

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Bowling Green State University

Year ended June 30, 2005

With Reports of Independent Auditors



**Auditor of State
Betty Montgomery**

Board of Trustees
Bowling Green State University
Bowling Green, Ohio

We have reviewed the *Independent Auditor's Report* of the Bowling Green State University, Wood County, prepared by Ernst & Young LLP, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 1, 2005

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Bowling Green State University

Financial Statements
and Supplemental Information

Years ended June 30, 2005 and 2004

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

The Board of Trustees
Bowling Green State University

We have audited the accompanying statements of net assets of Bowling Green State University (the University), a component unit of the State of Ohio, and its discretely presented component unit as of June 30, 2005 and 2004 and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Bowling Green State University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the University's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

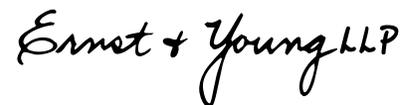
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bowling Green State University and its discretely presented component unit as of June 30, 2005 and 2004 and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, in fiscal 2005, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, which required additional disclosures relating to risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Bowling Green State University taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2005, is presented for the purpose of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



September 30, 2005

BOWLING GREEN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

This section of the Bowling Green State University ("University") annual financial report presents management's discussion and analysis of the financial performance of the University during the fiscal years ended June 30, 2005, 2004 and 2003. This discussion provides an overview of the University's financial activities and should be read in conjunction with the accompanying financial statements and footnotes.

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

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

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

Noteworthy Financial Activity

The University's financial position changed and grew in most areas during the fiscal year ended June 30, 2005 as compared to the previous year as evidenced by:

- The University's total assets increased over the prior year by \$51.4 million, of which \$17.0 million is attributed to an increase in current assets. Capital assets increased by \$3.8 million.
- Total liabilities increased by \$28.5 million due primarily to the \$24.5 million increase in long-term debt and other obligations and a \$2.6 million increase in the current portion of long-term debt and other obligations.

- The University's net assets increased to \$351.1 million, an increase of \$22.8 million compared to the prior year's increase of \$18.2 million. Contributing to this increase was a \$2.6 million increase in nonoperating revenue, a decrease of \$.5 million in operating loss, and a \$1.5 million increase in other changes. Of the total net assets, \$234.7 million is invested in either capital assets or is restricted. The remaining \$116.4 million is unrestricted, an increase of \$18.0 million from the prior year.
- Operating revenues increased by \$21.0 million compared to the prior year with \$12.3 million directly related to increased student tuition and fees and \$6.1 million related to auxiliary enterprises.
- The University's operating expenses increased by \$20.5 million, \$15.5 million in educational and general expenses and \$5.3 in auxiliary enterprise expenses. Changes in the educational and general expenses included an increase of \$8.1 million for instruction and research, and an aggregate increase of \$7.4 million for the other educational and general expenditure categories.
- Nonoperating revenue changed, primarily due to the increase in health insurance contributions of \$2.0 million. State appropriations decreased by \$2.2 million for the year.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged. Assets and liabilities are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A summary of the University's assets, liabilities and net assets at June 30, 2005, 2004 and 2003 follows in thousands:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
ASSETS			
Current assets	\$159,578	\$142,622	\$136,486
Noncurrent assets:			
Capital assets	298,145	294,352	289,095
Other	<u>54,664</u>	<u>24,043</u>	<u>27,226</u>
Total noncurrent assets	<u>352,809</u>	<u>318,395</u>	<u>316,321</u>
Total assets	<u>512,387</u>	<u>461,017</u>	<u>452,807</u>
LIABILITIES			
Current liabilities	42,121	38,080	40,666
Noncurrent liabilities	<u>119,162</u>	<u>94,652</u>	<u>102,011</u>
Total liabilities	<u>161,283</u>	<u>132,733</u>	<u>142,677</u>
NET ASSETS			
Invested in capital assets, net of related debt	216,283	222,186	\$215,009
Restricted, expendable	18,426	7,669	2,889
Unrestricted	<u>116,392</u>	<u>98,429</u>	<u>92,232</u>
Total net assets	<u>\$351,104</u>	<u>\$328,284</u>	<u>\$310,130</u>

At June 30, 2005, total University assets were \$512.4 million, compared to \$461.0 million in fiscal 2004. The University's largest asset is its investment in capital assets of \$298.1 million at June 30, 2005 compared to \$294.4 million in fiscal 2004.

In fiscal 2005, the University's current assets of \$159.6 million were sufficient to cover current liabilities of \$42.1 million (current ratio of 3.8:1). Cash decreased by \$1.5 million in 2005 compared to an increase of \$1.0 million in 2004 due to normal operations. At June 30, 2005, University investments were \$189.7 million, or 37% of total assets, and increased by \$45.6 million in 2005 due primarily to the \$4.3 million appreciation of investments and \$35.0 million in bond proceeds from the November 2004 bond issue. Capital assets (net of depreciation) of \$298.1 million represent 58% of the University's total assets.

University liabilities totaled \$161.3 million at June 30, 2005, 31% of assets and \$28.5 million more than the prior year. Long-term debt increased \$24.5 million to \$119.2 million in 2005. Accounts payable and accrued expenses at \$11.6 million were \$.8 million less than the 2004 balance.

Total net assets increased \$22.8 million to \$351.1 million in 2005, due in part to an increase of \$3.8 million investment in capital assets, and an increase of \$24.5 million in long-term debt and other obligations. Unrestricted net assets total \$116.4 million in 2005, while \$18.4 million was restricted or designated for loans and capital projects.

During 2005 the University issued \$28.3 million of debt that was used to partially refund the 2000 bond issue, and \$40.6 million of debt that was used to partially refund the 1996 bond issue and provide resources for information systems, parking expansion, and property acquisition.

2004 Versus 2003

- In fiscal 2004, current assets of \$142.6 million were sufficient to cover current liabilities of \$38.1 million (current ratio of 3.7:1).
- Cash increased by \$1.0 million to \$3.1 million in 2004.
- Investments increased by \$3.0 million in 2004 due to the \$6.6 million appreciation of investments offset by the spend down of \$3.6 million in bond proceeds from the May 2003 bond issue.
- Liabilities at \$132.7 million were \$9.9 million less than the prior year and were 29% of total assets.
- Total net assets increased \$18.2 million to \$328.3 million, due in part to the \$5.2 million increase in capital assets, and a decrease of \$7.3 million of long-term debt and other obligations.

Statement of Revenues, Expenses and Changes in Net Assets

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

A summary of the University's revenues, expenses and changes in net assets for the years ended June 30, 2005, 2004 and 2003 follows in thousands:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating Revenues:			
Student tuition and fees	\$136,999	\$124,714	\$116,673
Auxiliary enterprises	68,849	62,750	60,288
Grants and contracts	17,402	14,366	14,252
Sales and service	7,934	7,525	7,538
Other operating revenues	<u>2,291</u>	<u>3,125</u>	<u>2,816</u>
Total operating revenues	<u>233,475</u>	<u>212,480</u>	<u>201,567</u>
Operating Expenses:			
Educational and general	255,735	240,249	237,936
Auxiliary enterprises	65,253	59,920	59,316
Other expenditures	<u>413</u>	<u>767</u>	<u>462</u>
Total operating expenses	<u>321,401</u>	<u>300,936</u>	<u>297,714</u>
Operating loss	<u>(87,926)</u>	<u>(88,456)</u>	<u>(96,147)</u>
Nonoperating revenues:			
State appropriations	83,173	85,366	84,627
Other nonoperating revenues and expenses	<u>24,132</u>	<u>19,309</u>	<u>15,094</u>
Total nonoperating revenue	<u>107,305</u>	<u>104,675</u>	<u>99,721</u>
Income before other changes	19,379	16,219	3,574
Capital appropriations, grants and gifts	<u>3,441</u>	<u>1,935</u>	<u>6,655</u>
Total increase in net assets	22,820	18,154	10,229
Net assets at the beginning of the year	<u>328,284</u>	<u>310,130</u>	<u>299,901</u>
Net assets at the end of year	<u>\$351,104</u>	<u>\$328,284</u>	<u>\$310,130</u>

The most significant sources of operating revenues for the University are tuition and fees of \$137.0 million (net of scholarships which increased \$7.2 million) for 2005, an increase of \$12.3 million, or 9.9% over 2004, which is attributable to a composite 9% increase in tuition and fees effective for Fall Semester 2004. Auxiliary enterprise revenue was \$68.8 for 2005, an increase of \$6.1 million, or 9.7% from the prior year. The increase in sales was due in part to revenue increases of Bookstore for \$.9 million, Residence Halls for \$3.0 million, and Dining Halls for \$1.9 million, the latter two increases reflecting average fee increases of 5.3% and 6.7% (for the least expensive meal plan), respectively. Grants and contracts revenue increased \$3.0 million to \$17.4 million for 2005. Sales and services of educational departments increased by \$.4 million to \$7.9 million.

Total operating expenditures at \$321.4 million increased \$20.5 million, or 6.8% in 2005. Educational and General expenses increased \$15.5 million with instructional expense and depreciation expense increasing \$6.9 and \$.4 million, respectively, while student aid increased \$2.8 million. Auxiliary enterprises at \$65.3 million increased \$5.3 million over last year. The operating loss for 2005 of \$87.9 million was \$.5 million less than 2004.

