



OHIO's POLYTECHNIC UNIVERSITY

(A component unit of the State of Ohio)

Financial Report

With Supplemental Information

June 30, 2015



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, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 27, 2016

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The University of Akron

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The University of Akron

Management's Discussion and Analysis

June 30, 2015

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, 2015. 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 Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities, and consists of this Management's Discussion and Analysis, three separate but interrelated financial statements and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

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

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

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as nonoperating revenues; therefore, substantial operating losses are not uncommon for public colleges and universities. For the fiscal years ended June 30, 2015, 2014, and 2013, the State provided approximately \$109 million, \$101 million, and \$100 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$150 million, \$146 million, and \$160 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.

The University of Akron
Management's Discussion and Analysis
June 30, 2015

Statements of Net Position

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assets:			
Current assets	\$ 200.6	\$ 201.9	\$ 203.2
Noncurrent assets:			
Capital	710.0	727.5	736.8
Other	91.1	135.8	99.0
Total assets	<u>1,001.7</u>	<u>1,065.2</u>	<u>1,039.0</u>
Deferred outflow of resources	20.1	18.9	54.5
Liabilities:			
Current liabilities	82.3	81.4	84.3
Net pension liability	-	-	339.8
Other noncurrent liabilities	451.3	506.8	499.0
Total liabilities	<u>533.6</u>	<u>588.2</u>	<u>923.1</u>
Deferred inflow of resources	-	-	60.4
Net position:			
Net investment in capital assets	303.1	295.0	293.0
Restricted:			
Nonexpendable	23.6	24.1	23.4
Expendable	64.6	74.2	73.9
Unrestricted	96.9	102.6	(280.3)
Total net position	<u>\$ 488.2</u>	<u>\$ 495.9</u>	<u>\$ 110.0</u>

Assets and deferred outflow 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 2015 and 2014, current assets increased \$1.3 million in each year. There were variations among many of the current asset categories, but the principal cause of the change are from a \$1.0 million and \$3.1 million increase in 2015 and 2014, respectively, within all current cash and investments.

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 \$27.5 million for 2015 and increased \$62.2 million for 2014. The changes are largely from additional restricted investments for the Campus-Wide Energy Efficiency and Conservation project in 2014 that were spent in 2015.

Deferred outflow of resources is defined as the consumption of net assets applicable to a future reporting period. The deferred outflow 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 2015, amortization on previous amounts was offset by additional bond refunding amounts added for the Series 2014A and 2015A bond issues and \$24 million additional future pension expense. Since no new refunding debt was issued during 2014, the \$1.2 million decrease is due to the amortization of existing deferred amounts.

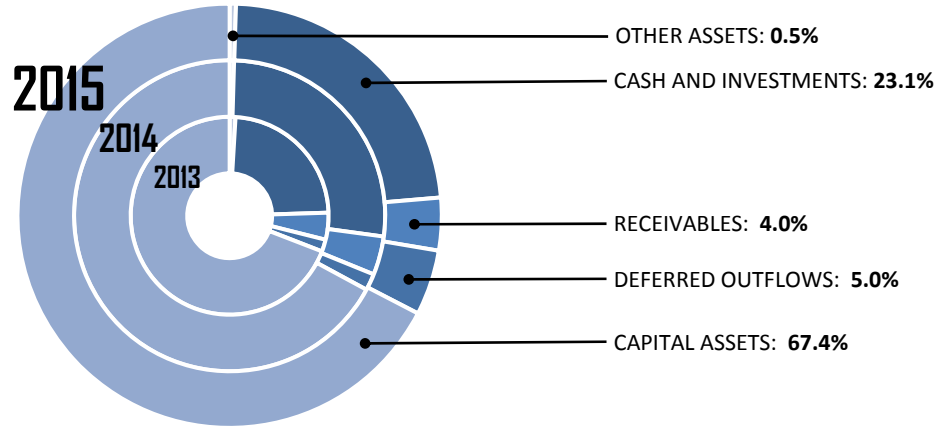
The University of Akron

Management's Discussion and Analysis

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Assets and deferred outflow of resources (continued)

