PRICEWATERHOUSECOOPERS

Kent State University

Audited Financial Statements
for the year ended June 30, 1999

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Trustee
Kent State University
Kent, Ohio

We have reviewed the Independent Auditor's Report of Kent State University, Portage County, prepared by Pricewaterhouse Coopers LLP, for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 21, 1999

PRICEWATERHOUSECOOPERS

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Report of Independent Accountants

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 funds revenues, expenditures and other changes in fund equities present fairly, in all material respects, the financial position of Kent State University (the "University") as of June 30, 1999 and 1998, and the changes in fund equities, current funds revenues, expenditures and other changes in fund equities for the year ended June 30, 1999 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the University's management, our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards 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.

As described in Note 1 to the financial statements, in 1999 the University changed its method of accounting for the deferred compensation plan.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 1999 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.

PricewaterhouseCoopers LLP

September 17, 1999

KENT STATE UNIVERSITY

Balance Sheets

June 30, 1999 and 1998

(in thousands)

	Current Funds			
	Unrestricted		Restricted	
Assets	1999	1998	1999	1998
Cash and cash equivalents (note 2)	$ 1,021	$ 15,483	$ 6	$ 6
Investments, at fair value (note 2)	84,526	52,360	-	-
Deposits	-	-	-	-
Accounts receivable, net (notes 3 and 11)	8,043	5,635	4,187	6,915
Notes receivable, net (note 3)	-	-	-	-
Accrued interest receivable, net (note 3)	1,282	746	-	-
Inventories	2,222	4,344	-	-
Prepaid expenses and deferred charges	2,873	3,254	-	-
Deposits held by trustees (note 4)	-	-	-	-
Investment in plant (note 5)	-	-	-	-
Due from (to) other funds	(18,855)	(5,829)	1,814	(2,634)
Total assets	$ 81,112	$ 75,993	$ 6,007	$ 4,287
Liabilities and Fund Equities				
Liabilities				
Accounts payable	$ 6,858	$ 8,024	$ 342	$ 212
Accrued liabilities (note 10)	23,460	22,060	82	79
Deposits and deferred credits	11,849	11,580	-	-
Bonds and lease obligations payable (notes 6 and 7)	-	-	-	-
Total liabilities	$ 42,167	$ 41,664	$ 424	$ 291
Fund equities (note 8)				
Educational and general	$ 37,371	$ 33,413	$ 5,583	$ 3,996
Auxiliary enterprises	1,574	916	-	-
Loan	-	-	-	-
Endowment and similar	-	-	-	-
Unexpended plant	-	-	-	-
Renewals and replacements	-	-	-	-
Retirement of indebtedness	-	-	-	-
Net investment in plant	-	-	-	-
Total fund equities	$ 38,945	$ 34,329	$ 5,583	$ 3,996
Total liabilities and fund equities	$ 81,112	$ 75,993	$ 6,007	$ 4,287

Loan Funds		Endowment and Similar Funds		Plant Funds		Agency Funds	
1999	1998	1999	1998	1999	1998	1999	1998
$ 2,533	$ 1,992	$ -	$ 22	$ 79	$ 412	$ 32	$ 44
-	-	132	111	11,982	31,723	-	-
-	-	-	-	-	-	-	1,021
-	-	-	-	700	769	367	360
18,455	17,928	-	-	-	-	-	-
359	338	-	-	-	79	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,889	1,865	-	-
-	-	-	-	3	93	-	-
-	-	-	-	449,980	420,156	-	-
(67)	(16)	2,605	2,576	13,981	5,564	522	339
$ 21,280	$ 20,242	$ 2,737	$ 2,709	$ 478,614	$ 460,661	$ 921	$ 1,764
$ -	$ -	$ -	$ -	$ 1,132	$ 2,290	$ 13	$ 23
-	-	-	-	513	527	34	29
-	-	-	-	312	312	874	1,712
-	-	-	-	63,143	65,490	-	-
$ -	$ -	$ -	$ -	$ 65,100	$ 68,619	$ 921	$ 1,764
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
21,280	20,242	-	-	-	-	-	-
-	-	2,737	2,709	-	-	-	-
-	-	-	-	8,179	3,991	-	-
-	-	-	-	8,007	6,938	-	-
-	-	-	-	(46)	(423)	-	-
-	-	-	-	397,374	381,536	-	-
$ 21,280	$ 20,242	$ 2,737	$ 2,709	$ 413,514	$ 392,042	$ -	$ -
$ 21,280	$ 20,242	$ 2,737	$ 2,709	$ 478,614	$ 460,661	$ 921	$ 1,764

See accompanying notes to financial statements.