State appropriations, the most significant nonoperating revenue, totaled \$83.2 million in the current, year down \$2.2 million from 2004's \$85.4 million. Net investment income was up by \$.1 million, \$9.5 to \$9.4 million. Other nonoperating revenues increased \$2.4 million due primarily to the increase in health insurance contributions of \$2.0 million. Capital appropriations increased \$1.5 million from fiscal 2004 to 2005. This increase was attributable to more State funded projects capitalized during the year.

2004 versus 2003

- The operating revenue increase is due to tuition and fees (net of scholarships) which increased \$8.0 million or 6.9% from 2003 to 2004.
- Auxiliary enterprise revenue of \$62.8 million was an increase of \$2.5 million.
- Operating expenditures of \$300.9 million were \$3.2 million greater than the prior year.
- Capital appropriations were down \$4.7 million due to lower State capital allocations and private gifts capitalized.

Bowling Green State University
Statements of Net Assets
June 30

	Bowling Green State University		Bowling Green State University Foundation, Inc.	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
ASSETS				
Current Assets				
Cash (Note 2)	\$ 1,602,976	\$ 3,088,932	\$ 858,185	\$ 942,591
Investments (Note 2)	142,773,438	127,085,312		
Accrued interest receivable	687,235	492,932	195,445	192,223
Accounts receivable, net (Note 3)	8,654,924	6,456,990	9,162,503	5,748,577
Inventories	4,632,625	4,195,199		
Notes receivable (Note 4)	1,011,490	1,132,756		
Other assets	215,156	170,455		
Total current assets	159,577,844	142,622,576	10,216,133	6,883,391
Noncurrent Assets				
Accounts receivable, net			8,981,889	9,179,912
Restricted investments (Note 2)	46,956,558	17,022,523	74,835,764	66,821,741
Cash surrender value of life insurance and annuities	316,268	-	668,200	406,000
Notes receivable (Note 4)	7,391,302	7,020,090		
Capital assets, net (Note 5)	298,144,829	294,352,388		
Total noncurrent assets	352,808,957	318,395,001	84,485,853	76,407,653
Total assets	512,386,801	461,017,577	94,701,986	83,291,044
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses (Note 6)	11,582,362	12,391,053	730,000	303,752
Deferred revenue	14,541,019	12,012,695		
Deposits	538,532	850,989		
Current portion of long-term debt and other obligations (Note 7)	15,458,580	12,825,628		
Total current liabilities	42,120,493	38,080,365	730,000	303,752
Noncurrent Liabilities				
Long-term debt and other obligations (Note 7)	119,162,516	94,652,803	1,048,980	884,498
Total liabilities	161,283,009	132,733,168	1,778,980	1,188,250
NET ASSETS				
Invested in capital assets, net of related debt	216,283,586	222,186,587		
Restricted for expendable:				
Loans	911,957	870,071		
Capital projects	17,123,705	6,402,557		
Debt service	390,800	396,400		
Unrestricted	116,393,744	98,428,794	2,355,512	1,226,985
Temporarily restricted			36,016,694	30,809,587
Permanently restricted			54,550,800	50,066,222
Total net assets	\$ 351,103,792	\$ 328,284,409	\$ 92,923,006	\$ 82,102,794

See accompanying notes to financial statements

Bowling Green State University
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30

	<u>Bowling Green State University</u>		<u>Bowling Green State University Foundation, Inc.</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$ 50,712,544 for 2005 and \$ 43,514,255 for 2004)	\$ 136,999,488	\$ 124,714,148	\$	\$
Federal grants and contracts	8,459,330	7,572,240		
State grants and contracts	1,445,729	1,117,261		
Local grants and contracts	185,765	107,303		
Nongovernmental grants and contracts	7,311,271	5,568,884		
Contributions and gifts			9,770,055	14,121,309
Sales and services of educational departments	7,933,707	7,525,490		
Auxiliary enterprises (net of scholarship allowances of \$ 1,541,879 for 2005 and \$ 1,672,408 for 2004)	68,848,616	62,749,844		
Other operating revenues	2,290,855	3,124,705	1,788,953	3,317,888
Total operating revenues	<u>233,474,761</u>	<u>212,479,875</u>	<u>11,559,008</u>	<u>17,439,197</u>
EXPENSES				
Operating Expenses				
Educational and General				
Instruction	109,153,827	102,288,719		
Research	7,022,225	5,835,246		
Public services	8,367,100	8,448,063		
Academic support	28,182,831	25,433,781	11,003,374	8,685,966
Student services	23,523,602	23,122,622		
Institutional support	26,284,606	26,847,540	476,324	618,505
Support of college fundraising			842,825	811,096
Operations and maintenance of plant	19,645,690	17,902,359		
Depreciation	18,109,620	17,714,698		
Student aid	15,445,608	12,655,541		
Auxiliary enterprises	65,253,287	59,920,083		
Other expenditures	412,786	766,674		
Total operating expenditures	<u>321,401,182</u>	<u>300,935,326</u>	<u>12,322,523</u>	<u>10,115,567</u>
Operating (loss) income	<u>(87,926,421)</u>	<u>(88,455,451)</u>	<u>(763,515)</u>	<u>7,323,630</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	83,172,929	85,365,715		
Nonexchange grants and contracts	16,710,472	14,273,357		
Investment income, net	9,525,865	9,446,609	5,382,615	7,369,658
Additions to permanent endowments			6,201,112	8,554,954
Interest on capital asset-related debt expenditure	(4,541,308)	(4,497,111)		
Other nonoperating revenues	2,436,815	86,453		
Net nonoperating revenues	<u>107,304,773</u>	<u>104,675,023</u>	<u>11,583,727</u>	<u>15,924,612</u>
Income before other changes	<u>19,378,352</u>	<u>16,219,572</u>	<u>10,820,212</u>	<u>23,248,242</u>
OTHER CHANGES				
Capital appropriations	3,240,126	1,695,989		
Capital grants and gifts	200,905	238,877		
Total other changes	<u>3,441,031</u>	<u>1,934,866</u>		
Increase in net assets	<u>22,819,383</u>	<u>18,154,438</u>	<u>10,820,212</u>	<u>23,248,242</u>
NET ASSETS				
Net assets at the beginning of year	328,284,409	310,129,971	82,102,794	58,854,552
Net assets at the end of year	<u>\$ 351,103,792</u>	<u>\$ 328,284,409</u>	<u>\$ 92,923,006</u>	<u>\$ 82,102,794</u>

See accompanying notes to financial statements

Bowling Green State University
Statements of Cash Flows
 Years Ended June 30

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 139,990,535	\$ 125,383,610
Research grants and contracts	14,540,152	14,864,286
Payments to vendors for supplies and services	(91,333,958)	(82,526,422)
Payments to employees and benefits	(196,979,828)	(192,381,033)
Payments for scholarships and fellowships	(15,445,608)	(12,604,558)
Student loans granted, net of repayments	(206,634)	(67,279)
Auxiliary enterprises	68,733,978	64,061,018
Sales and services of educational departments	7,933,707	7,525,490
Other receipts	1,792,602	2,860,979
Net cash used in operating activities	<u>(70,975,054)</u>	<u>(72,883,909)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	83,172,929	85,365,715
Direct Lending Receipts	75,506,175	68,820,438
Direct Lending Disbursements	(75,506,175)	(68,820,438)
Grants received for other than capital purposes	16,710,472	14,273,357
Net cash provided by noncapital financing activities	<u>99,883,401</u>	<u>99,639,072</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	71,103,088	-
Capital appropriations	3,240,126	1,695,989
Capital grants received	2,637,720	325,330
Purchases of capital assets	(21,902,061)	(22,971,939)
Principal paid on long-term debt	(44,325,000)	(6,805,000)
Interest paid on long-term debt	(4,541,308)	(4,497,111)
Net cash provided by (used in) capital financing activities	<u>6,212,565</u>	<u>(32,252,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	222,116,418	238,845,140
Interest on investments	9,331,562	9,539,184
Purchase of investments	(268,054,848)	(241,855,234)
Net cash (used in) provided by investing activities	<u>(36,606,868)</u>	<u>6,529,090</u>
Net (decrease) increase in cash	(1,485,956)	1,031,522
Cash--beginning of year	3,088,932	2,057,410
Cash--end of year	<u>\$ 1,602,976</u>	<u>\$ 3,088,932</u>
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:		
Operating loss	\$ (87,926,421)	\$ (88,455,451)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	18,109,620	17,714,698
Amortization of bond premium	(453,552)	(261,628)
Workers' compensation allocation		-
Changes in assets and liabilities:		
Accounts receivable, net	(2,197,934)	1,360,389
Inventories	(437,426)	(264,812)
Other assets	(44,701)	(2,098)
Accounts payable and accrued liabilities	(808,690)	(4,350,947)
Deferred revenue	2,528,324	1,374,883
Deposits held for others	(312,457)	(210,715)
Compensated absences	778,285	273,392
Loans to students	(210,102)	(61,620)
Net cash used by operating activities	<u>\$ (70,975,054)</u>	<u>\$ (72,883,909)</u>

See accompanying notes to financial statements

BOWLING GREEN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005 and 2004

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

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

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

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

Financial Statement Presentation: The accompanying financial statements consist of the University and Bowling Green State University Foundation, Inc. (the "Foundation"). GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", requires the University to reflect the Foundation as a discretely presented component unit in the financial statements based on the significance of its relationship with the University. The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

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

During the year ended June 30, 2005 and 2004, the Foundation distributed \$6,448,570 and \$4,726,324, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Assistant Vice President for Advancement Services/Controller at Mileti Alumni Center, Bowling Green, Ohio 43403.

