(A component unit of the State of Ohio)

Financial Report

With Supplemental Information

June 30, 2017

Dave Yost • Auditor of State

Board of Trustees
The University of Akron
302 Butchel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron, Summit County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2016 through June 30, 2017. 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.

Dave Yost
Auditor of State

December 11, 2017

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The University of Akron

Table of Contents

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The University of Akron

Management's Discussion and Analysis (Unaudited)
June 30, 2017

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, 2017. This discussion and analysis views The University's financial performance as a whole; readers should also review the financial statements and related notes to the 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 Government 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, 2017, 2016, and 2015, the State provided approximately $127 million, $121 million, and $109 million, respectively, for operating and capital purposes while The University's operating losses were approximately $153 million, $140 million, and $150 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 separate columns 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 supporting The University. Since the focus of this discussion is on The University, these component units are not included in the amounts below. These component units are described in greater detail in the financial statements and notes to the financial statements.

Statements of Net Position

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

	2015	2016	2017
Assets:			
Current assets	$ 203.2	$ 209.5	$ 214.6
Noncurrent assets:			
Capital	736.8	742.9	734.2
Other	99.1	87.1	87.5
Total assets	1,039.1	1,039.5	1,036.3
Deferred outflow of resources	54.5	73.8	113.5
Liabilities:			
Current liabilities	84.3	86.7	76.7
Net pension liability	339.8	370.9	418.5
Other noncurrent liabilities	499.0	492.8	477.3
Total liabilities	923.1	950.4	972.5
Deferred inflow of resources	60.4	39.5	39.0
Net position:			
Net investment in capital assets	293.0	311.3	310.3
Restricted:			
Nonexpendable	23.4	22.2	21.8
Expendable	74.0	71.4	73.2
Unrestricted	(280.3)	(281.5)	(267.0)
Total net position	$ 110.1	$ 123.4	$ 138.3

Assets and deferred outflows of resources

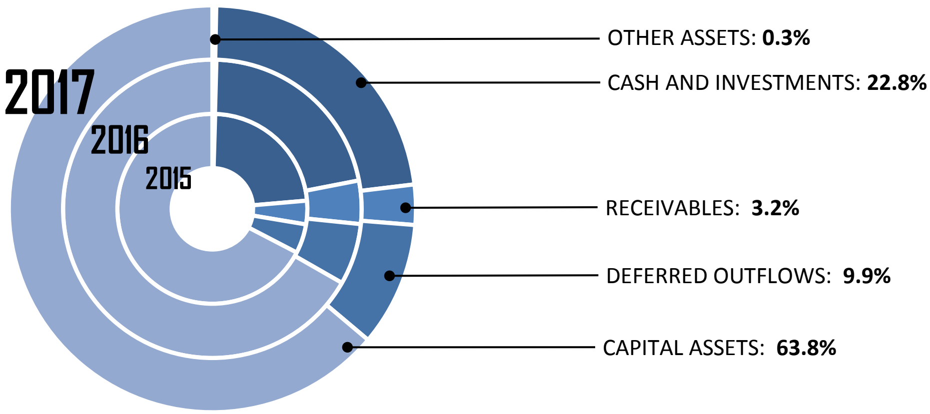
Current assets include those highly liquid assets that are used for current operations such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses. For 2017 and 2016, current assets increased $5.1 million and $6.3 million, respectively. There were variations among many of the current asset categories, but the principal causes of the change in 2017 are from an increase of pooled investments of $20.7 million and a decrease of $14.7 million in net accounts receivable of which $12.7 million is attributable to payments received on completed grants. The principal causes of the change in 2016 are from an increase of $8.9 million in net accounts receivable and a decrease in cash and cash equivalents of $1.4 million.

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 $8.3 million and $5.9 million for 2017 and 2016, respectively. The changes in 2017 are largely due to a decrease in capitalization of equipment. The changes in 2016 are largely from additional restricted investments for the Campus-Wide Energy Efficiency and Conservation project in 2014 that were spent in 2016.

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 liability to be included in future pension expense. In 2017, a $42.1 million increase in future pension expense was offset by $2.4 million amortization of the deferred amount on bond refunding resulting in a net increase of $39.7 million. In 2016, additional bond refunding amounts added for the Series 2015B and 2016A resulted in a net increase of $8.8 million as well as an increase in future pension expense of $10.5 million.

Assets and deferred outflows of resources (continued)

Below is the composition of assets and deferred outflows for each year (with 2017 percentages):



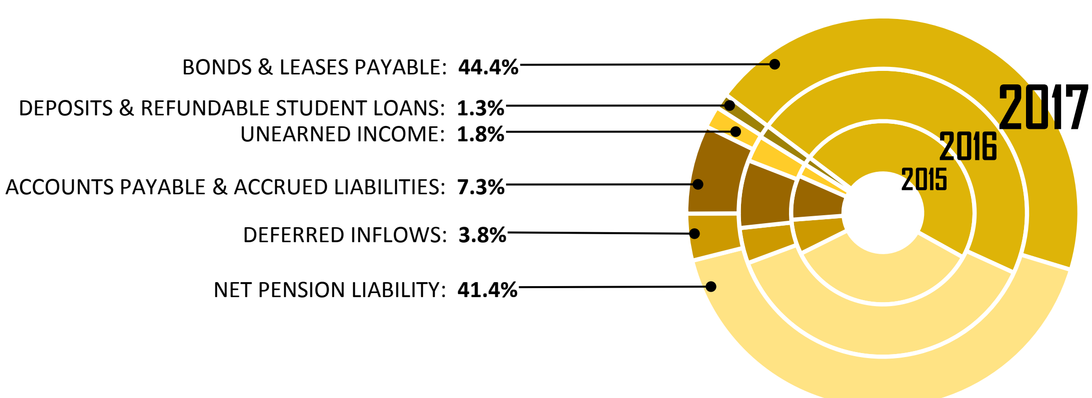
Liabilities and deferred inflows of resources

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 $10.0 million for 2017 and increased $2.4 million for 2016. There were variations among many of the current liability categories, but the principal cause of the change was a decrease in unearned income of $11.2 million for 2017. An increase in unearned income of $6.9 million as well as a decrease of $5.0 million in short-term debt were the principal causes of the increase during 2016.

Noncurrent liabilities consist of refundable federal student loans, long-term debt including capital leases and the sick leave and other postemployment benefit liabilities, and net pension liability. There was an increase in 2017 of $32.1 million primarily due to an increase in net pension liability of $47.6 million offset by bond principal payments of $14.6 million. All categories of long-term debt were reduced for 2016 with the exception of bond premium for the refinancing of Series 2016A of $15.0 million increase and net pension liability of $31.1 million increase.

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 decreased by $.5 million in 2017 because of a $.9 million decrease in pensions and a $.4 million increase in unearned income. A $24.6 million decrease for pensions along with an increase in unearned income of $3.8 million, decreased deferred inflows of resources $20.9 million from 2015 to 2016.

Below is the composition of liabilities and deferred inflows for each year (with 2017 percentages):



Net position

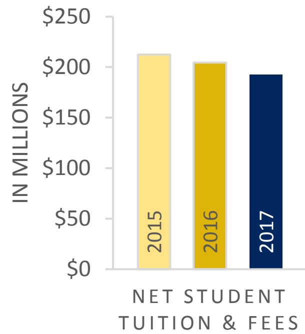
As reflected earlier, *net position* represents the residual balance and, over time, is one indicator of improving or eroding financial health. Net position represents the difference between all other elements in the statements of net position and is displayed in three components: Net investment in capital assets, Restricted, or Unrestricted. Restricted net position includes both expendable and nonexpendable components. For 2017 net position increased 12.1% or $14.9 million. This was largely due to unrealized gain of investments of $8.7 million and a decrease in operating expenses of $11.8 million which included a decrease in healthcare claims of $7.6 million and a decrease in salaries of $4.3 million. For 2016 net position increased 12.1%, or $13.3 million. This was largely due to a $23.8 million decrease in operating expenses including attrition and reduction of staff.

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):

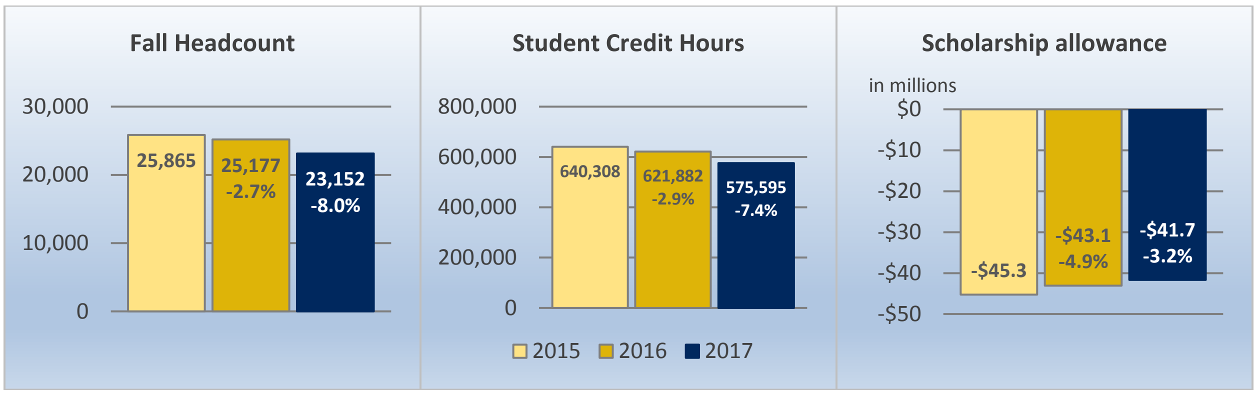
	2015	2016	2017
Operating revenues:			
Tuition and fees (net)	$ 212.6	$ 204.5	$ 192.6
Grants and contracts	34.0	42.6	31.7
Sales and services	6.8	6.4	6.3
Auxiliary enterprises	50.8	37.2	34.6
Other operating revenues	0.9	0.8	1.3
Total operating revenues	305.1	291.5	266.5
Operating expenses:			
Educational and general:			
Instruction and departmental research	162.2	157.8	162.8
Other educational and general	186.7	182.0	166.5
Auxiliary enterprises	64.5	47.4	45.0
Depreciation	41.4	43.8	45.0
Total operating expenses	454.8	431.0	419.3
Operating loss	(149.7)	(139.5)	(152.8)
Nonoperating revenues (expenses):			
State appropriations	100.2	109.1	111.2
Federal grants	32.2	28.9	25.9
Gifts and distributions	23.1	21.5	19.2
Other nonoperating (net)	(20.1)	(19.2)	(5.0)
Net nonoperating revenues	135.4	140.3	151.3
Gain (loss) before other changes	(14.3)	0.8	(1.5)
Other changes:			
Capital appropriations	8.4	11.7	15.9
Other changes (net)	1.0	0.8	0.5
Total other changes	9.4	12.5	16.4
Increase (decrease) in net position	(4.9)	13.3	14.9
Net position:			
Net position - beginning of year	495.9	110.1	123.4
Change in accounting principle	(380.9)	-	-
Net position - as restated	115.0	110.1	123.4
Net position - end of year	$ 110.1	$ 123.4	$ 138.3

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 5.8% in 2017 and 3.8% in 2016. Changes in net tuition and fees are attributable to the student headcount, student credit hours taken, and fees charged. Tuition and general fees were unchanged for the 2017 and 2016 academic years. 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.