Below is the composition of assets and deferred outflows for each year (with 2015 percentages):



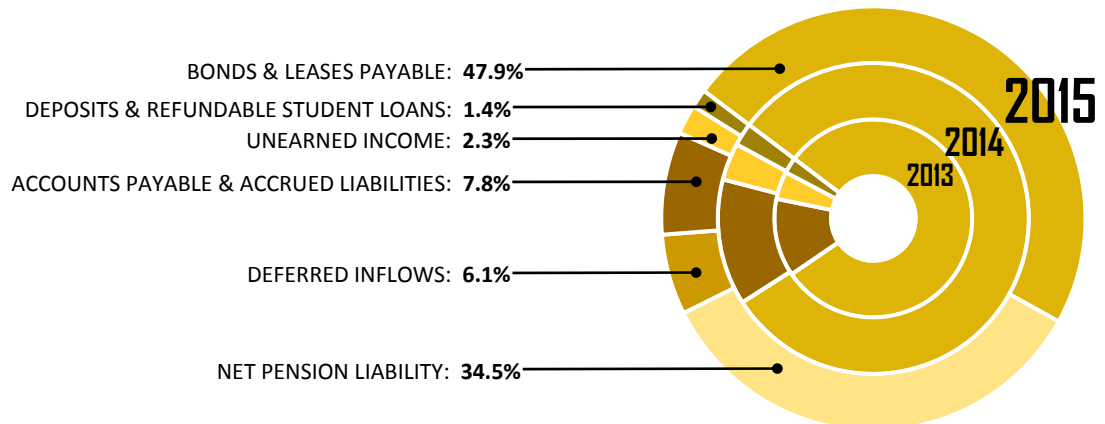
Liabilities and deferred inflow of resources

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 increased \$2.9 million and decreased \$0.9 million for 2015 and 2014, respectively. There were variations among many of the current liability categories, but the principal cause of the changes were a \$3.6 million 2015 increase in long-term debt which is due in the next fiscal year and a \$3.5 million 2014 decrease in accounts payable which offset changes in other liabilities.

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. For 2015, the \$332.0 million increase was due the recognition of the \$339.8 million net pension liability as a result of the adoption of GASB 68. For 2014, the most notable change occurred within the long-term debt. The \$55.5 million increase was primarily from the additional debt for the Campus-Wide Energy Efficiency and Conservation project.

Deferred inflow of resources is the acquisition of net assets applicable to a future reporting period. Deferred inflow of resources has a negative effect on net position similar to liabilities. Fiscal year 2015 was the first year to recognize deferred inflows due to the effects of changes in the net pension liability which will reduce future pension expense.

Below is the composition of liabilities and deferred inflows for each year (with 2015 percentages):



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Management's Discussion and Analysis
June 30, 2015

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. Net position decreased 77.8%, or \$385.9 million, for 2015 due mostly from the recognition of the net pension liability and increased approximately 1.6%, or \$7.7 million, for 2014. For comparative purposes, if the effect of the pension recognition is removed, total net position would have been \$488.2 million, \$495.9 million and \$485.0 million in 2013, 2014 and 2015 respectively.