KENT STATE UNIVERSITY
Statement of Changes in Fund Equities
Year ended June 30, 1999
(in thousands)

	Current Funds		
	Unrestricted		
	Educational and General	Auxiliary Enterprises	Total Unrestricted
Revenues and other additions			
Unrestricted current fund revenues	$ 234,229	$ 54,994	$ 289,223
State appropriations - restricted	-	-	-
Federal grants and contracts - restricted	-	-	-
State grants and contracts - restricted	-	-	-
Local government grants and contracts - restricted	-	-	-
Private gifts, grants and contracts - restricted	-	-	-
Investment income - restricted	-	-	-
Interest on notes receivable	-	-	-
Expended for plant facilities (includes $4,091 charged to current fund expenditures)	-	-	-
Retirement of indebtedness	-	-	-
Other	-	-	-
Total revenues and other additions	234,229	54,994	289,223
Expenditures and other deductions			
Educational and general expenditures	215,713	-	215,713
Auxiliary enterprises expenditures	-	54,532	54,532
Indirect costs recovered	-	-	-
Refunded to grantors	-	-	-
Loan cancellation and write-offs	-	-	-
Administration and collection costs	-	-	-
Expended for plant facilities (includes $3,175 of noncapitalized expenditures)	-	-	-
Retirement of indebtedness	-	-	-
Interest on indebtedness	-	-	-
Disposals of assets	-	-	-
Other	-	-	-
Total expenditures and other deductions	215,713	54,532	270,245
Transfers among funds - additions (deductions)			
Mandatory transfers for			
Principal and interest	(3,680)	(1,923)	(5,603)
Loan fund matching grant	(165)	-	(165)
Nonmandatory transfers for			
Renewals and replacements - plant funds	(3,967)	(1,360)	(5,327)
Other transfers	(6,746)	3,479	(3,267)
Total transfers	(14,558)	196	(14,362)
Net increase for the year	3,958	658	4,616
Fund equities at beginning of year	33,413	916	34,329
Fund equities at end of year	$ 37,371	$ 1,574	$ 38,945

See accompanying notes to financial statements.

Restricted						Plant Funds			
Educational and General	Auxiliary Enterprises	Total Restricted	Total Current Funds	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Net Investment in Plant
$ -	$ -	$ -	$ 289,223	$ -	$ -	$ -	$ -	$ -	$ -
3,502	-	3,502	3,502	-	-	16,849	-	-	-
29,910	145	30,055	30,055	537	-	-	-	-	-
7,517	-	7,517	7,517	-	-	-	-	-	-
182	-	182	182	-	-	-	-	-	-
2,828	-	2,828	2,828	-	-	214	-	-	-
6	-	6	6	81	(1)	-	-	2	-
-	-	-	-	457	-	-	-	-	-
-	-	-	-	-	-	-	-	-	22,564
-	-	-	-	-	-	-	-	-	3,259
-	-	-	-	151	-	2,276	210	-	-
43,945	145	44,090	333,313	1,226	(1)	19,339	210	2	25,823
40,426	-	40,426	256,139	-	-	-	-	-	-
-	145	145	54,677	-	-	-	-	-	-
1,836	-	1,836	1,836	-	-	-	-	-	-
46	-	46	46	-	-	-	-	-	-
-	-	-	-	326	-	-	-	-	-
-	-	-	-	27	-	-	-	-	-
-	-	-	-	-	-	20,651	988	-	-
-	-	-	-	-	-	-	-	3,259	-
-	-	-	-	-	-	-	-	3,237	-
-	-	-	-	-	-	-	-	-	8,684
-	-	-	-	15	-	-	-	-	1,301
42,308	145	42,453	312,698	368	-	20,651	988	6,496	9,985
-	-	-	(5,603)	-	-	(1,268)	-	6,871	-
-	-	-	(165)	165	-	-	-	-	-
-	-	-	(5,327)	-	-	-	5,327	-	-
(50)	-	(50)	(3,317)	-	29	6,768	(3,480)	-	-
(50)	-	(50)	(14,412)	165	29	5,500	1,847	6,871	-
1,587	-	1,587	6,203	1,038	28	4,188	1,069	377	15,838
3,996	-	3,996	38,325	20,242	2,709	3,991	6,938	(423)	381,536
$ 5,583	$ -	$ 5,583	$ 44,528	$ 21,280	$ 2,737	$ 8,179	$ 8,007	$ (46)	$ 397,374

KENT STATE UNIVERSITY

Statement of Current Funds Revenues, Expenditures and Other Changes in Fund Equities

Year ended June 30, 1999

with comparative totals for 1998

(in thousands)

