flood Plain Management Services	12.104	67
	ONR - Basic and Applied Scientific Research	12.300	72,715
	ONR - Basic, Applied, and Advanced Research in Science and Engineering	12.630	65,846
	Air Force Defense Research Sciences Program	12.800	56,864
	Research and Technology Development	12.910	528,523
Pass-through programs			
	University of Mississippi - Basic and Applied Scientific Research	12.300	1,451
	Samoff - Basic, Applied, and Advanced Research in Science and Engineering	12.630	42,630
	Anteon Corp - Basic, Applied, and Advanced Research in Science and Engineering	12.630	1,519
	Boulder Nonlinear Systems - Air Force Defense Research Sciences Program	12.800	89,915

Kent State University

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002**

	Technical Management Concepts - Air Force Defense Research Sciences Program	12.800	17,365
	University of Central Florida - Air Force Defense Research Sciences Program	12.800	57,877
	California Institute of Technology - Air Force Defense Research Sciences Program	12.800	(3,148)
	Ohio State University Research Foundation - Research and Technology Development	12.910	159,632
	Dayton Area Graduate Studies Institute - Research and Technology Development	12.910	44,026
	Boulder Nonlinear Systems - Research and Technology Development	12.910	45,183
	Rockwell - Research and Technology Development	12.910	39,763
	HRL Laboratories - Research and Technology Development	12.910	7,855
	Total Department of Defense		1,228,083
	Department of Housing and Urban Development		
	Pass-through program		
	City of Kent - Community Development Block Grants/Special Purpose Grants/Technical Assistance Programs	14.227	3,208
	US Geological Survey		
	Direct programs		
	National Cooperative Geologic Mapping Program	15.810	472
	Pass-through programs		
	Ohio University - Geological Research Survey and Data Acquisition	15.808	28,678
	Total US Geological Survey		29,150
	Department of Justice		
	Direct program		
	Violence Against Women Formula Grants	16.588	39,404
	Pass-through programs		
	SAIC - National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	42,738
	State of Ohio - Byrne Formula Grant Program	16.579	90,884
	Cuyahoga County - Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2,624
	Total Department of Justice		175,650
	Department of State		
	Pass-through program		
	National Research Council - Program for Study of Eastern Europe and the Independent States of the Former Soviet Union	19.300	4,713
	Department of Transportation		
	Pass-through programs		
	Ohio Department of Transportation - Highway Planning and Construction	20.205	82,226
	Ohio Department of Public Safety - Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	28,329
	Total Department of Transportation		110,555

Kent State University

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002**

National Aeronautics and Space Administration		
Direct program		
Technology Transfer	43.002	592,844
Pass-through program		
Ohio Aeronautics Institute - Technology Transfer	43.002	55,391
Total National Aeronautics and Space Administration		648,235
National Science Foundation		
Direct programs		
Engineering Grants	47.041	59,983
Mathematical and Physical Sciences	47.049	3,138,608
Geosciences	47.050	155,707
Computer and Information Science and Engineering	47.070	215,041
Biological Sciences	47.074	111,436
Social, Behavioral, and Economic Sciences	47.075	227,941
Education and Human Resources	47.076	243,058
Polar Programs	47.078	33,243
Pass-through programs		
Kent Display Systems - Engineering Grants	47.041	127,773
Santec - Engineering Grants	47.041	3,648
Kent Display Systems - Mathematical and Physical Sciences	47.049	6,647
Moxtek - Mathematical and Physical Sciences	47.049	22,947
University of Akron - Biological Sciences	47.074	4,239
US Civilian Research Foundation - Social, Behavioral, and Economic Sciences	47.075	6,412
Brown University - Social, Behavioral, and Economic Sciences	47.075	4,806
Total National Science Foundation		4,361,489
Environmental Protection Agency		
Direct program		
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	33,366
Pass-through programs		
Trumbull County Health Department - Nonpoint Source Implementation Grants	66.460	21
Great Lakes Commission - Great Lakes Program	66.469	14,081
NALMS - Surveys, Studies, Investigations, and Special Purpose Grants	66.606	17,263
Total Environmental Protection Agency		64,731
Department of Energy		
Direct program		
Office of Science Financial Assistance Program	81.049	426,548
Pass-through program		
SURA - Office of Science Financial Assistance Program	81.049	17,940
Total Department of Energy		444,488
Department of Education		
Direct programs		
Fund for the Improvement of Postsecondary Education	84.116	15,074
Safe and Drug-Free Schools and Communities: National Programs	84.184	69,227
Special Education: Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	113,835
Special Education: Parent Information Centers	84.328	96,816

