



(A component unit of the State of Ohio)

Financial Report

With Supplemental Information

June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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The University of Akron
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We have reviewed the *Independent Auditor's Report* of The University of Akron, Summit County, prepared by Crowe LLP, for the audit period July 1, 2018 through June 30, 2019. 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 University of Akron is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 18, 2019

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The University of Akron

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The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2019

The discussion and analysis of The University of Akron's (The University) annual financial performance provides an overall review of The University's financial activities for the fiscal year ended June 30, 2019. This discussion and analysis views The University's financial performance as a whole; readers should also review the basic financial statements and related notes to the basic financial statements to enhance their understanding of The University's financial performance.

Using the Annual Financial Report

The annual report is prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities, and consists of this Management's Discussion and Analysis, three separate but interrelated financial statements, and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

The University's financial statements include the *Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows*. The financial statements focus on the financial condition, results of operations, and cash flows of The University, as a whole.

The Statement of Net Position includes all assets and liabilities, as well as deferred outflows and deferred inflows of resources, with the residual balance reported as *net position*. The assets and liabilities are presented in the order of relative liquidity while *net position* is categorized as *Net investment in capital assets, Restricted, or Unrestricted*. Over time, increases or decreases in *net position* are an indicator of the improvement or erosion of The University's financial health.

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as nonoperating revenues; therefore, substantial operating losses are not uncommon for public colleges and universities. For the fiscal years ended June 30, 2019, 2018, and 2017, the State provided approximately \$108 million, \$119 million, and \$127 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$130 million, \$36 million, and \$153 million, respectively, for each of those years.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized within the activities of *operating, noncapital financing, capital and related financing, and investing activities*. Cash flows from *operating* activities generally result from the provision of goods or services in the normal course of doing business and are generally the cash effects of transactions that determine *operating income*. Meanwhile, *noncapital financing activities* typically include borrowing and repaying money for purposes other than acquiring, constructing, or improving capital assets.

Conversely, *capital and related financing activities* generally include acquiring and disposing of capital assets, borrowing and repaying money for acquiring, constructing, or improving capital assets, and paying for capital assets obtained from vendors on credit. The *investing activities* generally relate to making and collecting loans and acquiring and disposing of debt or equity instruments.

The University is considered a discretely presented component unit of the State of Ohio and as such, The University's financial activity is also included within the State of Ohio's Comprehensive Annual Financial Report. The University has two discretely presented component units that are combined and reported in a separate column on The University's financial statements to emphasize that each are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. Since the focus of this discussion is on The University, these component units are not included in the following numbers. These component units are described in greater detail in the financial statements and notes to the financial statements.

The University of Akron
Management's Discussion and Analysis (Unaudited)
June 30, 2019

Statements of Net Position

This table summarizes The University's Statements of Net Position for the last three fiscal years (in millions):

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assets:			
Current assets	\$ 214.6	\$ 222.8	\$ 221.8
Noncurrent assets:			
Capital	734.2	716.1	689.3
Net OPEB asset	-	-	11.6
Other	87.5	91.2	95.2
Total assets	<u>1,036.3</u>	<u>1,030.1</u>	<u>1,017.9</u>
Deferred outflow of resources	113.5	119.1	111.0
Liabilities:			
Current liabilities	76.7	76.5	76.1
Net pension liability	418.5	298.0	266.1
Net OPEB liability	-	136.2	102.0
Other noncurrent liabilities	477.3	434.9	426.5
Total liabilities	<u>972.5</u>	<u>945.6</u>	<u>870.7</u>
Deferred inflow of resources	39.0	68.4	98.6
Net position:			
Net investment in capital assets	310.3	304.3	292.1
Restricted:			
Nonexpendable	21.8	25.7	28.1
Expendable	73.2	73.6	76.1
Unrestricted	<u>(267.0)</u>	<u>(268.4)</u>	<u>(236.7)</u>
Total net position	<u>\$ 138.3</u>	<u>\$ 135.2</u>	<u>\$ 159.6</u>

Assets and deferred outflows of resources

Current assets include those highly liquid assets that are used for current operations such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses. For 2019, current assets decreased by \$1.0 million. There were variations among many of the current asset categories, but the principal causes of the change in 2019 are from an increase in pooled investments of \$5.5 million and a decrease in accounts receivable of \$7.4 million. For 2018, current assets increased \$8.2 million. The principal causes of the change in 2018 are from an increase in pooled investments of \$9.3 million and a \$1.1 million decrease in prepaid expenses.

Noncurrent assets consist of endowment and restricted investments, pledges and student notes receivable, long-term prepaid expenses and deferred charges, and capital assets. Noncurrent assets decreased \$11.2 million and \$14.4 million for 2019 and 2018, respectively. The changes in 2019 and 2018 are largely due to a decrease in capitalization of equipment.

Deferred outflows of resources is defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources has a positive effect on net position similar to assets and consists of deferred amounts on The University's bond refunding transactions and the effects of changes in the net pension and other postemployment benefits (OPEB) liability to be included in future pension expense. In 2019, deferred outflows decreased by \$8.1 million. In 2018, deferred outflows increased by \$5.6 million. The changes for 2019 and 2018 are primarily attributed to future pension and OPEB expense.

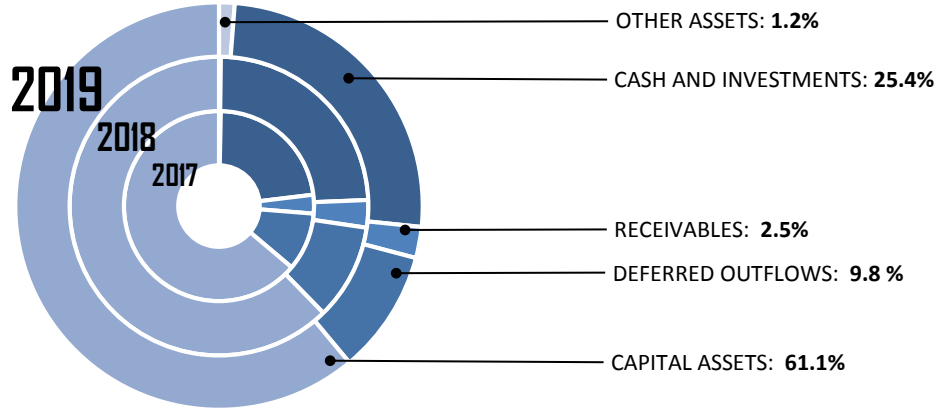
The University of Akron

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Assets and deferred outflows of resources (continued)

Below is the composition of assets and deferred outflows for each year (with 2019 percentages):



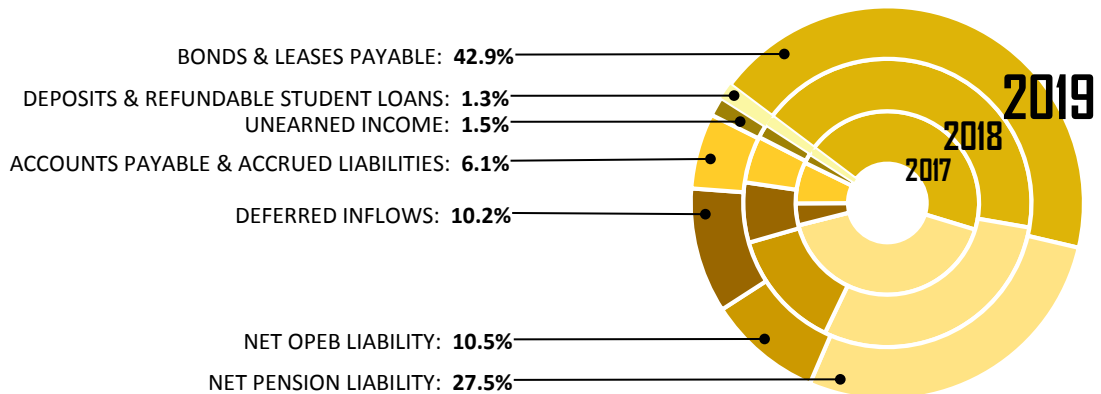
Liabilities and deferred inflows of resources

Current liabilities include all items that mature within one year. The current liabilities include accounts payable, accrued liabilities, accrued interest payable, unearned income, deposits, and the short-term portion of long-term liabilities. Current liabilities decreased \$0.4 million and \$0.2 million for 2019 and 2018, respectively. The largest changes in 2019 are an increase in accounts payable of \$2.7 million and a decrease in the current portion of long-term liabilities of \$5.3 million due to the 2018 bond refinancing. There were variations among many of the current liability categories in 2018 including an increase to the current portion of long-term liabilities of \$4.7 million. All other current liabilities decreased for 2018, which included a \$2.0 million decrease in accrued liabilities and a \$1.8 million decrease in unearned income.

Noncurrent liabilities consist of refundable federal student loans, net pension liability, other postemployment benefit liabilities, and long-term debt including capital leases and the sick leave. For 2019 and 2018, noncurrent liabilities decreased by \$74.5 and \$26.7 million, respectively. For 2019, \$12.5 million is attributable to payment of bonds principal, net pension decreased by \$31.9 million and OPEB liability decreased by \$34.2 million. For 2018, \$17.0 million is attributable to payment of bond principal and the net pension liability was reduced by \$120.0 million and the net OPEB liability increased by \$115.0 as a result of the adoption of GASB 75.

Deferred inflows of resources is the acquisition of net assets applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position similar to liabilities. Deferred inflows of resources increased \$30.2 and \$29.4 million in 2019 and 2018, respectively. The majority of the increase in 2019 relates to pensions and OPEB. In 2018 the increase consists of \$14.4 million in pensions, \$10.9 million in OPEB and \$4.2 million in unearned income.

Below is the composition of liabilities and deferred inflows for each year (with 2019 percentages):



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Net position

As reflected earlier, *net position* represents the residual balance and, over time, is one indicator of improving or eroding financial health. Net position represents the difference between all other elements in the statements of net position and is displayed in three components: Net investment in capital assets, Restricted, or Unrestricted. Restricted net position includes both expendable and nonexpendable components. For 2019 net position increased 18.1% or \$24.4 million. Pension and OPEB income of \$35.8 million was offset by a number of unique expenses during the year including \$3.7 million for voluntary retirement and \$5.5 million reduction in revenue for discounted College Credit Plus tuition. For 2018 net position decreased 2.2% or \$3.1 million. This was due to the implementation of GASB 75 which resulted in a reduction of net position as of July 1, 2017 of \$128.6 million for OPEB which was offset by pension and OPEB income of \$115.7 million recognized during the year as well as investment income of \$8.0 million.

Statements of Revenues, Expenses, and Changes in Net Position

This table summarizes The University's Statements of Revenues, Expenses, and Changes in Net Position for the last three fiscal years (in millions):

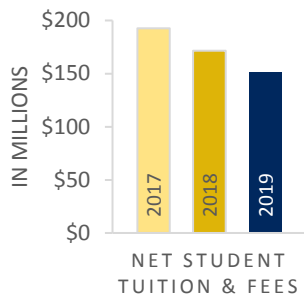
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Operating revenues:			
Tuition and fees (net)	\$ 192.6	\$ 171.6	\$ 150.8
Grants and contracts	31.7	28.7	27.2
Sales and services	6.3	6.0	6.1
Auxiliary enterprises	34.6	35.5	35.0
Other operating revenues	1.3	2.3	2.1
Total operating revenues	<u>266.5</u>	<u>244.1</u>	<u>221.2</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	162.8	66.2	114.5
Other educational and general	166.5	123.2	142.1
Auxiliary enterprises	45.0	43.3	48.6
Depreciation	45.0	47.4	46.4
Total operating expenses	<u>419.3</u>	<u>280.1</u>	<u>351.6</u>
Operating loss	(152.8)	(36.0)	(130.4)
Nonoperating revenues (expenses):			
State appropriations	111.2	106.3	102.0
Federal grants	25.9	27.3	24.5
Gifts and distributions	19.2	22.3	27.2
Other nonoperating (net)	(5.0)	(10.4)	(8.0)
Net nonoperating revenues	<u>151.3</u>	<u>145.5</u>	<u>145.7</u>
Gain (loss) before other changes	(1.5)	109.5	15.3
Other changes:			
Capital appropriations	15.9	12.8	6.1
Other changes (net)	0.5	3.2	3.0
Total other changes	<u>16.4</u>	<u>16.0</u>	<u>9.1</u>
Increase (decrease) in net position	14.9	125.5	24.4
Net position:			
Net position - beginning of year	123.4	138.3	135.2
Change in accounting principle	-	(128.6)	-
Net position - as restated	<u>123.4</u>	<u>9.7</u>	<u>135.2</u>
Net position - end of year	<u>\$ 138.3</u>	<u>\$ 135.2</u>	<u>\$ 159.6</u>

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Management's Discussion and Analysis (Unaudited)

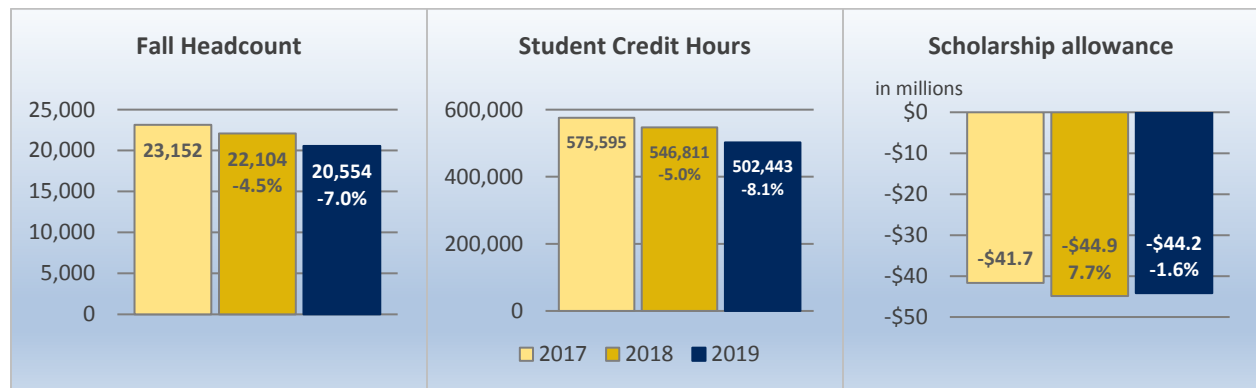
June 30, 2019

Operating revenues



Student tuition and fees include all tuition and fees assessed for educational purposes, net of refunds and any discounts recognized. Net tuition and fees decreased 12.1% in 2019 and 8.2% in 2018. Changes in net tuition and fees are attributable to the student headcount, student credit hours taken, and fees charged. Beginning in the fall 2018, new enrollees to The University participate in the Tuition Guarantee Program which provides fixed tuition, select fees, and room and board rates for each incoming cohort. In addition, GASB requires the portion of student aid, which is provided in the form of reduced tuition, to be reported as a reduction of this revenue, or scholarship allowance.

The following charts show changes that have an effect on the net student tuition and fee revenue:

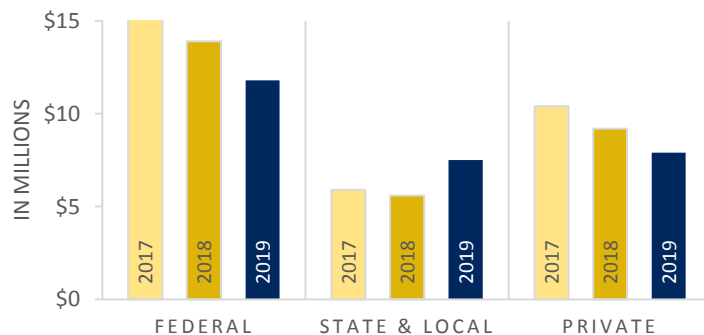


Sources: The University of Akron Department of Institutional Research and The University of Akron Office of the Controller.

Grants and contracts include the combined federal, state, local, and private grants and contracts revenue. This represents The University's continued pursuit of federal, state, local, and private funding for research-related activities.

The largest component of these revenues was from federal sources.