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

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

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

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

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

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

Restricted Investments: Assets that have been set aside for restricted purposes.

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

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

Deferred Revenue: Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but related to the subsequent accounting period. Summer term revenue and expenditures are recorded net in the accompanying financial statements and are allocated to the appropriate accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences: University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitations are forfeited. The liability and expense incurred are recorded at year-end as long-term liabilities in the Statement of Net Assets, and as a component of operating expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. CASH AND INVESTMENTS

Monies held in the University treasury are pooled for the purpose of cash and investment management.

Deposits

Amounts available for deposit are as follows:

	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents: (Carrying amounts)	\$1,481,796	\$2,921,821
Reconciling items (net) to arrive at bank balances of deposits	<u>2,545,163</u>	<u>4,249,557</u>
Total available for deposit and investment (Bank balances of deposits)	<u>\$4,026,959</u>	<u>\$7,171,378</u>

The carrying amount shown above does not include \$121,180 in 2005 and \$167,111 in 2004 held in cash funds.

Any public depository, at the time it receives a University deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, equals or exceeds the amount of University funds deposited. Of the bank balance \$177,207 in 2005 and \$267,518 in 2004 was covered by federal depository insurance, and \$3,849,752 in 2005 and \$6,903,860 in 2004 was covered by the pledge described above.

The University invests in STAR Ohio, an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

BOWLING GREEN STATE UNIVERSITY
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Cash balances are combined into one pool for making daily cash and investment transactions. GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, requires cash and cash equivalents and investments held by the University to be categorized into the following credit risk categories:

Cash and Cash Equivalents consisting of:

1. Insured or collateralized with securities held by the University, or by its agent in the University's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the University's name.
3. Uncollateralized.

The University's cash and cash equivalent holdings are Type 2 holdings with balances secured with collateralized bank holdings.

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

Investments

The University's investment policy authorizes the University to invest operating funds, the University has no endowment funds, in the following investments:

- Obligations of the US Treasury and other federal agencies and instrumentalities
- Municipal and state bonds
- Ohio State Treasurer's investment pool
- Certificates of deposit (domestic and Eurodollar)
- Repurchase agreements
- Mutual funds
- Commercial paper
- Banker's acceptances
- Corporate bonds and notes
- Common and preferred stock
- Real estate
- Collateralized mortgage obligations
- Asset-backed securities

The University operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

All common stocks, corporate bonds, money market instruments, mutual funds and other investments are invested through a trust agreement with Fifth Third Bank which is the custodian for all funds managed by external money managers. Short-term investments with Sky Bank are secured with internally designate securities as pledged to the University.

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The values of investments at June 30, 2005 and 2004 are as follows (amounts in thousands):

	<u>2005</u>	<u>2004</u>
Money market	\$ 14,938	\$ 5,872
Common stock	8,748	8,025
Equity mutual funds	57,406	54,696
US government obligations	6,411	1,968
US government agency obligations	85,602	59,896
Municipal Bonds	300	
Corporate bonds and notes	14,111	9,044
State pooled government obligations	1,617	1,584
Other	<u>597</u>	<u>3,023</u>
Total	<u>\$189,730</u>	<u>\$144,108</u>

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. During the year ended June 30, 2005, the University realized a net gain of \$3,141,596 from the sale of investments. The calculation of realized gains and losses is independent of the new appreciation 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 appreciation in the fair value of investments during the year ended June 30, 2005, was \$4,290,421. This amount includes all changes in fair value, both realized and unrealized, that occurred during the year. The unrealized appreciation during the year on investments was \$1,148,825.

All of the University's investments are temporary investments designated by management.

In 2005, the University adopted GASB Statement No. 40, Deposits and Investment Risk Disclosure, which requires certain additional disclosures related to the interest rate, credit, foreign currency and custodial risks associated with interest-bearing investments. At the present time, the University does not have formal policies addressing these types of risks.

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 interest rates.

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As of June 30, 2005, the University had the following interest-bearing investments and maturities. (amounts in thousands)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasuries	\$ 6,411	\$	\$ 1,552	\$3,944	\$ 915
U.S. Agencies	85,602	31,741	46,090	777	6,994
Corporate bonds	14,111	1,219	4,899	3,085	4,908
Municipal bonds	300	16	70	99	115
Money market	14,938	14,938			
Total	\$121,362	\$47,914	\$52,611	\$7,905	\$12,932

Credit Risk

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

The credit ratings of the University's interest-bearing investments at June 30, 2005 are as follows: (amounts in thousands)

<u>Credit Rating (Moody's)</u>	<u>Total</u>	<u>Government Obligations</u>	<u>Agency Obligations</u>	<u>U.S. Corporate Bonds</u>	<u>U.S. Municipal Bonds</u>
Aaa	\$111,452	\$21,349	\$85,602	\$ 4,501	
Aa	1,105			1,105	
A	6,717			6,717	
Baa	1,688			1,688	
Ba	100			100	
Unquoted	300				\$300
Total	\$121,362	\$21,349	\$85,602	\$14,111	\$300

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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. The University facilitates several Study Abroad Programs in Austria, Spain, and France with a total cash balance of \$412,113 at June 30, 2005.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment of \$1,616,706 in the State Treasurer's investment program is not evidenced by securities that exist in physical or book entry form.

3. ACCOUNTS RECEIVABLE

The composition of accounts receivable is summarized as follows:

	<u>2005</u>	<u>2004</u>
Student receivables for fees, room and board	\$4,180,772	\$4,136,734
Research and sponsored programs	4,854,999	2,697,634
Other	<u>269,153</u>	<u>272,622</u>
	9,304,924	7,106,990
Less allowance for doubtful accounts	<u>650,000</u>	<u>650,000</u>
TOTALS	<u>\$8,654,924</u>	<u>\$6,456,990</u>

4. NOTES RECEIVABLE

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

The University distributed \$73,616,286 for student loans in 2005 and \$68,820,438 in 2004 through the U.S. Department of Education federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

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5. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Land	\$ 4,663,684	\$ 281,530	\$ 5,193	\$ 4,940,021
Construction in progress	16,242,287	12,549,126	20,889,390	7,902,023
Non-depreciable assets	20,905,971	12,830,656	20,894,583	12,842,044
Buildings	352,920,513	13,215,997	95,725	366,040,785
Infrastructure	51,544,260	-	-	51,544,260
Equipment	44,966,347	14,014,840	1,435,328	57,545,859
Library materials	<u>27,001,435</u>	<u>2,932,184</u>	<u>2,210,968</u>	<u>27,722,651</u>
Depreciable assets	476,432,555	30,163,021	3,742,021	502,853,555
Total Capital Assets	497,338,526	42,993,677	24,636,604	515,695,599
Less accumulated depreciation				
Buildings	146,711,508	9,056,689	66,270	155,701,927
Infrastructure	18,406,900	1,945,008	-	20,351,908
Equipment	25,090,354	4,629,471	1,267,750	28,452,075
Library materials	<u>12,777,376</u>	<u>2,478,452</u>	<u>2,210,968</u>	<u>13,044,860</u>
Total Accumulated Depreciation	202,986,138	18,109,620	3,544,988	217,550,770
Capital Assets, Net	<u>\$ 294,352,388</u>	<u>\$ 24,884,057</u>	<u>\$ 21,091,616</u>	<u>\$ 298,144,829</u>

BOWLING GREEN STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
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6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The composition of accounts payable and accrued expenses is summarized as follows:

	<u>2005</u>	<u>2004</u>
Accounts payable	\$ 2,777,015	\$ 2,471,746
Payroll and withholdings	7,305,347	8,519,307
Health claims	<u>1,500,000</u>	<u>1,400,000</u>
TOTALS	<u>\$11,582,362</u>	<u>\$12,391,053</u>

7. LONG-TERM DEBT AND OTHER OBLIGATIONS

Long-term debt and other obligations for June 30, 2005 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due In One Year
Bonds & notes payable:					
Notes payable	\$ 375,000	\$ -	\$ 35,000	\$ 340,000	\$ 35,000
Dormitory system bonds	37,740,000	14,345,000	17,375,000	34,710,000	3,790,000
Other bonds	46,295,000	54,570,000	26,915,000	73,950,000	5,620,000
Bond premium	3,519,404	2,188,088	453,552	5,253,940	513,580
Total bonds & notes payable	<u>87,929,404</u>	<u>71,103,088</u>	<u>44,778,552</u>	<u>114,253,940</u>	<u>9,958,580</u>
Other liabilities:					
Vacation pay	7,739,439	5,271,476	4,948,191	8,062,724	5,193,000
Sick leave	3,531,000	830,929	375,929	3,986,000	307,000
Federal student loan deposits	8,278,588	39,844	-	8,318,432	-
Total other liabilities	<u>19,549,027</u>	<u>6,142,249</u>	<u>5,324,120</u>	<u>20,367,156</u>	<u>5,500,000</u>
Total long-term liabilities	<u>\$ 107,478,431</u>	<u>\$ 77,245,337</u>	<u>\$ 50,102,672</u>	<u>\$ 134,621,096</u>	<u>\$ 15,458,580</u>

The principal and interest payments of all General Receipts Bonds are collateralized by the pledge of the general receipts of the University. The bond indentures have various restrictive covenants with which the University management believes they have complied.