Kent State University

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002**

Pass-through programs			
	Emporia State University - Fund for the Improvement of Postsecondary Education	84.116	1,142
	Embry Riddle - Fund for the Improvement of Postsecondary Education	84.116	4,448
	Cleveland Municipal School District - Safe and Drug-Free Schools and Communities:		
	National Programs	84.184	389,614
	Ohio State University - Preparing Tomorrow's Teachers to Use Technology	84.342	28,061
	University of Colorado - Preparing Tomorrow's Teachers to Use Technology	84.342	4,800
	University of Cincinnati - Preparing Tomorrow's Teachers to Use Technology	84.342	8,886
	University of Dayton - Preparing Tomorrow's Teachers to Use Technology	84.342	13,645
Total Department of Education			745,548
National Archives and Records Administration			
Direct program			
	National Historical Publications and Records Grants	89.003	12,676
Department of Health and Human Services			
Direct programs			
	National Research Services Awards	93.186	69,637
	Mental Health Research Grants	93.242	1,059,463
	Alcohol Research Programs	93.273	407,681
	Comparative Medicine	93.306	32,151
	Nursing Research	93.361	303,507
	Academic Research Enhancement Award	93.390	26,842
	Arthritis, Musculoskeletal and Skin Diseases Research	93.846	37,152
	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	344,123
	Genetics and Development Biology Research and Research Training	93.862	174,270
	Population Research	93.864	149,534
	Center for Research for Mothers and Children	93.865	58,575
	Assistance Programs for Chronic Disease Prevention and Control	93.945	39,300
Pass-through programs			
	Pennsylvania State University - Mental Health Research Grants	93.242	11,275
	Biotraces - Mental Health Research Grants	93.242	14,793
	Oregon Health Sciences University - Population Research	93.864	14
Total Department of Health and Human Services			2,728,317
Total Research and Development			10,721,613
TRIO PROGRAMS			
Department of Education			
Direct programs			
	TRIO - Student Support Services	84.042	384,620
	TRIO - Upward Bound	84.047	874,487
	TRIO - McNair Post-Baccalaureate Achievement	84.217	192,135
Total TRIO Programs			1,451,242

Kent State University

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002

OTHER PROGRAMS		
Department of Commerce		
Direct program		
Public Telecommunications Facilities: Planning and Construction	11.550	37,858
Department of Defense		
Direct program		
Air Force Defense Research Sciences Program	12.800	12,889
Department of Housing and Urban Development		
Pass-through programs		
Stark County Regional Planning Board - Community Development Block Grants/ Entitlement Grants	14.218	17,220
Trumbull Metropolitan Housing Authority - Community Development Block Grants/Economic Development Initiative	14.246	3,610
Total Department of Housing and Urban Development		20,830
US Geological Survey		
Direct program		
Outdoor Recreation: Acquisition, Development and Planning	15.916	278
Department of Justice		
Direct programs		
Bulletproof Vest Partnership Program	16.607	4,555
Public Safety Partnership and Community Policing Grants	16.710	84,867
Total Department of Justice		89,422
Department of Labor		
Direct program		
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261	180,736
Pass-through program		
Ohio Department of Jobs & Family Services - Employment and Training Administration Evaluations	17.262	146,422
Total Department of Labor		327,158
Department of State		
Direct program		
College and University Partnerships Program	19.405	75,090
Federal Aviation Administration		
Direct program		
Airport Improvement Program	20.106	40,950