The largest sources of federal revenue were (in millions):



Agency	2017	2018	2019
National Science Foundation	\$ 6.5	\$ 5.8	\$ 5.1
Department of Defense	1.2	1.5	-
Department of Education	3.7	3.4	3.8
Department of Health and Human Services	1.4	0.9	0.9
National Aeronautics and Space Administration	0.2	0.2	0.1
Other agencies	2.3	2.1	1.9
Total federal revenues	\$ 15.3	\$ 13.9	\$ 11.8

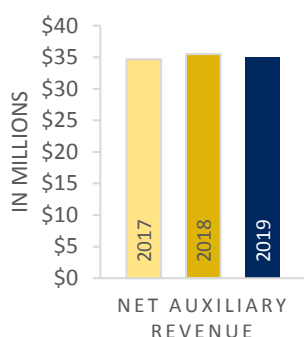
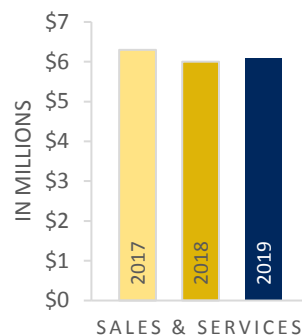
The University of Akron

Management's Discussion and Analysis (Unaudited)

June 30, 2019

Operating revenues (continued)

Sales and services revenue is from certain operations, which provide services to both students and other departments within The University campus. During 2019 the most significant of these operations was UA Business Solutions, New Student Orientation Program and the Hearing Aid Dispensary, which generated \$0.6, \$0.5 and \$0.4 million, respectively. During 2018 the most significant of these operations was the New Student Orientation Program, the English Language Institute and UA Business Solutions, which generated sales totaling \$0.6, \$0.5 and \$0.4 million, respectively.

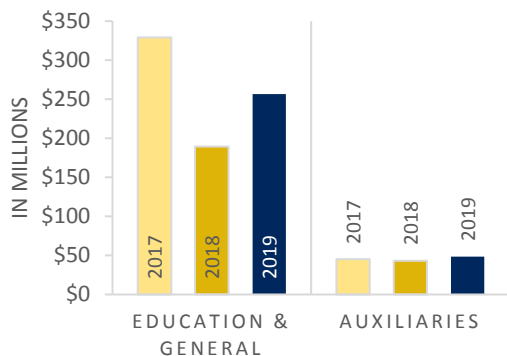


Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing the services. The University's auxiliary services include the residence halls, student unions, intercollegiate athletics and athletic facilities, parking services, E.J. Thomas Performing Arts Hall, and dining. The predominant revenues within this area are (in millions):

Auxiliary	2017	2018	2019
Residence halls	\$ 18.8	\$ 20.6	\$ 19.0
Athletics	7.9	7.4	8.6
Dining	2.6	3.4	4.1
Parking and transportation services	8.0	7.4	6.8
Other auxiliaries	3.2	4.1	3.7
Scholarship allowance	<u>(5.8)</u>	<u>(7.4)</u>	<u>(7.2)</u>
Total net auxiliary revenue	<u><u>\$ 34.7</u></u>	<u><u>\$ 35.5</u></u>	<u><u>\$ 35.0</u></u>

Operating expenses

One way to analyze expense is according to the purpose for which the costs are incurred, or their *functional* classification. These classifications tell why an expense was incurred rather than what was purchased.



The educational and general expenses category is the single largest category of operating expenses and includes all academic and administrative support costs. In 2019 these expenses increased by 35.4% which are attributable to pensions and OPEB. The increase was offset by continued cost saving efforts that reduced operating expenses by 3.2%. During 2018, these expenses decreased 40.9% of which 6.2% was due to a reduction of operating expenses from cost saving measures of The University. The remaining 34.7% was attributable to changes in the actuarial assumptions for pensions and OPEB.

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses increased 12.2% during 2019 and decreased 4.1% during 2018.

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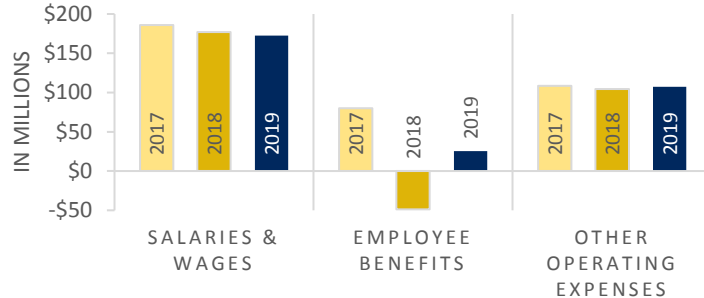
Management's Discussion and Analysis (Unaudited)

June 30, 2019

Operating expenses (continued)

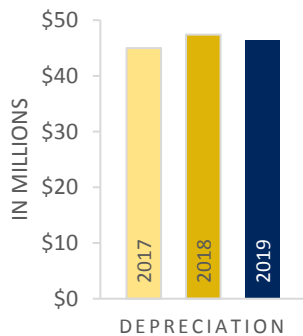
Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.

Salaries and wages include expenses for amounts paid and owed to faculty, staff, and student employees including full-time and part-time employees. These expenses decreased 2.4% and 4.9% during 2019 and 2018, respectively, due to a decline in the total number of employees which was offset by contractual wage increases.



Employee benefits include expenses for all benefits paid to or on behalf of faculty, staff, and student employees. It includes amounts required by law, contractual agreement, or institutional practice. These benefits include The University's portion of payroll taxes, pension, healthcare, and other employee-related benefit programs. During 2019 these expense increased 152.2% or \$74.0 million. During 2018 these expenses decreased 160.7% or \$128.7 million. Changes in actuarial assumptions to the pension and OPEB plans attributed to \$75.5 million of the increase in 2019 and \$120.5 million of the decrease in 2018. Pension and OPEB calculations were made according to GASB 68 and 75, respectively.

Other operating expenses include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. These expenses increased 2.7% and 1% during 2019 and 2018, respectively, mainly due to an increase in supplies and services.



Generally, *depreciation* expense is predictable from year to year, taking into account items which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Unlike many items that are expensed when purchased, The University capitalizes most long-term assets. The assets are then expensed over estimated useful lives ranging from three years for certain equipment to 40 years for buildings.

Depreciation expense decreased \$1.0 million and increased \$2.4 million during 2019 and 2018, respectively, due to changing levels of capital asset purchases and losses from the disposal of obsolete capital assets.

Impact of GASB 68 State Pensions and GASB 75 State OPEB

GASB requires The University's proportionate share of the unfunded state pension and state OPEB to be included in the basic financial statements. Changes to the plans benefits and assumptions are controlled at the State level which increase or decrease most operating expenses each year. The table below reflects University operating expenses before the state level plan changes required by GASB 68 and 75, compared to the operating expenses as presented in the basic financial statements which include the GASB 68 and 75 plan changes for the fiscal years ended June 30 (in millions):

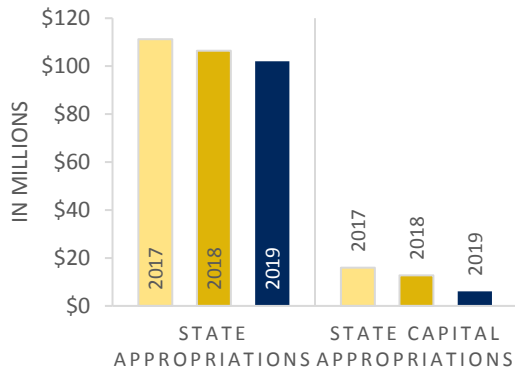
	Operating Expenses			Changes for State Pension and State OPEB			Operating Expenses as Presented in the Basic Financial Statements		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Operating expenses:									
Educational and general:									
Instruction and departmental research	\$ 161.2	\$ 149.6	\$ 141.7	\$ 1.6	\$ (83.4)	\$ (27.2)	\$ 162.8	\$ 66.2	\$ 114.5
Other educational and general	164.1	152.9	151.1	2.4	(29.7)	(9.0)	166.5	123.2	142.1
Auxiliary enterprises	44.4	46.0	48.2	0.6	(2.7)	0.4	45.0	43.3	48.6
Depreciation	45.0	47.4	46.4	-	-	-	45.0	47.4	46.4
Total operating expenses	<u>\$ 414.7</u>	<u>\$ 395.9</u>	<u>\$ 387.4</u>	<u>\$ 4.6</u>	<u>\$ (115.8)</u>	<u>\$ (35.8)</u>	<u>\$ 419.3</u>	<u>\$ 280.1</u>	<u>\$ 351.6</u>

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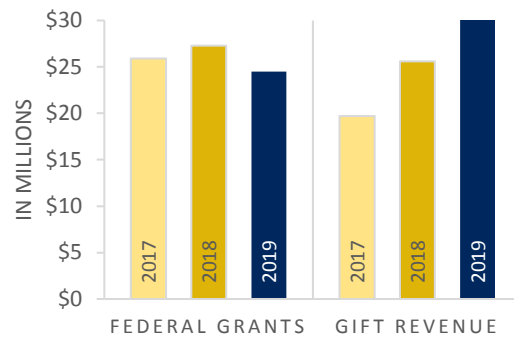
Nonoperating revenues and expenses



State appropriations represent the most significant nonoperating revenue source for The University. State appropriations funding decreased \$4.4 million and \$4.9 million in 2019 and 2018, respectively.

The State of Ohio also provides *capital appropriations* to The University. Unlike the operating resources reflected previously, these resources are provided to assist with The University's capital needs. The funding is provided through the Ohio Department of Higher Education (ODHE), formerly known as the Ohio Board of Regents, and based upon certain formulas and a capital plan provided by The University. The capital appropriation, once allocated, is fixed but the revenues vary from year to year based upon The University's actual expenditures.

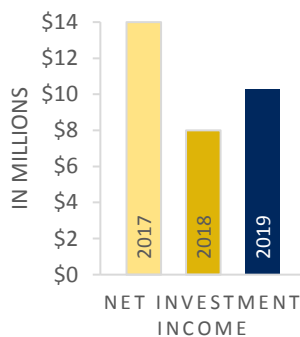
The University records Pell grant awards as nonoperating *federal grant* revenue. Federal grant revenue decreased 10.3% during 2019 increased 5.4% during 2018.



The University receives *gifts and distributions* from a wide array of friends including alumni, the business community, and foundations. The University views continued donor support as a vital ingredient to its continued success. Student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. Oftentimes, gifts and awards are accompanied by donor restrictions.

The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. Gift revenues increased by \$4.6 million and \$5.9 million during 2019 and 2018, respectively.

Other net nonoperating revenues and expenses represent the remaining sources and uses of funds that generally do not result from providing educational and instructional services in connection with The University's principal ongoing operations including investment income and interest payments on debt.



Investment income, net of investment expenses, increased \$2.3 million during 2019 and decreased \$6.0 million during 2018. The changes are due to overall fluctuations in returns on all investments.

GASB requires investments be reported at fair value for financial statement reporting purposes. Included in the change in net investment income was a net increase of \$1.8 million \$0.4 million in 2019 and 2018, respectively, within net unrealized appreciation on investments because of market conditions as of fiscal year end. These changes in investments were not redeemed, but were recorded as adjustment to the fair value of the investments.

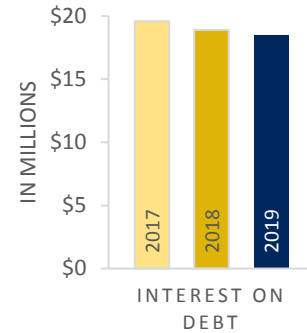
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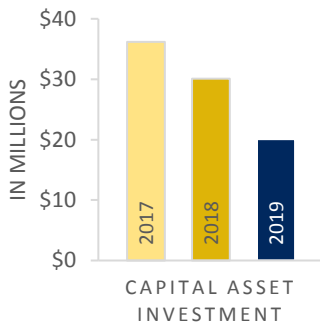
June 30, 2019

Nonoperating revenues and expenses (continued)

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense decreased \$0.4 million to \$18.5 in 2019 and decreased \$0.6 million to \$18.9 million in 2018.

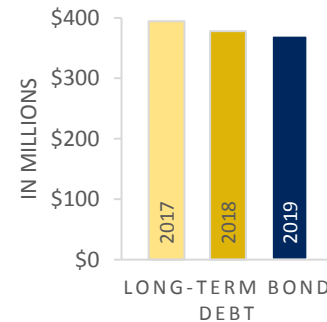


Capital Assets and Long-term Debt Activity



The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2019 the renovations to the Cummings Center for the History of Psychology were completed and The University of Akron's College of Business Administration began building a new Professional Development Center. The largest project during 2018 was renovations to the Cummings Center for the History of Psychology that included a roof replacement, space for the Institute for Human Science and Culture as well as exhibits for the National Museum of Psychology. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled \$370.5 million, \$378.3 million, and \$394.4 million in 2019, 2018, and 2017, respectively. During 2019, The University issued bond series 2018 A & B to refinance portions of Series 2010A, 2012A and to pay for real property purchased by the University of Akron Foundation. The University's bond rating given by Moody's Investors Service was unchanged and remains at A1 with a stable outlook. Fitch Ratings, Inc. was unchanged and remains at A+ with a stable outlook. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.



Factors Impacting Future Periods



64¢ of every revenue dollar comes from tuition or state support

Student tuition and fees and state appropriations are the principal revenue sources which supported The University's annual operations. For both 2019 and 2018, those revenue sources alone represented \$252.8 million and \$278.0 million, respectively, of The University's total operating and nonoperating revenues. The aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled \$139.9 million and \$146.1 million in 2019 and 2018, respectively.

The University's ability to focus on academic programs in key areas of demand, strength, and opportunity and to pursue other initiatives will directly impact these major revenue sources. To reverse the enrollment decline experienced in recent years, The University has begun initiatives to improve retention and stabilize enrollment. In addition, the University continues to budget to align its revenues with expenditures.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The University of Akron

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Akron (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2019 and 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedules of University's Proportionate Share of the Net Pension Liability and Net OPEB Liability, Schedules of University Pension and OPEB Contributions, and Schedule of Changes in the University's Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.


Crowe LLP

Columbus, Ohio
October 15, 2019

The University of Akron

Statements of Net Position

June 30, 2019 and 2018

ASSETS	The University of Akron		Component Units	
	2019	2018	2019	2018
Current assets:				
Cash and cash equivalents	\$ 15,352,659	\$ 15,078,945	\$ 2,039,116	\$ 2,035,726
Pooled investments	184,815,164	179,261,228	7,501,610	7,055,765
Accounts receivable, net	16,283,316	23,720,964	1,233,018	1,313,041
Pledges receivable, net	967,712	428,939	3,732,724	14,844,983
Notes receivable, net	1,257,009	1,453,987	256,344	192,000
Accrued interest receivable	667,236	563,838	-	-
Inventories	573,598	516,196	-	-
Prepaid expenses	1,866,339	1,829,634	228,497	184,991
Total current assets	221,783,033	222,853,731	14,991,309	25,626,506
Noncurrent assets:				
Restricted cash and cash equivalents	158,607	312,578	-	-
Restricted investments	8,235,681	5,713,938	771,583	452,031
Endowment investments	69,572,151	68,720,492	195,025,084	185,671,384
Investments held in trust by others	8,550,470	8,437,088	-	-
Pledges receivable, net	2,494,018	749,951	10,806,077	12,358,653
Notes receivable, net	6,210,197	7,236,391	-	5,300,000
Capital assets, net	689,279,181	716,058,070	5,891,676	7,055,974
Net OPEB Asset	11,628,000	-	-	-
Total assets	1,017,911,338	1,030,082,239	227,485,729	236,464,548
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	32,145,296	34,099,420	-	-
Deferred outflows related to pensions	70,601,283	81,086,778	-	-
Deferred outflows related to OPEB	8,256,585	3,968,553	-	-
Total deferred outflow of resources	111,003,164	119,154,751	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	6,161,658	3,500,640	4,864,314	4,608,282
Accrued liabilities	22,731,772	20,416,271	724,143	613,500
Accrued interest payable	8,550,140	8,434,703	-	-
Unearned income	15,090,178	16,079,877	619,927	719,880
Deposits	2,621,167	1,897,955	5,000	143,533
Current portion of long-term liabilities	20,883,710	26,215,662	87,563	4,674,156
Total current liabilities	76,038,625	76,545,108	6,300,947	10,759,351
Noncurrent liabilities:				
Refundable federal student loans	9,836,443	9,646,640	-	-
Actuarial liability for annuity/unitrust agreements	-	-	11,398,193	11,751,945
Net pension liability	266,076,479	298,023,268	-	-
Net OPEB liability	102,063,037	136,159,269	-	-
Long-term liabilities	416,668,278	425,258,705	2,253,224	2,340,339
Total liabilities	870,682,862	945,632,990	19,952,364	24,851,635
DEFERRED INFLOW OF RESOURCES				
Deferred inflows related to pensions	57,678,676	48,298,725	-	-
Deferred inflows related to OPEB	33,002,770	10,853,770	-	-
Other deferred inflows	7,935,223	9,264,983	-	-
Total deferred inflow of resources	98,616,669	68,417,478	-	-
NET POSITION				
Non controlling interest in subsidiary	-	-	-	78,278
Net investment in capital assets	292,157,441	304,255,956	3,638,452	4,637,357
Restricted:				
Nonexpendable:				
Endowment	28,086,722	25,727,214	190,539,269	193,891,394
Expendable:				
Research and gifts	41,417,249	38,279,128	-	-
Loans	873,291	854,368	-	-
Endowment	30,229,865	31,228,333	7,579,216	7,406,978
Capital projects	2,606,301	2,532,476	-	-
Debt service	948,166	683,942	-	-
Unrestricted (deficit)	(236,704,064)	(268,374,895)	5,776,428	5,598,906
Total net position	\$ 159,614,971	\$ 135,186,522	\$ 207,533,365	\$ 211,612,913

