

Kent State University

Federal Entity Identification Number 31-6402079

**Report on Expenditures of Federal Awards In
Accordance With OMB Circular A-133
For the year ended June 30, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

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We have reviewed the Independent Auditor's Report of the Kent State University, Portage County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 4, 2001

**Kent State University
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In Accordance With OMB Circular A-133
for the year ended June 30, 2000**

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FINANCIAL

**Report of Independent Accountants on Financial Statements
And Supplementary Schedule of Expenditures of Federal Awards**

The Board of Trustees of
Kent State University:

In our opinion, the accompanying balance sheet and the related statements of changes in fund equities, and current fund revenues, expenditures and other changes in fund equities present fairly, in all material respects, the financial position of Kent State University (the "University"), a component unit of the State of Ohio, at June 30, 2000 and the changes in fund equities, current funds revenues, expenditures and other changes in fund equities for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 1999 financial statements; and in our report dated September 17, 1999, we expressed an unqualified opinion on those statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2000 on our consideration of Kent State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

PricewaterhouseCoopers LLP

September 15, 2000

KENT STATE UNIVERSITY

Balance Sheets

June 30, 2000 and 1999

(in thousands)

<u>Assets</u>	<u>Current Funds</u>			
	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Cash and cash equivalents (note 2)	\$ 8,885	\$ 3,433	\$ 4	\$ 6
Investments, at fair value (note 2)	93,866	84,526	-	-
Accounts receivable, net (notes 3 and 11)	7,614	8,043	5,072	4,187
Notes receivable, net (note 3)	-	-	-	-
Accrued interest receivable, net (note 3)	1,160	1,282	-	-
Inventories	2,175	2,222	-	-
Prepaid expenses and deferred charges	2,779	2,873	-	-
Deposits held by trustees (note 4)	-	-	-	-
Investment in plant (note 5)	-	-	-	-
Due from (to) other funds	<u>(23,559)</u>	<u>(18,855)</u>	<u>2,561</u>	<u>1,814</u>
Total assets	<u>\$ 92,920</u>	<u>\$ 83,524</u>	<u>\$ 7,637</u>	<u>\$ 6,007</u>
 <u>Liabilities and Fund Equities</u>				
Liabilities				
Accounts payable	\$ 9,049	\$ 6,858	\$ 251	\$ 342
Accrued liabilities (note 10)	24,194	23,460	45	82
Deposits and deferred credits	16,042	14,261	-	-
Bonds and lease obligations payable (notes 6 and 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	\$ 49,285	\$ 44,579	\$ 296	\$ 424
Fund equities (note 8)				
Educational and general	\$ 39,728	\$ 37,371	\$ 7,341	\$ 5,583
Auxiliary enterprises	3,907	1,574	-	-
Loan	-	-	-	-
Endowment and similar	-	-	-	-
Unexpended plant	-	-	-	-
Renewals and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Net investment in plant	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equities	<u>\$ 43,635</u>	<u>\$ 38,945</u>	<u>\$ 7,341</u>	<u>\$ 5,583</u>
Total liabilities and fund equities	<u>\$ 92,920</u>	<u>\$ 83,524</u>	<u>\$ 7,637</u>	<u>\$ 6,007</u>

<u>Loan Funds</u>		<u>Endowment and Similar Funds</u>		<u>Plant Funds</u>		<u>Agency Funds</u>	
<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
\$ 2,361	\$ 2,533	\$ 6	\$ -	\$ 11,700	\$ 79	\$ -	\$ 32
-	-	129	132	-	11,982	-	-
-	-	-	-	567	700	267	367
19,094	18,455	-	-	-	-	-	-
336	359	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,043	1,889	-	-
-	-	-	-	9	3	-	-
-	-	-	-	510,673	449,980	-	-
(178)	(67)	2,644	2,605	17,737	13,981	795	522
<u>\$ 21,613</u>	<u>\$ 21,280</u>	<u>\$ 2,779</u>	<u>\$ 2,737</u>	<u>\$ 542,729</u>	<u>\$ 478,614</u>	<u>\$ 1,062</u>	<u>\$ 921</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,006	\$ 1,132	\$ 13	\$ 13
-	-	-	-	597	513	24	34
-	-	-	-	312	312	1,025	874
-	-	-	-	81,774	63,143	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,689</u>	<u>\$ 65,100</u>	<u>\$ 1,062</u>	<u>\$ 921</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
21,613	21,280	-	-	-	-	-	-
-	-	2,779	2,737	-	-	-	-
-	-	-	-	7,137	8,179	-	-
-	-	-	-	9,857	8,007	-	-
-	-	-	-	(577)	(46)	-	-
-	-	-	-	441,623	397,374	-	-
<u>\$ 21,613</u>	<u>\$ 21,280</u>	<u>\$ 2,779</u>	<u>\$ 2,737</u>	<u>\$ 458,040</u>	<u>\$ 413,514</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 21,613</u>	<u>\$ 21,280</u>	<u>\$ 2,779</u>	<u>\$ 2,737</u>	<u>\$ 542,729</u>	<u>\$ 478,614</u>	<u>\$ 1,062</u>	<u>\$ 921</u>

See accompanying notes to financial statements.