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The scheduled maturities of the bonds for the five fiscal years subsequent to June 30, 2005, and subsequent periods thereafter are as follows:

	<u>Revenue</u>	<u>General Receipts</u>			<u>Total</u>
	<u>Student Facilities</u>	<u>Dormitory System</u>	<u>Other</u>	<u>Interest</u>	
Interest rate	4.0% - 4.5%	2.5% - 5.75%	3.125% - 5.75%		
2006	\$360,000	\$ 3,790,000	\$ 5,260,000	\$ 5,671,240	\$ 15,081,240
2007	365,000	4,060,000	5,480,000	5,028,850	14,933,850
2008	-	4,265,000	4,790,000	4,476,488	13,531,488
2009	-	3,050,000	4,985,000	3,974,650	12,009,650
2010	-	3,175,000	5,190,000	3,532,725	11,897,725
2011 - 2015	-	11,135,000	30,520,000	11,713,125	53,368,125
2016 - 2020	-	5,235,000	17,000,000	2,483,325	24,718,325
Totals	<u>\$725,000</u>	<u>\$34,710,000</u>	<u>\$73,225,000</u>	<u>\$36,880,403</u>	<u>\$145,540,403</u>

The notes payable do not require annual principal payments and are due September 5, 2007.

On June 1, 2005, the University issued \$28,345,000 General Receipt Bonds, Series 2005 with an average interest rate of 4.5% to partially advance refund \$27,880,000 of the General Receipt Bonds, Series 2000 with an average interest rate of 5.3%. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the General Receipt Bonds, Series 2000. As a result, the refunded portion of the General Receipt Bonds, Series 2000 are considered to be defeased, and the liability for those bonds has been removed from the balance sheet. The University advance refunded the General Receipt Bonds, Series 2000 to reduce its total debt service payments over the next eleven years by \$1,349,537 and to obtain an economic gain (difference between the present values of the old and new debt service payment) of \$1,244,840.

On November 2, 2004, the University issued \$40,570,000 General Receipt Bonds, Series 2004 to finance an information technology system, improvements to certain education and auxiliary facilities and to partially advance refund \$7,185,000 of the General Receipt Bonds, Series 1996. The General Receipt Bonds, Series 2004 has an average interest rate of 3.8% and the General Receipt Bonds, Series 1996 have an average interest rate of 5.1%. The proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the General Receipt Bonds, Series 1996. As a result, the refunded portion of the General Receipt Bonds, Series 1996 are considered to be defeased, and the liability for these bonds have been removed from the balance sheet. The University advance refunded the General Receipt Bonds, Series 1996 to reduce its total debt service payments over the next seven years by \$357,914 and to obtain an economic gain (difference between the present values of the old and new debt service payment) of \$354,914.

In May 2003, the University issued \$27,225,000 General Receipt Bonds, 2003 to finance dormitory renovations, Bowen Thompson Student Union renovations, Recreation Center air conditioning, campus infrastructure project and to advance refund the General Receipt Bonds, Series 1991 and 1992. Interest rates range from 4.75% to 5.75%. The proceeds for the advance refunding were deposited with an escrow trustee for all future debt service payments on the General Receipt Bonds, 1991 and 1992. As a result, the bonds outstanding were considered defeased, and the liability was removed from the balance sheet. The balance of debt issuance defeased in substance in prior years remains outstanding as of June 30, 2005 is \$5,490,000.

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In November 2000, the University issued \$54,660,000 General Receipts Bonds for dormitory renovations, Bowen Thompson Student Union renovation, Recreation Center air conditioning and the campus infrastructure project. Interest rates range from 4.75% to 5.75%.

In accordance with the trust agreements relating to the bond issues not included in the aforementioned debt escrow agreements, reserves must be maintained equal to specific future debt service requirements on the outstanding bonds. At June 30, 2005 such reserves amounted to approximately \$453,000 which exceeded the requirements on that date. Unspent bond proceeds of \$46,956,558 as of June 30, 2005 are classified as Restricted Investments.

8. OPERATING LEASES

The University leases certain properties and equipment under non-cancelable operating leases which expire at various dates through 2011. Rent expenses were \$230,660 for the year ended June 30, 2005 and \$543,409 for 2004. Future minimum rental payments under non-cancelable operating leases as of June 30, 2005 are:

2006	\$696,008
2007	\$ 28,919
2008	\$ 4,800
2009	\$ 4,800
2010	\$ 4,800

9. RETIREMENT BENEFITS

The University contributes to two cost-sharing multiple-employer defined benefit plans: (1) Public Employees Retirement System of Ohio (OPERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code (ORC). OPERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio, 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377 for PERS, and 275 East Broad Street, Columbus, Ohio, 43215-3371 or by calling (614) 227-4090 for STRS.

The funding policy for the above plans is as follows:

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

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

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

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

During 2005, OPERS employees contributed 8.5% of their salary to the plan and the University contributed 13.31% of covered payrolls to the plan. Law enforcement employees contributed 10.1% of their salary and the University contributed 16.7% of covered payrolls. The total employer contributions to OPERS for the years ended June 30, 2003, 2004, and 2005 were \$7,915,000, \$7,803,000 and \$7,906,000, respectively, which were equal to 100% of the required contributions for each year.

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

Defined Benefit Plan (DB Plan) – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years until 100% of final average salary is reached. For members with 35 or more years of Ohio contribution service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest as specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

The ORC provides statutory authority for employee and employer contributions. During 2004, STRS employees contributed 10% of their salary to the plan and the University contributed 14.0% of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2003, 2004, and 2005 were \$7,154,000, \$7,297,000 and \$7,469,000, respectively, which were equal to 100% of the required contributions for each year.

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Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system (ARP) for academic and administrative university employees of public institutions of higher education who are currently covered by the State Teachers Retirement System or Public Employees Retirement System. The Bowling Green State University board of trustees adopted such a plan effective January 25, 2000. This plan is a defined contribution plan under IRS section 401(a). The total employer contribution to ARP for the years ended June 30, 2003, 2004, and 2005, were \$2,711,000, \$3,140,000 and \$3,576,000, respectively.

Employees have 120 days from their employment date to select a retirement plan. A retiree of STRS or OPERS is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for the DB Plan participants.

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

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

10. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the Ohio Revised Code provides the statutory authority requiring the University to fund postretirement health care through employer contributions to OPERS and STRS.

OPERS provides postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB), as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate for state employers was 13.31% of covered payroll; 4% was the portion that was used to fund health care for the year. The law enforcement employer rate for 2004 was 16.70% and 4% was used to fund health care.

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

Actuarial Review – The assumptions and calculations were based on the latest actuarial review performed as of December 31, 2003.

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

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

Investment Return – The investment assumption rate for 2003 was 8%.

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

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

At year-end 2004, the number of active contribution participants in the Traditional and Combined Plans totaled 369,885. The University contributed 13.31% for state employees of which 4% was used to fund health care and 16.7% for law enforcement employees of which 4% was used to fund health care. The total employer contributions to PERS for the years ended June 30, 2003, 2004, and 2005 were \$2,378,000, \$2,345,000 and \$2,376,000, respectively. The amount of \$10.5 billion represents the actuarial value of OPERS' net assets available for OPEB's at December 31, 2003. The actuarial accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

STRS provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the STRS board has discretionary authority over how much, if any, of associated health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

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

The STRS board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2004, and June 30, 2003, the board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund which was \$3.1 billion on June 30, 2004.

BOWLING GREEN STATE UNIVERSITY
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For the year ended June 30, 2004, the net health care costs paid by STRS were \$268,739,000. There were 112,853 eligible benefit recipients.

11. RISK MANAGEMENT

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

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

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

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Unpaid claims - July 1	\$ 1,400,000	\$ 1,300,000	\$ 1,291,000
Incurred claims	14,489,656	13,422,022	12,803,465
Paid Claims	<u>14,389,656</u>	<u>13,322,022</u>	<u>12,794,465</u>
Unpaid claims - June 30	<u>\$ 1,500,000</u>	<u>\$ 1,400,000</u>	<u>\$ 1,300,000</u>

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

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Worker's Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the worker's compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the worker's compensation claims of participating State agencies and universities.