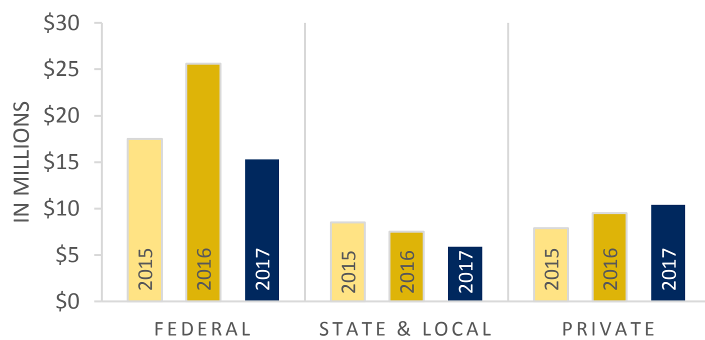
The following charts show changes that would have an effect on the net student tuition and fee revenue:



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.

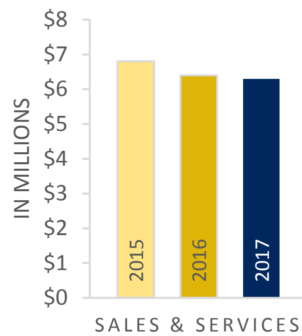
The largest sources of federal revenue were (in millions):

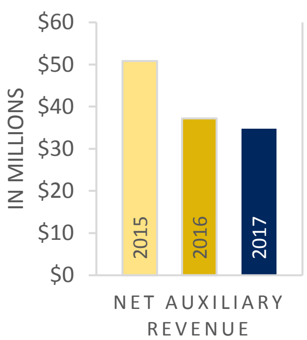


Agency	2015	2016	2017
National Science Foundation	$ 5.9	$ 6.4	$ 6.5
Department of Defense	3.9	11.0	1.2
Department of Education	3.9	4.0	3.7
Department of Health and Human Services	1.5	1.8	1.4
National Aeronautics and Space Administration	0.4	0.1	0.2
Department of Energy	0.2	-	-
Other agencies	1.7	2.3	2.3
Total federal revenues	$ 17.5	$ 25.6	$ 15.3

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 2017 the most significant of these operations was UA Business Solutions, the English Language Institute and the New Student Orientation Program which generated sales totaling $.6 million each. During 2016 these operations generated $.4, $1.2 and $.6 million, respectively.

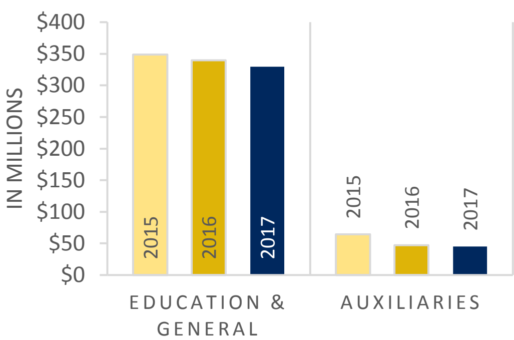




Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing 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. In 2016 The University contracted with Aramark to run all dining services. The predominant revenues within this area are (in millions):

Auxiliary	2015	2016	2017
Residence halls	$ 20.3	$ 20.7	$ 18.8
Athletics	6.7	7.4	7.9
Dining	16.9	3.7	2.6
Parking and transportation services	9.0	8.5	8.0
Other auxiliaries	4.1	3.2	3.2
Scholarship allowance	(6.2)	(6.3)	(5.8)
Total net auxiliary revenue	$ 50.8	$ 37.2	$ 34.7

Operating expenses



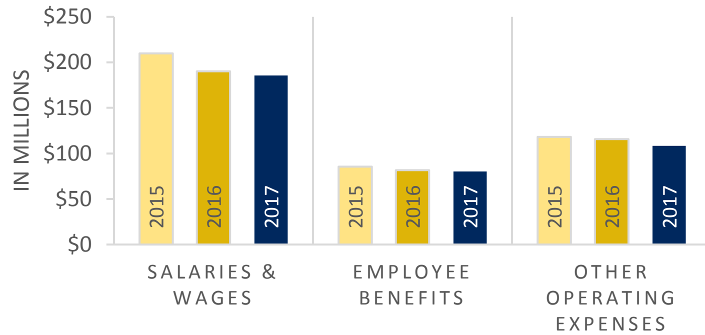
One way to analyze expense is according to the purpose for which the costs are incurred, or their *functional* classification. These classifications tell why an expense was incurred rather than what was purchased.

The educational and general expenses category is the single largest category of operating expenses and includes all academic and administrative support costs. Overall, during 2017 and 2016, these expenses decreased 3.1% and 2.6%, respectively.

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 decreased 5.2% and 26.5% during 2017 and 2016, respectively.

Operating expenses (continued)

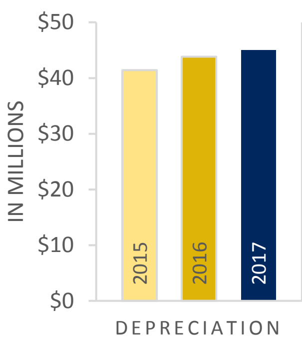
Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.



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 2.3% and 9.4% during 2017 and 2016, 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 2017 these expenses decreased 1.8% or $1.4 million.

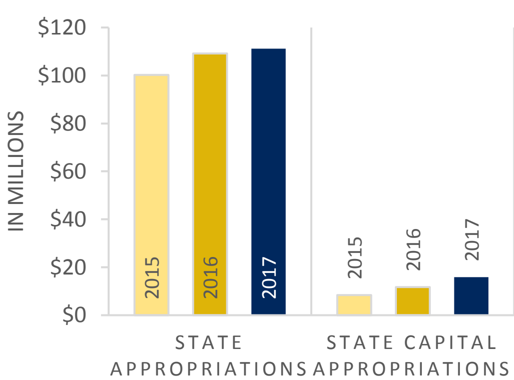
Other operating expenses include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. These expenses decreased 6.2% and 2.2% during 2017 and 2016, respectively, due to reduced spending in supplies and services and a reduction in healthcare claims.



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 increased $1.1 million and $2.4 million during 2017 and 2016, respectively, due to changing levels of capital asset purchases and losses from the disposal of obsolete capital assets.

Nonoperating revenues and expenses

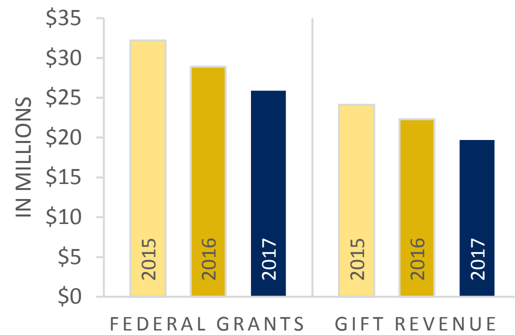


State appropriations represent the most significant nonoperating revenue source for The University. State appropriations funding increased $2.0 million and $9.0 million in 2017 and 2016, respectively.

The State of Ohio also provides *capital appropriations* to The University. Unlike the operating resources reflected previously, these resources are provided to help 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. Capital appropriation revenues vary from year to year based on spending on the approved capital projects.

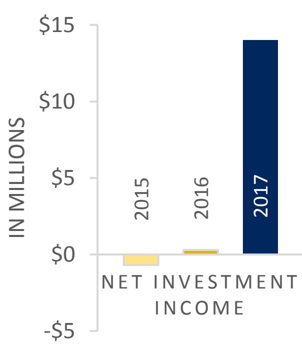
Nonoperating revenues and expenses (continued)

The University records Pell grant awards as nonoperating *federal grant* revenue. Federal grant revenue decreased 10.4% and 10.3% during 2017 and 2016, respectively, due to the decreasing number of awards to students.



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. In those cases, The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. Gift revenues decreased by $2.6 and $1.8 million during 2017 and 2016, respectively.

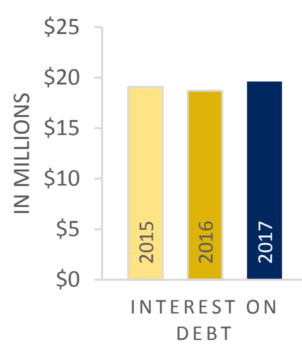
Other net nonoperating revenues and expenses represent the remaining sources and uses of funds that generally do not result from providing educational and instructional services in connection with The University's principal ongoing operations including investment income and interest payments on debt.



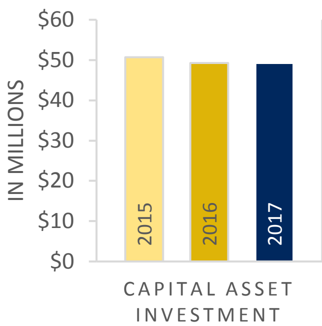
Investment income, net of investment expenses, increased $13.7 and $1.0 million during 2017 and 2016, respectively. The changes are due to overall fluctuations in returns on all investments.

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 $8.7 million in 2017 and a $1.9 million net decrease in 2016 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.

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense increased $.9 million to $19.6 million in 2017 and decreased $.4 million to $18.7 in 2016 due to refinancing of certain debt in 2016.

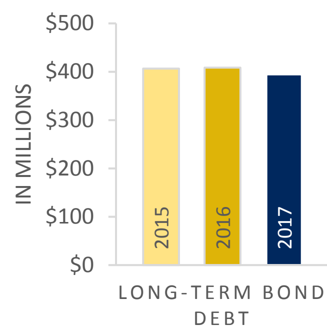


Capital Assets and Long-term Debt Activity



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. The final phase of the McDowell Law Center renovation was the largest project during 2017. The remainder of the Campus-Wide Energy Efficiency and Conservation project was completed during 2016 as well as the Zook Hall and Auburn Science and Engineering Center renovations. Construction projects and implementation of new equipment and software were the majority of the capital asset additions. 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 $394.4 million, $408.3 million, and $406.5 million in 2017, 2016, and 2015, respectively. During 2016, The University issued refunding bonds to refinance the remainder of the Series 2008A and 2008B and portions of the Series 2011 bonds to receive lower interest rates. The University's bond rating was unchanged and remains at A1, while the outlook improved from negative to stable. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.



Factors Impacting Future Periods

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 2017 and 2016, those revenue sources alone represented $303.8 million and $313.6 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 $140.6 million and $152.1 million, respectively.

The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by these major revenue sources. To reverse the enrollment decline experienced in recent years, The University has begun initiatives to improve retention and stabilize enrollment. The University is also evaluating opportunities to diversify its revenue sources. In addition, the University is budgeting to better align with its revenue fluctuations and to control expenses.

The University will recognize its proportionate share of the net postemployment benefits liability related to its participation in the plan according to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This change will decrease net position starting with fiscal year ending June 30, 2018.