KENT STATE UNIVERSITY
Statement of Changes in Fund Equities
Year ended June 30, 2000
(in thousands)

	Current Funds				
	Unrestricted		Total Unrestricted	Restricted	
	Educational and General	Auxiliary Enterprises		Educational and General	Auxiliary Enterprises
Revenues and other additions					
Unrestricted current fund revenues	\$ 253,178	\$ 56,089	\$ 309,267	\$ -	\$ -
State appropriations - restricted	-	-	-	3,703	-
Federal grants and contracts - restricted	-	-	-	29,907	119
State grants and contracts - restricted	-	-	-	8,739	-
Local government grants and contracts - restricted	-	-	-	274	-
Private gifts, grants and contracts - restricted	-	-	-	3,623	-
Investment income - restricted	-	-	-	15	-
Interest on notes receivable	-	-	-	-	-
Expended for plant facilities (includes \$7,031 charged to current fund expenditures)	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Other	-	-	-	-	-
Total revenues and other additions	253,178	56,089	309,267	46,261	119
Expenditures and other deductions					
Educational and general expenditures	234,637	-	234,637	42,526	-
Auxiliary enterprises expenditures	-	52,788	52,788	-	119
Indirect costs recovered	-	-	-	2,013	-
Refunded to grantors	-	-	-	39	-
Loan cancellation and write-offs	-	-	-	-	-
Administration and collection costs	-	-	-	-	-
Expended for plant facilities (includes \$2,633 of noncapitalized expenditures)	-	-	-	-	-
Retirement of indebtedness	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-
Disposals of assets	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures and other deductions	234,637	52,788	287,425	44,578	119
Transfers among funds - additions (deductions)					
Mandatory transfers for					
Principal and interest	(3,498)	(3,048)	(6,546)	-	-
Loan fund matching grant	(104)	-	(104)	-	-
Nonmandatory transfers for					
Renewals and replacements - plant funds	(3,359)	(2,132)	(5,491)	-	-
Other transfers	(9,223)	4,212	(5,011)	75	-
Total transfers	(16,184)	(968)	(17,152)	75	-
Net increase (decrease) for the year	2,357	2,333	4,690	1,758	-
Fund equities at beginning of year	37,371	1,574	38,945	5,583	-
Fund equities at end of year	\$ 39,728	\$ 3,907	\$ 43,635	\$ 7,341	\$ -

See accompanying notes to financial statements. 4

<u>Total Restricted</u>	<u>Total Current Funds</u>	<u>Loan Funds</u>	<u>Endowment and Similar Funds</u>	<u>Plant Funds</u>			<u>Net Investment in Plant</u>
				<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Retirement of Indebt- edness</u>	
-	\$ 309,267	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,703	3,703	-	-	26,251	-	-	-
30,026	30,026	239	-	-	-	-	-
8,739	8,739	-	-	-	-	-	-
274	274	-	-	-	-	-	-
3,623	3,623	-	-	2,890	-	-	-
15	15	98	3	-	-	2	-
-	-	433	-	-	-	-	-
-	-	-	-	-	-	-	44,285
-	-	-	-	-	-	-	3,279
-	-	197	-	652	48	-	-
<u>46,380</u>	<u>355,647</u>	<u>967</u>	<u>3</u>	<u>29,793</u>	<u>48</u>	<u>2</u>	<u>47,564</u>
42,526	277,163	-	-	-	-	-	-
119	52,907	-	-	-	-	-	-
2,013	2,013	-	-	-	-	-	-
39	39	-	-	-	-	-	-
-	-	705	-	-	-	-	-
-	-	33	-	-	-	-	-
-	-	-	-	36,670	2,751	-	-
-	-	-	-	-	-	3,279	-
-	-	-	-	-	-	3,800	-
-	-	-	-	-	-	-	3,255
-	-	-	-	-	-	-	60
<u>44,697</u>	<u>332,122</u>	<u>738</u>	<u>-</u>	<u>36,670</u>	<u>2,751</u>	<u>7,079</u>	<u>3,315</u>
-	(6,546)	-	-	-	-	6,546	-
-	(104)	104	-	-	-	-	-
-	(5,491)	-	-	-	5,491	-	-
<u>75</u>	<u>(4,936)</u>	<u>-</u>	<u>39</u>	<u>5,835</u>	<u>(938)</u>	<u>-</u>	<u>-</u>
<u>75</u>	<u>(17,077)</u>	<u>104</u>	<u>39</u>	<u>5,835</u>	<u>4,553</u>	<u>6,546</u>	<u>-</u>
1,758	6,448	333	42	(1,042)	1,850	(531)	44,249
5,583	44,528	21,280	2,737	8,179	8,007	(46)	397,374
<u>7,341</u>	<u>\$ 50,976</u>	<u>\$ 21,613</u>	<u>\$ 2,779</u>	<u>\$ 7,137</u>	<u>\$ 9,857</u>	<u>\$ (577)</u>	<u>\$ 441,623</u>

KENT STATE UNIVERSITY
Statement of Current Funds Revenues, Expenditures and Other Changes in Fund Equities
Year ended June 30, 2000
with comparative totals for 1999
(in thousands)