Statements of Revenues, Expenses, and Changes in Net Position

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating revenues:			
Tuition and fees (net)	\$ 221.2	\$ 218.4	\$ 212.6
Grants and contracts	38.2	39.2	34.0
Sales and services	11.8	8.1	6.8
Auxiliary enterprises	48.1	50.5	50.8
Other operating revenues	0.5	1.3	0.9
Total operating revenues	<u>319.8</u>	<u>317.5</u>	<u>305.1</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	167.5	166.6	162.2
Other educational and general	205.5	194.2	186.7
Auxiliary enterprises	64.7	63.3	64.5
Depreciation	41.6	39.3	41.4
Total operating expenses	<u>479.3</u>	<u>463.4</u>	<u>454.8</u>
Operating loss	(159.5)	(145.9)	(149.7)
Nonoperating revenues (expenses):			
State appropriations	97.0	97.9	100.2
Federal grants	38.9	34.5	32.2
Gifts and distributions	19.6	19.6	23.1
Other nonoperating (net)	(13.0)	(2.1)	(20.1)
Net nonoperating revenues	<u>142.5</u>	<u>149.9</u>	<u>135.4</u>
(Loss) gain before other changes	(17.0)	4.0	(14.3)
Other changes:			
Capital appropriations	2.5	3.2	8.4
Other changes (net)	0.4	0.5	1.0
Total other changes	<u>2.9</u>	<u>3.7</u>	<u>9.4</u>
(Decrease) increase in net position	(14.1)	7.7	(4.9)
Net position:			
Net position - beginning of year	502.3	488.2	495.9
Change in accounting principle	-	-	(380.9)
Net position - as restated	<u>502.3</u>	<u>488.2</u>	<u>115.0</u>
Net position - end of year	<u>\$ 488.2</u>	<u>\$ 495.9</u>	<u>\$ 110.1</u>

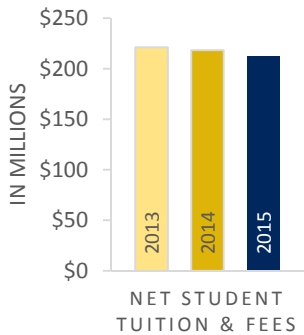
Prior years have been adjusted to conform to current year presentations. See Note 1.

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Management's Discussion and Analysis

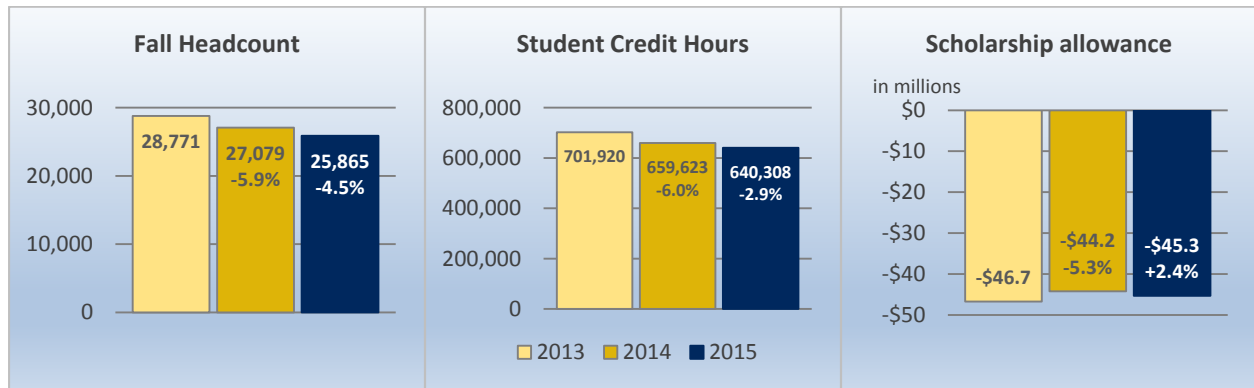
June 30, 2015

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 2.7% in 2015 and 1.3% in 2014. Changes in net tuition and fees are attributed to the student headcount, student credit hours taken and fees charged. Tuition and general fees were increased 2.0% for the each of the 2015 and 2014 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.

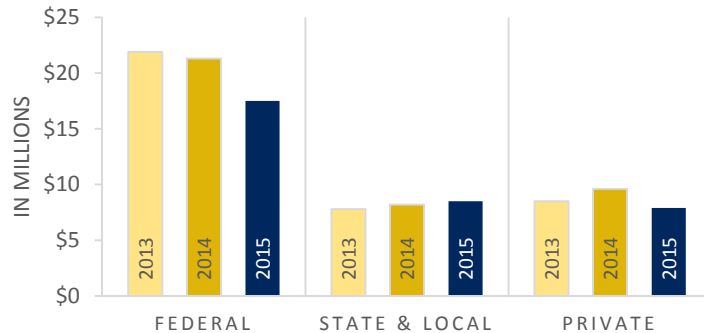
The following charts show changes that would have an effect on the net student tuition and fee revenue:



Grants and contracts include the combined federal, state, local, and private grants and contracts revenue. This represent 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	2013	2014	2015
National Science Foundation	\$ 4.5	\$ 5.1	\$ 5.9
Department of Defense	6.4	7.2	3.9
Department of Education	4.3	4.2	3.9
Department of Health and Human Services	1.6	1.7	1.5
National Aeronautics and Space Administration	1.8	0.9	0.4
Department of Energy	1.1	0.5	0.2
Other agencies	2.3	1.7	1.7
Total federal revenues	\$ 22.0	\$ 21.3	\$ 17.5

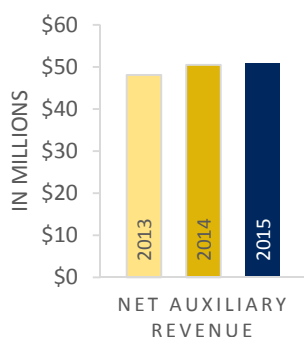
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Operating revenues (continued)

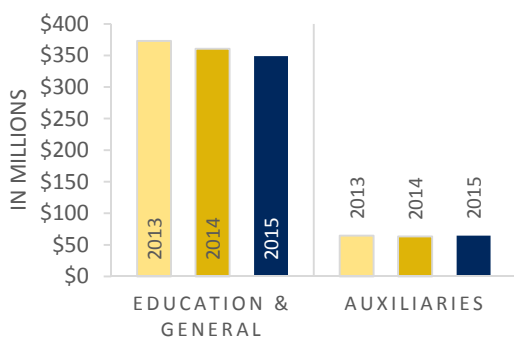
Sales and services revenue is from certain operations, which provide services to both students and other departments within The University campus. The decrease in revenues during 2014 was due to the closing of The Computer Store. During 2015 and 2014, the most significant of these operations was the English Language Institute which generated sales totaling \$1.5 million and \$1.7 million, respectively. The Computer Store was the most significant source in 2013 generating \$2.7 million.



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 facilities. The predominant revenues within this area are (in millions):

Auxiliary	2013	2014	2015
Residence halls	\$ 19.4	\$ 20.0	\$ 20.3
Dining facilities	16.5	16.3	16.9
Parking and transportation services	9.3	9.0	9.0
Other auxiliaries	9.2	11.2	10.8
Scholarship allowance	(6.3)	(6.0)	(6.2)
Total net auxiliary revenue	\$ 48.1	\$ 50.5	\$ 50.8

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 2015 and 2014, these expenses decreased 3.3% in each year.

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses increased 1.9% during 2015 and decreased 2.2% during 2014.

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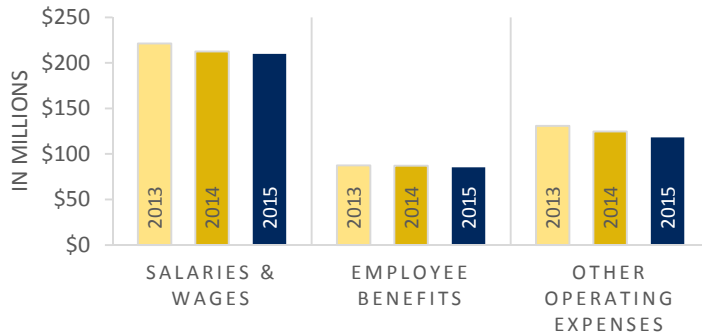
Management's Discussion and Analysis

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Operating expenses (continued)

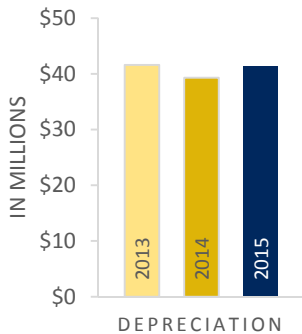
Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.