See accompanying notes to financial statements

The University of Akron
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended June 30, 2019 and 2018

REVENUES	The University of Akron		Component Units	
	2019	2018	2019	2018
Operating revenues:				
Student tuition and fees	\$ 195,039,718	\$ 216,564,595	\$ -	\$ -
Scholarship allowance	(44,200,143)	(44,938,289)	-	-
Net student tuition and fees	150,839,575	171,626,306	-	-
Federal grants and contracts	11,781,772	13,883,969	-	-
State grants and contracts	7,304,646	5,441,980	-	-
Local grants and contracts	215,133	180,490	-	-
Private grants and contracts	7,904,479	9,154,178	1,565,175	2,078,932
Gifts and contributions	-	-	11,490,769	26,197,925
Sales and services	6,126,191	6,046,064	-	-
Auxiliary enterprises	42,173,438	42,910,964	-	-
Scholarship allowance	(7,208,385)	(7,396,322)	-	-
Net auxiliary enterprises	34,965,053	35,514,642	-	-
Pensions	-	29,924	-	-
Other sources	2,093,404	2,272,873	1,898,173	2,332,734
Total operating revenues	221,230,253	244,150,426	14,954,117	30,609,591
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	114,466,230	66,245,554	-	-
Separately budgeted research	19,593,157	17,963,298	2,976,531	3,128,338
Public service	4,581,340	3,460,555	-	-
Academic support	29,129,735	21,087,651	-	-
Student services	13,153,249	9,848,851	-	-
Institutional support	34,343,440	27,678,505	1,326,987	1,263,393
Operation and maintenance of plant	18,410,286	19,323,503	-	-
Scholarships and fellowships	22,928,454	23,857,509	-	-
Auxiliary enterprises	48,623,913	43,301,568	-	-
Depreciation	46,354,151	47,368,260	399,218	404,745
Total operating expenses	351,583,955	280,135,254	4,702,736	4,796,476
Operating (loss) income	(130,353,702)	(35,984,828)	10,251,381	25,813,115
NONOPERATING REVENUES (EXPENSES)				
State appropriations	101,971,111	106,359,522	-	-
Federal grants	24,492,887	27,261,102	-	-
Gifts	7,979,786	6,411,802	-	-
Investment income, net	10,282,910	7,956,086	5,544,125	10,125,620
Interest on debt	(18,484,376)	(18,939,768)	(136,452)	(17,053)
Distributions to The University	19,255,953	15,928,734	(19,255,953)	(15,928,734)
Distributions on behalf of The University	-	-	(775,489)	(498,830)
Other nonoperating revenues	220,456	489,945	292,840	437,114
Net nonoperating revenues (expenses)	145,718,727	145,467,423	(14,330,929)	(5,881,883)
Income (loss) before other changes	15,365,025	109,482,595	(4,079,548)	19,931,232
OTHER CHANGES				
State capital appropriations	6,091,653	12,743,995	-	-
Capital gifts and grants	734,259	1,562,455	-	-
Additions to permanent endowments	2,237,512	1,679,316	-	(460,604)
Total other changes	9,063,424	15,985,766	-	(460,604)
Increase (decrease) in net position	24,428,449	125,468,361	(4,079,548)	19,470,628
NET POSITION				
Net position - beginning of year	135,186,522	9,718,161	211,612,913	192,064,007
Non controlling interest in subsidiary	-	-	-	78,278
Net position - end of year	\$ 159,614,971	\$ 135,186,522	\$ 207,533,365	\$ 211,612,913

The University of Akron
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 156,136,236	\$ 177,608,302
Grants and contracts	28,525,270	25,466,844
Auxiliary enterprises	35,265,115	36,346,628
Sales and service of educational activities	6,126,191	6,046,064
Payments to suppliers	(79,649,331)	(78,772,825)
Payments for compensation and benefits	(237,612,283)	(243,018,655)
Payments for scholarships and fellowships	(23,033,776)	(28,819,924)
Loans issued to students	(115,999)	(978,546)
Collection of loans to students	200,094	1,358,922
Other receipts	1,226,559	1,861,781
	<u>(112,931,924)</u>	<u>(102,901,409)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	101,971,111	106,359,522
Gifts, grants, and contracts for other than capital purposes	50,065,592	49,067,367
Private gifts for endowment purposes	2,237,512	1,679,316
Collection of loans to students for Perkins Program	1,139,077	-
Other receipts	220,457	489,945
	<u>155,633,749</u>	<u>157,596,150</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	4,743,026	-
Repayment of capital debt	(4,560,000)	-
Capital appropriations	6,091,653	12,743,995
Capital grants and gifts received	392,895	834,933
Purchases of capital assets	(19,577,541)	(25,213,076)
Principal paid on capital debt and leases	(14,244,486)	(16,961,154)
Interest paid on capital debt and leases	(17,793,018)	(19,541,762)
	<u>(44,947,471)</u>	<u>(48,137,064)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	168,646,417	171,053,552
Interest on investments	8,573,708	7,581,911
Purchase of investments	(174,854,736)	(182,309,698)
	<u>2,365,389</u>	<u>(3,674,235)</u>
Net increase in cash and cash equivalents	119,743	2,883,442
Cash and cash equivalents, restricted cash and cash equivalents - beginning of the year	<u>15,391,523</u>	<u>12,508,081</u>
Cash and cash equivalents, restricted cash and cash equivalents - end of the year	<u>\$ 15,511,266</u>	<u>\$ 15,391,523</u>
NONCASH TRANSACTIONS		
Land gift from University of Akron Foundation included in Note 5	\$ 1,005,878	\$ -
Proceeds from capital debt paid directly by bank included in Note 6	27,846,015	-
Repayment of capital debt paid directly by bank included in Note 6	(27,715,000)	-

(continued)

The University of Akron
 Statements of Cash Flows
 For the Years Ended June 30, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (130,353,702)	\$ (35,984,828)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	46,354,151	47,368,260
Changes in assets, and liabilities, and deferred inflows/outflows:		
Accounts receivable, net	7,223,010	2,455,975
Notes receivable, net	84,095	380,376
Inventories	(57,403)	58,076
Prepaid expenses	(36,705)	1,130,136
Net OPEB asset	(11,628,000)	-
Accounts payable	2,428,370	(295,390)
Accrued liabilities	2,315,501	2,470,670
Unearned income	(989,699)	(1,811,907)
Deposits held for others	722,587	(159,455)
Sick leave liability	(867,950)	(1,032,161)
Net pension liability	(31,946,789)	(120,472,141)
Net OPEB liability	(34,096,232)	(14,672,691)
Deferred inflows / outflows relating to pension	19,866,071	10,306,931
Deferred inflows / outflows relating to OPEB	17,860,968	8,453,997
Refundable federal student loans	189,803	(1,097,257)
	<u>\$ (112,931,924)</u>	<u>\$ (102,901,409)</u>
Net cash used in operating activities	<u>\$ (112,931,924)</u>	<u>\$ (102,901,409)</u>

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

1. Summary of Significant Accounting and Reporting Policies

Organization

The University of Akron (The University) is a coeducational, degree granting state university which was established by the General Assembly of the State of Ohio (the State) in 1967 by statutory act under Chapter 3359 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In addition to the main campus, The University operates a branch campus, Wayne College in Orrville, Ohio, and at additional locations: the Medina County University Center in Medina, Ohio, in Lakewood, Ohio, and in Millersburg, Ohio.

The University, together with Kent State University and Youngstown State University, created a consortium to establish and govern Northeastern Educational Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio. This organization is legally separate from The University and has no voting majority from The University. Accordingly, the financial activity is not included within the accompanying financial statements and The University bears no financial benefit or burden for the organization.

In accordance with Government Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Comprehensive Annual Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to state retirement programs for certain university employees.

Furthermore, in accordance with GASB Statement No. 61, two discretely presented component units are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations that are financially accountable to The University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to The University in support of its programs. The Research Foundation promotes, encourages, and provides assistance to the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 10.

Basis of Accounting

The financial statements of The University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Measurement Focus and Financial Statement Presentation

The financial statements of The University have been prepared in accordance with generally accepted accounting principles as prescribed by the Government Accounting Standards Board including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities (an amendment of GASB No. 34)*. The presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of The University's assets, liabilities, deferred outflow of resources, deferred inflow of resources, net position, revenues, expenses, and changes in net position and cash flows.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

1. Summary of Significant Accounting and Reporting Policies – continued

Operating revenues and expenses generally result from providing educational and instructional services in connection with The University's principal ongoing operations. The principal operating revenues include student tuition. The University also recognizes as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition, including state share of instruction, are reported as nonoperating revenues and expenses.

The Foundation and the Research Foundation are not-for-profit organizations that report under Financial Accounting Standards Board (FASB) reporting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's or the Research Foundation's financial information in The University's financial report for these differences.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with an initial maturity of three months or less when purchased.

Investments

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The University does not invest in derivatives. Unrealized gains and losses on investments are recorded as nonoperating revenues or expenses on the Statement of Revenues, Expenses, and Changes in Net Position. Investments for bond issue proceeds and the income earned on those investments are separately managed and recorded on the Statements of Net Position as restricted investments in noncurrent assets.

Accounts Receivable

Accounts receivable are for transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts.

Pledges Receivable

The University records pledges and unconditional promises to give as receivables and revenues in the year the pledge is made. Those that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of its estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the current fiscal year end. Amortization of the discounts is included in gift revenue. Conditional promises to give are not included as revenues until the conditions are substantially met.

Inventories

Inventories are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

1. Summary of Significant Accounting and Reporting Policies – continued

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods which will not be recognized as an outflow of resources (expense/expenditure) until then. The University reports deferred outflows of resources for the deferred amount on bond refunding being amortized over the term of the debt and certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at acquisition value at the date of gift. The University's capitalization threshold is \$100,000 for building renovations and \$5,000 for other capitalized items. Infrastructure assets are included in the financial statements and are depreciated. Expenditures for construction in progress are capitalized as incurred and depreciated when put into service. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts and any gain or loss on disposal is recognized. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed. The estimated useful lives are as follows:

Classification	Estimated Life
Land improvements	25 years
Buildings and improvements	20 to 40 years
Infrastructure	20 years
Equipment and furniture	3 to 10 years
Library books	10 years

Capitalization of Interest

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. Capitalization of interest cost of the borrowings is reduced by interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

Unearned Income

Unearned income includes tuition and fees relating to summer sessions conducted in July and August. Unearned income also includes amounts received in advance from grant and contract sponsors that have yet to be earned under the terms of the agreements. The amounts which are unearned are recognized as revenue when earned.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations. Tuition and scholarship allowances have been adjusted to reflect the current allocation of allowances between student tuition and fees and auxiliary enterprises revenue. Additionally, operating expenses have been adjusted to reflect the current scholarship allowance methodology. These classifications had no effect on the change in net position or total net position.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

1. Summary of Significant Accounting and Reporting Policies – continued

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the (State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio/Ohio Public Employees Retirement System) Pension Plan (STRS/SERS/OPERS) and additions to/deductions from STRS/SERS/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the (State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio/Ohio Public Employees Retirement System) Pension Plan (STRS/SERS/OPERS) and additions to/deductions from STRS/SERS/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/SERS/OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods which will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for unamortized service agreements and certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 8.

Compensated Absences

Staff employees earn vacation at rates specified under state law and upon termination are entitled to a maximum payout of the amount earned in the last three years. Full-time administrators and 12-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 44 days. The maximum payable upon termination of employment is 22 days. The University accrued a vacation liability equal to the number of days accrued by each eligible employee up to the maximum allowed by the respective employee group.

All University employees are entitled to a sick leave credit equal to 10 hours each month (earned on a pro-rata basis for less than full-time employees). Sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave with a maximum of 240 hours.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

1. Summary of Significant Accounting and Reporting Policies – continued

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of The University's obligations. Net investment in capital assets represent all of The University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Nonexpendable restricted net position is gifts that have been received for endowment purposes. The resources are invested with only the investment income available for purposes established by the donor or, in the case of funds functioning as endowment, by The University. These purposes include loans, scholarships, and departmental support. Expendable restricted net position represents funds that have been awarded or gifted for specific purposes, funds used for capital projects and debt service, and funds held in university loan programs. If restricted and unrestricted assets are available for use, restricted assets will be used first.

Scholarship Allowances and Student Aid

Financial aid to students is reported under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by The University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, on the ratio of using aid not considered to be third-party aid to total aid.

Endowment and Quasi-Endowments

The University's Board of Trustees established an investment policy with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of The University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.75%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

Service Organization

The University processes certain Lorain County Community College (LCCC) data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data is also stored on university equipment. The data processing functions are performed and managed by university employees. As such, The University is a service organization as prescribed by Statement on Standards for Attestation Engagements (SSAE) No. 16, while LCCC is a user organization. Revenue from this agreement is recorded as sales and services revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

1. Summary of Significant Accounting and Reporting Policies – continued

Accounting Standards

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The University is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which increases the usefulness of The University's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The effect of applying the new lease guidance on the financial statements has not yet been determined. The provisions of this statement are effective for The University's financial statements for the fiscal year ended June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Debt Disclosures*, which clarifies which liabilities governments should include in their note disclosures related to debt. All type of debt requires disclosure of additional essential debt-related information for all types including amounts of unused lines of credit and assets pledged as collateral. The provisions of this statement impacted certain debt disclosures and have been adopted for The University's financial statements for fiscal year ended June 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of the capital asset reported in a business-type activity or enterprise fund. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for The University's financial statements for the fiscal year ended June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. This statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The University is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for The University's financial statements for the fiscal year ended June 30, 2022.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

2. Cash and Investments

Cash

At June 30, 2019 and 2018, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$15,511,266 and \$15,391,523, respectively, as compared to bank balances of \$16,999,117 and \$16,496,052, respectively. The differences between carrying amounts and bank balances were caused by items in transit. Of the June 30, 2019 and 2018 bank balances, \$16,284,977 and \$15,546,167, respectively, were uninsured but collateralized with securities held by the depository banks in The University's name.

Investments

In accordance with the *Policies of the Board of Trustees of The University*, the types of investments which may be purchased include United States government securities, federal agency securities, common and preferred stocks, obligations of commercial banks including certificates of deposit, repurchase agreements, notes, debentures, banker's acceptances and commercial paper, obligations of corporations, and municipal notes and bonds.

University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument.

The University's investments, at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Pooled investments:		
Money Market	\$ 1,411,761	\$ 1,421,009
U.S. agencies	18,020,109	22,494,528
U.S. Treasury	26,811,650	20,619,459
U.S. and corporate bonds	13,021,479	10,157,975
Corporate notes	43,627,373	40,747,718
Equities	36,715,209	37,443,316
Negotiable certificates of deposit	8,932,848	10,893,752
Mutual funds - alternative investments	8,663,438	8,447,442
PFM: Prime/Government Series	<u>27,611,297</u>	<u>27,036,029</u>
Total pooled investments	184,815,164	179,261,228
Endowment investments:		
Marketable securities:		
Money Market	456,709	1,555,171
U.S. agencies	10,018	84,958
U.S. Treasury	1,554,430	1,486,857
Equities	48,248,855	49,289,907
Managed Fixed Income	14,871,125	11,004,187
U.S. and corporate bonds	152,858	573,797
Corporate notes	481,912	522,885
Mutual funds - alternative investments	<u>3,796,244</u>	<u>4,202,730</u>
Total endowment investments	69,572,151	68,720,492
Investments held in trust by others:		
Money Market	716,198	760,435
U.S. Treasury	7,496,978	7,327,570
Commercial paper sweep	<u>337,294</u>	<u>349,083</u>
Total investments held in trust by others	8,550,470	8,437,088
Restricted investments:		
U.S. Treasury	<u>8,235,681</u>	<u>5,713,938</u>
Total restricted investments	<u>8,235,681</u>	<u>5,713,938</u>
Total investments	<u>\$ 271,173,466</u>	<u>\$ 262,132,746</u>

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

2. Cash and Investments - continued

Investments - continued

The GASB requires certain disclosures related to interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net position.