	<u>Unrestricted</u>		
	<u>Educational and General</u>	<u>Auxiliary Enterprises</u>	<u>Total Unrestricted</u>
Revenues			
Tuition, fees and other student charges	\$ 121,423	\$ 12,895	\$ 134,318
State appropriations	113,677	-	113,677
Federal grants and contracts	1,743	-	1,743
State grants and contracts	110	-	110
Local grants and contracts	63	-	63
Private gifts, grants and contracts	2,379	-	2,379
Sales and services	6,672	39,655	46,327
Investment income	5,469	538	6,007
Endowment income	-	-	-
Other	1,642	3,001	4,643
Total revenues	<u>253,178</u>	<u>56,089</u>	<u>309,267</u>
Expenditures and mandatory transfers			
Educational and general			
Instructional and departmental research	117,502	-	117,502
Separately budgeted research	2,656	-	2,656
Public services	8,666	-	8,666
Academic support	28,648	-	28,648
Student services	22,549	-	22,549
Institutional support	25,512	-	25,512
Operation and maintenance of plant	22,591	-	22,591
Scholarships and fellowships	6,513	-	6,513
Total educational and general expenditures	<u>234,637</u>	<u>-</u>	<u>234,637</u>
Auxiliary enterprises	-	52,788	52,788
Mandatory transfers for			
Principal and interest	3,498	3,048	6,546
Loan fund matching grant	104	-	104
Total expenditures and mandatory transfers	<u>238,239</u>	<u>55,836</u>	<u>294,075</u>
Nonmandatory transfers and other additions (deductions)			
Nonmandatory transfers for			
Renewals and replacements - plant funds	(3,359)	(2,132)	(5,491)
Other transfers	(9,223)	4,212	(5,011)
Other additions (deductions)			
Excess of restricted receipts over transfers to revenue	-	-	-
Refunded to grantors	-	-	-
Net increase in fund equities	<u>\$ 2,357</u>	<u>\$ 2,333</u>	<u>\$ 4,690</u>

See accompanying notes to financial statements.

	Restricted		Totals	
	Educational and General	Auxiliary Enterprises	Total Restricted	2000
\$ -	\$ -	\$ -	\$ 134,318	\$ 123,541
3,243	-	3,243	116,920	109,217
28,103	119	28,222	29,965	30,346
7,976	-	7,976	8,086	6,606
214	-	214	277	192
2,978	-	2,978	5,357	4,751
-	-	-	46,327	45,828
-	-	-	6,007	4,172
12	-	12	12	2
-	-	-	4,643	5,138
<u>42,526</u>	<u>119</u>	<u>42,645</u>	<u>351,912</u>	<u>329,793</u>
3,599	-	3,599	121,101	115,939
8,971	-	8,971	11,627	10,950
5,413	-	5,413	14,079	12,216
1,830	-	1,830	30,478	23,980
1,057	-	1,057	23,606	21,141
91	-	91	25,603	25,618
716	-	716	23,307	20,037
20,849	-	20,849	27,362	26,258
<u>42,526</u>	<u>-</u>	<u>42,526</u>	<u>277,163</u>	<u>256,139</u>
-	119	119	52,907	54,676
-	-	-	6,546	5,603
-	-	-	104	165
<u>42,526</u>	<u>119</u>	<u>42,645</u>	<u>336,720</u>	<u>316,583</u>
-	-	-	(5,491)	(5,327)
75	-	75	(4,936)	(3,317)
1,722	-	1,722	1,722	1,683
(39)	-	(39)	(39)	(46)
<u>\$ 1,758</u>	<u>\$ -</u>	<u>\$ 1,758</u>	<u>\$ 6,448</u>	<u>\$ 6,203</u>

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

(b) Fund Accounting

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

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

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

(Continued)

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2000 and 1999 (in thousands)

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

The following are descriptions of the fund groups used:

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

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

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

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

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

(Continued)

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2000 and 1999 (in thousands)

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

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

(c) Cash and Cash Equivalents

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

(d) Investments

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

(e) Inventories

Inventories, which primarily relate to the regional campus bookstores, are stated at lower of first-in, first-out cost or net realizable value.

(f) Investment in Plant

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

(g) Accrued Liabilities

Accrued liabilities consist primarily of accrued employee compensation and benefits.

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

(h) Revenues and Expenditures

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

(i) Income Taxes

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

(j) Reclassifications

Certain reclassifications have been made to the 1999 financial information to conform with the 2000 presentation.

(2) Cash, Cash Equivalents and Investments

At June 30, 2000 and 1999, the carrying amounts of the University's cash for all funds were \$3,683 and \$3,042, respectively as compared to bank balances of \$2,688 and \$2,362, respectively. The differences in carrying amounts and bank balances were caused by outstanding checks and deposits in-transit. Of the bank balances, \$357 and \$435 for 2000 and 1999, respectively, were covered by federal deposit insurance, and \$2,296 and \$1,896, respectively, were uninsured but collateralized by pools of U.S. government and other securities pledged by the depository banks and held by the Federal Reserve Bank of Cleveland in the member bank's name. The remaining 2000 and 1999 balances of \$35 and \$31, respectively, were uncollateralized and uninsured.

The deposits held by Star Ohio are not classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The cost of these funds was \$16 and \$15 at June 30, 2000 and 1999, respectively, which approximates fair value.