Kent State University

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002**

National Foundation on the Arts and the Humanities		
Direct programs		
Promotion of the Arts: Grants to Organizations and Individuals	45.024	21,000
Institute of Museum and Library Services	45.301	382
Institute of Museum and Library Services: National Leadership Grants	45.312	31,869
Pass-through programs		
Ohio Humanities Council - Promotion of the Humanities: Federal/State Partnership	45.129	10,412
State Library of Ohio - State Library Program	45.310	14,677
Total National Endowment for the Arts		78,340
National Science Foundation		
Direct program		
Graduate Research Fellowship - Education and Human Resources	47.076	6,424
Small Business Administration		
Pass-through program		
Ohio Department of Development - Small Business Development Center	59.037	231,607
Department of Education		
Direct programs		
Rehabilitation Long-Term Training	84.129	194,897
Javits Fellowships	84.170	25,857
Fund for the Improvement of Education	84.215	1,055
National Institute for Literacy	84.257	268,848
National Institute on Student Achievement, Curriculum, and Assessment	84.305	21,234
Special Education: Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	380,021
Special Education: Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	760,082
Special Education: Parent Information Centers	84.328	99
Demonstration Projects to Ensure Students with Disabilities Receive a Higher Education	84.333	14,304
Preparing Tomorrow's Teachers to Use Technology	84.342	1,026,615
Pass-through programs		
State of Ohio - Adult Education: State Grant Program	84.002	669,110
State of Ohio - Special Education: Grants to States	84.027	(696)
State of Ohio - Vocational Education: Basic Grants to States	84.048	229,521
State of Ohio - Tech-Prep Education	84.243	219,170
Sacramento County Office of Education - National Institute for Literacy	84.257	3,045
NEOWP - Innovative Education Program Strategies	84.298	18,549
State of Ohio - Special Education: State Program Improvement Grants for Children with Disabilities	84.323	10,856
Canton City Schools - Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	9,874
State of Ohio - Teacher Quality Enhancement Grants	84.336	200,439
Total Department of Education		4,052,880
Department of Health and Human Services		
Direct program		
Advanced Education Nursing Traineeships	93.358	52,397
Basic Nurse Education and Practice Grants	93.359	77,984

Kent State University

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002**

Pass-through programs			
	CARHEN - Model State-Supported Area Health Education Centers	93.107	25,876
	National Youth Sports Program - Community Services Block Grant: Discretionary Awards	93.570	65,449
	ODADAS - Block Grants for Prevention and Treatment of Substance Abuse	93.959	24,439
Total Department of Health and Human Services			246,145
Corporation for National and Community Service			
Pass-through program			
	Ohio Community Service Council - Learn and Serve America: School and Community Based Programs	94.004	8,532
Total Other Programs			5,228,403
Total Federal Awards			\$ 39,549,013

Kent State University

**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2002**

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant transactions of Kent State University (the "University") recorded on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the University has expended the funds in accordance with the grant agreement.

(b) 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. During the year ended June 30, 2002, the University disbursed funds to subrecipients in the amount of \$1,397,386.

(c) Facilities and Administrative Costs

The University has approved, predetermined, facilities and administrative cost rates, which are 44.0% from July 1, 2001 to June 30, 2002 and 44.5% from July 1, 2002 to June 30, 2003 for on campus research and 24.0% from July 1, 2001 to June 30, 2003 for off campus research.

(2) Loan Advances

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2002:

	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	\$4,646,039	\$22,710,681
Nursing Student Loan Program	93.364	\$361,432	\$1,521,166

Kent State University

**Notes to Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2002**

(3) Federal Direct Loan Program

During the year ended June 30, 2002, 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 Numbers	Advances
Federal Direct Loan Program	84.268	\$86,771,510

(4) 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	\$39,549,013
Perkins Loan Funds excluded from federal grants on the Statement	(4,465)
Nursing Student Loan Funds excluded from federal grants on the Statement	(25,910)
Indirect costs excluded from federal grants on the Statement	<u>(2,613,045)</u>
Restricted	36,905,593
Unrestricted	2,584,978
Loan Fund	<u>442,668</u>
Federal grants and contracts as shown on the Statement	<u>\$39,933,239</u>

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

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

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

To the Board of Trustees of
Kent State University

We have audited the financial statements of Kent State University (the “University”), a component unit of the State of Ohio, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 22, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

PricewaterhouseCoopers LLP

November 22, 2002

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

To the Board of Trustees of
Kent State University

Compliance

We have audited the compliance of Kent State University (the "University"), a component unit of the State of Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. The University's major federal program is 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 its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

PricewaterhouseCoopers LLP

November 22, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kent State University

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? yes no

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

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

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

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

Various Student Financial Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$1,186,470

Auditee qualified as low-risk auditee? yes no

Kent State University

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2002**

Section II - Financial Statement Findings

No matters were reported.

Kent State University

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2002**

Section III - Summary of Current Year Findings and Questioned Costs

No current year findings.

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2002**

Section IV - Summary of Prior Year Findings and Questioned Costs

No prior year findings.