	Unrestricted Educational and General	Unrestricted Auxiliary Enterprises	Total Unrestricted
Revenues			
Tuition, fees and other student charges	$ 113,387	$ 10,154	$ 123,541
State appropriations	106,754	-	106,754
Federal grants and contracts	1,619	-	1,619
State grants and contracts	63	-	63
Local grants and contracts	4	-	4
Private gifts, grants and contracts	2,104	-	2,104
Sales and services	4,221	41,607	45,828
Investment income	3,745	427	4,172
Endowment income	-	-	-
Other	2,332	2,806	5,138
Total revenues	234,229	54,994	289,223
Expenditures and mandatory transfers			
Educational and general			
Instructional and departmental research	113,062	-	113,062
Separately budgeted research	1,928	-	1,928
Public services	6,863	-	6,863
Academic support	23,436	-	23,436
Student services	20,413	-	20,413
Institutional support	24,875	-	24,875
Operation and maintenance of plant	20,016	-	20,016
Scholarships and fellowships	5,120	-	5,120
Total educational and general expenditures	215,713	-	215,713
Auxiliary enterprises	-	54,532	54,532
Mandatory transfers for			
Principal and interest	3,680	1,923	5,603
Loan fund matching grant	165	-	165
Total expenditures and mandatory transfers	219,558	56,455	276,013
Nonmandatory transfers and other additions (deductions)			
Nonmandatory transfers for			
Renewals and replacements - plant funds	(3,967)	(1,360)	(5,327)
Other transfers	(6,746)	3,479	(3,267)
Other additions (deductions)			
Excess of restricted receipts over transfers to revenue	-	-	-
Refunded to grantors	-	-	-
Net increase in fund equities	$ 3,958	$ 658	$ 4,616

See accompanying notes to financial statements.

Restricted Educational and General	Restricted Auxiliary Enterprises	Total Restricted	Totals 1999	Totals 1998
$ -	$ -	$ -	$ 123,541	$ 115,358
2,463	-	2,463	109,217	105,897
28,583	144	28,727	30,346	27,934
6,543	-	6,543	6,606	5,998
188	-	188	192	184
2,647	-	2,647	4,751	4,569
-	-	-	45,828	42,995
-	-	-	4,172	4,956
2	-	2	2	2
-	-	-	5,138	4,006
40,426	144	40,570	329,793	311,899
2,877	-	2,877	115,939	109,937
9,022	-	9,022	10,950	11,028
5,353	-	5,353	12,216	10,709
544	-	544	23,980	23,675
728	-	728	21,141	20,818
743	-	743	25,618	21,630
21	-	21	20,037	20,563
21,138	-	21,138	26,258	23,832
40,426	-	40,426	256,139	242,192
-	144	144	54,676	50,108
-	-	-	5,603	5,340
-	-	-	165	187
40,426	144	40,570	316,583	297,827
-	-	-	(5,327)	(3,013)
(50)	-	(50)	(3,317)	(1,833)
1,683	-	1,683	1,683	534
(46)	-	(46)	(46)	(48)
$ 1,587	$ -	$ 1,587	$ 6,203	$ 9,712

(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, on the State of Ohio's Consolidated Annual Financial Report.

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses 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)

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.

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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

Government Accounting Standards Board's Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities to report investments at fair value in the balance sheet, was adopted by the University in fiscal year 1998. In the accompanying balance sheets, investments are generally comprised of U.S. government securities.

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 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

(Continued)

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.

(h) Revenues and Expenditures

Revenues and expenditures related to academic terms conducted over two fiscal years, such as smaller 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 1998 financial information to conform with the 1999 presentation.

(k) Changes in Accounting Principles

The University implemented Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. On September 1, 1998, Ohio Public Employees' Deferred Compensation created a trust for the assets of the plan for which the University has no fiduciary responsibility. Therefore, the balance of the Ohio Public Employees' Deferred Compensation Plan is no longer presented as part of the University's financial statements.

(2) Cash, Cash Equivalents and Investments

At June 30, 1999 and 1998, the carrying amounts of the University's cash for all funds were $629 and $4,334, respectively as compared to bank balances of $2,362 and $3,950, respectively. The differences in carrying amounts and bank balances were caused by outstanding checks and deposits in-transit. Of the bank balances, $435 and $590 for 1999 and 1998, respectively, were covered by federal deposit insurance, and $1,896 and $3,312, respectively, were uninsured but collateralized by pools of U.S. government and other

(Continued)

securities pledged by the depository banks and held by the Federal Reserve Bank of Cleveland in the member bank's name. The remaining 1999 and 1998 balances of $31 and $48, 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 $15 and $2,976 at June 30, 1999 and 1998, which approximates market 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 $3,045 and $13,718 at June 30, 1999 and 1998, which approximates market 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.