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2019 and 2018, aside from obligations of the U.S. Government, The University did not have more than 5% of its fixed-income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates can adversely affect the fair value of an investment. At June 30, 2019 and 2018, The University did not have investments that are subject to foreign currency risk in its fixed income portfolio. To limit exposure to these risks, The University's investment policies set guidelines for maturities based on investment type (short-term, intermediate, or long-term), limits percentage exposure to a single issuer or market, and requires that a majority of the holdings consist of domestic (U.S.) securities of investment grade (at least rated BBB or BAA) as rated by a nationally recognized statistical rating organization.

The U.S. Treasury and agencies securities and corporate bonds were invested through banks that keep the securities in their names in safekeeping accounts at the Federal Reserve Bank.

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2019 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$ 27,611,297	\$ -	\$ -	\$ -	\$ 27,611,297
U.S. agencies	AAA	-	2,953,827	7,394,845	7,681,455	18,030,127
U.S. Treasury	AA	9,103,259	27,242,451	7,039,417	713,612	44,098,739
Negotiable CDs	A	2,751,854	6,180,994	-	-	8,932,848
Corporate notes	AAA	2,115,272	5,612,502	-	-	7,727,774
	AA	1,040,011	11,556,036	-	511,995	13,108,042
	A	4,961,978	17,362,403	26,917	51,597	22,402,895
	BBB	14,980	855,594	-	-	870,574
Total corporate notes		8,132,241	35,386,535	26,917	563,592	44,109,285
U.S. and corporate bonds	AAA	5,824,236	-	-	152,858	5,977,094
	AA	285,167	-	-	-	285,167
	A	1,302,936	-	-	-	1,302,936
	BBB	2,175,411	-	-	-	2,175,411
	BB	818,483	-	-	-	818,483
	B	615,947	-	-	-	615,947
	Below B	602,319	-	-	-	602,319
Total U.S. and corporate bonds		11,624,499	-	-	152,858	11,777,357
Totals		<u>\$ 59,223,150</u>	<u>\$ 71,763,807</u>	<u>\$ 14,461,179</u>	<u>\$ 9,111,517</u>	<u>\$ 154,559,653</u>

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2018 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$ 27,036,029	\$ -	\$ -	\$ -	\$ 27,036,029
U.S. agencies	AAA	2,028,804	7,832,480	8,073,278	4,644,924	22,579,486
U.S. Treasury	AA	7,622,490	23,912,902	3,537,432	75,000	35,147,824
Negotiable CDs	A	1,891,839	9,001,913	-	-	10,893,752
Corporate notes	AAA	1,131,123	7,770,417	239,422	-	9,140,962
	AA	2,181,206	7,975,380	-	-	10,156,586
	A	830,475	20,460,276	584,052	41,560	21,916,363
	BBB	9,998	26,773	14,582	5,339	56,692
Total corporate notes		4,152,802	36,232,846	838,056	46,899	41,270,603
U.S. and corporate bonds	AAA	3,313,830	-	-	85,101	3,398,931
	AA	697,909	-	-	-	697,909
	A	865,351	-	-	-	865,351
	BBB	1,222,583	-	-	-	1,222,583
	BB	415,627	-	-	-	415,627
	B	366,878	-	-	-	366,878
	Below B	186,417	-	-	-	186,417
Total U.S. and corporate bonds		7,068,595	-	-	85,101	7,153,696
Totals		<u>\$ 49,800,559</u>	<u>\$ 76,980,141</u>	<u>\$ 12,448,766</u>	<u>\$ 4,851,924</u>	<u>\$ 144,081,390</u>

Unrated investments are not included in the tables above. Of the total unrated investments of \$116,613,813 and \$118,051,356, \$1,396,980 and \$3,578,076 are U.S. and corporate bonds, for years ending June 30, 2019 and 2018, respectively. Unrated investments also include money market accounts, commercial paper sweeps, equities, and managed fixed income and mutual funds.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

2. Cash and Investments - continued

Investments - continued

The University has the following recurring fair value measurements as of June 30, 2019:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. agencies	\$ 18,030,127	\$ -	\$ 18,030,127	\$ -
U.S. Treasury	36,601,761	36,601,761	-	-
U.S. and corporate bonds	13,174,337	13,174,337	-	-
Corporate notes	44,109,285	-	44,109,285	-
Equities	84,964,064	84,964,064	-	-
Managed fixed income	14,871,125	14,871,125	-	-
Negotiable certificates of deposit	8,932,848	-	8,932,848	-
Mutual funds - alternative investments	12,459,682	12,459,682	-	-
Total investments by fair value level	<u>\$ 233,143,229</u>	<u>\$ 162,070,969</u>	<u>\$ 71,072,260</u>	<u>\$ -</u>

The University has the following recurring fair value measurements as of June 30, 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. agencies	\$ 22,579,486	\$ -	\$ 22,579,486	\$ -
U.S. Treasury	27,820,254	27,820,254	-	-
U.S. and corporate bonds	10,731,772	10,731,772	-	-
Corporate notes	41,270,603	-	41,270,603	-
Equities	86,733,223	86,733,223	-	-
Managed fixed income	11,004,187	11,004,187	-	-
Negotiable certificates of deposit	10,893,752	-	10,893,752	-
Mutual funds - alternative investments	12,650,172	12,650,172	-	-
Total investments by fair value level	<u>\$ 223,683,449</u>	<u>\$ 148,939,608</u>	<u>\$ 74,743,841</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. agencies, corporate notes and bonds, and negotiable certificates of deposits at June 30, 2019 and 2018 was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Investments reported at cost totaling \$38,030,237 and \$38,449,297 for years ending June 30, 2019 and 2018, respectively, are not included in the tables above. These investments include cash in prime/government series and money market accounts, and bond proceeds held in trust.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Accounts receivable, net:		
Federal, state, and local governments, foundations, and companies, net of allowance for doubtful accounts of \$0 for both years	\$ 7,503,849	\$ 8,303,867
Student receivables, net of allowance for doubtful accounts of \$33,574,871 and \$33,193,744, respectively	8,495,240	14,929,547
Other, net of allowance for doubtful accounts of \$56,904 and \$55,183, respectively	<u>284,227</u>	<u>487,550</u>
Total accounts receivable, net	16,283,316	23,720,964
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$1,826,886 and \$1,892,995, respectively	<u>7,467,206</u>	<u>8,690,378</u>
Accounts and notes receivable, net	<u>\$ 23,750,522</u>	<u>\$ 32,411,342</u>

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2019 and 2018 were as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Pledges Receivable</u>	<u>Current Portion</u>	<u>Pledges Receivable</u>	<u>Current Portion</u>
Total pledges receivable	\$ 3,615,710	\$ 982,077	\$ 1,652,051	\$ 439,463
Less: amount estimated to be uncollectible	(51,387)	(14,365)	(28,924)	(10,524)
Less: unamortized discount	<u>(102,593)</u>	-	<u>(444,237)</u>	-
Pledges receivable, net	3,461,730	<u>\$ 967,712</u>	1,178,890	<u>\$ 428,939</u>
Less: current portion	<u>(967,712)</u>		<u>(428,939)</u>	
Pledges receivable, noncurrent portion	<u>\$ 2,494,018</u>		<u>\$ 749,951</u>	

As of June 30, 2019 and 2018, The University has approximately \$4,156,325 and \$2,306,323, respectively, in numerous conditional pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable since each does not represent unconditional promises to give.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

5. Capital Assets

Changes in capital assets during fiscal years 2019 and 2018 were as follows:

	Balance				Balance
	July 1, 2018	Additions	Reductions	Transfers	June 30, 2019
Nondepreciable capital assets:					
Land	\$ 44,868,733	\$ -	\$ (1,374,634)	\$ 1,005,878	\$ 44,499,977
Historical collections	4,770,967	8,000	-	-	4,778,967
Construction in progress	<u>4,907,824</u>	<u>16,564,655</u>	<u>-</u>	<u>(10,642,066)</u>	<u>10,830,413</u>
Total nondepreciable capital assets	54,547,524	16,572,655	(1,374,634)	(9,636,188)	60,109,357
Depreciable capital assets:					
Land improvements	43,622,614	-	(9,555,473)	73,739	34,140,880
Buildings	998,648,643	-	(6,332,230)	9,376,196	1,001,692,609
Infrastructure	92,188,195	-	-	186,253	92,374,448
Equipment, furniture, and books	<u>133,094,150</u>	<u>3,499,862</u>	<u>(6,653,548)</u>	<u>-</u>	<u>129,940,464</u>
Total depreciable capital assets	<u>1,267,553,602</u>	<u>3,499,862</u>	<u>(22,541,251)</u>	<u>9,636,188</u>	<u>1,258,148,401</u>
Total capital assets	1,322,101,126	20,072,517	(23,915,885)	-	1,318,257,758
Less accumulated depreciation:					
Land improvements	28,706,621	1,330,038	(9,555,474)	-	20,481,185
Buildings	443,679,427	26,828,437	(5,619,387)	-	464,888,477
Infrastructure	28,826,513	5,510,297	-	-	34,336,810
Equipment, furniture, and books	<u>104,830,495</u>	<u>10,793,122</u>	<u>(6,351,512)</u>	<u>-</u>	<u>109,272,105</u>
Total accumulated depreciation	<u>606,043,056</u>	<u>44,461,894</u>	<u>(21,526,373)</u>	<u>-</u>	<u>628,978,577</u>
Capital assets, net	<u>\$ 716,058,070</u>	<u>\$ (24,389,377)</u>	<u>\$ (2,389,512)</u>	<u>\$ -</u>	<u>\$ 689,279,181</u>

	Balance				Balance
	July 1, 2017	Additions	Reductions	Transfers	June 30, 2018
Nondepreciable capital assets:					
Land	\$ 44,868,733	\$ -	\$ -	\$ -	\$ 44,868,733
Historical collections	4,770,967	-	-	-	4,770,967
Construction in progress	<u>25,201,333</u>	<u>24,122,325</u>	<u>-</u>	<u>(44,415,834)</u>	<u>4,907,824</u>
Total nondepreciable capital assets	74,841,033	24,122,325	-	(44,415,834)	54,547,524
Depreciable capital assets:					
Land improvements	43,855,183	-	(1,509,988)	1,277,419	43,622,614
Buildings	962,724,278	1,075,298	(3,756,710)	38,605,777	998,648,643
Infrastructure	87,655,557	-	-	4,532,638	92,188,195
Equipment, furniture, and books	<u>131,545,985</u>	<u>5,000,349</u>	<u>(3,452,184)</u>	<u>-</u>	<u>133,094,150</u>
Total depreciable capital assets	<u>1,225,781,003</u>	<u>6,075,647</u>	<u>(8,718,882)</u>	<u>44,415,834</u>	<u>1,267,553,602</u>
Total capital assets	1,300,622,036	30,197,972	(8,718,882)	-	1,322,101,126
Less accumulated depreciation:					
Land improvements	28,688,363	1,528,246	(1,509,988)	-	28,706,621
Buildings	417,923,988	28,578,329	(2,822,890)	-	443,679,427
Infrastructure	23,589,652	5,236,861	-	-	28,826,513
Equipment, furniture, and books	<u>96,190,902</u>	<u>12,066,473</u>	<u>(3,426,880)</u>	<u>-</u>	<u>104,830,495</u>
Total accumulated depreciation	<u>566,392,905</u>	<u>47,409,909</u>	<u>(7,759,758)</u>	<u>-</u>	<u>606,043,056</u>
Capital assets, net	<u>\$ 734,229,131</u>	<u>\$ (17,211,937)</u>	<u>\$ (959,124)</u>	<u>\$ -</u>	<u>\$ 716,058,070</u>

For the year ended June 30, 2019, included in depreciation expense of \$46,354,151 is a loss of \$712,842 from the demolition of Gallucci Hall, \$802,689 from the demolition of the Vine Street Apartments, and \$376,726 from the disposal of obsolete equipment and adjustments to capital assets. For the year ended June 30, 2018, depreciation expense of \$47,409,909 was reduced by \$41,649 gain recognized on the sale of capital assets.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

6. Long-term Liabilities

In August 2018, The University issued \$14.9 million Series 2018A General Receipts Refunding Bonds and \$16.1 million 2018B Taxable General Receipts Refunding Bonds, with a combined average coupon rate of 4.68% with payments for 2018A through 2042 and payments for 2018B through 2033. The proceeds of Series 2018A bonds were used to refund \$12.2 million of The University's outstanding General Receipts Bonds 2012A, reimburse \$4.6 million toward certain real property purchased by The University of Akron Foundation for the benefit of The University of Akron, and pay issuance costs. The proceeds of Series 2018B bonds were used to refund \$15.5 million of The Universities outstanding General Receipts Bonds Series 2010A and pay issuance costs. The result of issuing Series 2018 Bonds will increase cash flows an average of \$5.0 million for each of the first five years at a cost of \$17.5 million over the life of the bonds.

In May 2016, The University issued \$93.9 million of General Receipts Refunding Bonds, Series 2016A with an average coupon rate of 4.75% with payments through 2042. The proceeds of the Series 2016A Bonds were used to refund \$28.3 million, \$51.8 million and \$18.6 million of The University's outstanding General Receipts Bonds, Series 2008A, 2008B and Lease Revenue Bonds, Series 2011, respectively, to pay issuance costs and generate interest savings of \$11.4 million over the life of the bonds.

In December 2015, The University issued \$10.5 million of General Receipts Refunding Bonds, Series 2015B with a coupon rate of 1.73% with payments through 2022. The proceeds of the Series 2015B Bonds were used to refund \$10.2 million of The University's outstanding General Receipts Bonds, Series 2005, to pay issuance costs and generate interest savings of \$734,000 over the life of the bonds.

In May 2015, The University issued \$99.1 million of General Receipts Refunding Bonds, Series 2015A with an average coupon rate of 4.76% with payments through 2032 and generating a net premium of \$14.9 million. The proceeds of the Series 2015A bonds were used to refund \$48.7 million and \$51.4 million of The University's outstanding General Receipts Bonds, Series 2008A & 2008B, respectively, to pay issuance costs and generate interest savings of \$7.2 million over the life of the bonds.

In August 2014, The University issued \$29.6 million of General Receipts Refunding Bonds, Series 2014A with an average coupon rate of 4.57% with payments through 2035 and generating a net premium of \$2.3 million. The proceeds of the Series 2014A Bonds were used to refund \$14.9 million and \$16.5 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, to pay issuance costs and generate interest savings of \$2.3 million over the life of the bonds.

In September 2013, The University entered into a loan agreement with the Ohio Air Quality Development Authority (OAQDA) to fund the Campus-Wide Energy Efficiency and Conservation Project which will perform conservation measures on many of The University's buildings. OAQDA issued \$44.6 million of Tax Exempt Revenue Bonds, Series 2013A and \$15.0 million of federally taxable Tax Credit Revenue Bonds, Series 2013B. The Series 2013A bonds will have annual principal payments until final maturity on January 1, 2026, with an interest rate of 2.48%. The Series 2013B bonds will have semiannual interest payments, with an interest rate of 4.99%, and the principal will be due at maturity on January 1, 2029.

The Series 2013B Bonds are Qualified Energy Conservation Bonds eligible for a 70 percent federal rebate based on the Qualified Tax Credit Rate as of the bond sale date (4.99 percent). The benefit of the rebate has been assigned to The University. The rebates received for the years ended June 30, 2018 and 2017 were \$523,694 and \$783,298, respectively. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

In August 2012, The University issued \$31.8 million of General Receipts Refunding Bonds, Series 2012A with a coupon rate of 2.4% with payments through 2027. The proceeds of the Series 2012 Bonds were used to refund \$19.0 million and \$11.6 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, to pay issuance costs, and generate interest savings of \$6.6 million over the life of the bonds.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

6. Long-term Liabilities – continued

In August 2010, The University issued \$131.4 million of General Receipts Refunding Bonds, Series 2010A, with an average coupon of 4.733% and an average life of 11 years. The proceeds of the Series 2010A Bonds were used to refund \$123.1 million of The University's outstanding General Receipts Bonds, Series 2008C1&C2, pay issuance costs, and pay termination costs of \$19.5 million related to the swap agreement on the Series 2008C1&C2 Bonds.