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Independent Auditor's Report

To the Board of Trustees
University of Akron

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Akron (the "University") and its aggregate discretely presented component units as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise The University of Akron's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. 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 financial position of The University of Akron and its discretely presented component units as of June 30, 2017 and 2016, and the changes in its financial position, and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
University of Akron

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of University pension contributions, and schedule of University's proportionate share of the net pension liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The University of Akron's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), 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 12, 2017 on our consideration of the University of Akron's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The University of Akron's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 12, 2017

The University of Akron

Statements of Net Position

June 30, 2017 and 2016

	The University of Akron		Component Units	
ASSETS	**2017**	**2016**	**2017**	**2016**
Current assets:				
Cash and cash equivalents	$ 12,262,781	$ 11,709,777	$ 2,265,213	$ 2,305,649
Pooled investments	170,007,651	149,326,775	7,465,082	6,908,660
Accounts receivable, net	26,504,510	41,195,432	850,749	1,395,082
Pledges receivable, net	234,158	346,331	6,662,046	2,179,614
Notes receivable, net	1,555,657	1,564,519	192,000	-
Accrued interest receivable	501,047	472,843	-	-
Inventories	574,272	584,032	-	-
Prepaid expenses	2,959,770	4,260,994	162,733	100,736
Total current assets	214,599,846	209,460,703	17,597,823	12,889,741
Noncurrent assets:				
Restricted cash and cash equivalents	245,300	2,921,565	-	-
Restricted investments	4,974,077	6,977,405	383,732	393,204
Endowment investments	65,677,610	61,985,180	171,455,028	161,199,527
Investments held in trust by others	8,704,863	6,635,135	-	-
Pledges receivable, net	365,412	516,908	13,271,895	14,215,798
Notes receivable, net	7,515,097	8,081,695	4,712,714	-
Capital assets, net	734,229,131	742,865,129	10,863,273	17,509,158
Total assets	1,036,311,336	1,039,443,720	218,284,465	206,207,428
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	36,506,593	38,913,766	-	-
Pensions	77,008,856	34,906,287	-	-
Total deferred outflow of resources	113,515,449	73,820,053	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	4,110,907	6,517,317	4,576,568	4,228,628
Accrued liabilities	22,411,601	22,827,751	578,833	913,206
Accrued interest payable	8,692,745	6,623,116	-	-
Unearned income	17,891,784	29,088,137	1,078,584	1,641,128
Deposits	2,048,421	2,028,567	-	-
Current portion of long-term liabilities	21,534,221	19,564,315	4,861,077	4,933,311
Total current liabilities	76,689,679	86,649,203	11,095,062	11,716,273
Noncurrent liabilities:				
Refundable federal student loans	10,743,897	11,994,799	-	-
Actuarial liability for annuity/unitrust agreements	-	-	12,702,901	12,094,922
Net pension liability	418,495,409	370,890,391	-	-
Long-term liabilities	466,586,774	480,829,038	2,422,495	2,499,572
Total liabilities	972,515,759	950,363,431	26,220,458	26,310,767
DEFERRED INFLOW OF RESOURCES				
Pensions	33,922,861	34,786,146	-	-
Other deferred inflows	5,098,491	4,719,730	-	-
Total deferred inflow of resources	39,021,352	39,505,876	-	-
NET POSITION				
Net investment in capital assets	310,261,694	311,349,302	8,440,778	15,009,586
Restricted:				
Nonexpendable:				
Endowment	21,797,159	22,185,716	114,004,558	111,417,882
Expendable:				
Research and gifts	37,798,645	38,005,372	-	-
Loans	850,104	826,151	-	-
Endowment	33,079,704	29,571,125	58,527,001	51,787,759
Capital projects	879,768	2,633,127	-	-
Debt service	649,053	366,930	-	-
Unrestricted (deficit)	(267,026,453)	(281,543,257)	11,091,670	1,681,434
Total net position	$ 138,289,674	$ 123,394,466	$ 192,064,007	$ 179,896,661

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, 2017 and 2016

	The University of Akron		Component Units	
REVENUES	**2017**	**2016**	**2017**	**2016**
Operating revenues:				
Student tuition and fees	$ 234,255,302	$ 247,506,893	$ -	$ -
Scholarship allowance	(41,681,776)	(43,052,286)	-	-
Net student tuition and fees	192,573,526	204,454,607	-	-
Federal grants and contracts	15,335,668	25,603,683	5,634	64,528
State grants and contracts	5,398,101	6,943,858	-	-
Local grants and contracts	526,268	547,435	-	-
Private grants and contracts	10,417,965	9,511,261	3,592,602	4,798,356
Gifts and contributions	-	-	11,802,810	5,921,075
Sales and services	6,300,828	6,416,543	-	-
Auxiliary enterprises	40,427,675	43,514,303	-	-
Scholarship allowance	(5,773,728)	(6,303,328)	-	-
Net auxiliary enterprises	34,653,947	37,210,975	-	-
Pensions	43,528	65,824	-	-
Other sources	1,240,556	748,149	1,856,707	2,231,661
Total operating revenues	266,490,387	291,502,335	17,257,753	13,015,620
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	162,842,666	157,773,939	-	-
Separately budgeted research	25,958,255	29,200,055	5,520,594	4,122,347
Public service	6,551,622	7,147,315	-	-
Academic support	33,898,090	35,212,800	-	-
Student services	14,443,100	12,374,758	-	-
Institutional support	34,841,999	50,855,952	1,647,354	858,769
Operation and maintenance of plant	22,746,755	22,106,992	-	-
Scholarships and fellowships	28,074,420	25,132,503	-	-
Auxiliary enterprises	44,944,809	47,411,681	-	-
Depreciation	44,978,880	43,835,457	495,340	490,154
Total operating expenses	419,280,596	431,051,452	7,663,288	5,471,270
Operating (loss) income	(152,790,209)	(139,549,117)	9,594,465	7,544,350
NONOPERATING REVENUES (EXPENSES)				
State appropriations	111,222,922	109,183,622	-	-
Federal grants	25,877,719	28,883,394	-	-
Gifts	5,315,959	7,006,374	-	-
Investment income, net	13,964,811	293,479	14,950,795	(4,327,785)
Interest on debt	(19,562,144)	(18,663,178)	28,614	(166,162)
Distributions to The University	13,903,279	14,464,714	(13,903,279)	(14,464,714)
Distributions on behalf of The University	-	-	(904,973)	(610,200)
Other nonoperating revenues (expenses)	575,892	(823,095)	538,081	903,230
Net nonoperating revenues (expenses)	151,298,438	140,345,310	709,238	(18,665,631)
Income (loss) before other changes	(1,491,771)	796,193	10,303,703	(11,121,281)
OTHER CHANGES				
State capital appropriations	15,913,404	11,738,845	-	-
Capital gifts and grants	203,226	696,809	-	-
Additions to permanent endowments	270,349	103,734	1,863,643	9,665,480
Total other changes	16,386,979	12,539,388	1,863,643	9,665,480
Increase (decrease) in net position	14,895,208	13,335,581	12,167,346	(1,455,801)
NET POSITION				
Net position - beginning of year	123,394,466	110,058,885	179,896,661	181,352,462
Net position - end of year	$ 138,289,674	$ 123,394,466	$ 192,064,007	$ 179,896,661

The University of Akron

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 191,012,060	$ 202,620,467
Grants and contracts	35,315,567	43,144,896
Auxiliary enterprises	34,942,017	37,722,122
Sales and service of educational activities	6,300,828	6,416,543
Payments to suppliers	(79,362,531)	(89,912,089)
Payments for compensation and benefits	(261,606,235)	(277,929,109)
Payments for scholarships and fellowships	(27,785,638)	(24,582,957)
Loans issued to students	(1,094,755)	(984,989)
Collection of loans to students	1,670,215	1,636,252
Other payments	(47,098)	(278,533)
Net cash used in operating activities	(100,655,570)	(102,147,397)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	111,222,922	109,183,622
Gifts, grants, and contracts for other than capital purposes	44,677,306	50,437,386
Private gifts for endowment purposes	418,516	152,450
Other receipts (payments)	575,892	(823,095)
Net cash provided by noncapital financing activities	156,894,636	158,950,363
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	-	109,657,411
Repayment of capital debt	-	(108,900,000)
Capital appropriations	15,913,404	11,738,845
Capital grants and gifts received	314,007	810,173
Purchases of capital assets	(29,772,320)	(52,255,036)
Principal paid on capital debt and leases	(15,065,848)	(19,782,412)
Interest paid on capital debt and leases	(22,491,809)	(18,970,612)
Net cash used in capital financing activities	(51,102,566)	(77,701,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	160,824,829	248,218,393
Interest on investments	5,271,818	2,205,446
Purchase of investments	(173,356,408)	(232,696,596)
Net cash (used in) provided by investing activities	(7,259,761)	17,727,243
Net decrease in cash and cash equivalents	(2,123,261)	(3,171,422)
Cash and cash equivalents, restricted cash and cash equivalents - beginning of the year	14,631,342	17,802,764
Cash and cash equivalents, restricted cash and cash equivalents - end of the year	$ 12,508,081	$ 14,631,342
NONCASH TRANSACTIONS		
The University of Akron land transfer described in Note 6	$ 5,207,675	$ -

(continued)

The University of Akron

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (152,790,209)	$ (139,549,117)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	44,978,880	43,835,457
Changes in assets, and liabilities, and deferred inflows/outflows:		
Accounts receivable, net	14,737,284	(7,937,556)
Notes receivable, net	575,460	651,263
Inventories	9,760	199,872
Prepaid expenses	1,301,224	146,287
Accounts payable	(1,207,866)	(455,845)
Accrued liabilities	(416,150)	(422,721)
Unearned income	(11,196,353)	6,851,566
Deposits held for others	76,798	(51,623)
Sick leave liability	(470,244)	(1,280,118)
Other postemployment benefit liability	414,528	(295,209)
Net pension liability	47,605,018	31,124,731
Deferred inflows / outflows	(43,022,798)	(35,117,051)
Refundable federal student loans	(1,250,902)	152,667
Net cash used in operating activities	$ (100,655,570)	$ (102,147,397)

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 one branch campus, Wayne College in Orrville, Ohio, and at additional locations: the Medina County University Center in Medina, Ohio, the Holmes Campus of Wayne College in Millersburg, Ohio, UA Lakewood in Lakewood, Ohio, and the Midpoint Campus Center in Brunswick, Ohio. The Midpoint Campus Center is a partnership with Lorain County Community College (LCCC).

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 supporting 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.

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. Cash and cash equivalents for bond issue proceeds are separately managed and recorded on the Statements of Net Position as restricted cash and cash equivalents in noncurrent assets.

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 a nonoperating revenue or expense 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 revenue 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 their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are made. Amortization of the discounts is included in gift revenue. Conditional promises to give are not included as revenue 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.

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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government deferred outflows of resources related to the net pension liability, see Note 8 for more.

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at an appraised 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 that begin 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 in the following fiscal year or when earned.

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.

1. Summary of Significant Accounting and Reporting Policies – continued

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 and so will not be recognized as an inflow of resources (revenue) until that time. The government deferred inflows of resources related to the net pension liability, see Note 8 for more.

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 for each month of service (earned on a pro-rata basis for less than full-time employees). This 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.

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.

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 was 5% as of June 30, 2017, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

1. Summary of Significant Accounting and Reporting Policies – continued

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.

Accounting Standards

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which address reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require The University to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for The University's financial statements for the year ending June 30, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The University is currently evaluating the impact of this standard, specifically related to holding assets for other organizations and agencies. The provisions of this statement are effective for The University's financial statements for the 2020 fiscal year.

1. Summary of Significant Accounting and Reporting Policies – continued

Accounting Standards - continued

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017,* which addresses practice issues that have been identified during implementation and application of certain GASB statements. The Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and OPEB). The University is currently evaluating the impact of this standard, specifically for the OPEB implications. The provisions of this statement are effective for The University's financial statements for the 2018 fiscal year.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues,* which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The University is currently evaluating the impact of this standard as it relates to prior defeasances with resources used other than the proceeds of the refunding debt. The provisions of this statement are effective for The University's financial statements for the 2018 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases,* which increases the usefulness of governments' 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 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 2021 fiscal year.