The deposits held in repurchase agreements are uninsured and unregistered investments for which securities are held in the name of the University (Category 2). The cost of these funds was \$19,281 and \$3,045 at June 30, 2000 and 1999, respectively, which approximates fair value.

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

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

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

The University's investments consist principally of U.S. government securities. The cost and market value of investments were \$95,403 and \$93,979, respectively, at June 30, 2000 and \$97,833 and \$96,625, respectively, at June 30, 1999.

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

(3) Accounts and Notes Receivable

Accounts receivable at June 30, 2000 and 1999 are net of allowances for doubtful accounts in current unrestricted funds of \$410 and \$490, respectively.

Notes receivable at June 30, 2000 and 1999 consist primarily of Perkins Loans and Nursing Student Loans and are net of allowances for doubtful accounts of \$3,113 and \$2,702, respectively.

Accrued interest receivable in loan funds at June 30, 2000 and 1999 are net of allowances for doubtful accounts of \$317 and \$238, respectively.

(4) Deposits Held by Trustees

Deposits with Trustees consist of the following:

	<u>June 30</u>	
	<u>2000</u>	<u>1999</u>
Cash equivalents	\$ <u>9</u>	\$ <u>3</u>

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

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

(5) Investment in Plant

Investment in plant consists of the following:

	June 30	
	2000	1999
Land	\$ 6,747	\$ 6,747
Improvements other than buildings	39,727	34,466
Buildings	305,331	285,000
Moveable equipment, furniture, and library books	131,397	111,414
Construction in progress	27,471	12,353
	<u>\$ 510,673</u>	<u>\$ 449,980</u>

A portion of moveable equipment represents assets purchased using federal grant funds. Title to the equipment generally transfers to the University when acquired by the grant. At June 30, 2000 and 1999, the University recorded \$6,033 and \$5,978, respectively, of equipment purchased with federal funds, of which \$1,921 and \$1,937, respectively, did not have title conveyed. Historically, the University has received title to all such moveable equipment acquired in this manner. Accordingly, these assets have been presented as assets of the University.

The estimated cost to complete construction in progress at June 30, 2000 and 1999 was \$2,982 and \$5,528, respectively.

(6) Bonds Payable

Bonds payable consist of General Receipts bonds. Maturity dates, interest rates and outstanding principal at June 30, 2000 and 1999, are as follows:

	<u>Series</u>	<u>Maturity Dates Through</u>	<u>Interest Rates</u>	<u>Original Principal</u>	<u>Outstanding Principal</u>	
					<u>2000</u>	<u>1999</u>
General Receipts bonds						
	1994	2003	2.9 – 4.95	\$ 8,990	\$ 2,395	\$ 3,360
	1996	2028	4.1 – 5.5	37,280	33,760	34,585
	1998	2023	4.1 – 5.0	23,425	22,945	23,425
	2000	2024	5.0 – 6.0	10,005	10,005	0
Total bonds payable				<u>\$79,700</u>	<u>\$ 69,105</u>	<u>\$ 61,370</u>

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

The scheduled maturities of the General Receipts bonds, including mandatory sinking fund requirements, for fiscal years subsequent to June 30, 2000 are as follows:

<u>Year Ending June 30,</u>	<u>General Receipts Bonds</u>
2001	\$ 5,275
2002	2,420
2003	2,520
2004	1,815
2005 and thereafter	<u>57,075</u>
Total	\$ <u>69,105</u>

In January 2000, the University issued \$10,005 in Series 2000 General Receipts bonds. The proceeds from the bond sale are being used for various capital improvements to dormitory facilities.

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

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

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

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

In fiscal year 2000, the University's Board of Trustees commissioned a study for a facility audit and a renewal plan for the residence-hall system. The Board of Trustees has also authorized the administration, based upon the preliminary results of this study, to select a consulting firm for the Residence Services Facilities Upgrade and Expansion, Phase I, which shall include the design of one to three new residential facilities, a possible new dining facility, any infrastructure necessary to service these facilities, and any refresh or critical measures necessary to extend the life of existing facilities. The University intends to pursue the issuance of bonds that would provide funding for this construction and/or renovation of the University's dormitory facilities.

(7) Leases

The University's operating leases consist of real property and moveable equipment. Total expenditures during 2000 and 1999 under operating leases amounted to approximately \$959 and \$404, respectively.

The University's capital leases represent a liability for installment purchases of equipment. The cost of the leased equipment amounted to approximately \$14,800 and \$2,855 at June 30, 2000 and 1999, respectively. The capital leases bear interest at rates varying from 0.80 percent to 9.50 percent and mature at various dates through 2009.