Changes in long-term liabilities during fiscal year 2019 were as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Bonds payable:					
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	\$ 92,655,000	\$ -	\$ (18,790,000)	\$ 73,865,000	\$ 4,485,000
General receipts refunding bonds - Series 2012A, 2.92%, due serially through 2027	24,525,000	-	(12,235,000)	12,290,000	-
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	26,315,000	-	-	26,315,000	-
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	97,535,000	-	(5,060,000)	92,475,000	5,265,000
General receipts refunding bonds - Series 2015B, 2.1%, due serially through 2022	6,595,000	-	(1,605,000)	4,990,000	1,635,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	90,715,000	-	-	90,715,000	-
General receipts refunding bonds - Series 2018A, 5.0%, due serially through 2042	-	14,935,000	-	14,935,000	-
Taxable general receipts refunding bonds - Series 2018B, 4.149% to 4.299%, due serially through 2033	-	16,085,000	-	16,085,000	-
Direct Placement:					
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	31,143,911	-	(3,567,486)	27,576,425	3,655,960
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	384,483,911	31,020,000	(41,257,486)	374,246,425	15,040,960
Bond premiums:					
Series 2014A	1,823,527	-	(107,266)	1,716,261	107,266
Series 2015A	11,334,781	-	(824,348)	10,510,433	824,348
Series 2016A	14,772,543	-	(615,523)	14,157,020	615,523
Series 2018A	-	2,054,451	(85,602)	1,968,849	85,602
Total bond premiums	27,930,851	2,054,451	(1,632,739)	28,352,563	1,632,739
Development Finance Authority lease	12,870,000	-	(670,000)	12,200,000	695,000
Innovation Generation Scholarships	10,982,508	-	(606,819)	10,375,689	660,000
Capitalized lease obligations	-	53,720	(9,636)	44,084	10,161
UA Foundation Land Note Payable	4,592,000	-	(4,592,000)	-	-
Sick leave liability	6,149,097	-	(867,950)	5,281,147	1,546,643
Voluntary Retirement Incentive Plan	4,466,000	-	(1,639,220)	2,826,780	983,027
Voluntary Separation or Retirement Program	-	3,700,000	-	3,700,000	-
Liquidated Damages	-	525,300	-	525,300	315,180
Totals	\$ 451,474,367	\$ 37,353,471	\$ (51,275,850)	437,551,988	\$ 20,883,710
Less: current portion				(20,883,710)	
Long-term liabilities				\$ 416,668,278	

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal year 2018 were as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Bonds payable:					
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	\$ 99,355,000	\$ -	\$ (6,700,000)	\$ 92,655,000	\$ 6,965,000
General receipts refunding bonds - Series 2012A, 2.92%, due serially through 2027	27,035,000	-	(2,510,000)	24,525,000	2,590,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	26,315,000	-	-	26,315,000	-
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	97,535,000	-	-	97,535,000	5,060,000
General receipts refunding bonds - Series 2015B, 2.1%, due serially through 2022	8,175,000	-	(1,580,000)	6,595,000	1,605,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	93,405,000	-	(2,690,000)	90,715,000	-
Direct Placement:					
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	34,625,065	-	(3,481,154)	31,143,911	3,567,486
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	<u>15,000,000</u>	<u>-</u>	<u>-</u>	<u>15,000,000</u>	<u>-</u>
Total bonds payable	401,445,065	-	(16,961,154)	384,483,911	19,787,486
Bond premiums:					
Series 2014A	1,930,793	-	(107,266)	1,823,527	107,266
Series 2015A	12,159,129	-	(824,348)	11,334,781	824,348
Series 2016A	<u>15,388,066</u>	<u>-</u>	<u>(615,523)</u>	<u>14,772,543</u>	<u>615,523</u>
Total bond premiums	29,477,988	-	(1,547,137)	27,930,851	1,547,137
Development Finance Authority lease	12,870,000	-	-	12,870,000	670,000
Innovation Generation Scholarships	11,550,303	-	(567,795)	10,982,508	660,000
UA Foundation Land Note Payable	4,904,714	-	(312,714)	4,592,000	192,000
Sick leave liability	7,181,258	-	(1,032,161)	6,149,097	1,686,039
Voluntary Retirement Incentive Plan	<u>-</u>	<u>4,466,000</u>	<u>-</u>	<u>4,466,000</u>	<u>1,673,000</u>
Totals	<u>\$ 467,429,328</u>	<u>\$ 4,466,000</u>	<u>\$ (20,420,961)</u>	451,474,367	<u>\$ 26,215,662</u>
Less: current portion				(26,215,662)	
Long-term liabilities				<u>\$ 425,258,705</u>	

The general receipts bonds and the general receipts refunding bonds are payable from and secured by a first pledge and lien on the general receipts of The University, excluding state appropriations.

The bonds contain a provision that in an event of financial default, outstanding amounts become immediately due and payable. If there is a nonfinancial default, the Trustee may accelerate the maturity of the outstanding amounts, but is only required to do so if requested in writing by 25% of the bondholders.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

6. Long-term Liabilities - continued

The University has defeased certain debt by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liabilities for the defeased debt are not included in The University's financial statements. The defeased debt is as follows:

	<u>Amount Deceased</u>	<u>Amount Outstanding at June 30, 2019</u>	<u>Amount Outstanding at June 30, 2018</u>
General Receipts Rental Note:			
Series 2003A	\$ 33,412,270	\$ 20,481,403	\$ 22,171,926
General Receipts Bonds:			
Series 2010A	15,480,000	11,825,000	-
General Receipts Bonds:			
Series 2012A	12,235,000	-	-
Lease Revenue Bonds:			
Series 2011	18,555,000	17,275,000	17,275,000
Totals	<u>\$ 79,682,270</u>	<u>\$ 49,581,403</u>	<u>\$ 39,446,926</u>

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2019 are as follows:

Fiscal Year:	Direct Borrowing		Direct Placement		Total
	Principal	Interest	Principal	Interest	
2020	\$ 13,017,739	\$ 15,195,769	\$ 3,655,960	\$ 1,387,061	\$ 33,256,529
2021	13,462,738	14,709,478	3,746,628	1,295,269	33,214,113
2022	13,827,739	14,203,806	3,839,544	1,201,201	33,072,290
2023	14,727,739	13,632,862	3,934,765	1,104,799	33,400,165
2024	20,327,739	12,885,096	4,032,347	1,006,007	38,251,189
2025-2029	111,843,694	50,389,607	23,367,181	3,577,027	189,177,509
2030-2034	93,493,911	27,406,225	-	-	120,900,136
2035-2039	64,852,890	8,907,750	-	-	73,760,640
2040-2042	14,468,374	754,187	-	-	15,222,561
Totals	<u>\$ 360,022,563</u>	<u>\$ 158,084,780</u>	<u>\$ 42,576,425</u>	<u>\$ 9,571,364</u>	<u>\$ 570,255,132</u>

In April 2019, The University of Akron Voluntary Separation or Retirement Program was offered to certain full-time permanent faculty. Forty-one eligible employees chose to participate in the plan by the May 30, 2019 election deadline. Each participant will receive a separation benefit equal to 100% of their 2019-2020 base rate of pay, to be paid in two equal installments in July 2020 and January 2021. Participants will remain in their positions until May 31, 2020. The University recognized a separation benefit expense of \$3,700,000 for the year ended June 30, 2019.

The University developed and offered a Voluntary Retirement Incentive Program to eligible faculty employees (participants) based upon years of service and age and forty-eight chose to participate. Each participant will receive up to \$100,000. The University will also contribute into a Health Reimbursement Account (HRA). The participants departed The University on or before May 31, 2018. The University paid the participants 40% on July 31, 2018 while the remaining 60% will be equally contributed to the participant's 403(b) plan during July 2019, July 2020, and July 2021, respectively. The University will fund the HRAs annually in the amount of \$4,000 for four years. The University recorded expenses including the HRAs of \$4,466,000 for the year ended June 30, 2018. The remaining liability for the years ended June 30, 2019 and 2018 were \$2,826,780 and \$4,466,000, respectively. The University established an escrow for the special termination payments and defined contribution plan contributions. At June 30, 2019 and 2018, the escrow balance of \$2,125,170 and \$3,713,610, respectively, is reflected as cash on the Statement of Net Position.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

6. Long-term Liabilities - continued

In September 2013, The University finalized an agreement with Akron Public Schools (APS) to transfer a decommissioned high school to The University in return for the equivalent in-kind services to the district in accordance with state law. The fair market value of the high school, known as Central Hower High School, was determined to be \$13.5 million. The University agreed to fund annual, renewable APS Innovation Generation Scholarships to qualified current and future APS students up to the fair market value of Central Hower. The remaining scholarship balance as of June 30, 2019 and 2018 was \$10,375,689 and \$10,982,508, respectively.

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2019 and 2018 amounted to approximately \$427,000 and \$479,000, respectively.

In May 2011, The University entered into a Facilities Lease Agreement with the Development Finance Authority of Summit County (DFA), formerly known as the Summit County Port Authority, to finance and construct the South Residence Hall facility. This agreement provided for the DFA to issue \$33.8 million Lease Revenue Bonds to finance the project and for the housing facility to be leased to The University. The agreement allows for The University to purchase the housing facility with a bargain purchase option at the end of the agreement. The University is required to pay semiannual rental payments for the life of the revenue bonds. Proceeds of \$18.6 million of the General Receipts Bonds, Series 2016A issued by The University in May 2016 were used to refund principal for the fiscal years ending June 30, 2017, 2018, 2023-2028, 2031-2033, and 2039-2042. Future remaining payments are as follows:

Fiscal Year:	DFA
2020	\$ 1,356,556
2021	1,354,125
2022	1,350,038
2023	580,350
2024	580,350
2025-2029	3,935,250
2030-2034	4,854,025
2035-2038	7,268,850
Total minimum lease payments	21,279,544
Less amount representing interest	(9,079,544)
Present value of net minimum capital lease payments	\$ 12,200,000

In May 2017, real estate adjacent to the University, originally purchased by the Foundation in May 2012, was transferred to The University in the amount of \$5,207,675. The University's original commitment to reimburse the Foundation for payments of principal, interest, loan fees, and any other costs associated with the line of credit obtained by the Foundation when the property was purchased, resulted in principal payments made by The University to the Foundation of \$32,000 and \$312,714 during the years ended June 30, 2019 and 2018, respectively. The balance of \$4,560,000 was paid to the Foundation in August 2018 from the proceeds of Series 2018A bonds.

In December 2018, The University exercised its right under Section V.E. of the employment contract and terminated employment of a contracted employee on December 31, 2018. The contract requires The University to pay liquidated damages including 100% of the current base salary through February 2021 totaling \$682,890. The remaining balance as of June 30, 2019 was \$525,300.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

7. State Support

The University is a state-assisted institution of higher education, which receives a student-based state share of instruction (appropriation) from the State. This state share of instruction is determined annually based upon a formula devised by the State. In addition to the state share of instruction, the State also provides certain capital funding and assistance. The capital funding is provided through the Ohio Department of Higher Education (ODHE), formerly known as the Ohio Board of Regents, from revenue bond proceeds issued by the Ohio Public Facilities Commission (OPFC). The capital assets are transferred from the ODHE to The University upon completion. Costs incurred during construction are included in construction in progress.

In accordance with the requirements of Ohio Revised Code Sections 124.21(D) and (E), university facilities are not pledged as collateral for the revenue bonds. 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 within The University's basic financial statements. In addition, appropriations by the State's General Assembly to the ODHE 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.

The Capital Component program is an appropriation line item in the ODHE operating budget to fund infrastructure investments for higher education. This program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. This capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget.

8. Employee Benefit Plans

Plan Description

The University participates in the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of The University. Each system has multiple retirement plan options available to its members, with three options in STRS and OPERS and one option in SERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, Ohio 43215
(888) 227-7877
www.strsoh.org

School Employees Retirement System
300 East Broad Street, Suite 100
Columbus, Ohio 43215
(800) 878-5853
www.ohsers.org

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

The University single-employer defined benefit plan (UA Plan) provides healthcare benefits for certain dependents of retired employees. Substantially all of The University's employees hired prior to 1992 may become eligible for those benefits if they reach normal retirement age while working for The University. In addition, The University provides life insurance benefits for all retired employees hired prior to August 31, 1977 or to other retired employees who were hired after that date but retired prior to January 1, 2011. For both benefits, the eligible employee must have elected a state pension plan upon retirement to be eligible for the additional postemployment benefit. There are no separate financial statements available for this plan. No assets are accumulated in a trust that meets the criteria of GASB Statement 75.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Contributions

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (ORC) limits the maximum rate of contributions. The retirement boards of the systems individually set contribution rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate
	Post-					Total
	Pension	Retirement Healthcare	Death Benefits	Medicare B	Total	
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%
SERS	12.61%	0.50%	0.06%	0.83%	14.00%	10.00%
OPERS - State/Local	14.00%	0.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	18.10%	0.00%	0.00%	0.00%	18.10%	13.00%

The plans' 2018 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate
	Post-					Total
	Pension	Retirement Healthcare	Death Benefits	Medicare B	Total	
STRS	14.00%	0.00%	0.00%	0.00%	14.00%	14.00%
SERS	12.59%	0.50%	0.06%	0.85%	14.00%	10.00%
OPERS - State/Local (through 12/31/17)	13.00%	1.00%	0.00%	0.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/18)	14.00%	0.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/17)	17.10%	1.00%	0.00%	0.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/18)	18.10%	0.00%	0.00%	0.00%	18.10%	13.00%

The University's required and actual contributions to the plans are:

	For the years ended June 30,			
	2019		2018	
	Pension	OPEB	Pension	OPEB
STRS	\$ 10,891,360	\$ -	\$ 11,507,584	\$ -
SERS	5,038,149	516,517	5,841,600	569,979
OPERS	2,511,156	-	1,586,905	39,302
UA Plan	-	2,084,998	-	2,205,549
	<u>\$ 18,440,665</u>	<u>\$ 2,601,515</u>	<u>\$ 18,936,089</u>	<u>\$ 2,814,830</u>

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Benefits Provided

State Teachers Retirement System - Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The reimbursement of Medicare Part B premiums will be discontinued effective January 1, 2019. Pursuant to the ORC, the State Teachers Retirement Board, (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

School Employees Retirement System - Plan benefits are established under Chapter 3309 of the ORC, as amended by Substitute Senate Bill 341 in 2012. The requirements to retire depends on years of service (5 to 30 years) and on attaining the age of 60 to 67 (one group does not have an age requirement), depending on when the employee became a member. Member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 2.2 percent to 2.5 percent. Members also covered by STRS, Ohio Police and Fire, or Ohio State Highway Patrol have separate considerations in how the benefits are determined.

The defined benefit pension plan includes the Pension Benefits Plan, Death Benefit Fund and Medicare Part B Plan.

The Death Benefit Fund pays \$1,000 to a designated beneficiary of a deceased retiree or disability benefit recipient as allowed under ORC Section 3309.50.

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

Health Care Plan – SERS offers health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third party administrators and pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Ohio Public Employees Retirement System - Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (5 to 30 years) and on attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years' service credit receive a percentage reduction in benefit, except for public safety and law enforcement participants. Member retirement benefits are calculated on a formula that considers years of service (5 to 30 years), age (48 to 62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

University-provided benefits - Retiree dependents are covered by Pre-Medicare PPO or Medicare Supplement plan based on age. Retiree life insurance pre-65 plan has four options with a maximum benefit of \$100,000. After age 70, the maximum life insurance benefit is reduced to \$50,000.