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JUNE 30, 2005 and 2004

12. CONTINGENCIES

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

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

Bowling Green State University
Schedule of Federal Expenditures
Year ended June 30, 2005

Program/Federal Agency	CFDA Number	Agency or Pass-Through Number	Expenditures
Student Financial Aide Cluster:			
U.S. Department of Education:			
Federal Supplemental Educational Opportunity Grants	84.007	U.S. Department of Education	\$ 711,451
Federal-Work Study Program	84.033	U.S. Department of Education	619,283
Federal Perkins Loan Program	84.038	U.S. Department of Education	2,004,055
Federal Pell Grant Program	84.063	U.S. Department of Education	12,003,196
Total Student Financial Aid Cluster			<u>15,337,985</u>
Research and Development Cluster:			
U.S. Department of Agriculture			
Agricultural Research_Basic and Applied Research			
OSURF #RF01012571 (USDA)	10.001	RF01012571	31,583
Pass-through from:			
University of Chicago	10.001	43-3AEM-2-80038	(31)
			<u>31,552</u>
U.S. Department of Commerce			
Economic Development_Technical Assistance	11.303	06-66-04741	87,797
Sea Grant Support	11.417		10,279
Office Of Oceanic and Atmospheric Research Joint and Cooperative Institut	11.432		1,729
Public Telecommunications Facilities Planning and Construction	11.550	39-02-N02146	473,774
Total U.S. Department of Commerce			<u>573,579</u>
U.S. Department of Defense			
Mathematical Sciences Grants Program	12.901	H98280-04-1-0031	23,163
U.S. Department of Navy			
Basic and Applied Scientific Research	12.300	N00014-04-1-0406	340,900
U.S. Department of Army			
Military Medical Research and Development	12.420	DAAD19-03-2-0032	72,945
United States Airforce			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	FA9550-05-1-0276	6,873
Total U.S. Department of Defense			<u>443,881</u>
U.S. Department of the Interior			
Water Reclamation and Reuse Program			
Pass-through from:			
Central State University	15.504		3,944
Coastal Program			
Pass-through from:			
Great Lakes Fishery Commission	15.630		28,722
Fish and Wildlife Management Assistance			
Pass-through from:			
Florida Fish/Wildlife Conservation	15.608		28,074
Conservation Grants Private Stewardship for Imperiled Species			
Pass-through from:			
U.S. Fish/Wildlife Services	15.632		3,934
Total U.S. Department of Interior			<u>64,674</u>
National Aeronautic Space Administration			
Technology Transfer			
Nasa/Glenn Rsch Ctr #NAG3-2790	43.002	NAG3-2790	415,307
Nasa-Glenn #NNC04GB60G	43.002	NNC04-GB60G	182,311
Nasa-Space Telesc Science Inst	43.002	HST-GO-09811.01-A	10,053
Pass-through from:			
University of Oklahoma	43.002	NAG2-1427	81,030
Ohio Aerospace Institute	43.002	R8300-100175-40022	36,568
			<u>725,269</u>
Aerospace Education Services Program			
Nasa Glenn Rsch Ctr #NCC3-1093	43.001	NCC3-1093	8,422
Pass-through from:			
Univeristy of Cincinnati	43.001	NCC3-981	2,074
Dartmouth College	43.001	36969.573	24,764
			<u>35,260</u>
Total National Aeronautic Space Administration			<u>760,529</u>
National Endowment of the Humanities			
Promotion of the Humanities_Teaching and Learning Resources and Curriculum Development	45.162	RD-22071-01	13,988
National Science Foundation			
Geosciences			
NSF #OCE-0352274	47.050	OCE-0352274	22,717
NSF #OCE-0327738	47.050	OCE-0327738	102,699
NSF #OCE-0095404	47.050	OCE-0095404	9,540

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Program/Federal Agency	CFDA Number	Agency or Pass-Through Number	Expenditures
NSF #EAR-0087607	47.050	EAR-0087607	54,564
			<u>189,520</u>
Biological Sciences			
NSF #DEB-0407891	47.074	DEB-0407891	6,422
NSF #DEB-0315979	47.074	DEB-0315979	133,886
NSF #MCB-0315983	47.074	MCB-0615983	80,738
NSF #IBN-0091189	47.074	IBN-0091189	64,024
NSF #MCB-0118992-002	47.074	MCB-0118992	51,431
NSF #IBN-0131320	47.074	IBN-0131320	82,953
NSF #MCB-0043508	47.074	MCB-0043508	3,638
			<u>423,092</u>
Social Behavioral and Economic Sciences			
NSF #INT-0238615	47.075	INT-0238615	1,898
NSF #SES-0423825	47.075	SES-0423825	37,695
Pass-through from: University of Virginia	47.075	GA101143-113816	29,509
			<u>69,102</u>
Mathematical and Physical Sciences			
NSF #CHE-0304320	47.049	CHE-0303320	45,870
NSF #DMR-0306117	47.049	DMR-0306117	121,126
NSF #DMR-0091689	47.049	DMR-0091689	149,214
NSF #CHE-0134782	47.049	CHE-0314782	119,363
NSF #CHE-0449478	47.049	CHE-0449478	36,403
NSF #AST-0307340	47.049	AST-0307340	73,419
NSF #AST-9988259	47.049	AST-9988259	703
NSF #AST-9988247	47.049	AST-9988247	976
Pass-through from: University of Toledo	47.049	HER-0227899	13,743
			<u>560,817</u>
Engineering Grants			
NSF #ECS-0330267	47.041	ECS-0330267	25,751
Polar Programs			
NSF #OPP-0095089	47.078	OPP-0095089	41,150
Biological Sciences			
NSF #IBN-0333032	47.074	IBN-0333032	12,231
NSF #IBN-0075891	47.074	IBN-0075891	61,072
			<u>73,303</u>
Education and Human Resources			
NSF #DGE-0231853	47.076	DGE-0231853	540,658
Total National Science Foundation			<u>1,923,393</u>
Environmental Protection Agency			
Great Lakes Program			
Pass-through from: Case Western Reserve University	66.469	GL-97590101	2,849
United States Department of Education			
Overseas_Faculty Research Abroad	84.019A	P019A030004	715
Special Education-State Personnel Development			
Pass-through from: University of Cincinnati	84.323		9,798
Trio_Student Support Services			
Pass-through from: University of Michigan	84.042		23,204
Total U.S. Department of Education			<u>33,717</u>
U.S. Department of Health and Human Services			
Drug Abuse and Addiction Research Programs			
DHHS #1R21DA016435-01A1	93.279	1R21DA016435-01A1	11,670
DHHS/NIH/NIDA #5-F31DAO1414505	93.279	7-F31-DA1414502	46,841
			<u>58,511</u>
Academic Research Enhancement Award			
DHHS/NIH/NIGMS #1R15-GM5763602	93.390	1R15-GM57636-02	855
DHHS/NIH/NHLBI #2R15HL60241-02	93.390	1-R15-HL60241-01	52,083
DHHS/NIH/NICHHD 7R03-HD0418523	93.390	7-R03-HD041852-03	49,904
DHHS/NIH/NIGMS/#1R15GM55898-03	93.390	2-R15-GM/5589802	56,342
			<u>159,184</u>
Biomedical Research and Research Training			
DHHS/NIH/NIGMS 1R15GM5435702	93.859	2R15GM5435702	39,972
DHHS/NIH/NIGMS 5R01-GM61171-04	93.859	5-R01-GM61171-.03	5,439
			<u>45,411</u>
Cancer Treatment Research			
DHHS/NIH/NCI 5R01CA9102703	93.395	5-R01-CA-9102702	66,524

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Year ended June 30, 2005

Program/Federal Agency	CFDA Number	Agency or Pass-Through Number	Expenditures
DHHS/NIH/NCI #1R15CA91856-01A1	93.395	1-R15CA9185601A1	50,556
DHHS #1-R15-CA83707-01A2	93.395	1R15CA8370701A2	32,209
			<u>149,289</u>
Extramural Research Programs in the Neurosciences and Neurological Disorders			
DHHS #5-R01-NS35191-08	93.853	2-R01NS3519105A2	193,735
DHHS/NIH/NINDS #5R01NSO4437304	93.853	5-R01NSO44373202	219,978
			<u>413,713</u>
Mental Health Research Grants			
DHHS/NIH/NIMH 5-R01-MH66046004	93.242	1-R01-MH66046001	131,537
DHHS/NIH/NIMH 1R03MH06713601A1	93.242	1-R03MH06713601A1	42,502
Pass-through from:			
University of California	93.242	1-R01-MH60517-01A2	19,976
			<u>194,015</u>
Aging Research			
DHHS/NIH/NIA #5-R01-AG20560-03	93.866	1-R01AG2056001A1	186,954
DHHS/NIH 1R03AG024512-01	93.866	1-R03AG024512-01	41,536
DHHS/NIH/NIA #1-RO3-AG19846-01	93.866	1-R03-AG-19846-01	1,728
			<u>230,218</u>
Child Health and Human Development Extramural Research			
NIH #1R03HD044700-01-A1	93.865	1-R03HD044700-01-A1	15,298
DHHS/NIH/NICHHD #1R03HD4256602	93.865	R-03-HD042566-02A1	58,775
DHHS/NIH/NICHHD 5R01HD04420602	93.865	1-R01-HD044206-02	193,775
DHHS/NIH/NICH 1K01HD04247802	93.865	1K01HD042478-01A1	95,055
DHHS/NIH/NICHHD #5R01HD3622304	93.865	5-R01HD3622303	1,613
DHHS #5-R21-HD042831-03	93.865	1-R21HD4283101	135,737
Pass-through from:			
University of California, Irvine	93.865	HD-39075-1	16,614
University of Michigan	93.865	F008707	61,908
			<u>578,775</u>
Research Related To Deafness and Communication Disorders			
DHHS/NIH/NIDCD 5R01DC0357708	93.173	5-R01-DC03577-4	599,169
DHHS #1-R03-DC04960-03	93.173	5-R03-DC04960-02	7,533
Pass-through from:			
Purdue University	93.173	511-1394-01	163,374
			<u>770,076</u>
Nursing Research			
Pass-through from:			
University of Louisville Research Foundation	93.361	7-R01-NR04929-04	18,905
Total Department of Health and Human Services			<u>2,618,097</u>
Total Research and Development Cluster			<u>6,466,259</u>
Other Programs:			
Fund for Rural America_Research, Education, and Extension Activities			
USDA/CSREES #2004-35318-14871	10.224		3,000
Special Domestic Assignments			
US DEPT ST #S-ECAPE02GR137(DH)	19.202	S-ECAPE-02-GR-137	890
USDS #S-ECAAS-02-GR198(PS)A002	19.202	S-ECAAS-02-GR-198	3,066
			<u>3,956</u>
Special Domestic Assignments	19.XXX	SECAAS04GR161(CS)	40,235
Mathematical and Physical Sciences			
OSURF (NSF #HRD-0331560)	47.049	HRD-03315260	48,140
Biological Sciences			
NSF #MCB-0413569	47.074	MCB-0413569	9,985
Education and Human Resources			
NSF #DUE-0088511	47.076	DUE-0088511	(17)
KENNESAW STATE UNIVERSITY--NSF	47.076		630
			<u>613</u>
Civic Education-Cooperative Education Exchange Program			
CTR/CIVIC ED #Q304A030004-USDE	84.304	Q304A034A030004	96,597
Transition to Teaching			
USDE #S350A020128-03	84.350	S350A020128	518,200
Teacher Quality Enhancement Grants			
USDE #P336B000004-04	84.336B	P336B000004-02	680,891
Fund for the Improvement of Education			
FREMONT SCHOOLS (USDE)	84.215	S215X020249	128,775
FOSTORIA COMM SCHLS (USDE)	84.215		92,548
			<u>221,323</u>
Improving Teacher Quality State Grants			
Pass through from Ohio Board of Regents			
OBOR #02-07	84.367	02-07	10,427