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 $97,883 and $96,625, respectively, at June 30, 1999 and $80,868 and $81,218, respectively, at June 30, 1998.

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, 1999 and 1998 are net of allowances for doubtful accounts in current unrestricted funds of $490 and $280, respectively.

Notes receivable at June 30, 1999 and 1998 consist primarily of Perkins Loans and Nursing Student Loans and are net of allowances for doubtful accounts of $2,702 and $2,687, respectively.

(Continued)

(in thousands)

Accrued interest receivable in loan funds at June 30, 1999 and 1998 are net of allowances for doubtful accounts of $238 and $202, respectively.

(4) Deposits Held by Trustees

Deposits with Trustees consist of the following:

	June 30	
	1999	1998
Cash equivalents	$ 3	$ 93

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

(5) Investment in Plant

Investment in plant consists of the following:

	June 30	
	1999	1998
Land	$ 6,747	$ 6,747
Improvements other than buildings	34,466	27,250
Buildings	285,000	252,316
Moveable equipment, furniture, and library books	111,414	113,717
Construction in progress	12,353	20,126
	$449,980	$420,156

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, 1999 and 1998, the University recorded $5,978 and $6,210, respectively, of equipment purchased with federal funds, of which $1,937 and $2,214, 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, 1999 and 1998 was $5,528 and $17,649, respectively.

(Continued)

(in thousands)

(6) Bonds Payable

Bonds payable consist of General Receipts bonds. Maturity dates, interest rates and outstanding principal at June 30, 1999 and 1998, are as follows:

	Series	Maturity Dates Through	Interest Rates	Original Principal	Outstanding Principal 1999	199
General Receipts bonds						
	1994	2003	2.9 – 4.95	$ 8,990	$ 3,360	$ 4,31
	1996	2028	4.1 – 5.5	37,280	34,585	35,51
	1998	2023	4.1 – 5.0	23,425	23,425	23,42
Total bonds payable				$ 69,695	$ 61,370	$ 63,25

The scheduled maturities of the General Receipts bonds, including mandatory sinking fund requirements, for fiscal years subsequent to June 30, 1999 are as follows:

Year Ending June 30,	General Receipts Bonds
2000	$ 2,270
2001	5,275
2002	2,190
2003	2,275
2004 and thereafter	49,360
Total	$ 61,370

In June 1998, the University issued $23,425 in Series 1998 General Receipts bonds. The proceeds from the bond sale are being used for various capital improvements to Regional Campus Facilities and to advance refund $12,750 of the University's outstanding General Receipts bonds. Net proceeds in the amount of $13,616 were placed in an irrevocable escrow account which, including interest earned, will be used to pay the principal, interest and redemption premium on the $12,750 General Receipts bonds which were advance refunded. The proceeds are invested in government obligations in the form of United States Treasury Obligations. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the University's Net Investment in Plant Fund. At June 30, 1999, $12,500 of this defeased debt was outstanding.

(Continued)

As a result of this advance refunding, the University will realize gross debt service savings of $943 over the life of the bonds and obtain an economic gain (difference between the present value of the old and new debt service payments) of $872.

In accordance with the General Receipts bonds Trust Agreement, the Series 1996 and Series 1998 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, 1999, $8,473 of this defeased debt was outstanding.

(7) Leases

The University's operating leases consist of real property and moveable equipment. Total expenditures during 1999 and 1998 under operating leases amounted to approximately $404 and $174, respectively.

The University's capital leases represent a liability for installment purchases of equipment. The book value of the leased equipment amounted to approximately $2,855 and $7,948 at June 30, 1999 and 1998, respectively. The capital leases bear interest at rates varying from 0.00 percent to 9.50 percent and mature at various dates through 2003.

Future minimum payments on capital leases and noncancellable operating leases subsequent to June 30, 1999 are as follows:

(Continued)

(in thousands)

Year Ending June 30,	Capital Leases	Operating Lease
2000	$ 969	$ 959
2001	656	880
2002	267	664
2003	17	662
2004 & thereafter	0	16,420
Total future minimum payments	1,909	$ 19,585
Less interest	136	
Total capital lease obligations	$1,773	

(8) Fund Equities

Fund equities consist of the following:

	1999	1998
Unrestricted current funds		
Educational and general		
Allocated – other	$ 36,035	$ 32,210
Unallocated	1,336	1,203
Auxiliary enterprises		
Allocated	521	597
Unallocated	1,053	319
Restricted current funds		
Educational and general	5,583	3,996
Loan funds		
University funds – restricted	3,007	2,650
U.S. government grants refundable	18,273	17,592
Endowment and similar funds		
Endowment	132	133
Quasi-endowment – unrestricted	2,605	2,576
Plant funds		
Unexpended		
Restricted	998	0
Unrestricted	7,181	3,991
Renewals and replacements		
Unrestricted	8,007	6,938
Retirement of indebtedness – restricted	(46)	(423)
Net investment in plant	397,374	381,536

(Continued)

(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.