Plan participant data as of the last census date is summarized below:

Census Date	January 1, 2018
Participating Employees:	207
Employees (Dependent Medical)	200
Employees (Life Insurance and Dependent Medical)	7
Average age	61.7
Average credited service	31.0
Retirees:	
Retirees (Life Insurance)	940
Average age for retirees	76.7
Dependent Spouses (Medical)	428
Average age for dependents	73.6

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2019 and 2018, The University reported a liability for its proportionate share of the net pension liability of STRS/SERS/OPERS. For June 30, 2019, the net pension liability was measured as of June 30, 2018 for STRS, June 30, 2018 for SERS and December 31, 2018 for the OPERS plan. For June 30, 2018 the net pension liability was measured as of June 30, 2017 for STRS, June 30, 2017 for SERS, and December 31, 2017 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, except STRS' net pension liability's actuarial valuation was dated July 1, 2018 and 2017. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement date	Net pension liability			Proportionate share			Percent change	
		2019	2018	2017	2019	2018	2017	2018-19	2017-18
STRS	July 1	\$ 159,106,476	\$ 190,702,668	\$ 282,728,801	0.723614%	0.802782%	0.844647%	-0.079168%	-0.041865%
SERS	June 30	79,497,683	99,380,266	129,069,381	1.388076%	1.663330%	1.763465%	-0.275254%	-0.100135%
OPERS	December 31	27,472,320	7,940,334	6,697,227	0.266603%	0.123075%	0.030957%	0.143528%	0.092118%
Total		<u>\$ 266,076,479</u>	<u>\$ 298,023,268</u>	<u>\$ 418,495,409</u>					

For the year ended June 30, 2019, The University recognized pension expense of \$5,093,881. For the year ended June 30, 2018, The University recognized pension income of \$92,225,470. At June 30, 2019 and 2018, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,448,468	\$ 1,434,492	\$ 11,786,948	\$ 1,710,080
Changes of assumptions	32,895,298	-	48,117,188	-
Net difference between projected and actual earnings on pension plan investments	3,758,629	11,056,335	-	8,098,644
Changes in proportion and differences between University contributions and proportionate share of contributions	8,232,001	45,187,849	3,142,552	38,490,001
University contributions subsequent to the measurement date	17,266,887	-	18,040,090	-
Total	<u>\$ 70,601,283</u>	<u>\$ 57,678,676</u>	<u>\$ 81,086,778</u>	<u>\$ 48,298,725</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2020	\$ 5,783,510
2021	960,785
2022	(7,116,389)
2023	(3,947,512)
2024	(7,188)
Thereafter	(17,486)
Total	<u>\$ (4,344,280)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year (2020).

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense

At June 30, 2019, The University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS/SERS/OPERS. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS, June 30, 2018 for SERS, and December 31, 2018 for the OPERS plan. For June 30, 2018 the net OPEB liability/(asset) was measured as of June 30, 2017 for STRS, June 30, 2017 for SERS, and December 31, 2017 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial valuation dated December 31, 2017 and 2016, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans.

Typically, The University’s proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below.

For plan years ending June 30, 2018 and 2017, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS’ calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending June 30, 2018 and 2017, SERS allocated 0.5% and 0% of the total 14% employer contributions to the OPEB plan. Therefore, SERS’ calculation of the employers’ proportionate share is primarily based on total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2018 and 2017, OPERS allocated 0% and 1% of the total 14% employer contributions to the OPEB plan. Therefore, OPERS’s calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

For June 30, 2019 and 2018, The University reported 100.0% of the OPEB liability for the UA Plan measured as of December 31, 2018 and 2017, respectively. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 for June 30, 2019 and 2018.

	<u>Measurement date</u>	<u>Net OPEB Liability/(Asset)</u>		<u>Proportionate share</u>		<u>Percent change</u>
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018-19</u>
STRS	July 1	\$ (11,628,000)	\$ 31,321,605	0.723614%	0.802782%	-0.079168%
SERS	June 30	38,959,181	45,112,998	1.404304%	1.680977%	-0.276673%
OPERS	December 31	12,998,787	5,391,787	0.099702%	0.049652%	0.050050%
UA Plan	December 31	50,105,069	54,332,879	100.0000%	100.0000%	0.000000%
Total		<u>\$ 90,435,037</u>	<u>\$ 136,159,269</u>			

Each plan above used the same 2018 proportionate share to allocate the net OPEB liability for recording the beginning balance at July 1, 2017, therefore, there was no change in proportionate share from July 1, 2017 to June 30, 2018.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense - continued

For the years ended June 30, 2019 and 2018, The University recognized OPEB income of \$26,273,680 and \$4,454,995, respectively. At June 30, 2019 and 2018, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,998,365	\$ 712,270	\$ 1,812,275	\$ -
Changes of assumptions	419,096	19,793,504	392,579	6,804,048
Net difference between projected and actual earnings on pension plan investments	595,918	1,401,162	-	1,859,544
Changes in proportion and differences between University contributions and proportionate share of contributions	3,644,935	11,095,834	-	2,190,178
University contributions subsequent to the measurement date	1,598,271	-	1,763,699	-
Total	\$ 8,256,585	\$ 33,002,770	\$ 3,968,553	\$ 10,853,770

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2020	\$ (4,911,382)
2021	(4,694,704)
2022	(4,674,859)
2023	(4,196,098)
2024	(4,394,504)
Thereafter	(3,472,909)
Total	\$ (26,344,456)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the following year (2020).

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Changes in the Net OPEB Liability – UA Plan

	<u>Total OPEB Liability 2019</u>	<u>Total OPEB Liability 2018</u>
Balances at July 1	\$ 54,332,879	\$ 54,787,893
Changes for the year:		
Service Cost	404,391	385,134
Interest	1,832,190	1,853,219
Differences between expected and actual experience	92,622	-
Contributions - employer	-	-
Medicare RDS payment	-	-
Changes of assumptions	(3,419,925)	-
Benefit payments	(3,137,088)	(2,693,367)
Administrative expense	-	-
Net changes	<u>(4,227,810)</u>	<u>(455,014)</u>
Balances at June 30	<u>\$ 50,105,069</u>	<u>\$ 54,332,879</u>

Funding policy - The University has no obligation to make contributions in advance of when the premiums are due for payment, therefore this plan is financed on a “pay-as-you-go” basis. Active members are not required to contribute to the plan. The plan charges retirees an 18% and 17% contribution for retiree dependent health coverage for 2019 and 2018, respectively.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Actuarial Assumptions

The total pension liability and OPEB liability is based on the results of an actuarial valuation and were determined using the following actuarial assumptions for The University's current year:

	STRS	SERS
Valuation date - Pension	July 1, 2018	June 30, 2018
Valuation date - OPEB	June 30, 2018	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Cost of living	None	2.5 percent
Salary increases, including inflation	2.5 percent - 12.5 percent	3.5 percent - 18.2 percent
Inflation	2.5 percent	3.0 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Health care cost trend rates	(5.23) percent to 9.62 percent initial, 4.0 percent ultimate	7.25 percent to 4.75 percent pre-Medicare, 5.38 percent to 4.75 percent Medicare
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended June 30, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates used. Special mortality tables are used for the period after disability retirement.
	OPERS	UA Plan
Valuation date - Pension	December 31, 2018	n/a
Valuation date - OPEB	December 31, 2017	January 1, 2018
Actuarial cost method	Individual entry age	Entry age
Cost of living	2.15 percent - 3.0 percent	n/a
Salary increases, including inflation	3.25 percent -10.75 percent	4.0 percent
Inflation	2.5 percent	2.75 percent
Investment rate of return - Pension	7.2 percent, net of plan investment expense, including inflation	n/a
Investment rate of return - OPEB	6.0 percent, net of investment expense, including inflation	n/a
Health care cost trend rates	10.0 percent initial, 3.25 percent ultimate in 2029	7.0 percent initial, 5.0 percent ultimate in 2024
Experience study date	Period of 5 years ended December 31, 2015	Period of 3 years ended August 2018
Mortality basis	RP-2014 Healthy Annuitant Mortality Table	RP-2014 generational headcount weighted mortality tables for males and females projected back to 2006 using scale MP-2014 (M/F) and then projected forward using scale MP-2018 (M/F) for employees and annuitants.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Actuarial Assumptions - continued

The following are actuarial assumptions for The University's prior year:

	STRS	SERS
Valuation date - Pension	July 1, 2017	June 30, 2017
Valuation date - OPEB	June 30, 2017	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Cost of living	None	2.5 percent
Salary increases, including inflation	2.5 percent - 12.5 percent	3.5 percent - 18.2 percent
Inflation	2.5 percent	3.0 percent
Investment rate of return - Pension	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Investment rate of return - OPEB	4.51 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Health care cost trend rates	6.0 percent to 11 percent initial, 4.50 percent ultimate	7.5 percent to 5.0 percent pre-Medicare by 2022, 5.5 percent to 5.0 percent Medicare by 2022
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended June 30, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates used. Special mortality tables are used for the period after disability retirement.
	OPERS	UA Plan
Valuation date - Pension	December 31, 2017	n/a
Valuation date - OPEB	December 31, 2016	January 1, 2018
Actuarial cost method	Individual entry age	Entry age
Cost of living	3.0 percent	n/a
Salary increases, including inflation	3.25 percent - 10.75 percent	4.0 percent
Inflation	2.5 percent	2.75 percent
Investment rate of return - Pension	7.5 percent, net of investment expense, including inflation	n/a
Investment rate of return - OPEB	6.5 percent, net of investment expense, including inflation	n/a
Health care cost trend rates	7.5 percent initial, 3.25 percent ultimate in 2028	7.0 percent initial, 5.0 percent ultimate in 2024
Experience study date	Period of 5 years ended December 31, 2015	Period of 3 years ended August 2017
Mortality basis	RP-2014 Healthy Annuitant Mortality Table	RP-2014 generational headcount weighted mortality tables for males and females projected back to 2006 using scale MP-2014 (M/F) and then projected forward using scale MP-2017 (M/F) for employees and annuitants.

Pension Discount Rate

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used to measure the total pension liabilities for STRS were 7.45 percent for the plan years ended June 30, 2018 and 2017. The discount rates used to measure the total pension liability for SERS were 7.5 percent for the plan years ended June 30, 2018 and 2017. The discount rates used to measure the total pension liability for OPERS were 7.2 percent and 7.5 percent for the plan years ended December 31, 2018 and 2017, respectively.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

OPEB Discount Rate

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

STRS - OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 7.45 percent and 4.13 percent for the plan years ended June 30, 2018 and 2017, respectively. At June 30, 2018 the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset). At June 30, 2017, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent. At June 30, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2037, and the municipal bond rate was applied to all health care costs after that date.

SERS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 3.7 percent and 3.63 percent for the plan years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017 the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent and 3.56 percent at June 30, 2018 and 2017, respectively. At June 30, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2024, and the municipal bond rate was applied to all health care costs after that date. At June 30, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2024, and the municipal bond rate was applied to all health care costs after that date.

OPERS – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities/(assets) were 3.96 percent and 3.85 percent for the plan years ended December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.0 and 6.5 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 3.71 percent and 3.31 percent at December 31, 2018 and December 31, 2017, respectively. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2017, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

UA Plan – OPEB Discount Rate: The discount rate used to measure the total OPEB liabilities were 4.10 percent and 3.44 percent, based on the Bond Buyer Index as reported in The Bond Buyer, for the plan years ended December 31, 2018 and 2017, respectively. The discount rate for postretirement welfare cost purposes is a single rate reflecting the yield or index rate for 20-year, tax-exempt general obligation bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that plan investments are not expected to finance the payment of benefits. Since there are no plan assets, the discount rate is determined based on the aforementioned basis as of the applicable measurement date.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

8. Employee Benefit Plans – continued

OPEB Discount Rate - continued

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

STRS as of July 1, 2018			SERS as of June 30, 2018			OPERS as of December 31, 2018				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
						Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	7.35%	Cash	1.00%	0.50%	Fixed Income	23.00%	2.79%	34.00%	2.42%
International Equity	23.00%	7.55%	US Equity	22.50%	4.75%	Domestic Equities	19.00%	6.21%	21.00%	6.21%
Alternatives	17.00%	7.09%	International Equity	22.50%	7.00%	Real Estate	10.00%	4.90%	0.00%	0.00%
Fixed Income	21.00%	3.00%	Fixed Income	19.00%	1.50%	Private Equity	10.00%	10.81%	0.00%	0.00%
Real Estate	10.00%	6.00%	Private Equity	10.00%	8.00%	International Equities	20.00%	7.83%	22.00%	7.83%
Liquidity Reserves	1.00%	2.25%	Real Assets	15.00%	5.00%	REITs	0.00%	0.00%	6.00%	5.98%
			Multi-Asset Strategies	10.00%	3.00%	Other Investments	18.00%	5.50%	17.00%	5.57%
Total	100.00%		Total	100.00%		Total	100.00%		100.00%	

STRS as of July 1, 2017			SERS as of June 30, 2017			OPERS as of December 31, 2017				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
						Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%	Cash	1.00%	0.50%	Fixed Income	23.00%	2.20%	34.00%	1.88%
International Equity	23.00%	5.30%	US Equity	22.50%	4.75%	Domestic Equities	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	4.84%	Non-U.S. Stocks	22.50%	7.00%	Real Estate	10.00%	5.26%	0.00%	0.00%
Fixed Income	21.00%	0.75%	Fixed Income	19.00%	1.50%	Private Equity	10.00%	8.97%	0.00%	0.00%
Real Estate	10.00%	3.75%	Private Equity	10.00%	8.00%	International Equities	20.00%	7.88%	22.00%	7.88%
Liquidity Reserves	1.00%	0.00%	Real Assets	15.00%	5.00%	REITs	0.00%	0.00%	6.00%	5.91%
			Multi-Asset Strategies	10.00%	3.00%	Other Investments	18.00%	5.26%	17.00%	5.39%
Total	100.00%		Total	100.00%		Total	100.00%		100.00%	

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of The University, calculated using the discount rate listed below, as well as what The University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2019						
	1.00 percent decrease		Current Discount rate		1.00 percent increase	
STRS	6.45%	\$ 232,354,063	7.45%	\$ 159,106,476	8.45%	\$ 97,112,331
SERS	6.50%	111,978,482	7.50%	79,497,683	8.50%	52,264,708
OPERS	6.20%	40,681,093	7.20%	27,472,320	8.20%	16,500,987
		<u>\$ 385,013,638</u>		<u>\$ 266,076,479</u>		<u>\$ 165,878,026</u>
2018						
	1.00 percent decrease		Current Discount rate		1.00 percent increase	
STRS	6.45%	\$ 273,365,785	7.45%	\$ 190,702,668	8.45%	\$ 121,071,383
SERS	6.50%	137,913,992	7.50%	99,380,266	8.50%	67,100,413
OPERS	6.50%	14,165,782	7.50%	7,940,334	8.50%	2,753,522
		<u>\$ 425,445,559</u>		<u>\$ 298,023,268</u>		<u>\$ 190,925,318</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) of The University, calculated using the discount rate listed below, as well as what The University's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2019						
	1.00 percent decrease		Current Discount rate		1.00 percent increase	
STRS	6.45%	\$ (9,966,061)	7.45%	\$ (11,628,000)	8.45%	\$ (13,024,300)
SERS	2.70%	47,273,882	3.70%	38,959,181	4.70%	32,375,474
OPERS	2.96%	16,630,294	3.96%	12,998,787	4.96%	10,110,780
UA Plan	3.10%	56,108,834	4.10%	50,105,069	5.10%	45,105,096
		<u>\$ 110,046,949</u>		<u>\$ 90,435,037</u>		<u>\$ 74,567,050</u>
2018						
	1.00 percent decrease		Current Discount rate		1.00 percent increase	
STRS	3.13%	\$ 42,048,752	4.13%	\$ 31,321,605	5.13%	\$ 22,843,653
SERS	2.63%	54,479,689	3.63%	45,112,998	4.63%	37,692,187
OPERS	2.85%	7,163,222	3.85%	5,391,787	4.85%	3,958,714
UA Plan	2.44%	61,323,867	3.44%	54,332,879	4.44%	48,721,104
		<u>\$ 165,015,530</u>		<u>\$ 136,159,269</u>		<u>\$ 113,215,658</u>

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability/(asset) of The University, calculated using the healthcare cost trend rate listed below, as well as what The University's net OPEB liability/(asset) would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current healthcare cost trend rates:

	2019		
	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>
STRS	\$ (12,945,462)	\$ (11,628,000)	\$ (10,289,487)
SERS	31,432,907	38,959,181	48,925,304
OPERS	12,494,655	12,998,787	13,579,412
UA Plan	45,781,468	50,105,069	55,264,953
	<u>\$ 76,763,568</u>	<u>\$ 90,435,037</u>	<u>\$ 107,480,182</u>

	2018		
	<u>1.00 percent decrease</u>	<u>Current Trend Rate</u>	<u>1.00 percent increase</u>
STRS	\$ 21,760,909	\$ 31,321,605	\$ 43,904,600
SERS	36,605,817	45,112,998	56,372,397
OPERS	5,158,791	5,391,787	5,632,466
UA Plan	49,476,773	54,332,879	60,384,366
	<u>\$ 113,002,290</u>	<u>\$ 136,159,269</u>	<u>\$ 166,293,829</u>

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/SERS/OPERS financial report.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

8. Employee Benefit Plans – continued

Assumption changes

During the current measurement period, the STRS Board adopted certain assumption changes that impacted the annual actuarial valuation for OPEB prepared as of June 30, 2018. The most significant changes were an increase in the OPEB discount rate from 4.13 percent to 7.45 percent and a reduction in the health care cost trend rates.