2. Cash and Investments

Cash

At June 30, 2017 and 2016, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were $12,347,202 and $14,631,342, respectively, as compared to bank balances of $14,552,301 and $15,411,242, respectively. The differences between carrying amounts and bank balances were caused by items in transit. Of the June 30, 2017 and 2016 bank balances, $13,795,044 and $14,646,048, 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 fair value of investments represents published market quotations.

2. Cash and Investments - continued

Investments – continued

The University's investments, at fair value, at June 30, 2017 and 2016 are summarized as follows:

	2017 Fair Value	2016 Fair Value
Pooled investments:		
Money Market	$ 4,014,755	$ 2,404,615
U.S. agencies	28,232,211	20,279,198
U.S. Treasury	19,339,480	23,187,044
U.S. and corporate bonds	15,215,075	15,623,454
Corporate notes	39,350,555	39,327,903
Equities	28,623,431	22,874,336
Negotiable certificates of deposit	9,185,805	11,794,835
Mutual funds - alternative investments	5,573,065	5,344,835
PFM: Prime/Government Series	20,473,274	8,490,555
Total pooled investments	170,007,651	149,326,775
Endowment investments:		
Marketable securities:		
Money Market	1,809,303	532,497
U.S. agencies	86,884	139,745
U.S. Treasury	1,517,707	1,525,955
Equities	51,044,727	49,756,712
Managed Fixed Income	10,621,405	9,410,482
U.S. and corporate bonds	87,858	105,378
Corporate notes	509,121	513,806
Cash surrender value of life insurance	605	605
Total endowment investments	65,677,610	61,985,180
Investments held in trust by others:		
Money Market	803,601	791,723
U.S. Treasury	7,552,215	5,494,378
Commercial paper sweep	349,047	349,034
Total investments held in trust by others	8,704,863	6,635,135
Restricted investments:		
U.S. Treasury	4,974,077	6,977,405
Total restricted investments	4,974,077	6,977,405
Total investments	$ 249,364,201	$ 224,924,495

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 statement 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, 2017 and 2016, 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 will adversely affect the fair value of an investment. At June 30, 2017 and 2016, The University did not have investments that are subject to foreign currency risk. 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, 2017 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
PFM: Prime/Government Series	AAA	$ 20,473,275	$ -	$ -	$ -	$ 20,473,275
U.S. agencies	AAA	179,248	16,867,985	6,496,134	4,775,728	28,319,095
U.S. Treasury	AA	8,577,769	19,370,301	5,435,409	-	33,383,479
Negotiable CDs	AA	-	-	-	-	-
	A	2,952,448	6,233,357	-	-	9,185,805
Total negotiable CDs		2,952,448	6,233,357	-	-	9,185,805
Corporate notes	AAA	443,678	3,740,749	-	-	4,184,427
	AA	4,613,488	10,509,698	252,027	-	15,375,213
	A	6,904,435	12,474,532	808,167	32,883	20,220,017
	BBB	-	59,218	15,139	5,662	80,019
Total corporate notes		11,961,601	26,784,197	1,075,333	38,545	39,859,676
U.S. and corporate bonds	AAA	2,230,121	-	-	87,858	2,317,979
	AA	1,193,229	-	-	-	1,193,229
	A	1,242,803	-	-	-	1,242,803
	BBB	1,794,281	-	-	-	1,794,281
	BB	915,952	-	-	-	915,952
	B	623,866	-	-	-	623,866
	Below B	218,013	-	-	-	218,013
Total U.S. and corporate bonds		8,218,265	-	-	87,858	8,306,123
Totals		$ 52,362,606	$ 69,255,840	$ 13,006,876	$ 4,902,131	$139,527,453

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2016 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
PFM: Prime/Government Series	AAA	$ 8,490,555	$ -	$ -	$ -	$ 8,490,555
U.S. agencies	AAA	464,583	8,138,326	5,613,360	6,202,674	20,418,943
U.S. Treasury	AA	6,250,586	23,917,719	7,016,475	-	37,184,780
Negotiable CDs	AA	3,123,749	4,861,557	-	-	7,985,306
	A	2,853,411	956,118	-	-	3,809,529
Total negotiable CDs		5,977,160	5,817,675	-	-	11,794,835
Corporate notes	AAA	-	3,576,521	534,907	-	4,111,428
	AA	507,690	13,603,450	1,062,465	-	15,173,605
	A	4,629,917	15,207,610	619,387	39,769	20,496,683
	BBB	-	34,201	25,791	-	59,992
Total corporate notes		5,137,607	32,421,782	2,242,550	39,769	39,841,708
U.S. and corporate bonds	AAA	2,511,733	-	-	97,922	2,609,655
	AA	1,306,400	-	-	-	1,306,400
	A	1,378,620	-	-	-	1,378,620
	BBB	1,971,448	-	-	-	1,971,448
	BB	1,008,539	-	-	-	1,008,539
	B	679,419	-	-	-	679,419
	Below B	243,353	-	-	-	243,353
Total U.S. and corporate bonds		9,099,512	-	-	97,922	9,197,434
Totals		$ 35,420,003	$ 70,295,502	$ 14,872,385	$ 6,340,365	$126,928,255

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.

2. Cash and Investments - continued

Investments - continued

The University has the following recurring fair value measurements as of June 30, 2017:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	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	$ 28,319,095	$ -	$ 28,319,095	$ -
U.S. Treasury	25,831,264	25,831,264	-	-
U.S. and corporate bonds	15,302,933	15,302,933	-	-
Corporate notes	39,859,676	-	39,859,676	-
Equities	79,668,158	79,668,158	-	-
Managed fixed income	10,621,405	10,621,405	-	-
Negotiable certificates of deposit	9,185,805	-	9,185,805	-
Mutual funds - alternative investments	5,573,064	5,573,064	-	-
Total investments by fair value level	$ 214,361,400	$ 136,996,824	$ 77,364,576	$ -

The University has the following recurring fair value measurements as of June 30, 2016:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	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	$ 20,418,943	$ -	$ 20,418,943	$ -
U.S. Treasury	31,690,403	31,220,033	470,370	-
U.S. and corporate bonds	15,728,833	15,630,911	97,922	-
Corporate notes	39,841,709	-	39,841,709	-
Equities	72,631,048	72,631,048	-	-
Managed fixed income	9,410,482	9,410,482	-	-
Negotiable certificates of deposit	11,794,835	-	11,794,835	-
Mutual funds - alternative investments	5,344,835	5,344,835	-	-
Total investments by fair value level	$ 206,861,088	$ 134,237,309	$ 72,623,779	$ -

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, 2017 and 2016 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 $35,002,801 and $18,063,408 for years ending June 30, 2017 and 2016, respectively, are not included in the tables above. These investments include cash in prime/government series and money market accounts, cash surrender value of life insurance, and bond proceeds held in trust.

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Accounts receivable, net:		
Federal, state, and local governments, foundations, and companies, net of allowance for doubtful accounts of $0 for both years	$ 9,302,891	$ 22,918,073
Student receivables, net of allowance for doubtful accounts of $33,185,849 and $32,607,755, respectively	16,614,660	16,967,724
Other, net of allowance for doubtful accounts of $55,118 and $52,235, respectively	586,959	1,309,634
Total accounts receivable, net	26,504,510	41,195,431
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of $1,871,376 and $1,901,918, respectively	9,070,754	9,646,214
Accounts and notes receivable, net	$ 35,575,264	$ 50,841,645

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2017 and 2016 were as follows:

	2017		2016	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	$ 630,626	$ 241,202	$ 887,733	$ 349,664
Less: amount estimated to be uncollectible	(18,038)	(7,044)	(8,308)	(3,333)
Less: unamortized discount	(13,018)	-	(16,186)	-
Pledges receivable, net	599,570	$ 234,158	863,239	$ 346,331
Less: current portion	(234,158)		(346,331)	
Pledges receivable, noncurrent portion	$ 365,412		$ 516,908	

As of June 30, 2017 and 2016, The University has approximately $3,773,000 and $4,197,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

5. Capital Assets

Changes in capital assets during fiscal years 2017 and 2016 were as follows:

	Balance July 1, 2016	Additions	Reductions	Transfers	Balance June 30, 2017
Nondepreciable capital assets:					
Land	$ 39,661,058	$ 5,207,675	$ -	$ -	$ 44,868,733
Historical collections	4,625,717	150,250	(5,000)	-	4,770,967
Construction in progress	9,102,924	26,031,219	-	(9,932,810)	25,201,333
Total nondepreciable capital assets	53,389,699	31,389,144	(5,000)	(9,932,810)	74,841,033
Depreciable capital assets:					
Land improvements	45,878,387	-	(2,023,204)	-	43,855,183
Buildings	957,673,482	-	-	5,050,796	962,724,278
Infrastructure	82,773,543	-	-	4,882,014	87,655,557
Equipment, furniture, and books	133,078,606	4,953,739	(6,486,360)	-	131,545,985
Total depreciable capital assets	1,219,404,018	4,953,739	(8,509,564)	9,932,810	1,225,781,003
Total capital assets	1,272,793,717	36,342,883	(8,514,564)	-	1,300,622,036
Less accumulated depreciation:					
Land improvements	28,987,560	1,724,007	(2,023,204)	-	28,688,363
Buildings	392,075,967	25,848,021	-	-	417,923,988
Infrastructure	18,532,598	5,057,054	-	-	23,589,652
Equipment, furniture, and books	90,332,463	12,202,227	(6,343,788)	-	96,190,902
Total accumulated depreciation	529,928,588	44,831,309	(8,366,992)	-	566,392,905
Capital assets, net	$ 742,865,129	$ (8,488,426)	$ (147,572)	$ -	$ 734,229,131

	Balance July 1, 2015	Additions	Reductions	Transfers	Balance June 30, 2016
Nondepreciable capital assets:					
Land	$ 39,661,058	$ -	$ -	$ -	$ 39,661,058
Historical collections	4,586,517	39,200	-	-	4,625,717
Construction in progress	10,820,838	31,539,209	-	(33,257,123)	9,102,924
Total nondepreciable capital assets	55,068,413	31,578,409	-	(33,257,123)	53,389,699
Depreciable capital assets:					
Land improvements	47,716,090	-	(1,858,428)	20,725	45,878,387
Buildings	933,898,026	-	(1,914,775)	25,690,231	957,673,482
Infrastructure	75,227,376	-	-	7,546,167	82,773,543
Equipment, furniture, and books	120,066,679	18,333,597	(5,321,670)	-	133,078,606
Total depreciable capital assets	1,176,908,171	18,333,597	(9,094,873)	33,257,123	1,219,404,018
Total capital assets	1,231,976,584	49,912,006	(9,094,873)	-	1,272,793,717
Less accumulated depreciation:					
Land improvements	29,051,731	1,794,257	(1,858,428)	-	28,987,560
Buildings	368,359,024	25,631,718	(1,914,775)	-	392,075,967
Infrastructure	13,768,206	4,764,392	-	-	18,532,598
Equipment, furniture, and books	84,009,044	11,525,410	(5,201,991)	-	90,332,463
Total accumulated depreciation	495,188,005	43,715,777	(8,975,194)	-	529,928,588
Capital assets, net	$ 736,788,579	$ 6,196,229	$ (119,679)	$ -	$ 742,865,129

For the years ended June 30, 2017 and 2016, respectively, included in depreciation expense of $44,978,880 and $43,835,457 is a loss of $147,571 and $119,679 from the disposal of obsolete capital assets.