Bowling Green State University
Schedule of Federal Expenditures
Year ended June 30, 2005

Program/Federal Agency	CFDA Number	Agency or Pass-Through Number	Expenditures
OBOR #02-05	84.367	02-05	2,720
			<u>13,147</u>
Vocational Education_Basic Grants to States ODE #VEPD-CB-05-OS	84.048	VE27-VE28	84,761
Assistive Technology-State Grants for Protection and Advocacy USDE #P342A000105-02	84.343	P342A000105-02	(3,652)
International Research and Studies CENTER FOR CIVIC EDUC (USDE)	84.017		242,658
Agricultural Research_Basic and Applied Research OSURF #RF00925713 #738586	10.001	RF00925713	1,935
Mental Health Research Grant UNV DENVER-COLORADO SEM (NIMH)	93.242		10,955
Learn and Serve America_Higher Education UNIV OF N.C. - CHAPEL HILL	94.005	00LHENC034	180
Biological Response to Environmental Health Hazards DHHS #R25-ES10705-05-05S1	93.113	1-R25ES1070502	263,978
DHHS/PHS #5-APH-PA-000832-05	93.113		116,995
			<u>380,973</u>
National Institute of Justice Research, Evaluation, and Development Project Grants US DEPT JUSTICE #2000WAVX0004	16.560	2000-WA-VX-0004	102,231
Promotion of the Arts_Grants to Organizations and Individuals NAT'L ENDOW ARTS #05-5200-7009	45.024	05-5200-7009	18,499
Block Grants for Prevention and Treatment of Substance Abuse ODADAS/878788003-HEDUC-P009854	93.959	ODADAS/878788003-HEDUC-P00985	5
ODADAS #87-08207HEDUCP049854	93.959	87-02807HEDUCP049854	24,400
			<u>24,405</u>
Trio_Upward Bound WESTERN MICHIGAN UNIV (USDE)	84.042		1,333,756
US DEPT ED #P047A990332-O2	84.047A	P047A990332-O2	(683)
USDE #P047A030206	84.047A	P047A030206	270,115
			<u>1,603,188</u>
Total Federal Expenditures			<u>\$ 25,906,464</u>

See accompanying notes to schedule of federal expenditures

Bowling Green State University

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2005

1. Basis of Presentation

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

2. Loans Outstanding

The University had the following loan balances outstanding for the Perkins and Nursing Student Loan programs at June 30, 2005 and 2004 respectively:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2005 Outstanding Balance</u>	<u>2004 Outstanding Balance</u>
Perkins Loan Program	84.038	\$ 8,402,792	\$ 7,715,260
Nursing Student Loans	93.364	422,671	431,781

3. Federal Direct Loans (CFDA No. 84.268)

The University acts as the intermediary for students obtaining Federal Direct Student Loans (CFDA No. 84.268) from lending institutions. The lending institution is responsible for billings and collections of the loans. The University assists the lending institutions by processing the applications and forwarding checks from the lending institutions to the students. Loans advanced to students during fiscal year ended June 30, 2005 totaled \$74,366,383.

Bowling Green State University

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

4. Subrecipients

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

Sub-Grantee	Federal CFDA Number	Amount Provided
University of Toledo	84.042	\$ 242,880
Cleveland State University	19.202	228,599
Purdue	93.173	203,437
Spectra Group Ltd	12.300	74,978
The University of Toledo	43.002	74,224
Wayne State University	19.202	70,681
John Carroll	47.074	33,025
University of Toledo	93.173	30,971
Medical College of Ohio	93.173	30,412
Ohio University	11.303	23,786
Padova	93.395	22,112
Medical College of Ohio	47.076	21,108
University of Tennessee	47.050	20,552
Miami University	11.303	16,941
Poland	84.017	16,000
South Africa	84.017	15,000
Ukraine	84.017	15,000
Case Western	93.395	10,332
Sofia Quintero Center	84.042	9,048
Nova Doba	N/A	7,847
Kentucky	84.017	7,500
Heidelberg College	47.074	6,696
American School Health Association	93.995	6,150
Medical College of Ohio	93.969	2,500
University of Cincinnati Metriks	84.336B	1,145
NORC	93.864	74

Bowling Green State University

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

5. Indirect Costs

The University recovers indirect costs by means of predetermined fixed indirect cost rates. The predetermined fixed rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The fixed rate effective for the period July 1, 2003 to June 30, 2005 for on-campus research is 39% of modified total direct costs, and the off-campus rate is 20% of modified total direct costs.

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

The Board of Trustees
Bowling Green State University

We have audited the financial statements of Bowling Green State University (the University), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

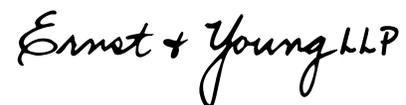
In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated September 30, 2005.

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



September 30, 2005

Report of Independent Auditors on Compliance and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Trustees
Bowling Green State University

Compliance

We have audited the compliance of Bowling Green State University (the University) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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

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

 Ernst & Young LLP

September 30, 2005

Bowling Green State University

Summary Schedule of Prior Audit Findings

Year ended June 30, 2005

Item 04-01

Research and Development Cluster, Technology Transfer Grant – CFDA #43.002

Requirements: To comply with financial and reporting requirements, Bowling Green State University is required to file reports within specified deadlines.

Condition: The Quarterly Federal Cash Transactions Reports (SF 272) for the periods from 10/1/2003 to 12/31/2003, from 1/1/2004 to 3/30/2004, and from 4/1/2004 to 6/30/2004, all of which were required to be filed within 15 working days following the end of each quarter of the Federal fiscal year, were not filed within the specified deadlines.

Context and effect: Failure to file required reports can result in non-compliance with grant terms and the assessment of either a nonfinancial or financial penalty.

Corrective action: Management established filing deadlines to ensure that responsible staff meet the required deadlines. Management has assigned staff the reporting and monitoring responsibilities to ensure compliance.

Bowling Green State University

Schedule of Findings and Questioned Costs

June 30, 2005

Part I - Summary of Auditor's Results

Financial Statement Section

- (i) Type of auditor's report issued: Unqualified
- (ii) Internal control over financial reporting:
- Material weakness(es) identified? yes X no
- Reportable condition(s) identified not considered to be material weaknesses? yes X none reported
- (iii) Noncompliance material to financial statements noted? yes X no

Federal Awards Section

- (viii) Dollar threshold used to determine Type A programs: \$777,194
- (ix) Auditee qualified as low-risk auditee? X yes no
- (v) Type of auditor's report on compliance for major programs? Unqualified
- (iv) Internal control over compliance:
- Material weakness(es) identified? yes X no
- Were reportable condition(s) identified not considered to be material weakness(es)? yes X none reported
- (vi) Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))? yes X no

Bowling Green State University

Schedule of Findings and Questioned Costs (continued)

Part I - Summary of Auditor's Results (continued)

(vii) Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.038, 84.007	Student Financial Aid Cluster
84.033, 84.268, 93.364	
84.042 and 84.047	TRIO Cluster

Part II - Schedule of Financial Statement Findings

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

None

Part III - Schedule of Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133 section .510 (for example, reportable conditions, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

None

Independent Auditor's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by Bowling Green State University (the University) and the National Collegiate Athletic Association (NCAA), solely to assist you with respect to complying with NCAA bylaws for the year ended June 30, 2005. The University's management is responsible for the accompanying Schedule of Revenues and Expenditures. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the 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.