Payable to the Pension Plan and OPEB Plan

At June 30, 2019, The University reported a payable of \$1,077,288 and \$12,033 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019. At June 30, 2018, The University reported a payable of \$893,304 and \$15,766 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Defined Contribution Pension Plan

The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted The University's plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS, SERS, or OPERS, from the list of six providers currently approved by the Ohio Department of Higher Education and who hold agreements with The University. Employee and employer contributions equal to those required by STRS, SERS, and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS, SERS, or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of six private providers approved by the Ohio Department of Higher Education who hold agreements with The University. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.5 percent for STRS and 2.44 percent for OPERS. For SERS, no funding is contributed if the employee was hired before August 2005. If the employee was hired on or after August 2005, the employer contributes 3.48 percent. The employer also contributes what would have been the employer's contribution under STRS, SERS, or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with five year plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2019 and 2018, employee contributions totaled \$2,926,422 and \$3,025,795, respectively, and The University recognized pension expense of \$4,574,555 and \$4,688,985, respectively.

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

9. Litigation, Commitments, and Contingencies

The University has been named as a defendant in a number of lawsuits alleging various causes of action. It is the opinion of The University's management that disposition of the pending matters will not have a material adverse effect on the financial statements.

In addition to purchasing insurance to cover potential losses from certain litigation, The University participates in two risk pools, along with other state universities, for commercial property coverage and commercial casualty coverage. Each university contributes on a basis equal to their percentage of the total insurable value of the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of \$100,000 for each pool. For commercial property coverage, the next \$250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate limit of \$700,000. The commercial property insurer is liable for the amount of any claim in excess of \$350,000, or \$100,000 in the event the pool has reached its annual aggregate. For commercial casualty coverage, the next \$900,000 of any one claim is the responsibility of the pool. The University, through the Inter-University Council Insurance Consortium (IUC-IC), purchases \$49,000,000 in liability insurance limits that sits over top of the casualty pool.

The University provides employee health insurance benefits through a self-insurance program. Two third-party administrators, Anthem Blue Cross and Blue Shield for medical insurance and Delta Dental of Ohio for dental insurance, review all claims which are then paid by The University. Full-time employees are eligible for health insurance benefits effective on the first day of the month following appointment or date of hire. Employees are offered two traditional PPO medical plans with different levels of coverage and one PPO dental plan. Employees make contributions to pay a portion of health insurance benefits based on plan selections and annual salary ranges.

A claims liability of \$2,056,324 and \$1,788,725, included with accrued liabilities as of June 30, 2019 and 2018, respectively, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Liability at beginning of year	\$ 1,788,725	\$ 2,324,639	\$ 2,764,842
Claims incurred and changes in estimates	21,193,424	17,721,265	26,997,352
Claim payments	<u>(20,925,825)</u>	<u>(18,257,179)</u>	<u>(27,437,555)</u>
Liability at end of year	<u>\$ 2,056,324</u>	<u>\$ 1,788,725</u>	<u>\$ 2,324,639</u>

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2019, The University made \$2,042,566 in institutional capital contributions, which are reflected as part of The University's net position. Under current guidance issued by the Department of Education, at the time The University liquidates the loan portfolio and assigns the student loans to the Department of Education, The University will be forgoing its institutional capital not yet received back through loan collections.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

9. Litigation, Commitments, and Contingencies - continued

The University receives grants and contracts from certain federal and state agencies to fund research and other activities. The federal grants are audited annually in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Federal agencies also may conduct additional audits under federal law or regulations or may arrange for funding the cost of such additional audits by independent auditing firms. 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 by the grantor agency for expenditures disallowed under the terms of the grant. No significant costs have been questioned to date, and management believes that any disallowance or adjustment of such costs would not have a material adverse effect on the financial statements.

The University has been appropriated \$19.1 million from the State for buildings and renovations, of which \$6.1 million has been expended as of June 30, 2019. In addition, as of June 30, 2019, university construction projects will cost an estimated \$5.7 million to complete.

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

10. Component units

Details of the component units' net position at June 30, 2019 and 2018 are as follows:

	2019			2018		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	\$ 336,307	\$ 1,702,809	\$ 2,039,116	\$ 70,565	\$ 1,965,161	\$ 2,035,726
Pooled investments	-	7,501,610	7,501,610	-	7,055,765	7,055,765
Accounts receivable, net	316,136	916,882	1,233,018	382,708	930,333	1,313,041
Pledges receivable, net	3,732,724	-	3,732,724	14,844,983	-	14,844,983
Related party land note receivable	256,344	-	256,344	192,000	-	192,000
Prepaid expenses	-	228,497	228,497	-	184,991	184,991
Total current assets	4,641,511	10,349,798	14,991,309	15,490,256	10,136,250	25,626,506
Noncurrent assets:						
Restricted investments	-	771,583	771,583	-	452,031	452,031
Endowment investments	195,025,084	-	195,025,084	185,671,384	-	185,671,384
Pledges receivable, net	10,806,077	-	10,806,077	12,358,653	-	12,358,653
Related party land note receivable	-	-	-	5,300,000	-	5,300,000
Capital assets, net	1,276,900	4,614,776	5,891,676	2,282,777	4,773,197	7,055,974
Total assets	211,749,572	15,736,157	227,485,729	221,103,070	15,361,478	236,464,548
Liabilities						
Current liabilities:						
Accounts payable	922,494	3,941,820	4,864,314	1,005,943	3,602,339	4,608,282
Accrued liabilities	-	724,143	724,143	-	613,500	613,500
Unearned income	28,500	591,427	619,927	28,500	691,380	719,880
Deposits	5,000	-	5,000	143,533	-	143,533
Current portion of long-term liabilities	-	87,563	87,563	4,592,000	82,156	4,674,156
Total current liabilities	955,994	5,344,953	6,300,947	5,769,976	4,989,375	10,759,351
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	11,398,193	-	11,398,193	11,751,945	-	11,751,945
Long-term liabilities	-	2,253,224	2,253,224	-	2,340,339	2,340,339
Total liabilities	12,354,187	7,598,177	19,952,364	17,521,921	7,329,714	24,851,635
Net position						
Non controlling interest in subsidiary	-	-	-	-	78,278	78,278
Net investment in capital assets	1,276,900	2,361,552	3,638,452	2,282,777	2,354,580	4,637,357
Restricted:			-			-
Nonexpendable	190,539,269	-	190,539,269	193,891,394	-	193,891,394
Expendable	7,579,216	-	7,579,216	7,406,978	-	7,406,978
Unrestricted (deficit)	-	5,776,428	5,776,428	-	5,598,906	5,598,906
Total net position	\$ 199,395,385	\$ 8,137,980	\$ 207,533,365	\$ 203,581,149	\$ 8,031,764	\$ 211,612,913

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

10. Component units - continued

Details of the component units' revenues, expenses, and changes in net position at June 30, 2019 and 2018 are as follows:

	2019			2018		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Private grants and contracts	-	1,565,175	1,565,175	-	2,078,932	2,078,932
Gifts and contributions	11,490,769	-	11,490,769	26,197,925	-	26,197,925
Other sources	-	1,898,173	1,898,173	-	2,332,734	2,332,734
Total operating revenues	11,490,769	3,463,348	14,954,117	26,197,925	4,411,666	30,609,591
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	2,976,531	2,976,531	-	3,128,338	3,128,338
Institutional support	1,326,987	-	1,326,987	1,263,393	-	1,263,393
Depreciation	-	399,218	399,218	-	404,745	404,745
Total operating expenses	1,326,987	3,375,749	4,702,736	1,263,393	3,533,083	4,796,476
Operating income (loss)	10,163,782	87,599	10,251,381	24,934,532	878,583	25,813,115
Nonoperating revenues (expenses)						
Investment income, net	4,865,613	678,512	5,544,125	9,542,014	583,606	10,125,620
Interest on debt	-	(136,452)	(136,452)	-	(17,053)	(17,053)
Distributions to The University	(18,518,928)	(737,025)	(19,255,953)	(14,573,661)	(1,355,073)	(15,928,734)
Distributions on behalf of The University	(775,489)	-	(775,489)	(498,830)	-	(498,830)
Other nonoperating revenues	79,258	213,582	292,840	154,504	282,610	437,114
Net nonoperating revenues (expenses)	(14,349,546)	18,617	(14,330,929)	(5,375,973)	(505,910)	(5,881,883)
Gain (loss) before other changes	(4,185,764)	106,216	(4,079,548)	19,558,559	372,673	19,931,232
Other changes						
Additions to permanent endowments	-	-	-	(460,604)	-	(460,604)
Increase in net position	(4,185,764)	106,216	(4,079,548)	19,097,955	372,673	19,470,628
Net position - beginning of year	203,581,149	8,031,764	211,612,913	184,483,194	7,580,813	192,064,007
Non controlling interest in subsidiary	-	-	-	-	78,278	78,278
Net position - end of year	\$ 199,395,385	\$ 8,137,980	\$ 207,533,365	\$ 203,581,149	\$ 8,031,764	\$ 211,612,913

The University of Akron

Notes to the Financial Statements

June 30, 2019 and 2018

10. Component units - continued

The following tables present information about the component units' assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018 and the valuation techniques used to determine those fair values:

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019

	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Pooled investments funds					
managed for the Foundation	\$ 153,633,459	\$ -	\$ -	\$ -	\$ 153,633,459
Bonds	7,839,055	-	7,839,055	-	-
Commercial paper	2,499,191	-	2,499,191	-	-
Common stocks	2,559,908	2,559,908	-	-	-
Exchange traded funds	183,581	183,581	-	-	-
Floaters	2,695,000	-	2,695,000	-	-
Money market funds	1,301,182	1,301,182	-	-	-
Mutual funds	21,357,678	21,357,678	-	-	-
Preferred stocks	45,921	45,921	-	-	-
U.S. Treasury obligations	2,560,679	-	2,560,679	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(11,398,193)	-	-	(11,398,193)	-

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018

	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Pooled investments funds					
managed for the Foundation	\$ 139,778,048	\$ -	\$ -	\$ -	\$ 139,778,048
Bonds	8,411,254	-	8,411,254	-	-
Commercial paper	-	-	-	-	-
Common stocks	2,411,471	2,411,471	-	-	-
Exchange traded funds	215,746	215,746	-	-	-
Floaters	3,920,000	-	3,920,000	-	-
Money market funds	6,120,510	6,120,510	-	-	-
Mutual funds	21,909,121	21,909,121	-	-	-
Preferred stocks	61,538	61,538	-	-	-
U.S. Treasury obligations	2,494,111	-	2,494,111	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(11,751,945)	-	-	(11,751,945)	-

The University of Akron
Notes to the Financial Statements
June 30, 2019 and 2018

10. Component units – continued

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019

	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Short-term investments					
Fixed income	\$ 1,949,858	\$ 1,949,858	\$ -	\$ -	\$ -
Large growth	903,304	903,304	-	-	-
Large value	869,908	869,908	-	-	-
Small- and mid-cap growth	916,539	916,539	-	-	-
Alternatives	1,327,361	1,327,361	-	-	-
Internationals	1,534,640	1,534,640	-	-	-
Liabilities					
Interest rate swap	(159,895)	-	(159,895)	-	-

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018

	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Short-term investments					
Fixed income	\$ 1,830,832	\$ 1,830,832	\$ -	\$ -	\$ -
Large growth	807,644	807,644	-	-	-
Large value	797,903	797,903	-	-	-
Small- and mid-cap growth	803,820	803,820	-	-	-
Alternatives	1,263,712	1,263,712	-	-	-
Internationals	1,551,854	1,551,854	-	-	-
Liabilities					
Interest rate swap	(153,245)	-	(153,245)	-	-

Details of the component units' capital assets at June 30, 2019 and 2018 are as follows:

	2019			2018		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	\$ 1,276,900	\$ 406,925	\$ 1,683,825	\$ 2,282,777	\$ 406,925	\$ 2,689,702
Buildings	-	5,911,635	5,911,635	-	5,669,729	5,669,729
Equipment	-	2,373,478	2,373,478	-	2,446,429	2,446,429
Total capital assets	1,276,900	8,692,038	9,968,938	2,282,777	8,523,083	10,805,860
Less: accumulated depreciation	-	(4,077,262)	(4,077,262)	-	(3,749,886)	(3,749,886)
Capital assets, net	<u>\$ 1,276,900</u>	<u>\$ 4,614,776</u>	<u>\$ 5,891,676</u>	<u>\$ 2,282,777</u>	<u>\$ 4,773,197</u>	<u>\$ 7,055,974</u>

Required Supplementary Information

The University of Akron

Schedule of University Proportionate Share of the Net Pension Liability Fiscal Years Ended June 30, 2015 to 2019

Plan Year	University's proportion of the net pension liability	University's proportionate share of the net pension liability	University's covered payroll	University's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
State Teachers Retirement System (STRS)					
2019	0.723614%	\$ 159,106,476	\$ 95,918,966	165.88%	77.30%
2018	0.802782%	190,702,668	100,964,550	188.88%	75.29%
2017	0.844647%	282,728,801	106,894,227	264.49%	66.78%
2016	0.913123%	252,360,353	107,800,627	234.10%	72.10%
2015	0.950840%	231,277,151	114,757,851	201.53%	74.70%
State Employees Retirement System (SERS)					
2019	1.388076%	\$ 79,497,683	\$ 42,216,488	188.31%	71.36%
2018	1.663330%	99,380,266	46,295,774	214.66%	69.50%
2017	1.763465%	129,069,381	51,923,833	248.57%	62.98%
2016	1.989093%	113,499,597	57,391,681	197.76%	69.16%
2015	2.065374%	104,527,403	65,124,508	160.50%	71.70%
Ohio Public Employees Retirement System (OPERS)					
2019	0.266603%	\$ 27,472,320	\$ 18,717,610	146.77%	74.91%
2018	0.123075%	7,940,334	11,568,937	68.63%	84.85%
2017	0.030957%	6,697,227	3,843,681	174.24%	77.39%
2016	0.029042%	5,030,441	2,724,473	184.64%	81.08%
2015	0.032842%	3,961,106	3,080,746	128.58%	86.45%

Note: For 2019, the plan fiduciary net position as a percentage of the total pension liability is as follows for each plan:

STRS: 77.30%
SERS: 71.36%
OPERS: 74.91%

The University of Akron
 Schedule of University Pension Contributions
 Fiscal Years Ended June 30, 2015 to 2019

Fiscal Year	Statutorily required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	University's covered payroll	Contributions as a percentage of covered payroll
State Teachers Retirement System (STRS)					
2019	\$ 10,891,360	\$ 10,891,360	\$ -	\$ 95,918,966	11.35%
2018	11,507,584	11,507,584	-	100,964,550	11.40%
2017	12,384,730	12,384,730	-	106,894,227	11.59%
2016	12,487,105	12,487,105	-	107,800,627	11.58%
2015	13,373,987	13,373,987	-	114,757,851	11.65%
State Employees Retirement System (SERS)					
2019	\$ 5,038,149	\$ 5,038,149	\$ -	\$ 42,216,488	11.93%
2018	5,841,600	5,841,600	-	46,295,774	12.62%
2017	6,560,433	6,560,433	-	51,923,833	12.63%
2016	7,265,453	7,265,453	-	57,391,681	12.66%
2015	7,742,505	7,742,505	-	65,124,508	11.89%
Ohio Public Employees Retirement System (OPERS)					
2019	\$ 2,511,156	\$ 2,511,156	\$ -	\$ 18,717,610	13.42%
2018	1,586,905	1,586,905	-	11,568,937	13.72%
2017	590,804	590,804	-	3,843,681	15.37%
2016	438,640	438,640	-	2,724,473	16.10%
2015	496,000	496,000	-	3,080,746	16.10%

Notes to required supplementary information:

Changes of benefit terms. There were no changes in benefit terms affecting the STRS, SERS, OPERS plans.