Future minimum payments on capital leases and noncancellable operating leases subsequent to June 30, 2000 are as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Lease</u>
2001	\$ 2,249	\$ 1,665
2002	1,890	1,392
2003	1,652	1,363
2004	1,635	1,329
2005	819	1,315
Thereafter	<u>8,165</u>	<u>18,044</u>
Total future minimum payments	16,410	\$ <u>25,108</u>
Less interest	<u>3,741</u>	
Total capital lease obligations	\$ <u>12,669</u>	

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

(8) Fund Equities

Fund equities consist of the following:

	<u>2000</u>	<u>1999</u>
Unrestricted current funds		
Educational and general		
Allocated – other	\$ 38,770	\$ 36,035
Allocated – retirement incentives	(369)	(956)
Unallocated	1,327	1,336
Auxiliary enterprises		
Allocated	868	521
Unallocated	3,039	1,053
Restricted current funds		
Educational and general	7,341	5,583
Loan funds		
University funds – restricted	3,071	3,007
U.S. government grants refundable	18,542	18,273
Endowment and similar funds		
Endowment	136	132
Quasi-endowment – unrestricted	2,643	2,605
Plant funds		
Unexpended		
Restricted	1,282	998
Unrestricted	5,855	7,181
Renewals and replacements		
Unrestricted	9,857	8,007
Retirement of indebtedness – restricted	(577)	(46)
Net investment in plant	441,623	397,374

(9) Grants and Contracts

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

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

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

(10) Retirement Plans

(a) Basic Retirement Benefits

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

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 5.76% of earned compensation for those employees participating in the alternative retirement program. The University's contribution for the year ending June 30, 2000 was \$365 which equals 5.76% of earned compensation.

The Public Employees Retirement System's Comprehensive Annual Financial Report may be obtained by writing to Public Employees Retirement System of Ohio, 277 East Town St., Columbus, Ohio 43215-4642. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% of covered payroll and the University is required to contribute 13.31% of covered payroll. The University's contributions to PERS for the years ending June 30, 2000, 1999 and 1998 were \$8,709, \$8,671 and \$8,517, respectively, equal to the required contributions for each year.

The State Teachers Retirement System's Comprehensive Annual Financial Report may be obtained by writing to State Teachers Retirement System of Ohio, 275 East Broad St., Columbus, Ohio 43215-3771. The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 9.3% of covered payroll and the University is required to contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 2000, 1999, and 1998 were \$10,071, \$9,661 and \$9,813, respectively, equal to the required contributions for each year.

(b) Post-Retirement Health Care Benefits

PERS provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to PERS. The 1999 employer contribution rate (most recent data available) for health care was 4.2 percent of covered payroll.

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KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2000 and 1999 (in thousands)

PERS expenditures for benefits during 1999 were \$523,599. As of December 31, 1999, the unaudited estimated net assets available for future benefit payments were \$9,870,286. The number of eligible benefit recipients at December 31, 1999 was 118.

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

The Ohio Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The State Teachers Retirement Board currently allocates employer contributions, which equals 8 percent of covered payroll, to a health care reserve fund from which payments for health care benefits are paid. The balance in the health care reserve fund was \$2.783 billion at June 30, 1999.

For the year ended June 30, 1999, the net health care costs paid by STRS were \$249,929. There were 96 eligible benefit recipients.

(c) Ohio Public Employees Deferred Compensation Program

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

In fiscal 1998, the assets of this program were the property of the University and were recorded in the agency fund of the University. Effective September 1, 1998, the Ohio Public Employees Deferred Compensation Program Board implemented a trust to hold the assets of the program in accordance with Internal Revenue Code Section 457. The program assets are now property of the trust, which holds the assets on behalf of the participants. Therefore, in accordance with Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this program are no longer reported in an agency fund of the University.

At June 30, 2000 and 1999, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were \$1,640 and \$1,363, respectively, which represents the fair market value at such dates.

(Continued)

KENT STATE UNIVERSITY

Notes to Financial Statements June 30, 2000 and 1999 (in thousands)

(11) Related Organizations

The University is the sole beneficiary of the Kent State University Foundation (Foundation), a separate not-for-profit entity organized for the purpose of promoting educational and research activities. The Foundation is a legally separate entity from the University and maintains a self appointing Board of Trustees. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation. Accordingly, management has determined that the Foundation is not a component unit of the University as defined by Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*. Assets totaling approximately \$74,920 and \$65,155 at June 30, 2000 and 1999, respectively, most of which have been restricted by donors for specific purposes, are held by the Foundation and are not recorded in the accompanying financial statements. Amounts received by the University from the Foundation are included in private support in the accompanying financial statements.

The University received approximately \$4,998 and \$2,036 of financial support during the years ended June 30, 2000 and 1999, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 2000 and 1999, the University had outstanding receivables from the Foundation of approximately \$790 and \$328, respectively.

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

(12) State Support

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

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

University facilities are not pledged as collateral for the revenue bonds issued by the OPFC. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available

(Continued)

KENT STATE UNIVERSITY

**Notes to Financial Statements
June 30, 2000 and 1999
(in thousands)**

from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

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

(13) Contingent Liabilities

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

SUPPLEMENTAL FINANCIAL INFORMATION

**Kent State University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2000**

STUDENT FINANCIAL AID

Department of Education

Direct Programs

Supplemental Education Opportunity Grant	84.007	845,878.00
College Work Study	84.033	1,534,420.46
Perkins Loan Program	84.038	6,189.36
Pell Grants	84.063	<u>13,394,365.00</u>

Total Department of Education

15,780,852.82

Department of Health and Human Services

Direct Programs

Nursing Student Loan	93.364	26,644.77
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Total Student Financial Aid

15,807,497.59

RESEARCH AND DEVELOPMENT

National Oceanic Atmospheric Administration

Pass-through programs

Ohio State University - Sea Grant	11.417	37,636.82
-Coastal Ocean Program	11.478	<u>99.97</u>