The procedures and the associated findings are as follows:

I. Schedule of Revenues and Expenditures and Internal Controls

1. We obtained the Schedule of Operating Revenues and Expenditures (Schedule 1) for the Department of Intercollegiate Athletics (the Athletic Department) for the year ended June 30, 2005, as prepared by management. We recomputed the subtotal and total line items on Schedule 1 and agreed all amounts on Schedule 1 to management's detailed worksheets. We also agreed all the amounts on Schedule 1 to the general ledger accounts in the University's General Ledger System (AFIN). We found no exceptions as a result of these procedures.
2. We performed a comparison of the operating revenues and expenditures per Schedule 1 for fiscal years 2005 and 2004. We obtained management's explanations for variations greater than \$50,000 and 10% of each revenue and expenditure line item in the aggregate as follows:
 - a. Football ticket sales decreased by approximately \$98,800 or 17%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due mainly to the ESPN College Game Day at the University in the prior year. The football ticket sales for this game increased significantly compared to other games. ESPN College Game Day did not return in 2005, resulting in decreased ticket sales.

- b. Non-Program Specific Miscellaneous revenue increased by approximately \$373,000, or 21%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to the football team's appearance at the GMAC Bowl. In the prior year, the team played in the Motor City Bowl in Detroit for which fewer costs were incurred.
- c. Football coach's salaries increased by approximately \$78,000, or 13%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to the success of the football program in prior years. As the success of the team grows, the coaches' compensation has been adjusted accordingly.
- d. Non-Program Specific Staff Benefits increased from the previous year by approximately \$56,000 or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to an increase in fee waivers for staff.
- e. Football team travel expenses increased by approximately \$105,500, or 125%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to the team flying to two football games at Temple University and the University of Oklahoma in the current year. There were no games that required flying in the prior year.
- f. Total recruiting expense increased by approximately \$81,000, or 15%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to an increase in foreign recruiting efforts for Men's Basketball, Men's Hockey, Men's Soccer, and Track.
- g. Non-Program Specific Financial Aid increased by approximately \$58,000, or 38%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to new NCAA rules that allow the University to pay for up to six hours summer courses for freshman prior to full time enrollment.
- h. Non-Program Specific Allocated Expenses/Other increased by approximately \$570,000, or 28%. We were informed by certain officials of the Athletic Department who have responsibility for financial and accounting matters that this was due to expenses relating to the GMAC Bowl travel. There was not a separate code set up in the new bowl budget when the expense was incurred. Also, there was an increase in promotion/marketing/printing expense relating to post season play.

3. We performed a comparison of actual operating revenues and expenditures per Schedule I to the budgeted amounts obtained from management. We obtained management's explanation for variations greater than \$50,000 and 10% of each operating revenue and expense line item in the aggregate, which includes the following:
 - a. The budgeted amount for promotions exceeded the actual amount by approximately \$137,000, or 30% due to a vacant marketing director position for five months. During those five months, promotion activity was minimal.
 - b. The actual amount for Student Athletic Services Revenue was approximately \$79,000, or 100% over budget. An amount was not budgeted for Student Athletic Services revenue; however, the revenue related to additional money obtained relating to the Success Challenge Program.
 - c. Bowl Game revenues were approximately \$333,000, or 100% above budget as Bowl Game proceeds were not in the 2005 budget. Bowl Game expenses were \$315,433.
 - d. Expenses for Intercollegiate Athletics exceeded budget by approximately \$102,000 or 10%, due to additional expenses incurred for post season play, as both the football team and women's basketball team had success in the post season. Additionally, other teams made the playoffs.
4. We obtained a description of accounts and compared classifications of revenues and expenditures to NCAA guidelines. We found no exceptions as a result of these procedures.
5. We obtained the organization chart prepared by management and made certain inquiries. We also obtained documentation of accounting systems and procedures and made certain inquiries of management regarding control consciousness, competence of personnel and protection of records and equipment. We tested specific elements of the control environment that were unique to intercollegiate athletics by testing 25 days in the cash receipts log and noting that each day's cash receipts log was reviewed by the ticket office manager. No exceptions were noted as a result of this procedure. We were informed that the internal audit department has performed its own audit procedures related to intercollegiate athletics.
6. We were informed that the Athletic Department follows the University's policies and procedures for acquiring, approving, depreciating, and disposing of assets. Capital assets are recorded at cost at the date of acquisition, or if acquired by gift, at the fair value at the date of donation. The University capitalizes all equipment with a cost of \$3,500 or more, and an estimated life of greater than one year. Renovations to buildings that exceed 5% of the cumulative building cost are capitalized. Infrastructure and improvements other than

to buildings are capitalized if the cost exceeds \$100,000. Depreciation is recognized on a straight-line basis over the estimated useful life of the asset. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation.

7. We obtained the listings of ticket sales for Football and Basketball and we agreed the tickets sold per the listings to the cash receipts per the cash transmittal and deposit receipt for all the football games and fourteen basketball games. We agreed these amounts to the related revenue reported by the University. We agreed the number of tickets sold to the sales receipts and recomputed the revenue based on ticket prices. We found no exceptions as a result of these procedures.
8. We agreed student fees reported by the University in Schedule 1 to the amount budgeted for the year. We found no exceptions as a result of these procedures.
9. We selected four game guarantees that were paid to Southeast Missouri State University, Premier Sports International, Inc., University of Windsor, and Bluffton College, and four that were received from Michigan State University, Temple University, University of Oklahoma, and Dartmouth College and agreed the amount recorded to the contract; agreed amount received to the check or check remittance; and agreed amount to the University's accounting records. We found no exceptions as a result of these procedures.
10. We obtained and inspected agreements with Clear Channel Broadcasting, Inc. and SportsChannel Ohio Associates related to the institution's participation in revenues from broadcast, television, radio, and Internet rights. We agreed the related revenues to the University's accounting records. We agreed revenue from royalties, advertisements, and sponsorships to the University's accounting records. We found no exceptions as a result of these procedures.
11. We randomly selected seven sports camps or clinics. A selection of three individual camp participant payments from each camp was compared to the University's accounting records. We found no exceptions as a result of these procedures.
12. We selected five student aid recipients from various men's and women's sports. We agreed the amount per the Financial Aid list to the NCAA student records website and to their aid award letter. We found no exceptions as a result of these procedures.
13. We obtained the agreements for four away-game settlement reports for Southeast Missouri State University, Premier Sports International, Inc., University of Windsor, and Bluffton College, and agreed the related expenses to the University's accounting records. We found no exceptions as a result of these procedures.

14. We agreed tournament revenue for Women's Basketball and Women's Soccer to the general ledger. We determined that tournament revenue for Football was not yet received by the University and was recorded as a receivable of approximately \$300,000.
15. We selected five coaches and support staff from various men's and women's sports employed by the University and those compensated by a third party. We agreed the amounts paid to the contracts, W-2's, and recorded expense per AFIN. We found no exceptions as a result of these procedures.
16. We read the University's recruiting expense and team travel policies and compared them to the NCAA policies and noted they were comparable.
17. We compared contributions received directly by the Athletic Department in excess of 10% of total contributions to the accounting records of the University. We identified one contribution of \$180,022, from Bowling Green State University Foundation (the Foundation), that exceeded 10% of all contributions for the year ended June 30, 2005. We found such information to be in agreement. We also noted that the gift documentation intended for the general use of the Athletic Department and was received directly by the Foundation and then distributed to the University.

II. Booster Organizations

1. We obtained the Schedule of Intercollegiate Athletics Programs and Support by Booster Organizations (Schedule 2) for the year ended June 30, 2005 as prepared by the Foundation.
2. We obtained a reconciliation of the booster organization's expenditures on behalf of the intercollegiate athletics program to the revenues recorded on the Athletic Department's accounting records.
3. We agreed beginning cash balances to the prior year schedule and ending balances to the Foundation's accounting records. The amounts included in Schedule 2 are not included in Schedule 1 unless contributed directly to the University by the outside organization. We found no exceptions as a result of these procedures.
4. We read the audited financial statements of the Foundation, which administers the booster organizations, for the year ended June 30, 2005, which reflected an unqualified opinion.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items, including Schedule 1 and Schedule 2 or on the effectiveness of the internal control over financial reporting, respectively.

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 Bowling Green State University and the National Collegiate Athletic Association and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

September 30, 2005

Schedule 1

Bowling Green State University

Intercollegiate Athletics Department
Schedule of Operating Revenues and Expenditures

Year Ended June 30, 2005

	Men's Football	Men's Basketball	Men's Hockey	Other Sports	Non-Program Specific	Total
Operating Revenue:						
Ticket Sales	\$ 479,009.00	\$ 198,796.00	\$ 162,996.00	\$ 17,755.00		\$ 858,556.00
Post Season Game Proceeds	16,000.00	17,000.00				33,000.00
TV Broadcasting Rights	19,399.33	7,233.14	9,147.31	2,041.40	\$ 7,624.38	45,445.56
Concessions					8,587,115.00	8,587,115.00
Student Activity Fees	600,000.00	45,000.00	10,000.00	1,000.00		656,000.00
Game Guarantees	7,261.84	1,482.27	912.17	509.36		10,165.64
Programs	24,943.00	7,654.00	5,757.00			38,354.00
Advertising	24,330.00		16,298.00			40,628.00
Parking					495,722.56	495,722.56
Gifts					604,199.61	604,199.61
Sports Schools & Camps					2,177,433.91	2,184,686.60
Miscellaneous	7,252.69					
Total Operating Revenue	<u>1,178,195.86</u>	<u>277,165.41</u>	<u>205,110.48</u>	<u>21,305.76</u>	<u>11,872,095.46</u>	<u>13,553,872.97</u>
Operating Expenses:						
Coach's Salaries	681,429.21	269,391.65	183,855.00	941,806.21		2,076,482.07
Other Salaries	38,244.54	18,927.72	59.60	6,577.50	1,782,153.73	1,845,963.09
Staff Benefits	183,532.23	72,891.23	59,162.19	272,658.92	442,473.09	1,030,717.66
Films	3,038.92	678.07	38.97	1,028.97		4,784.93
Travel						
Team	189,584.93	45,194.75	67,477.38	325,017.78		627,274.84
Recruiting	75,120.09	51,502.00	43,421.57	100,587.54		270,631.20
Financial Aid	1,376,747.00	197,477.00	370,460.00	2,116,472.00	211,374.10	4,272,530.10
Equipment	74,563.36	14,549.19	68,057.40	123,647.92	98,614.09	379,431.96
Miscellaneous	200,975.28	74,927.00	32,857.99	144,204.11	2,578,319.60	3,031,283.98
Total Operating Expenses	<u>2,823,235.56</u>	<u>745,538.61</u>	<u>825,390.10</u>	<u>4,032,000.95</u>	<u>5,112,934.61</u>	<u>13,539,099.83</u>
Operating Revenues over (under) Expenditures	<u>\$ (1,645,039.70)</u>	<u>\$ (468,373.20)</u>	<u>\$ (620,279.62)</u>	<u>\$ (4,010,695.19)</u>	<u>\$ 6,759,160.85</u>	<u>\$ 14,773.14</u>