6. Long-term Liabilities

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, 2017 and 2016 were $783,298 and $261,287, respectively. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

6. Long-term Liabilities – continued

Changes in long-term liabilities during fiscal year 2017 were as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Bonds payable:					
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	105,790,000	-	(6,435,000)	99,355,000	6,700,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	29,025,000	-	(1,990,000)	27,035,000	2,510,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	27,050,000	-	(735,000)	26,315,000	-
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	97,535,000	-	-	97,535,000	-
General receipts refunding bonds - Series 2015B, 1.73%, due serially through 2022	9,720,000	-	(1,545,000)	8,175,000	1,580,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	93,905,000	-	(500,000)	93,405,000	2,690,000
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	38,021,975	-	(3,396,910)	34,625,065	3,481,154
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	416,046,975	-	(14,601,910)	401,445,065	16,961,154
Bond premiums:					
Series 2014A	2,038,060	-	(107,267)	1,930,793	107,266
Series 2015A	12,983,476	-	(824,347)	12,159,129	824,348
Series 2016A	16,003,589	-	(615,523)	15,388,066	615,523
Total bond premiums	31,025,125	-	(1,547,137)	29,477,988	1,547,137
Development Finance Authority lease	12,870,000	-	-	12,870,000	-
Innovation Generation Scholarships	12,135,674	-	(585,371)	11,550,303	591,196
Capitalized lease obligations	386,938	-	(386,938)	-	-
UA Foundation Land Note Payable		4,981,714	(77,000)	4,904,714	192,000
Sick leave liability	7,651,502	621,473	(1,091,717)	7,181,258	2,242,734
Other postemployment benefits	20,277,139	414,528	-	20,691,667	-
Totals	$ 500,393,353	$ 6,017,715	$ (18,290,073)	488,120,995	$ 21,534,221
Less: current portion				(21,534,221)	
Long-term liabilities				$ 466,586,774	

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal year 2016 were as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Bonds payable:					
General receipts refunding bonds - Series 2005, 3.5% to 5.0%, due serially through 2022	$ 10,200,000	$ -	$ (10,200,000)	$ -	$ -
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	84,640,000	-	(84,640,000)	-	-
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	112,035,000	-	(6,245,000)	105,790,000	6,435,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	30,470,000	-	(1,445,000)	29,025,000	1,990,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	27,760,000	-	(710,000)	27,050,000	735,000
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	99,135,000	-	(1,600,000)	97,535,000	-
General receipts refunding bonds - Series 2015B, 1.73%, due serially through 2022	-	10,500,000	(780,000)	9,720,000	1,545,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	-	93,905,000	-	93,905,000	500,000
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	41,336,681	-	(3,314,706)	38,021,975	3,396,910
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	420,576,681	104,405,000	(108,934,706)	416,046,975	14,601,910
Bond premiums:					
Series 2014A	2,145,326	-	(107,266)	2,038,060	107,266
Series 2015A	13,807,824	-	(824,348)	12,983,476	824,348
Series 2016A	-	16,003,589		16,003,589	615,523
Total bond premiums	15,953,150	16,003,589	(931,614)	31,025,125	1,547,137
Development Finance Authority lease	32,040,000	-	(19,170,000)	12,870,000	-
Innovation Generation Scholarships	12,664,677	-	(529,003)	12,135,674	530,000
Capitalized lease obligations	964,644	-	(577,706)	386,938	386,938
Sick leave liability	8,931,619	638,152	(1,918,269)	7,651,502	2,498,330
Other postemployment benefits	20,572,348	(295,209)	-	20,277,139	-
Totals	$ 511,703,119	$ 120,751,532	$(132,061,298)	500,393,353	$ 19,564,315
Less: current portion				(19,564,315)	
Long-term liabilities				$ 480,829,038	

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.

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:

	Amount Defeased	Amount Outstanding at June 30, 2017	Amount Outstanding at June 30, 2016
General Receipts Rental Note:			
Series 2003A	$ 33,412,270	$ 23,242,435	$ 24,312,944
General Receipts Bonds:			
Refunded in 2015			
Series 2008A	48,765,000	48,765,000	48,765,000
Series 2008B	51,370,000	51,370,000	51,370,000
Remainder Refunded in 2016			
Series 2008A	28,320,000	25,770,000	28,320,000
Series 2008B	51,825,000	49,715,000	51,825,000
Lease Revenue Bonds:			
Series 2011	18,555,000	17,925,000	18,555,000
Totals	$ 232,247,270	$ 216,787,435	$ 223,147,944

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2017 are as follows:

Fiscal Year:	Principal	Interest	Total
2018	$ 18,508,290	$ 15,643,994	$ 34,152,284
2019	21,334,623	14,978,181	36,312,804
2020	22,018,097	14,209,679	36,227,776
2021	22,768,765	13,460,530	36,229,295
2022	23,396,681	12,682,286	36,078,967
2023-2027	119,684,976	49,390,885	169,075,861
2028-2032	109,094,596	23,251,072	132,345,668
2033-2037	69,094,412	9,135,182	78,229,594
2038-2042	25,022,613	(1,919,176)	23,103,437
Totals	$ 430,923,053	$ 150,832,633	$ 581,755,686

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2016, interest on borrowings for the Series 2008A&B bonds was $2,128,868 and earnings on the proceeds were $153. Substantial completion on outstanding projects was determined to be 99.9% in 2016, resulting in net capitalized interest of $1,370. At June 30, 2016, interest on borrowings for the Series 2013A&B bonds was $984,047, and earnings on the proceeds were $4,778. Substantial completion on outstanding projects was determined to be 97.1% in 2016, resulting in net capitalized interest of $28,409. At June 30, 2017 both projects were 100% complete and no interest expense was capitalized.

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 provide 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, 2017 and 2016 was $11,550,303 and $12,135,674, respectively.

6. Long-term Liabilities - continued

The University's bookstore facilities and operations and certain food operations are leased to outside operators. These leases provide for annual rental receipts of approximately $2,370,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal years 2017 and 2016 totaled approximately $192,000 and $373,000 respectively. During fiscal years 2017 and 2016, The University also received rental receipts approximating $168,000 and $300,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2017 and 2016 amounted to approximately $510,000 and $590,000, respectively.

The University has entered into a six-year lease to house UA Lakewood in the Bailey Building in Lakewood, Ohio through September 2017. This lease has an option to renew the lease for an additional five years near the end of the original lease agreement. Future minimum payments for this operating lease as of June 30, 2017 are $43,919.

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 to the DFA 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 to the DFA are as follows:

Fiscal Year:	**DFA**
2018	$ 698,038
2019	1,368,038
2020	1,369,587
2021	1,368,525
2022	1,369,725
2023-2027	2,901,750
2028-2032	4,806,250
2033-2037	7,935,400
2038	1,865,600
Total minimum lease payments	23,682,913
Less amount representing interest	(10,812,913)
Present value of net minimum capital lease payments	$ 12,870,000

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 total principal payments made by The University of $302,961 as of June 30, 2017 to the Foundation. The balance of $4,904,714 is recorded as a long term note payable to the Foundation.

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 for major academic facilities. 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 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

Retirement Plans

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, ranging from three in STRS, one in SERS, and three in OPERS. 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

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' 2017 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS (beginning 7/1/16)	14.00%	0.00%	0.00%	14.00%	14.00%
SERS	13.21%	0.74%	0.05%	14.00%	10.00%
OPERS - State/Local (through 12/31/16)	12.00%	2.00%	0.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/17)	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/16)	16.10%	2.00%	0.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/17)	17.10%	1.00%	0.00%	18.10%	13.00%

The plans' 2016 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Pension	Post Retirement Healthcare	Death Benefits	Total	Total
STRS (beginning 7/1/15)	14.00%	0.00%	0.00%	14.00%	13.00%
STRS (beginning 7/1/14)	14.00%	0.00%	0.00%	14.00%	12.00%
SERS	12.39%	1.56%	0.05%	14.00%	10.00%
OPERS - State/Local	12.00%	2.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement	16.10%	2.00%	0.00%	18.10%	13.00%

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

	2017	2016
STRS	$ 11,264,364	$ 11,257,611
SERS	6,911,466	7,357,364
OPERS	690,799	494,374
	$ 18,866,629	$ 19,109,349

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.

Changes Between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes that will impact its annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to University's net pension liability is expected to be significant.

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 40 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, STRS, Ohio Police and Fire, or Ohio State Highway Patrol have separate considerations in how the benefits are determined.

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.

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 (15 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. Member retirement benefits are calculated on a formula that considers years of service (15 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.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2017, The University reported a liability for its proportionate share of the net pension liability of STRS/SERS/OPERS. The net pension liability was measured as of July 1, 2016 for STRS, June 30, 2016 for SERS and December 31, 2016 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. 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	Net pension liability		Proportionate share		Percent
	date	2017	2016	2017	2016	change
STRS	July 1	$ 282,728,801	$ 252,360,353	0.844647%	0.913123%	-0.068476%
SERS	June 30	129,069,381	113,499,597	1.763465%	1.989093%	-0.225628%
OPERS	December 31	6,697,227	5,030,441	0.030957%	0.029042%	0.001915%
Total		$ 418,495,409	$ 370,890,391			

8. Employee Benefit Plans – continued

Net Pension Liability, Deferrals, and Pension Expense - continued

For the years ended June 30, 2017 and 2016, The University recognized pension expense of $23,852,203 and $15,912,125, respectively. At June 30, 2017 and 2016, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Difference between expected and actual experience	$ 13,329,540	$ 40,287	$ 13,356,560	$ 101,535
Changes of assumptions	9,678,677			
Net difference between projected and actual earnings on pension plan investments	34,600,740		1,496,976	22,380,020
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	38,556	33,882,574	-	12,304,591
University contributions subsequent to the measurement date	19,361,343	-	20,052,751	-
Totals	$ 77,008,856	$ 33,922,861	$ 34,906,287	$ 34,786,146

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	
2018	$ 600,809
2019	737,991
2020	13,827,651
2021	8,558,626
2022	(103)
Thereafter	(322)
Total	$ 23,724,652

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

8. Employee Benefit Plans – continued

Net Pension Liability, Deferrals, and Pension Expense - continued

Actuarial Assumptions

The total pension liability is based on the results of an actuarial valuation and were determined using the following actuarial assumptions for 2016, applied to all periods included in the measurement on June 30, 2017:

	STRS - as of 7/1/16	SERS - as of 6/30/16	OPERS - as of 12/31/16
Valuation date	July 1, 2016	June 30, 2016	December 31, 2016
Actuarial cost method	Entry age normal	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	3.5 percent - 18.2 percent	3.25 percent - 10.75 percent
Inflation	2.75 percent	3.25 percent	3.25 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	7.5 percent, net of investment expense, including inflation	7.50 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended June 30, 2015	Period of 5 years ended December 31, 2015
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	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.	RP-2014 Healthy Annuitant Mortality Table.