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Kent State University
Report on the Application of Agreed-Upon
Procedures to the Accounting Records
And Internal Control Structure of the
Intercollegiate Athletics Programs
June 30, 2002

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

Dr. Carol Cartwright
President
Kent State University

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

I. Statement of Revenues and Expenditures Agreed-Upon Procedures

- a. We obtained the Statement of Revenues and Expenditures (the “Statement”) for the Intercollegiate Athletics Programs and supporting worksheets for the year ended June 30, 2002. The Statement, as prepared by the management of the University, is included in this report. We recalculated the addition of the amounts on the Statement and compared the amounts on the Statement to management’s worksheets. No exceptions were found as a result of these comparisons. We agreed the amounts on management’s worksheets to the applicable series of accounts in the University’s general ledger. We noted no differences between the amounts in the applicable series of accounts in the general ledger and the amounts on the worksheets. We compared actual revenues and expenditures for the year ended June 30, 2002 to actual amounts recorded for the previous year and budgeted amounts for the current year. We calculated the differences and obtained explanations for significant fluctuations and variances.

- b. We agreed any single contribution from an “outside” organization that constituted more than 10 percent of all contributions donated to the Intercollegiate Athletics Programs to the supporting documentation.

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

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

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

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

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

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

- a. We obtained the organization chart of the Athletics Department and discussed it with representatives of the Athletics Department. We reviewed the extent of documentation of accounting systems and procedures. We also reviewed the general control environment including control consciousness, competence of personnel, and protection of records and equipment.

- b. Management informed us of the University's procedures for gathering information on the nature and extent of booster group activity for or on behalf of the University's Intercollegiate Athletics Programs.

We were not engaged to, and did not, perform an examination of the University's system of internal control over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal control over financial reporting of the University as of June 30, 2002. Accordingly, we do not express such an opinion. We were also not engaged to examine and report on the operating effectiveness of the University's internal control over financial reporting as of June 30, 2002 and accordingly we express no opinion on its operating effectiveness. Had we performed additional procedures, or had we made an examination of the system of internal control over financial reporting, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to the financial statements of the University.

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

PricewaterhouseCoopers LLP

November 22, 2002

Kent State University
Statement of Revenues and Expenditures-For The Intercollegiate Athletics
Programs
For the year ended June 30, 2002

	Football	Men's Basketball	Women's Basketball	Other Sports Total	Non-Sports Total	Grand Total
Revenues:						
Ticket sales	\$ 73,737	\$ 191,055	\$ 21,527	\$ 12,573	\$ 161,101	\$ 459,993
Advertising sales	-	-	-	-	155,434	155,434
Contest guarantees	575,000	55,000	8,000	5,000	-	643,000
Student activity fees	-	-	-	-	6,772,082	6,772,082
Other income	334,301	41,644	-	97,288	716,178	1,189,411
Total revenues	983,038	287,699	29,527	114,861	7,804,795	9,219,920
Expenditures:						
Coaches salaries	538,125	253,046	220,429	846,679	15,053	1,873,332
Other salaries	124,010	188,458	114,540	94,836	1,690,108	2,211,952
Staff benefits	162,895	81,139	74,208	285,312	563,600	1,167,154
Team travel	210,441	122,384	72,424	478,960	171,525	1,055,734
Recruiting	59,181	31,291	21,253	70,267	226	182,218
Financial aid	1,256,118	261,279	211,337	1,702,889	10,183	3,441,806
Maintenance and general administration	15,907	2,686	1,244	4,433	231,642	255,912
Equipment & supplies	159,987	35,984	11,866	135,609	233,690	577,136
Publicity	6,118	5,449	125	1,045	141,011	153,748
Insurance	3,250	975	975	3,250	57,569	66,019
Telephone	22,725	24,789	8,013	32,318	52,130	139,975
Postage	9,941	7,737	3,893	9,552	24,054	55,177
Entertainment	14,021	3,574	3,594	15,609	49,579	86,377
Guarantees	75,000	5,000	2,000	-	-	82,000
Other	106,292	16,249	12,390	71,564	479,130	685,625
Total expenditures	2,764,011	1,040,040	758,291	3,752,323	3,719,500	12,034,165
(Deficiency) excess of revenues over expenditures	\$ (1,780,973)	\$ (752,341)	\$ (728,764)	\$ (3,637,462)	\$ 4,085,295	\$ (2,814,245)

Kent State University
Summary Schedule of Financial Activities-Blue & Gold Operating Accounts
For the year ended June 30, 2002

Fund balance at July 1, 2001	<u>\$ 429,839</u>
Total receipts/revenues	2,005,721
Total disbursements/expenses	<u>1,145,900</u>
Excess of receipts/revenues over disbursements/expenses	<u>859,821</u>
Fund balance at June 30, 2002	<u>\$ 1,289,660</u>



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
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Facsimile 614-466-4490

KENT STATE UNIVERSITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2003**