Salaries and wages include expenses for amounts paid and owed to faculty, staff, and students including full-time and part-time employees. These expenses decreased 1.2% and 4.0% during 2015 and 2014, respectively, due to contractual wage increases which were offset by a decline in the total number of employees.



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, health care and other employee-related benefit programs. These expenses have slightly decreased from 2013 through 2015.

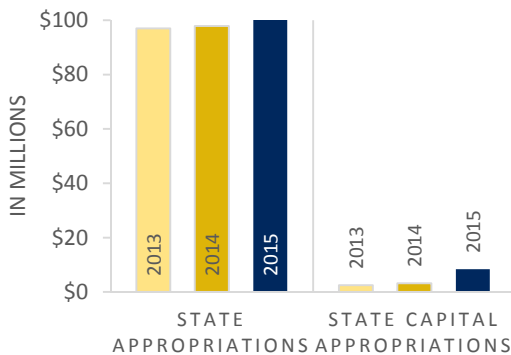
Other operating expenses include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. These expenses decreased 5.2% and 4.8% during 2015 and 2014, respectively, due to changing levels of spending in supplies and scholarships.



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 3 years for certain equipment to 40 years for buildings.

Depreciation expense increased \$2.1 million during 2015, and decreased \$2.3 million during 2014, 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 remained fairly stable during 2014 and increased \$2.3 million in 2015.

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.

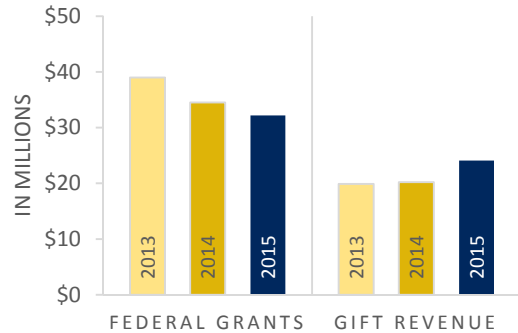
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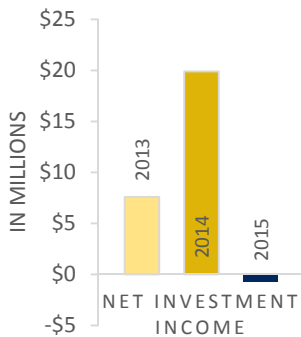
Nonoperating revenues and expenses (continued)

The University records Pell grant awards as nonoperating *federal grant* revenue. Federal grant revenue decreased 6.6% and 11.5% during 2015 and 2014, 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. Many 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 remained constant during 2014 and increased \$3.9 million during 2015.

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, decreased \$20.6 million during 2015 and increased \$12.2 million during 2014. The changes are due to overall fluctuations in returns on all investments and realized gains when investments were transferred to a new investment manager in spring 2014.

GASB requires investments be reported at fair value for financial statement reporting purposes. Included in the change in net investment income was a \$7.0 million net decrease in 2015 and a \$0.9 million net increase in 2014 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 decreased \$2.6 million to \$19.1 million in 2015 due to refinancing of certain debt and increased \$1.2 million to \$21.7 million in 2014 due to new bond payments.

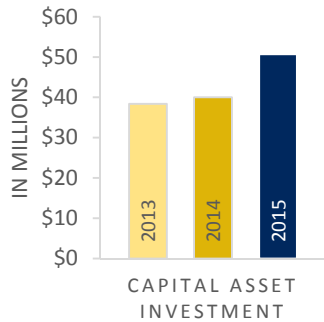


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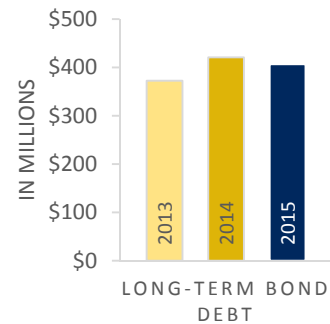
June 30, 2015

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. Most of the increase in 2015 is from spending on the Campus-Wide Energy Efficiency and Conservation project. 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 \$372.6 million, \$421.0 million, and \$406.5 million in 2013, 2014 and 2015, respectively. During 2015, The University issued refunding bonds to refinance portions of the Series 2003A, 2004B, 2008A and 2008B bonds and receive lower interest rates. During 2014, The University increased its long-term debt by \$59.6 million for the Campus-Wide Energy Efficiency and Conservation Project. The University's bond rating was unchanged with these issues and remains at A1 with a stable outlook. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.