The following are actuarial assumptions for 2015, applied to all periods included in the measurement on June 30, 2016:

	STRS - as of 7/1/15	SERS - as of 6/30/15	OPERS - as of 12/31/15
Valuation date	July 1, 2015	June 30, 2015	December 31, 2015
Actuarial cost method	Entry age normal	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.0 percent - 22.0 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.25 percent	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	7.75 percent, net of investment expense, including inflation	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended June 30, 2010	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)	1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.	RR-2000 mortality table projected 20 years using Projection Scale AA

8. Employee Benefit Plans – continued

Discount Rate

The discount rate used to measure the total pension liabilities at June 30, 2017 were 7.75 percent, 7.50 percent, and 7.50 percent, for STRS, SERS, and OPERS, respectively. The discount rate used to measure the total pension liabilities at June 30, 2016 were 7.75 percent, 7.75 percent, and 8.00 percent, for STRS, SERS, and OPERS, respectively. 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 long-term expected rate of return on pension 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 pension 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables as of the dates listed below:

	STRS as of July 1, 2016			SERS as of June 30, 2016			OPERS as of December 31, 2016	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	5.50%	Cash	1.00%	0.50%	Fixed Income	23.00%	2.75%
International Equity	26.00%	5.35%	US Equity	22.50%	4.75%	Domestic Equities	20.70%	6.34%
Alternatives	14.00%	5.50%	International Equity	22.50%	7.00%	Real Estate	10.00%	4.75%
Fixed Income	18.00%	1.25%	Fixed Income	19.00%	1.50%	Private Equity	10.00%	8.97%
Real Estate	10.00%	4.25%	Private Equity	10.00%	8.00%	International Equities	18.30%	7.95%
Liquidity Reserves	1.00%	0.50%	Real Assets	15.00%	5.00%	Other Investments	18.00%	4.92%
			Multi-Asset Strategies	10.00%	3.00%			
Total	100.00%					Total	100.00%	
			Total	100.00%				

	STRS as of July 1, 2015			SERS as of June 30, 2015			OPERS as of December 31, 2015	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%	Cash	1.00%	0.00%	Fixed Income	23.00%	2.31%
International Equity	26.00%	7.85%	U.S. Stocks	22.50%	5.00%	Domestic Equities	20.70%	5.84%
Alternatives	14.00%	8.00%	Non-U.S. Stocks	22.50%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	3.75%	Fixed Income	19.00%	1.50%	Private Equity	10.00%	9.25%
Real Estate	10.00%	6.75%	Private Equity	10.00%	10.00%	International Equity	18.30%	7.40%
Liquidity Reserves	1.00%	3.00%	Real Assets	10.00%	5.00%	Other Investments	18.00%	4.59%
			Multi-Asset Strategy	15.00%	7.50%			
Total	100.00%					Total	100.00%	
			Total	100.00%				

Pension 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.

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:

	1.00 percent decrease		Current discount rate		1.00 percent increase	
STRS	6.75%	$ 375,723,603	7.75%	$ 282,728,801	8.75%	$ 204,282,204
SERS	6.50%	170,879,817	7.50%	129,069,381	8.50%	94,072,307
OPERS	6.50%	10,232,811	7.50%	6,697,227	8.50%	3,750,991
		$ 556,836,231		$ 418,495,409		$ 302,105,502

Assumption changes

During the current measurement period, the OPERS and SERS Boards adopted certain assumption changes which impacted their annual actuarial valuations prepared as of December 31, 2016 and June 30, 2016, respectively. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent for OPERS and 7.75 percent to 7.5 percent for SERS, which increased the University's respective net pension liability.

Payable to the Pension Plan

At June 30, 2017 The University reported a payable of $1,397,269 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Alternative Retirement 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 or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance 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 nine private providers approved by the Ohio Department of Insurance. 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 4.50 percent for STRS and 0.77 percent for OPERS for the years ended June 30, 2017 and 2016. 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 6.00 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 immediate 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, 2017 and 2016, employee contributions totaled $2,849,945 and $2,685,600, respectively, and the University recognized pension expense of $4,715,621 and $4,740,668, respectively.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits (OPEB)

State Teachers Retirement System

Plan description – STRS administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care cost in the form of a monthly premium.

STRS issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 888-227-7877.

Funding policy – Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 0% of covered payroll was allocated to postemployment health care for the years ended June 30, 2017, 2016, and 2015. The 14% employer contribution rate is the maximum rate established under Ohio law.

School Employees Retirement System

Plan description - SERS administers two postemployment benefit plans:

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 a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

Funding policy – The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2017 and 2016 there was no allocation of the 14% employer contribution rate to postemployment health care. For the year ended June 30, 2015, the health care allocation was .82%. The amount of the SERS employer contributions used to fund health care for the year ended June 30, 2015 was $492,480.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

The retirement board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2017 and 2016, the actuarially required allocation is .75% and .74%, respectively. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. None of the 14% employer contribution was allocated to the Health Care Fund in fiscal year 2017. The employer surcharge due as of June 30, 2017 was the only portion used to fund health care. The amount of the SERS employer contributions used to fund the Medicare B fund for the years ended June 30, 2017, 2016 and 2015 was $375,817, $397,285 and $444,433, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at $23,500. The surcharge amount paid to SERS for the years ended June 30, 2017, 2016, and 2015 was $897,408, $1,037,857, and $1,055,770, respectively.

Ohio Public Employees Retirement System

Plan description – OPERS administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

Funding policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The amount of the OPERS employer contributions used to fund OPEB for the years ended June 30, 2017, 2016, and 2015 were $56,166, $54,628, and $62,074, respectively.

University-provided benefits

The University has a single-employer defined benefit plan that provides certain health care and life insurance benefits for retired employees. Participant data as of the last census date is summarized below:

Census Date	1/1/2016
Participating Employees:	
Employees eligible for dependent medical coverage	273
Employees also eligible for retiree life insurance	10
Average age	60.41
Average credited service	29.45
Retirees:	
Retirees with life insurance coverage	987
Average age for retirees	75.24
Dependents with medical coverage	453
Average age for dependents	72.27

Plan description - The University provides healthcare benefits for 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 elect a state pension plan upon retirement to be eligible for the additional postemployment benefit.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

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 a 15% contribution for retiree dependent health coverage.

Annual OPEB cost and net OPEB obligation - The University's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of The University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in The University's OPEB obligation:

	2017	2016	2015
Annual required contribution	$ 3,394,769	$ 3,435,160	$ 3,450,181
Interest on net OPEB obligation	786,528	771,421	776,119
Adjustment to annual required contribution	(1,093,615)	(1,072,610)	(1,079,142)
Annual OPEB cost (expense)	3,087,682	3,133,971	3,147,158
Employer contributions	(2,673,154)	(2,142,355)	(2,603,665)
Actuarial change in estimated obligation	-	(1,286,825)	-
Change in net OPEB obligation	414,528	(295,209)	543,493
Net OPEB obligation - beginning of year	20,277,139	20,572,348	20,028,855
Net OPEB obligation - end of year	$ 20,691,667	$ 20,277,139	$ 20,572,348
Percentage of annual OPEB cost contributed	86.6%	68.4%	82.7%

Funded status and funding progress – The University has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2016. As of actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability (AAL) for benefits was $58.7 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $58.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $22.7 million and the ratio of all UAAL to covered payroll was 38.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

Actuarial methods and assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual health care cost trend rate of 7.5 percent through 2016, then reduced by 0.5 percent decrements per year to an ultimate rate of 5.0 percent in 2021, a 2.0 percent salary increase and the RP-2014 headcount weighted mortality table for employees and annuitants with generational mortality improvement projected from base year 2006 using Scale MP-2015. The amortization of the UAAL is based on a 30-year open level dollar amortization method. The remaining amortization period at June 30, 2017 was 20 years.

Since the OPEB obligation is calculated using estimates and assumptions, there is a difference based on actual data between the census dates of January 1, 2014 and January 1, 2016 from changes in length of life for retirees and dependents. This difference resulted in a decrease in actuarial change in estimated obligation of $1,286,825 for June 30, 2016.

9. Litigation, Commitments, and Contingencies

The University has been named as a defendant in a number of suits alleging various matters. 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.

9. Litigation, Commitments, and Contingencies - continued

A claims liability of $2,324,639 and $2,764,842, included with accrued liabilities as of June 30, 2017 and 2016, 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:

	2017	2016	2015
Liability at beginning of year	$ 2,764,842	$ 2,983,000	$ 2,775,000
Claims incurred and changes in estimates	26,997,352	35,896,191	35,663,087
Claim payments	(27,437,555)	(36,114,349)	(35,455,087)
Liability at end of year	$ 2,324,639	$ 2,764,842	$ 2,983,000

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 $20.1 million from the State for buildings and renovations, of which $12.0 million has been expended as of June 30, 2017. In addition, as of June 30, 2017, university construction projects will cost an estimated $1.0 million to complete.

The Federal Perkins Loan Program is scheduled to expire on September 30, 2017. As of June 30, 2017, The University has made $2,391,720 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.

10. Component units

Details of the component units' net position at June 30, 2017 and 2016 are as follows:

	2017			2016		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	$ 582,234	$ 1,682,979	$ 2,265,213	$ 587,651	$ 1,717,998	$ 2,305,649
Pooled investments	-	7,465,082	7,465,082	-	6,908,660	6,908,660
Accounts receivable, net	205,396	645,353	850,749	359,603	1,035,479	1,395,082
Pledges receivable, net	6,662,046	-	6,662,046	2,179,614	-	2,179,614
Related party land note receivabl	192,000	-	192,000	-	-	-
Prepaid expenses	-	162,733	162,733	-	100,736	100,736
Total current assets	7,641,676	9,956,147	17,597,823	3,126,868	9,762,873	12,889,741
Noncurrent assets:						
Restricted investments	-	383,732	383,732	-	393,204	393,204
Endowment investments	171,455,028	-	171,455,028	161,199,527	-	161,199,527
Pledges receivable, net	13,271,895	-	13,271,895	14,215,798	-	14,215,798
Related party land note receivabl	4,712,714	-	4,712,714	-	-	-
Capital assets, net	5,967,898	4,895,375	10,863,273	12,157,242	5,351,916	17,509,158
Total assets	203,049,211	15,235,254	218,284,465	190,699,435	15,507,993	206,207,428
Liabilities						
Current liabilities:						
Accounts payable	1,050,616	3,525,952	4,576,568	538,832	3,689,796	4,228,628
Accrued liabilities	-	578,833	578,833	-	913,206	913,206
Unearned income	28,500	1,050,084	1,078,584	28,627	1,612,501	1,641,128
Current portion of long-term liabilities	4,784,000	77,077	4,861,077	4,861,000	72,311	4,933,311
Total current liabilities	5,863,116	5,231,946	11,095,062	5,428,459	6,287,814	11,716,273
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	12,702,901	-	12,702,901	12,094,922	-	12,094,922
Long-term liabilities	-	2,422,495	2,422,495	-	2,499,572	2,499,572
Total liabilities	18,566,017	7,654,441	26,220,458	17,523,381	8,787,386	26,310,767
Net position						
Net investment in capital assets	5,967,898	2,472,880	8,440,778	12,157,242	2,852,344	15,009,586
Restricted:						
Nonexpendable	114,004,558	-	114,004,558	111,417,882	-	111,417,882
Expendable	58,527,001	-	58,527,001	51,787,759	-	51,787,759
Unrestricted (deficit)	5,983,737	5,107,933	11,091,670	(2,186,829)	3,868,263	1,681,434
Total net position	$ 184,483,194	$ 7,580,813	$ 192,064,007	$ 173,176,054	$ 6,720,607	$ 179,896,661

10. Component units - continued

Details of the component units' revenues, expenses, and changes in net position at June 30, 2017 and 2016 are as follows:

	2017			2016		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	$ -	$ 5,634	$ 5,634	$ -	$ 64,528	$ 64,528
Private grants and contracts	-	3,592,602	3,592,602	-	4,798,356	4,798,356
Gifts and contributions	11,802,810	-	11,802,810	5,921,075	-	5,921,075
Other sources	-	1,856,707	1,856,707	-	2,231,661	2,231,661
Total operating revenues	11,802,810	5,454,943	17,257,753	5,921,075	7,094,545	13,015,620
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	5,520,594	5,520,594	-	4,122,347	4,122,347
Institutional support	1,647,354	-	1,647,354	858,769	-	858,769
Depreciation	-	495,340	495,340	-	490,154	490,154
Total operating expenses	1,647,354	6,015,934	7,663,288	858,769	4,612,501	5,471,270
Operating income	10,155,456	(560,991)	9,594,465	5,062,306	2,482,044	7,544,350
Nonoperating expenses (revenues)						
Investment loss (income), net	14,038,755	912,040	14,950,795	(4,082,496)	(245,289)	(4,327,785)
Interest on debt	-	28,614	28,614	-	(166,162)	(166,162)
Distributions to The University	(13,939,493)	36,214	(13,903,279)	(11,370,127)	(3,094,587)	(14,464,714)
Distributions on behalf of The University	(904,973)	-	(904,973)	(610,200)	-	(610,200)
Other nonoperating revenues	93,752	444,329	538,081	505,396	397,834	903,230
Net nonoperating expenses	(711,959)	1,421,197	709,238	(15,557,427)	(3,108,204)	(18,665,631)
Loss (gain) before other changes	9,443,497	860,206	10,303,703	(10,495,121)	(626,160)	(11,121,281)
Other changes						
Additions to permanent endowments	1,863,643	-	1,863,643	9,665,480	-	9,665,480
Decrease (increase) in net position	11,307,140	860,206	12,167,346	(829,641)	(626,160)	(1,455,801)
Net position – beginning of year	173,176,054	6,720,607	179,896,661	174,005,695	7,346,767	181,352,462
Net position – end of year	$ 184,483,194	$ 7,580,813	$ 192,064,007	$ 173,176,054	$ 6,720,607	$ 179,896,661

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, 2017 and 2016 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, 2017

	Balance at June 30, 2017	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	$ 125,377,469	$ -	$ -	$ -	$ 125,377,469
Bonds	9,627,982	-	9,627,982	-	-
Commercial paper	2,499,925	-	2,499,925	-	-
Common stocks	2,094,160	2,094,160	-	-	-
Exchange traded funds	82,876	82,876	-	-	-
Floaters	3,920,000	-	3,920,000	-	-
Money market funds	2,029,234	2,029,234	-	-	-
Mutual funds	23,370,147	23,370,147	-	-	-
Preferred stocks	83,126	83,126	-	-	-
U.S. Treasury obligations	1,994,948	-	1,994,948	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements					
and refundable advances	(12,702,901)	-	-	(12,702,901)	-

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

	Balance at June 30, 2016	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	$ 114,519,667	$ -	$ -	$ -	$ 114,519,667
Bonds	12,309,749	-	12,309,749	-	-
Commercial paper	2,500,000	-	2,500,000	-	-
Common stocks	1,760,723	1,760,723	-	-	-
Exchange traded funds	134,173	134,173	-	-	-
Floaters	2,030,000	-	2,030,000	-	-
Money market funds	4,433,097	4,433,097	-	-	-
Mutual funds	21,799,985	21,799,985	-	-	-
Preferred stocks	68,530	68,530	-	-	-
U.S. Treasury obligations	1,255,223	-	1,255,223	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements					
and refundable advances	(12,094,922)	-	-	(12,094,922)	-

10. Component units – continued

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017

	Balance at June 30, 2017	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	$ 1,827,006	$ 1,827,006	$ -	$ -	$ -
Large growth	878,096	878,096	-	-	-
Large value	887,942	887,942	-	-	-
Small- and mid-cap growth	880,005	880,005	-	-	-
Alternatives	1,280,646	1,280,646	-	-	-
Internationals	1,711,387	1,711,387	-	-	-
Liabilities					
Interest rate swap	(263,145)	-	(263,145)	-	-

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

	Balance at June 30, 2016	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	$ 1,740,566	$ 1,740,566	$ -	$ -	$ -
Large growth	796,502	796,502	-	-	-
Large value	839,321	839,321	-	-	-
Small- and mid-cap growth	764,065	764,065	-	-	-
Alternatives	1,257,488	1,257,488	-	-	-
Internationals	1,510,718	1,510,718	-	-	-
Liabilities					
Interest rate swap	(409,782)	-	(409,782)	-	-

Details of the component units' capital assets at June 30, 2017 and 2016 are as follows:

	2017			2016		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	$ 5,967,898	$ 406,925	$ 6,374,823	$ 11,952,524	$ 406,925	$ 12,359,449
Buildings	-	5,440,758	5,440,758	240,033	5,425,808	5,665,841
Equipment	-	2,567,870	2,567,870	-	2,567,870	2,567,870
Total capital assets	5,967,898	8,415,553	14,383,451	12,192,557	8,400,603	20,593,160
Less: accumulated depreciation	-	(3,520,178)	(3,520,178)	(35,315)	(3,048,687)	(3,084,002)
Capital assets, net	$ 5,967,898	$ 4,895,375	$ 10,863,273	$ 12,157,242	$ 5,351,916	$ 17,509,158

Required Supplementary Information

The University of Akron

Schedule of University Pension Contributions

Fiscal Years Ended June 30, 2015 to 2017

Fiscal Year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	University's covered employee payroll	Contributions as a percentage of covered employee payroll
State Teachers Retirement System (STRS)					
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)					
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)					
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%

The University of Akron

Schedule of University's Proportionate Share of the Net Pension Liability
Plan Years Ended 2014 to 2016

Plan Year	University's proportion of the net pension liability	University's proportionate share of the net pension liability	University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
State Teachers Retirement System (STRS)					
2016	0.844647%	$ 282,728,801	$ 107,800,627	262.27%	66.78%
2015	0.913123%	252,360,353	114,757,851	219.91%	72.10%
2014	0.950840%	231,277,151	116,805,956	198.00%	74.70%
State Employees Retirement System (SERS)					
2016	1.763465%	$ 129,069,381	$ 57,391,681	224.89%	62.98%
2015	1.989093%	113,499,597	65,124,508	174.28%	69.16%
2014	2.065374%	104,527,403	66,821,498	156.43%	71.70%
Ohio Public Employees Retirement System (OPERS)					
2016	0.030957%	$ 6,697,227	$ 2,724,473	245.82%	77.39%
2015	0.029042%	5,030,441	3,080,746	163.29%	81.08%
2014	0.032842%	3,961,106	3,034,050	130.56%	86.45%

The plan year ends on June 30 for STRS and SERS; December 31 for OPERS.

Changes of benefit terms. There were no changes in benefit terms affecting the STRS, SERS, OPERS plans for the years ended June 30, 2016 and December 31, 2016, respectively.
Note: June 30 for SERS and STRS

Changes of assumptions. 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.

STRS: There were no changes in assumptions affecting STRS for the plan year ended June 30, 2016.

OPERS: During the plan year ended December 31, 2016, there were changes so 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.

Supplemental Information

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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*

Independent Auditor's Report

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 University of Akron (the "University"), a component unit of the State of Ohio, and its aggregate discretely presented component units, as of and for the year ended June 30, 2017, 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 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The University of Akron'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 University'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2017-001, that we consider to be a significant deficiency.

To Management and the Board of Trustees
The University of Akron

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The University of Akron's financial statements are free from 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*.

The University of Akron's Response to Finding

The University of Akron's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University of Akron's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 12, 2017

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Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

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 U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. The University of Akron's major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The University of Akron'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* (the "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 of Akron'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 of Akron's compliance.

Opinion on Each Major Federal Program

In our opinion, The University of Akron complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

To the Board of Trustees
The University of Akron

Report on Internal Control Over Compliance

Management of The University of Akron 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 of Akron'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.

Plante & Moran, PLLC

October 12, 2017

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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	$ -	$ 1,022,416
Federal Work-Study Program	84.033	N/A	-	771,282
Federal Perkins Loan Program_Federal Capital Contributions	84.038	N/A	-	13,429,803
Federal Pell Grant Program	84.063	N/A	-	25,865,384
Federal Direct Student Loans	84.268	N/A	-	107,116,926
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	59,138
Total Department of Education			-	148,264,949
Department of Health and Human Services				
Direct				
Nursing Student Loans	93.364	N/A	-	1,603,161
Total Department of Health and Human Services			-	1,603,161
Total Student Financial Aid Cluster			-	**149,868,110**
Research and Development Cluster				
Department of Commerce				
Direct				
Measurement and Engineering Research and Standards	11.609	N/A	-	75,553
Science, Technology, Business and/or Education Outreach	11.620	N/A	-	5,000
Total Department of Commerce			-	80,553
Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300	N/A	-	237,161
Basic Scientific Research	12.431	N/A	126,212	1,323,930
Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	-	(88,339)
Air Force Defense Research Sciences Program	12.800	N/A	349,265	1,258,860
Mathematical Sciences Grants Program	12.901	N/A	-	15,233
Research and Technology Development	12.910	N/A	-	145,738
Pass Through				
University of Connecticut-Basic and Applied Scientific Research	12.300	N00014-10-1-0944	-	5,438
Houston Methodist Hospital-Military Medical Research and Development	12.420	N/A	-	447,551
Dayton Area Graduate Studies Institute-Basic, Applied, and Advanced Research in Science and Engineering	12.630	N/A	-	5,823
Howard University-Air Force Defense Research Sciences Program	12.800	FA9550-12-01-0306	-	(1,871)
Total Department of Defense			475,477	3,349,524
Department of the Interior				
Direct				
Endangered Species Conservation - Recovery Implementation Funds	15.657	N/A	-	6,424
National Center for Preservation Technology and Training	15.923	N/A	-	17,376
Cooperative Research and Training Programs & Resources of the National Park System	15.945	N/A	-	24,148
National Park Service Conservation, Protection, Outreach, and Education	15.954	N/A	-	2,231
Total Department of Interior			-	50,179
Department of Justice				
Pass Through				
GE Global Research-National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	N/A	-	80,129
Total Department of Justice			-	80,129