(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 PERS and STRS 6% of earned compensation for those employees participating in the alternative retirement program. The University's contribution for the year ending June 30, 1999 was $341 which equals 6% 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, 1999, 1998 and 1997 were $8,671, $8,517 and $8,370, respectively, equal to the required contributions for each year.

(Continued)

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, 1999, 1998, and 1997 were $9,661, $9,813 and $9,397, respectively, equal to the required contributions for each year.

(b) Postretirement Health Care Benefits

PERS provides postretirement 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 postretirement health care through their contributions to PERS. The 1998 employer contribution rate for health care was 4.2 percent of covered payroll.

PERS expenditures for benefits during 1998 were $440,597. As of December 31, 1998, the unaudited estimated net assets available for future benefit payments were $9,447,325. The number of eligible benefit recipients at December 31, 1998 was 116.

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 $2,156 million at June 30, 1998.

For the year ended June 30, 1998, the net health care costs paid by STRS were $219,224. There were 92 eligible benefit recipients.

(Continued)

(c) Retirement Incentive Programs

The Ohio General Assembly legislation gives public employers in Ohio the option of establishing an early retirement incentive plan for members of STRS or PERS.

On January 16, 1997, the University authorized an early retirement plan for employees who are members of PERS. Effective March 1, 1997 and continuing through May 1, 1998, the University purchased service credit for eligible employees. The amount of service credit purchased did not exceed the lesser of three years or one-fifth of the total service time earned. The maximum number of employees to participate was limited to 5 percent of the PERS members of the University.

Included in accrued liabilities at June 30, 1999 and 1998, were approximately $0 and $46, respectively, which represents the outstanding principal payments required to be made for enrolled applicants.

(d) 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, 1999, and 1998, the amounts on deposit with the Ohio Public Employees Deferred Compensation Board were $1,363 and $1,021, respectively, which represents the fair market value at such dates.

(Continued)

(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 $65,155 and $56,347 at June 30, 1999 and 1998, respectively, most of which have been restricted by donors for specific purposes, are held by the Foundation and are not recorded in the accompanying financial statements. Amounts received by the University from the Foundation are included in private support in the accompanying financial statements.

The University received approximately $2,036 and $2,169 of financial support during the years ended June 30, 1999 and 1998, respectively, from gifts to the Foundation specifically restricted by donors for University use and from private grants. Additionally, at June 30, 1999 and 1998, the University had outstanding receivables from the Foundation of approximately $386 and $1,056, 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.

(Continued)

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 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.

REQUIRED SUPPLEMENTARY INFORMATION
YEAR 2000 DISCLOSURE (UNAUDITED)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
1500 One Cleveland Center
1375 East Ninth Street
Cleveland OH 44114-1700
Telephone (216) 241 4380
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Report on Supplementary Information

The Board of Trustees of
Kent State University:

Our report on the audit of the financial statements of the University as of June 30, 1999 and for the year then ended is presented in the first section of this document. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following year 2000 supplementary information is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by Technical Bulleting 98-1, as amended, are not sufficiently specific and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that the University is or will become year 2000 compliant, that the University's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the University does business are or will become year 2000 compliant.

PricewaterhouseCoopers LLP

September 17, 1999

Year 2000 Supplementary Information

The year 2000 issue is the result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond. There has been concern that programs may process data inaccurately or stop processing data altogether. The University has undertaken and completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue.

The University has classified critical systems into two major categories: environmental and administrative systems. Environmental systems include the areas of research, communication, facilities maintenance, security, operations, public safety, and utilities. Administrative systems include the network system, personal computers, office support, financial systems, payroll systems, and student information systems.

The majority of the University's systems have gone through the awareness, assessment, remediation and validation phases of review. The University has determined the majority of its systems are compliant. Other programs and equipment are scheduled for remediation and validation during 1999. As of June 30, 1999, the University had not entered into any significant contractual agreements with respect to making computer systems year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, the success of related mediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that all of its systems will be year 2000 ready, that the University's remediation efforts will be successful in whole or in part, or that parties with whom the University does business and relies upon will be year 2000 compliant.