Total National Oceanic Atmospheric Administration

37,736.79

National Institute for Standards and Technology

Direct programs

Measurement and Engineering Research Standards	11.609	3,035.82
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Pass-through programs

Colorlink - Advance Technology Programs	11.612	<u>71,291.90</u>
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Total National Institute for Standards and Technology

74,327.72

Department of Defense**Direct programs**

Research Grant	12.000	-
Flood Plain Management Services	12.104	10,104.33
ONR - Basic and Applied Scientific Research	12.300	116,559.35
Basic Scientific Research	12.431	-
Sarnoff - Basic, Applied, and Advanced Research in Science and Engineering	12.630	35,410.88
Research Sciences Program	12.800	146,717.50
Research and Technology Development	12.910	88,158.75

Pass-through programs

Optimetrics - Collaborative Research and Development	12.114	-
Rutgers University - Military Medical Research and Development	12.420	41,487.96
Sarnoff - Basic, Applied, and Advanced Research in Science and Engineering	12.630	76,387.36
Horn Laboratories - Research Sciences Program	12.800	-
Meadowlark - Research Sciences Program	12.800	23,073.76
Boulder Nonlinear Systems - Research Sciences Program	12.800	6,557.56
California Institute of Technology - Research Sciences Program	12.800	72,780.64
Boulder Nonlinear Systems - Research Sciences Program	12.800	61,623.32
Research Development Laboratories - Research Sciences Program	12.800	12,267.87
National Research Council - Research Sciences Program	12.800	-
Dayton Area Graduate Studies Institute - Research and Technology Development	12.910	48,445.56
Kent Display Systems - Research and Technology Development	12.910	892.90
Molecular Opto Electronics - Research and Technology Development	12.910	1,756.58
ONR - Research and Technology Development	12.910	56,287.72

Total Department of Defense

798,512.04

US Geological Survey**Direct programs**

Geological Research Survey and Data Acquisition	15.808	7,472.18
National Cooperative Geologic Mapping Program	15.810	34,890.29

Pass-through programs

Ohio University - Geological Research Survey and Data Acquisition	15.808	6,192.35
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Total US Geological Survey

48,554.82

Department of Justice**Direct programs**

Violence Against Women Formula Grants	16.588	53,234.05
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Pass-through programs

State of Ohio - Juvenile Justice and Delinquency Prevention Special Emphasis	16.541	8,722.80
State of Ohio - Byrne Formula Grant Program	16.579	17,364.27
State of Ohio - Byrne Formula Grant Program	16.579	47,085.46
State of Ohio - Byrne Formula Grant Program	16.579	148.92
State of Ohio - Byrne Formula Grant Program	16.579	509.10
Cuyahoga County - Edward Byrne Memorial State and Local Law	16.580	5,098.11

Total Department of Justice

132,162.71

Department of Transportation**Pass-through programs**

Ohio Department of Transportation - Highway Planning and Construction	20.205	1,869.10
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National Aeronautics and Space Administration**Direct programs**

Research Grant	43.000	258,841.52
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Pass-through programs

Fisk University - Research Grant	43.000	20,574.06
Jet Propulsion Lab - Research Grant	43.000	10,644.21
Wilberforce University - Research Grant	43.000	23,041.10

Total National Aeronautics and Space Administration

		<u>313,100.89</u>
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National Science Foundation**Direct programs**

Engineering Grant	47.041	80,021.72
Mathematical and Physical Sciences	47.049	3,612,477.81
Geosciences	47.050	62,692.24
Materials Development, Research, and Informal Science Education	47.067	29,815.18
Computer and Information Science and Engineering	47.070	69,427.96
Biological Sciences	47.074	105,721.78
Social, Behavioral, and Economic Sciences	47.075	139,860.67

Pass-through programs

Moxtek - Engineering Grant	47.041	(152.55)
Kent Display Systems - Mathematical and Physical Sciences	47.049	59,140.00
Moxtek - Mathematical and Physical Sciences	47.049	44,277.56
National Research Council - Mathematical & Physical Sciences	47.049	15.00
Brown University - Social, Behavioral, and Economic Sciences	47.075	7,786.24
National Research Council - Social, Behavioral, and Economic Sciences	47.075	11,000.00

Total National Science Foundation

		<u>4,222,083.61</u>
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Environmental Protection Agency**Direct Programs**

Pesticides Control Research	66.502	3,812.65
Water Pollution Control - Research, Development and Demonstrations	66.505	(1,697.65)
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	83,704.95

Pass-through programs

NALMS - Water Pollution Control - Lake Restoration Cooperative	66.435	33,878.65
NALMS - Water Pollution Control - Lake Restoration Cooperative	66.435	5,161.63
NALMS - Water Pollution Control - Lake Restoration Cooperative	66.435	645.04
NALMS - Water Pollution Control - Lake Restoration Cooperative	66.435	6,184.59

Total Environmental Protection Agency

		<u>131,689.86</u>
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Department of Energy**Direct programs**

Research Grant	81.000	12,526.68
Basic Energy Sciences - University and Science Education	81.049	304,985.79