Bowling Green State University
Schedule of Intercollegiate Athletics Program Support by Booster Organization
Year Ended June 30, 2005

Booster Organization	Beginning Fund Balance	Adjustments	Receipts	Disbursement: on behalf of program	Ending fund balance
Alumni/Athletics Endowment	\$ 69,366.06		\$ 4,490.55		\$ 73,856.61
Don Cunningham Memorial	36,706.23		9,074.07	\$ (1,453.00)	44,327.30
Intercollegiate Athletics Dept.	118,227.49		237,426.33	(333,223.79)	22,430.03
Perry Stadium Endowment	6,106.21		31.64	-	6,137.85
Grants-in-Aid for Women Athletes	13.82		(13.82)	-	-
Athletic Promotions	-		-	-	-
Gregory I. Brooks Soccer Schol.	23,424.17		1,496.10	-	24,920.27
Athletic Fitness & Weight Room	610.79		748.25	(1,322.04)	37.00
Man's Basketball Int'l. Travel	1,858.94		(7.66)	-	1,851.28
Carl C. Bachman Scholarship	53,813.90		3,484.53	-	57,298.43
Athletics Special Events	64,107.14		157,370.14	(194,648.16)	26,829.12
Men's Basketball	61.96		79,854.54	(82,862.63)	(2,946.13)
Football	20,145.24		130,854.03	(114,206.21)	36,793.06
Ice Hockey	18,156.16		39,133.06	(37,747.56)	19,541.66
Women's Basketball	15,828.97		32,699.66	(36,615.80)	11,912.83
Women's Golf	13,857.93		12,726.07	(14,528.75)	12,055.25
Gymnastics	2,016.55		22,511.39	(17,972.34)	6,555.60
Women's Tennis	3,252.18		6,124.20	(5,252.16)	4,124.22
Women's Track	6,881.17		13,236.93	(7,393.26)	12,724.84
Volleyball	1,351.23		12,774.21	(5,879.33)	8,246.11
Softball	3,223.57		24,321.78	(15,782.55)	11,762.80
Mel Brodt Track & Cross Country Schol.	32,831.54		3,827.99	(795.00)	35,864.53
Women's Soccer	16,714.06		9,130.16	(22,847.05)	2,997.17
Baseball	(219.24)		53,430.77	(49,894.65)	3,316.88
Men's Golf	1,967.68		25,421.80	(23,557.33)	3,832.15
Men's Soccer	(2,881.35)		50,500.09	(41,666.15)	5,952.59
Swimming	4,718.23		20,915.22	(24,086.67)	1,546.78
Men's Tennis	478.98		(1.69)	-	477.29
Men's Track	(40.75)		(0.37)	-	(41.12)
Men's Cross Country	1,303.19		2,693.64	(1,257.30)	2,739.53
Women's Cross Country	2,223.48		3,583.59	(3,292.85)	2,514.22
Glenn Sharp Schol.	68,910.34		23,897.79	(21,534.71)	71,273.42
BGSU Cheerleading	989.68		46.42	-	1,036.10
Bob & Karen Sebo Schol.	216,061.71		14,263.40	-	230,325.11
Coaches Excellence	277,275.38		17,997.26	(7,900.00)	287,372.64
Mickey & Patricia Cochrane Schol.	41,229.09		2,721.93	-	43,951.02
Samuel M. Cooper Athletic Schol.	26,834.10		1,556.57	-	28,390.67
Athletic Golf Fund	100,795.02		40,983.97	(29,513.87)	112,265.12
Falcon Club	36,392.66		465,695.80	(1,510.00)	500,578.46
Falcon Club-Designated	-		-	-	-
Falcon Club-Operating	0.44		1,230.13	(11,536.37)	(10,305.80)
Falcon Club-Reserve	(0.06)		-	-	(0.06)
Falcon Club Athletic Schol.	117,203.42		7,981.25	-	125,184.67
Dewey & Ellen Fuller Schol.	52,544.71		3,402.36	-	55,947.07
Harms Cross Country Schol.	40,742.01		2,574.88	(307.40)	43,009.49
Mark A. Brecklen Athletics/Football	8,017.36		7,388.55	(11,810.14)	3,595.77
Barb Veselich Award	2,000.00		-	(2,000.00)	-
Hockey Renovation Fund	19,885.93		23,568.06	(40,000.00)	3,453.99
Hodge Family Soccer Schol.	13,728.18		899.02	-	14,627.20
Joyce S. Hof Schol.	34,898.24		3,041.30	-	37,939.54
William J. Lloyd Athletic Award	66,249.01		9,225.76	-	75,474.77
John & Diane McNutt Schol.	12,051.28		522.35	-	12,573.63
Lanny L. Miles Memorial Schol.	76,949.20		7,577.29	-	84,526.49
Leslie Ann Dawley Memorial Fund	940.58		196.60	-	1,137.18

Bowling Green State University
Schedule of Intercollegiate Athletics Program Support by Booster Organization
Year Ended June 30, 2005

Booster Organization	Beginning Fund Balance	Adjustments	Receipts	Disbursement on behalf of program	Ending fund balance
Scholar Athlete Recognition Fund	\$ 87,320.66	\$	\$ (24,853.77)	\$ (400.00)	\$ 62,066.89
Training Room Enhancement	26.74		1,277.38	(865.23)	438.89
Medical Mutual of Ohio CHAMPS Endow.	42,708.96		23,586.97	-	66,295.93
Verlin Lee Science Educators Schol. In ICA	28,917.92		1,862.60	-	30,780.52
University Athletic Endowment	755,380.99		48,930.49	-	804,311.48
Doyt & Loretta Perry Schol.	203,942.53		12,459.45	(6,030.00)	210,371.98
Doyt & Loretta Perry Documentary	(22.60)		(0.20)	-	(22.80)
Bernard A. Frick Endow. For Athl. Training	4,013.20		22,570.33	892.73	27,476.26
Creason-Piper Endowed Scholarship	62,410.91		46,233.93	(317.10)	108,327.74
George H. & Ruthanna Frack Endwd Schol.	100,960.29		1,316.34	-	102,276.63
Earl e. Rupright Basketball Schol.	23,085.77		1,075.02	-	24,160.79
Helen & Willard Schaller Schol.	17,717.77		1,147.02	-	18,864.79
Mary E. Crawford Memorial Scholarship	26,762.29		1,809.97	-	28,572.26
Soccer Stadium	(6.99)		(0.06)	-	(7.05)
Stadium Club	(1,850.12)		91,928.10	(85,843.58)	4,234.40
Stadium Scoreboard Fund	39.76		(0.13)	-	39.63
Stadium Suites	6,863.13		195,630.24	(202,284.62)	208.75
Sebo Athletic Center	5,778.50		471,987.23	-	477,765.73
Falcon Women's Ldrship Athletic Fund	199.14		10,787.90	(15,188.90)	(4,201.86)
John Weinert Schol.	16,183.35		1,048.32	-	17,231.67
Cara Whelan Wilson Schol.	1,986.08		(6.96)	-	1,979.12
Chet Boyer Memorial Fund	1,135.69		46.07	-	1,181.76
Sandy & Dick Young Athletic Scholarship	-		-	-	-
Larry & Sharon Barnett Schol.	45,505.02		2,946.38	-	48,451.40
Hockey Memorial Fund	-		5,469.38	-	5,469.38
Jeff & Lisa Lambert Bsktbl Coach Award	-		-	-	-
Convocation Center	-		99,460.63	-	99,460.63
Falcon Club Endw for Womens Athletics	-		28,611.93	-	28,611.93
Varsity BG Club	30,301.70		11,764.19	(9,054.12)	33,011.77
Vivian Endowed Hockey Schol.	110,456.69		7,050.63	-	117,507.32
Stadium Lights Project	596.74		(2.09)	-	594.65
Edway & Geraldine Johnson Schol for Sci	-		25,782.63	-	25,782.63
	\$ 3,300,217.93	\$ -	\$ 2,682,527.81	\$ (1,481,487.89)	\$ 4,501,257.85



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

BOWLING GREEN STATE UNIVERSITY

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2005**