Changes of assumptions. STRS: During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

SERS: During the plan year ended June 30, 2016, there were changes to several assumptions for SERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.50-18.20 percent. The mortality tables used changed from RP-2000 to RP-2014.

During the plan year ended June 30, 2017, the cost-of-living adjustment dropped from 3.00 percent to 2.50 percent.

OPERS: During the plan year ended December 31, 2018, the discount rate dropped from 7.5 to 7.2.

During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

The amounts presented for each fiscal year for STRS and SERS on the Schedule of University Proportionate Share of the Net Pension Liability were determined as of the yearend that occurred one year prior.

The amounts presented for each fiscal year for OPERS on the Schedule of University Proportionate Share of the Net Pension Liability were determined as of December 31 yearend that occurred within the fiscal year.

These are 10-year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The University of Akron

Schedule of University's Proportionate Share of the Net OPEB Liability/(Asset) Fiscal Years Ended June 30, 2018 to 2019

Plan Year	University's proportion of the net OPEB liability/(asset)	University's proportionate share of the net OPEB liability/(asset)	University's covered payroll	University's proportionate share of the net OPEB liability/(asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability/(asset)
State Teachers Retirement System (STRS)					
2019	0.723614%	\$ (11,628,000)	\$ 95,918,966	-12.12%	176.00%
2018	0.802782%	31,321,605	100,964,550	31.02%	47.11%
State Employees Retirement System (SERS)					
2019	1.404304%	\$ 38,959,181	\$ 42,216,488	92.28%	13.57%
2018	1.680977%	45,112,998	46,295,774	97.45%	12.46%
Ohio Public Employees Retirement System (OPERS)					
2019	0.099702%	\$ 12,998,787	\$ 18,717,610	69.45%	46.33%
2018	0.049652%	5,391,787	11,568,937	46.61%	54.14%

Note: For 2019, the plan fiduciary net position as a percentage of the total OPEB liability/(asset) is as follows for each plan:

STRS: 176.00%
SERS: 13.57%
OPERS: 46.33%

The University of Akron
Schedule of University OPEB Contributions
Fiscal Years Ended June 30, 2018 to 2019

Fiscal Year	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	University's covered payroll	Contributions as a percentage of covered payroll
State Teachers Retirement System (STRS)					
2019	\$ -	\$ -	\$ -	\$ 95,918,966	0.00%
2018	-	-	-	100,964,550	0.00%
State Employees Retirement System (SERS)					
2019	\$ 516,517	\$ 516,517	\$ -	\$ 42,216,488	1.22%
2018	569,979	569,979	-	46,295,738	1.23%
Ohio Public Employees Retirement System (OPERS)					
2019	\$ -	\$ -	\$ -	\$ 18,717,610	0.00%
2018	39,302	39,302	-	11,568,923	0.34%

Notes to required supplementary information:

Changes of benefit terms. There were no changes in benefit terms affecting the STRS, SERS, OPERS plans for the years ended June 30, 2018 and December 31, 2018, respectively.

Note: June 30 for STRS and SERS.

Changes of assumptions. STRS: During the plan year ended June 30, 2018 there were changes to several assumptions for STRS. The investment rate of return increased from 4.51 percent to 7.45 percent. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate to -5.23 percent to 9.62 percent initial and 4 percent ultimate. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent.

SERS/OPERS: There were no significant changes in assumptions for the SERS and OPERS plans for the years ended June 30, 2018 and December 31, 2018, respectively. SERS discount rate remained 7.50 percent and OPERS discount rate dropped from 6.50 percent to 6.0 percent.

The amounts presented for each fiscal year for STRS and SERS on the Schedule of University Proportionate Share of the Net OPEB Liability/(Asset) were determined as of the yearend that occurred one year prior.

The amounts presented for each fiscal year for OPERS on the Schedule of University Proportionate Share of the Net OPEB Liability/(Asset) were determined as of December 31 yearend that occurred within the fiscal year.

These are 10-year schedules. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The University of Akron
 Schedule of Changes in the University's
 Net OPEB Liability and Related Ratios
 Fiscal Years Ended June 30, 2018 to 2019

	2019	2018
Total OPEB liability		
Service cost	\$ 404,391	\$ 385,134
Interest	1,832,190	1,853,219
Changes of benefit terms	-	-
Differences between expected and actual experience	92,622	-
Changes of assumptions	(3,419,925)	-
Benefit payments	(3,137,088)	(2,693,367)
Net change in total OPEB liability	(4,227,810)	(455,014)
Total OPEB liability - beginning	54,332,879	54,787,893
University's net OPEB liability - ending	\$ 50,105,069	\$ 54,332,879
 Covered-employee payroll	 \$ 18,783,923	 \$ 18,148,718
 University's net OPEB liability as a percentage of covered-employee payroll	 266.74%	 299.38%

UA Plan: During the plan year ended December 31, 2018 the investment rate of return increased from 3.44 percent to 4.10 percent based on the Bond Buyer Index, as reported in The Bond Buyer.

The amounts presented for each fiscal year were determined as of the December 31 yearend that occurred within the fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

There are no assets accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Supplemental Financial Information

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To Management and the Board of Trustees
The University of Akron

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate discretely presented component units of The University of Akron (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Columbus, Ohio
October 15, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PRORAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Trustees
The University of Akron

Report on Compliance for Each Major Federal Program

We have audited The University of Akron's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Columbus, Ohio
October 15, 2019

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Student Financial Aid Cluster				
Department of Education				
Direct				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 981,943
Federal Work-Study Program	84.033	N/A	-	839,401
Federal Perkins Loan Program	84.038	N/A	-	9,329,624
Federal Pell Grant Program	84.063	N/A	-	24,492,887
Federal Direct Student Loans	84.268	N/A	-	87,659,376
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	63,774
Total Department of Education			-	123,367,005
Department of Health and Human Services				
Direct				
Nursing Student Loans	93.364	N/A	-	1,023,062
Total Department of Health and Human Services			-	1,023,062
Total Student Financial Aid Cluster			-	124,390,067
Research and Development Cluster				
Department of Commerce				
Direct				
Weather and Air Quality Research	11.459	N/A	-	2,738
Measurement and Engineering Research and Standards	11.609	N/A	-	-
Total Department of Commerce			-	2,738
Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300	N/A	-	347,787
Air Force Defense Research Sciences Program	12.800	N/A	-	286,545
Pass Through				
Houston Methodist Hospital-Military Medical Research and Development	12.420	N/A	-	31,630
University of California, San Diego-Air Force Defense Research Sciences Program	12.800	N/A	-	198,502
Total Department of Defense			-	864,464
Department of the Interior				
Direct				
National Park Service Conservation, Protection, Outreach, and Education	15.954	N/A	-	23,165
Total Department of Interior			-	23,165
Department of Justice				
Pass Through				
National Institute of Justice Research, Evaluation, and Development	16.560	N/A	-	62,363
Total Department of Justice			-	62,363
Department of Transportation				
Direct				
Air Transportation Centers of Excellence	20.109	N/A	-	26,037
Pipeline Safety Research Competitive Academic Agreement Program	20.724	N/A	-	29,522
Pass Through				
Minnesota Department of Transportation - Highway Research and Development Program	20.200	TPF-5(353)	-	204
University of Michigan-University Transportation Centers Program	20.701	N/A	-	88,701
Total Department of Transportation			-	144,464

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Research and Development Cluster - continued				
National Aeronautics and Space Administration				
Direct				
Technology Transfer	43.002	N/A	\$ -	\$ 4,687
Aeronautics and Space Act of 1958	43.008	N/A	-	(1,629)
Cross Agency Support	43.009	N/A	-	35,109
Space Technology	43.012	N/A	-	36,297
Pass Through				
Georgia Institute of Technology-Aerospace Education Service Program	43.001	N/A	-	29,912
University of Dayton Research Institute-Aerospace Education Service Program	43.001	80NSSC17K07	-	8,854
Universities Space Research Association-Technology Transfer	43.002	N/A	-	425,060
Total National Aeronautics and Space Administration			-	538,290
National Science Foundation				
Direct				
Engineering Grants	47.041	N/A	108,575	2,145,017
Mathematical and Physical Sciences	47.049	N/A	-	1,938,578
Geosciences	47.050	N/A	-	208,744
Computer and Information Science and Engineering	47.070	N/A	-	111,107
Biological Sciences	47.074	N/A	-	126,053
Social, Behavioral, and Economic Sciences	47.075	N/A	-	49,582
Education and Human Resources	47.076	N/A	-	466,579
Pass Through				
Akron Ascent Innovations, LLC-Engineering Grants	47.041	1456266	-	20,100
Kalion Inc-Engineering Grants	47.041	1521172	-	-
O2 RegenTech LLC-Engineering Grants	47.041	N/A	-	14,009
OncoSolutions LLC-Engineering Grants	47.041	N/A	-	67,710
Roosense LLC-Engineering Grants	47.041	1843539	-	22,865
Virginia Tech-Engineering Grants	47.041	N/A	-	55,233
University of Connecticut-Mathematical and Physical Sciences	47.049	N/A	-	136,944
Total National Science Foundation			108,575	5,362,521
Department of Energy				
Direct				
Office of Science Financial Assistance Program	81.049	N/A	-	119,022
Pass Through				
Bienna Tech, LLC-Office of Science Financial Assistance Program	81.049	N/A	-	37,352
pH Matter LLC-Office of Science Financial Assistance Program	81.049	N/A	-	78,978
University of Notre Dame-Office of Science Financial Assistance Program	81.049	DE-SC0001089	-	3,300
Bendix CVS-Conservation Research and Development	81.086	N/A	-	97,968
LG Fuel Cells Inc-Fossil Energy Research and Development	81.089	N/A	-	112,944
Total Department of Energy			-	449,564

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Research and Development Cluster - continued				
Department of Health and Human Services				
Direct				
Mental Health Research Grants	93.242	N/A	\$ (632)	\$ (632)
Cancer Treatment Research	93.395	N/A	17,888	114,464
Cardiovascular Diseases Research	93.837	N/A	19,814	41,205
Lung Diseases Research	93.838	N/A	-	142,951
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	-	85,937
Allergy, Immunology and Transplantation Research	93.855	N/A	-	36,687
Biomedical Research and Research Training	93.859	N/A	47,022	211,494
Vision Research	93.867	N/A	-	181,767
Pass Through				
University of Texas Arlington-Cardiovascular Diseases Research	93.837	N/A	-	39,806
O2 Regen Tech LLC-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	-	9,526
University of Tennessee Knoxville-Biomedical Research and Research Training	93.859	R01GM120642	-	7,721
Case Western Reserve University-Vision Research	93.867	R01EY029169	-	63,850
Total Department of Health and Human Services			<u>84,092</u>	<u>934,776</u>
Total Research and Development Cluster			192,667	8,382,345
Highway Planning and Construction Cluster				
Department of Transportation				
Pass Through				
Ohio Department of Transportation-Highway Planning and Construction	20.205	N/A	-	46,206
Ohio Department of Transportation-Highway Planning and Construction	20.205	E180673	16,144	88,870
Ohio University-Highway Planning and Construction	20.205	E180705	-	41,878
Total Department of Transportation			<u>16,144</u>	<u>176,954</u>
Total Highway Planning and Construction Cluster			16,144	176,954
Highway Safety Cluster				
Pass Through				
Ohio Dept of Public Safety and Community Highway Safety	20.600	N/A	-	88,339
Total Department of Transportation			-	<u>88,339</u>
Total Highway Safety Cluster			-	88,339
TRIO Cluster				
Department of Education				
Direct				
TRIO_Talent Search	84.044	N/A	-	543,043
TRIO_Upward Bound	84.047	N/A	-	890,659
Total Department of Education			-	<u>1,433,702</u>
Total TRIO Cluster			-	1,433,702
Other Programs				
Instruction				
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008	N/A	-	12,637
Total National Aeronautics and Space Administration			-	<u>12,637</u>
Department of Education				
Direct				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K	N/A	18,504	44,780
English Language Acquisition Grants	84.365	N/A	19,289	420,588
Total Department of Education			<u>37,793</u>	<u>465,368</u>

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Instruction - continued				
Department of Health and Human Services				
Direct				
Nurse Anesthetist Traineeships	93.124	N/A	\$ -	\$ 74,517
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Model State-Supported Area Health Education Centers	93.107	U77HP23072	-	100,861
Ohio Department of Job and Family Serv-Child Welfare Services_State Grants	93.645	N/A	-	79,305
Ohio Department of Job and Family Serv-Adoption Assistance	93.659	1701OHADPT	-	(1,951)
Total Department of Health and Human Services			-	252,732
Total Instruction			37,793	730,737
Public Service				
Department of Defense				
Pass Through				
Tennessee State University-Basic and Applied Scientific Research	12.300	N/A	-	13,113
Total Department of Defense			-	13,113
Department of Justice				
Direct				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault, and Stalking on Campus	16.525	N/A	-	41,670
Total Department of Justice			-	41,670
National Endowment for the Arts				
Direct				
Grants to States	45.310	N/A	-	4,999
Pass Through				
Ohio Humanities Council-Promotion of Humanities_Federal/State Partnership	45.129	SO-50496-12	-	633
Total National Endowment for the Arts			-	5,632
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008	N/A	-	(5,183)
Total National Aeronautics and Space Administration			-	(5,183)
Department of Health and Human Services				
Pass Through				
Summa Health System-Nurse Education, Practice and Retention Grants	93.359	1UD7HP28539	-	1,841
Summit County Dept of Job and Family Srvc-Social Services Block Grant	93.667	N/A	-	28,428
Summa Health System-Geriatric Education Centers	93.969	U1QHP28707	-	66,027
Total Department of Health and Human Services			-	96,296
Total Public Service			-	151,528
Total Other Programs			37,793	882,265
Grand Total			\$ 246,604	\$ 135,353,672

The University of Akron

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The University of Akron (The University) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of The University, it is not intended to and does not present the financial position, changes in net position or cash flows of The University.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The University attempts to recover facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 52% for on-campus research, 35% for other on-campus sponsored activities and 26% for off-campus research through June 30, 2019. The University has not elected to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Loans Outstanding

The following schedule represents total loans advanced to students by The University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2019:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program (net of allowances)	84.038	\$ -	\$ 6,489,840
Nursing Student Loan Program (net of allowances)	93.364	119,684	822,968

Note 4 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred \$190,545 of Federal Work Study (FWS) Program (84.033) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007). The University carried forward and spent \$70,000 of the 2017-2018 SEOG award to the 2018-2019 award year.

In addition, the University carried forward \$0 and \$48,581 of the 2018-2019 FWS and SEOG awards, respectively, to the 2019-2020 award year. The University spent \$51,921 of the carried forward FWS funds from the 2017-2018 award year during the 2018-2019 award year.

The University of Akron
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 5 - Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the Statement of Revenues, Expenses and Changes in Position (the Statement), which is included as part of The University's financial statements:

Expenditures per the Schedule	\$ 135,353,672
Pell grants	(24,492,887)
Federal direct loans	(87,659,376)
Federal Perkins loan program	(9,329,624)
Nursing student loan program	(1,023,062)
Federal grants passed through state entities	(301,403)
Federal grants passed through local entities	(28,428)
Private grants	(1,774,889)
Sales	-
Federal purchased service contracts	(3,625,692)
Indirect costs excluded from federal grants on Statement	126,427
Change in deferred revenue from federal grants	<u>4,537,034</u>
Federal grants and contracts as shown on the Statement	<u>\$ 11,781,772</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 reconciles with federal grants and contracts revenue on the Statement, except as noted above.

The University of Akron
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified that are not considered
 to be material weaknesses? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified that are not considered
 to be material weaknesses? ___ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported
 in accordance with Section 2 CFR 200.516 (a)?

___ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364 Various 84.044, 84.047	Student Financial Aid Cluster Research and Development Cluster TRIO Cluster

Dollar threshold used to distinguish between Type A and
 Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes ___ No

The University of Akron
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II - Financial Statement Findings

Reference Number	Findings
Current Year	None

The University of Akron
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section III – Federal Program Audit Findings

Reference Number	Findings
Current Year	None

OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF AKRON

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 31, 2019**