Pass-through programs

SURA - University-Laboratory Collaborative Program	81.004	4,941.52
Brookhaven National Laboratory - University-Laboratory Collaborative Program	81.004	9,959.00
Lawrence Berkeley Lab - Renewable Energy Research and Development	81.087	5,822.82
Associated Western Universities - Research Grants	81.109	(8.73)

Total Department of Energy

		<u>338,227.08</u>
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Department of Education

Direct programs

Research in Education of Individual with Disabilities	84.023	81,288.35
Special Education - Personnel Development and Parent Training	84.029	220,036.20
Children with Disabilities	84.324	47,284.05
National Institute for Literacy	84.257	279,631.80

Pass-through programs

CHMCA - Early Education Program for Children with Disabilities	84.024B	4,005.06
Robert Morris College - Improvement of Postsecondary Education	84.116	6,203.79
Safe and Drug-Free Schools and Communities--National Programs	84.184	30,039.02

Total Department of Education

668,488.27

National Archives and Records Administration

Direct programs

National Historical Publications and Records Grants	89.003	33,849.32
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Department of Health and Human Services

Direct programs

Injury Prevention and Control Research and State Community Based Programs	93.136	87,693.78
Mental Health Research Grant	93.242	506,012.25
Alcohol Research Programs	93.273	300,707.45
Comparative Medicine Program	93.306	219,410.70
Nursing Research	93.361	34,166.14
Academic Research Enhancement Award	93.390	127,071.92
Biological Basis Research in Neurosciences	93.854	156,030.42
Genetics and Development Biology Research	93.862	34,401.14
Center for Research for Mothers and Children	93.865	-

Pass-through programs

Kent State University Foundation - Medical Treatment Effectiveness Research	93.180	293,259.99
Kent State University Foundation - Mental Health Research Grant	93.242	96,302.23
Kent State University Foundation - Mental Health Research Grant	93.242	85,966.79
Kent State University Foundation - Aging Research	93.866	5,613.58
Pennsylvania State University - Aging Research	93.866	3.34
University of Wisconsin - Aging Research	93.866	1,252.66
Ohio Department of Alcohol and Drug Addiction Services - Block Grants for Prevention and Treatment of Substance Abuse	93.959	19,000.00

Total Department of Health and Human Services

1,966,892.39

Total Research and Development

8,767,494.60

OTHER PROGRAMS

Department of Defense

Direct program

Air Force ROTC Uniform Commutation	12.000	15,584.69
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Department of Housing and Urban Development

Pass-through programs

Trumbull Metropolitan Housing Authority - Federally Assisted Low-Income Housing Drug Elimination	14.193	9,326.93
Stark County Commissioners - Community Block Development Grant	14.228	144.45
Stark County Commissioners - Community Block Development Grant	14.228	16,600.00
Trumbull Metropolitan Housing Authority - Economic Development and Supportive Services Program	14.864	53,500.07

Total Department of Housing and Urban Development

79,571.45

US Geological Survey

Direct Programs

Outdoor Recreation Acquisition, Development and Planning	15.916	308.00
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Department of Justice		
Direct Programs		
Forfeiture Funds	16.000	17,009.05
Public Safety Partnership and Community Policing Grant	16.710	22,097.08
Pass-through programs		
Cuyahoga County Juvenile Court - Title V--Delinquency Prevention Program	16.548	630.88
Total Department of Justice		<u>39,737.01</u>
Department of Labor		
Pass-through programs		
Ohio Bureau of Employment Services - Employment Training and Assistance,	17.246	(85.53)
Ohio Bureau of Employment Services - Employment Training and Assistance,	17.246	87,062.37
Ohio State Research Foundation - Employment Services and Job Training Pilots--	17.249	9,524.00
Region 8 School to Work - Job Training Partnership Act	17.250	95.54
Region 12 School to Work - Job Training Partnership Act	17.250	439.74
Columbus State Community College - Job Training Partnership Act	17.250	39,455.16
Region12 School to Work - Job Training Partnership Act	17.250	2,081.27
Ohio State Research Foundation - Job Training Partnership Act	17.250	6.44
Total Department of Labor		<u>138,578.99</u>
Federal Aviation Administration		
Direct programs		
Airport Improvement Program	20.106	0.39
Airport Improvement Program	20.106	640,356.00
Total Federal Aviation Administration		<u>640,356.39</u>
Federal Mediation and Conciliation Program		
Direct programs		
Labor Management Cooperation	34.002	228.29
National Endowment for the Arts		
Direct programs		
Promotion of the Arts Grants to Organizations and Individuals	45.024	25,122.17
Institute of Museum Services	45.301	17.43
Pass-through programs		
Promotion of the Humanities--Federal/State Partnership	45.129	8,362.00
Promotion of the Humanities--Seminars and Institutes	45.163	-
State Library of Ohio - Institute of Museum Services'	45.310	38,386.68
Institute of Museum and Library Services--National Leadership Grants	45.312	2,196.50
Total National Endowment for the Arts		<u>74,084.78</u>
National Science Foundation		
Direct programs		
Biological Sciences	47.074	1,175.00
Graduate Research Fellowship - Education and Human Services	47.076	26,946.12
Total National Science Foundation		<u>28,121.12</u>
Small Business Administration		
Pass-through programs		
Ohio Department of Development - Small Business Development Centers	59.037	167,440.17
Department of State		
Direct programs		
College and University Affiliations Program	19.406	17,133.39
College and University Affiliations Program	19.406	50,321.26
Pass-through programs		
NAFSA - Educational Exchange--Graduate Students	19.400	1,579.91
American Association of Community Colleges - College and University	19.405	4,974.53
Total Department of State		<u>74,009.09</u>