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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 Transportation				
Direct				
Air Transportation Centers of Excellence	20.109	N/A	$ -	$ 110,704
Pass Through				
Regents of the University of Minnesota-University Transportation Centers Program	20.701	N/A	-	8,068
University of Michigan-University Transportation Centers Program	20.701	N/A	-	31,724
Total Department of Transportation			-	150,496
National Aeronautics and Space Administration				
Direct				
Technology Transfer	43.002	N/A	-	22,414
Cross Agency Support	43.009	N/A	-	73,860
Pass Through				
Universities Space Research Association-Technology Transfer	43.002	N/A	-	438,698
Total National Aeronautics and Space Administration			-	534,972
National Science Foundation				
Direct				
Engineering Grants	47.041	N/A	21,406	2,447,197
Mathematical and Physical Sciences	47.049	N/A	14,478	2,540,292
Geosciences	47.050	N/A	-	118,889
Computer and Information Science and Engineering	47.070	N/A	14,200	461,251
Biological Sciences	47.074	N/A	-	310,257
Education and Human Resources	47.076	N/A	3,330	591,763
Pass Through				
Akron Ascent Innovations, LLC-Engineering Grants	47.041	1456266	-	48,619
National Science Foundation				
Pass Through				
Kalion Inc-Engineering Grants	47.041	1521172	-	6,248
O2 RegenTech LLC-Engineering Grants	47.041	N/A	-	1,700
University of Arkansas-Engineering Grants	47.041	CBET-1511896	-	27,469
Georgia Institute of Technology-Mathematical and Physical Sciences	47.049	DMR-1505105	-	7
Texas A&M University-Geosciences	47.050	EAR-1321882	-	73,586
Science Education Solutions, Inc.-Education and Human Resources	47.076	1223830	-	288
Total National Science Foundation			53,414	6,627,566
Department of Energy				
Direct				
Renewable Energy Research and Development	81.087	N/A	-	4,874
Pass Through				
pH Matter LLC-Office of Science Financial Assistance Program	81.049	DE-SC0013831	-	2,369
University of Notre Dame-Office of Science Financial Assistance Program	81.049	DE-SC0001089	-	45,562
Aspen Aerogels Inc.-Fossil Energy Research and Development	81.089	N/A	-	56,448
LG Fuel Cells Inc-Fossil Energy Research and Development	81.089	N/A	-	17,540
Total Department of Energy			-	126,793
Department of Education				
Direct				
Overseas Programs - Doctoral Dissertation Research Abroad	84.022	N/A	-	23,667
Total Department of Education			-	23,667

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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				
Oral Diseases and Disorders Research	93.121	N/A	$ -	$ 74,080
Mental Health Research Grants	93.242	N/A	79,946	239,707
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	-	58,864
Cancer Detection and Diagnosis Research	93.394	N/A	7,591	11,119
Cancer Treatment Research	93.395	N/A	12,626	32,086
Cardiovascular Diseases Research	93.837	N/A	29,664	141,363
Lung Diseases Research	93.838	N/A	-	84,771
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	N/A	-	37,219
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	-	137,826
Biomedical Research and Research Training	93.859	N/A	23,914	341,013
Vision Research	93.867	N/A	-	260,794
Pass Through				
University of Texas at Arlington-Occupational Safety and Health Program	93.262	R03OH010112	-	(2,471)
Women & Infants Hospital of Rhode Island-Drug Abuse and Addiction Research Programs	93.279	N/A	-	11,563
Rutgers, The State Univ of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	-	49,732
Rutgers, The State Univ of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	5P41EB001046-13	-	(4,268)
Requisite Biomedical, LLC-Cardiovascular Diseases Research	93.837	N/A	-	376
University of Tennessee Knoxville-Biomedical Research and Research Training	93.859	R01GM120642	-	26,831
Total Department of Health and Human Services			153,741	1,500,605
Total Research and Development Cluster			**682,632**	**12,524,484**
Highway Planning and Construction Cluster				
Department of Transportation				
Pass Through				
Ohio Department of Transportation-Highway Planning and Construction	20.205	N/A	22,285	949,292
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150856	-	56,399
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150859	-	44,537
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150983	-	226,384
Ohio Department of Transportation-Highway Planning and Construction	20.205	E151025	-	68,451
Ohio University-Highway Planning and Construction	20.205	E150988	-	30,158
Texas A&M University-Highway Planning and Construction	20.205	N/A	-	33,939
Total Department of Transportation			22,285	1,409,160
Total Highway Planning and Construction Cluster			**22,285**	**1,409,160**
TRIO Cluster				
Department of Education				
Direct				
TRIO_Talent Search	84.044	N/A	-	79,044
TRIO_Talent Search	84.044	N/A	-	394,339
TRIO_Upward Bound	84.047	N/A	-	787,547
Total Department of Education			-	1,260,930
Total TRIO Cluster			**-**	**1,260,930**
Special Education Cluster				
Department of Education				
Pass Through				
University of Dayton Research Institute-Special Education_Grants to States	84.027	N/A	-	5,077
Total Department of Education			-	5,077
Total Special Education Cluster			**-**	**5,077**

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
TANF Cluster				
Department of Health and Human Services				
Pass Through				
Summit County Dept of Job and Family Srv-Temporary Assistance for Needy Families	93.558	N/A	$ -	$ 18,598
Summit County Dept of Job and Family Srv-Temporary Assistance for Needy Families	93.558	DHHS - CFDA #93.558	-	8,843
Total Department of Health and Human Services			-	27,441
Total TANF Cluster			**-**	**27,441**
Medicaid Cluster				
Department of Health and Human Services				
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Medical Assistance Program	93.778	N/A	-	17,975
Northeast Ohio Medical Univ. (NEOMED)-Medical Assistance Program	93.778	G-1617-05-0003	-	8,044
Ohio State University-Medical Assistance Program	93.778	N/A	-	54,229
Ohio State University-Medical Assistance Program	93.778	G-1617-05-0003	-	7,617
Total Department of Health and Human Services			-	87,865
Total Medicaid Cluster			**-**	**87,865**
Other Programs				
Instruction				
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008	N/A	-	54,085
Total National Aeronautics and Space Administration			-	54,085
National Science Foundation				
Pass Through				
Georgia State University-Computer and Information Science and Engineering	47.070	N/A	-	1,087
Total National Science Foundation			-	1,087
Department of Education				
Direct				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K	N/A	92,147	191,202
English Language Acquisition Grants	84.365	N/A	44,200	321,943
Pass Through				
Ohio Department of Higher Education-Improving Teacher Quality State Grants	84.367	N/A	-	134,157
Total Department of Education			136,347	647,302
Department of Health and Human Services				
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Model State-Supported Area Health Education Centers	93.107	N/A	-	23,992
Northeast Ohio Medical Univ. (NEOMED)-Model State-Supported Area Health Education Centers	93.107	U77HP23072	-	61,643
Ohio Department of Job and Family Service-Child Welfare Services_State Grants	93.645	N/A	-	112,487
Ohio Department of Job and Family Service-Foster Care_Title IV-E	93.658	N/A	-	(31)
Total Department of Health and Human Services			-	198,091
Total Instruction			136,347	900,565
Public Service				
Department of Agriculture				
Pass Through				
Center for Child Development-Child and Adult Care Food Program	10.558	N/A	-	25,071
Total Department of Agriculture			-	25,071

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Public Service - continued				
Department of Defense				
Pass Through				
Tennessee State University-Basic and Applied Scientific Research	12.300	N/A	$ -	$ 83,493
Total Department of Defense			-	83,493
Department of Education				
Pass Through				
Ohio Department of Education-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	-	(129)
Total Department of Education			-	(129)
Department of Health and Human Services				
Pass Through				
Summa Health System-Nurse Education, Practice and Retention Grants	93.359	1UD7HP28539	-	60,816
Summit County Dept of Job and Family Srv-Social Services Block Grant	93.667	N/A	-	20,311
Summit County General Health District-State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF)	93.757	N/A	-	(3,546)
Summa Health System-Geriatric Education Centers	93.969	U1QHP28707	-	99,331
Total Department of Health and Human Services				176,912
Total Public Service			-	285,347
Total Other Programs			**136,347**	**1,185,912**
Grand Total			**$ 841,264**	**$ 166,368,979**

See Notes to Schedule of Expenditures of Federal Awards

The University of Akron

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

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, 2017. 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, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or 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 recovers 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, 2017. 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, 2017:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program (net of allowances)	84.038	$ 953,010	$ 7,922,035
Nursing Student Loan Program (net of allowances)	93.364	148,800	978,505

Note 4 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred $247,470 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 $81,965 of the 2015-2016 SEOG award to the 2016-2017 award year.

In addition, the University carried forward $53,267 and $68,212 of the 2016-2017 FWS and SEOG awards, respectively, to the 2017-2018 award year. The University spent $102,139 of the carried forward FWS funds from the 2015-2016 award year during the 2016-2017 award year.

The University of Akron

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

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	$ 166,368,979
Pell grants	(25,865,384)
Federal direct loans	(107,116,926)
Federal Perkins loan program	(13,429,803)
Nursing student loan program	(1,603,161)
Federal grants passed through state entities	(1,591,547)
Federal grants passed through local entities	(44,206)
Private grants	(1,864,562)
Sales	(25,071)
Federal purchased service contracts	(1,123,135)
Indirect costs excluded from federal grants on Statement	197,908
Change in deferred revenue from federal grants	1,432,576
Federal grants and contracts as shown on the Statement	$ 15,335,668

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

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The University of Akron

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

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?	X Yes	____ 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:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364	Student Financial Aid 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, 2017

Section II - Financial Statement Findings

Reference Number	Findings
2017-001	**Finding Type -** Significant Deficiency

Criteria - Under Generally Accepted Accounting Principles (GAAP), an independent review of account reconciliations, related journal entries, and supporting schedules should be performed.

Condition - Management did not review the calculation for unearned income related to summer tuition revenue. The estimate was ultimately changed, resulting in the adjustment described below.

Context - As a result of our review, a change was made to the underlying assumptions used in the calculation of unearned tuition revenue as of June 30, 2017. An independent review was not performed, which could have identified the need for the change in the calculation.

Cause - An independent review of the unearned tuition calculation was not performed.

Effect - Management reevaluated the assumptions used in the unearned tuition calculation and identified an adjustment that decreased tuition revenue and increased unearned income by approximately $4.5 million and also decreased expenses and increased prepaids by approximately $1 million.

Recommendation - The University should add an independent review to their process for calculating and recording the adjustments to unearned income, tuition, revenue, and related accounts as of June 30.

Views of Responsible Officials and Planned Corrective Actions – For years, summer tuition revenue was recognized ratably based upon the number of days in each summer session. During spring 2017, the CFO met with the accounting staff to discuss the University’s summer revenue recognition criteria, and the CFO decided that a more precise summer revenue recognition methodology may exist. That new methodology was pursued and implemented; however, the underlying data to fully support the change was not readily obtainable. Upon inquiry by Plante Moran, the University reverted back to the revenue recognition methodology historically used. The University returned to the ratable summer revenue recognition methodology. The University will attempt to gather the requisite data for summer 2018, and will use that data to determine whether a more precise summer revenue recognition methodology may exist and be supported by underlying data.

Section III – Federal Program Audit Findings

Reference Number	Findings
Current Year	None

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October 11, 2017

Federal Audit Clearinghouse
RE: The University of Akron
Corrective Action Plan
Fiscal Year Ended June 30, 2017
Finding 2017-001

Management's Response:
For years, summer tuition revenue was recognized ratably based upon the number of days in each summer session. During spring 2017, the CFO met with the accounting staff to discuss the University's summer revenue recognition criteria, and the CFO decided that a more precise summer revenue recognition methodology may exist. That new methodology was pursued and implemented; however, the underlying data to fully support the change was not readily obtainable. Upon inquiry by Plante Moran, the University reverted back to the revenue recognition methodology historically used.

Planned Corrective Action:
As reflected above, the University returned to the ratable summer revenue recognition methodology. The University will attempt to gather the requisite data for summer 2018, and will use that data to determine whether a more precise summer revenue recognition methodology may exist and be supported by underlying data.

Contact person responsible for corrective action: Nathan J Mortimer, VP Finance & Admin/CFO
Anticipated Completion Date: by June 30, 2018

Vice President for Finance & Administration/CFO
Akron, OH 44325-4715
330-972-7120 · 330-972-6293 Fax

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Dave Yost · Auditor of State

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 21, 2017