Department of Education**Direct programs**

Special Education - Personnel Development and Parent Training	84.029	454,345.41
TRIO - Student Support Services	84.042	293,009.84
TRIO - Upward Bound	84.047	585,969.19
Postsecondary Education Programs for Individuals with Disabilities	84.078	136,861.51
Rehabilitation Services Project	84.129	252,847.59
Secondary Education and Transitional Services for Youth with Disabilities	84.158	73,976.07
McNair Post-Baccalaureate Achievement	84.217	93,539.17
Educational Research Grant Program	84.305	181,100.97
Special Education--Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	80,931.51
Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	84.324M	109,205.03
Special Education--Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325A	11,276.21
Special Education - Research and Innovation to Improve Services and Results for Children with Disabilities	84.325H	177,914.53
Preparing Tomorrow's Teachers to Use Technology	84.342	161,012.43
Preparing Tomorrow's Teachers to Use Technology	84.342B	918.89
Innovative Education Program Strategies	84.928	11,208.27
Innovative Education Program Strategies	84.928A	6,354.53

Pass-through programs

State of Ohio - Adult Education	84.002	625,096.99
CHMCA - Early Education Program for Children with Disabilities	84.024	6,271.13
State of Ohio - Education of Children with Disabilities	84.027	23,402.17
Special Education - Personnel Development and Parent Training	84.029	77,399.48
State of Ohio - Vocational Education-Basic Grants	84.048	189,361.01
State of Ohio - Teacher's Skills	84.164	135,434.81
State of Ohio - Tech Prep Education	84.243	248,352.03
State of Ohio - Literacy Resource Centers	84.254	36.87

Total Department of Education

 3,935,825.64
National Archives and Records Administration**Direct programs**

National Historical Publications and Records Grants	89.003	1,600.00
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Department of Health and Human Services**Direct programs**

Professional Nurse Traineeship	93.358	53,959.50
Basic Nurse Education and Practice Grants	93.359	150,809.43

Pass-through programs

CARHEN - Area Health Education Centers - Modal Programs	93.107	9,733.74
Traineeship and Special Projects Programs	93.962	12,817.87

Total Department of Health and Human Services

 227,320.54
Corporation for Public Broadcasting**Direct programs**

NONE		43.58
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Total Other

 5,422,809.74
Total Federal Awards

 29,997,801.93

Kent State University
Notes To Schedule Of Expenditures of Federal Awards
For the Year Ended June 30, 2000

1. Summary of Significant Accounting Policies:

Basis of Presentation:

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

Subrecipients:

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

2. Loan Advances

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins, Nursing and Health Professions Student Loans Programs for the year ended June 30, 2000:

	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	\$3,989,033	\$20,474,449
Nursing Student Loan Program	93.364	\$221,550	\$1,506,471

3. Federal Direct Loan Program:

During the year ended June 30, 2000, the University processed applications for the following loan amounts under the Federal Direct Loan program which includes Stafford Loans, unsubsidized Stafford Loans, and Parents Loans for Undergraduate Students.

	CFDA Numbers	Advances
Federal Direct Loan Program	84.268	\$71,382,277

Kent State University
Notes To Schedule Of Expenditures of Federal Awards
For the Year Ended June 30, 2000

4. Reconciliation

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

Expenditures per Schedule of Expenditures of Federal Awards	\$29,997,802
Perkins Loan Funds excluded from federal grants on Statement	(6,189)
Nursing Student Loan Funds excluded from federal grants on Statement	(26,645)
Indirect costs excluded from federal grants on Statement	<u>(1,742,960)</u>
 Federal appropriations as shown on Statement	 <u>\$28,222,008</u>

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

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

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees,
Kent State University:

We have audited the financial statements of Kent State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the University in a separate letter dated October 10, 2000.

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

PricewaterhouseCoopers LLP

September 15, 2000

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees,
Kent State University:

Compliance

We have audited the compliance of Kent State University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. 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 generally accepted auditing standards; 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 of 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, 2000.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the 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 the internal control over compliance in accordance with OMB Circular A-133.

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

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

PricewaterhouseCoopers LLP

September 15, 2000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Kent State University
 Schedule of Findings and Questioned Costs
 For the Year ended June 30, 2000**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified not to be material weaknesses	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
See Schedule of Expenditures of Federal Awards	Student Financial Aid National Institute for Literacy Federal Aviation Administration

Dollar threshold used to distinguish between Type A and Type B programs:	\$899,934
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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Kent State University
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2000

Section II - Financial Statement Findings

No matters were reported.

**Kent State University
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2000**

Section III - Summary of Current Year Findings and Questioned Costs

No current year findings.

Kent State University
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2000

Section IV - Summary of Prior Year Findings and Questioned Costs

No prior year findings.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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KENT STATE UNIVERSITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 23, 2001**