Factors Impacting Future Periods



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 2015 and 2014, those revenue sources alone represented \$312.8 million and \$316.3 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 \$162.7 million and \$176.0 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 strategic initiatives to improve retention and stabilize enrollment. The University is also pursuing opportunities to diversify its revenue sources. In addition, the University is budgeting to better align with its revenue fluctuations and to control expenses.

Independent Auditor's Report

To the Board of Trustees
The University of Akron

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Akron (the "University") and its aggregate discretely presented component units as of and for the years ended June 30, 2015 and 2014, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

To the Board of Trustees
The University of Akron

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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2014, the University adopted new accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 is an amendment to Statement No. 27. In accordance with Statement No. 68, the University is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of University's 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 and its discretely presented component units' basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
The University of Akron

The accompanying other supplemental information, the schedule of expenditures of federal awards, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or the 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 November 12, 2015 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

November 12, 2015

The University of Akron

Statements of Net Position

June 30, 2015 and 2014

ASSETS	The University of Akron		Component Units	
	2015	2014	2015	2014
Current assets:				
Cash and cash equivalents	\$ 13,142,547	\$ 11,800,875	\$ 3,956,612	\$ 4,952,422
Pooled investments	150,302,033	150,651,605	6,735,662	7,693,607
Accounts receivable, net	32,279,342	32,318,391	1,671,339	2,756,020
Pledges receivable, net	303,938	161,374	2,912,480	1,675,058
Notes receivable, net	1,490,122	1,564,191	-	-
Accrued interest receivable	460,068	401,736	-	-
Inventories	783,904	786,714	-	-
Prepaid expenses	4,407,281	4,251,782	81,844	52,851
Total current assets	203,169,235	201,936,668	15,357,937	17,129,958
Noncurrent assets:				
Restricted cash and cash equivalents	4,660,217	2,752,845	-	-
Restricted investments	12,051,182	46,485,933	386,477	220,766
Endowment investments	65,313,105	68,158,027	167,910,416	170,633,498
Investments held in trust by others	7,586,191	9,320,145	-	-
Pledges receivable, net	640,917	194,971	8,286,498	6,807,009
Notes receivable, net	8,807,355	8,884,739	-	-
Capital assets, net	736,788,579	727,460,694	17,929,043	19,836,715
Total assets	1,039,016,781	1,065,194,022	209,870,371	214,627,946
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	30,070,403	18,861,358	-	-
Pensions	24,443,491	-	-	-
Total deferred outflow of resources	54,513,894	18,861,358	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	4,931,583	4,368,637	4,365,163	3,553,851
Accrued liabilities	23,250,472	22,022,521	678,347	830,151
Accrued interest payable	7,321,662	9,311,722	-	-
Unearned income	22,236,571	22,728,924	2,681,661	3,017,578
Deposits	1,979,702	2,113,687	-	1,954,194
Current portion of long-term liabilities	24,547,886	20,880,711	4,968,835	5,074,636
Total current liabilities	84,267,876	81,426,202	12,694,006	14,430,410
Noncurrent liabilities:				
Refundable federal student loans	11,842,132	11,771,832	-	-
Actuarial liability for annuity/unitrust agreements	-	-	13,252,020	11,999,996
Net pension liability	339,765,660	-	-	-
Long-term liabilities	487,155,233	494,966,018	2,571,883	2,639,718
Total liabilities	923,030,901	588,164,052	28,517,909	29,070,124
DEFERRED INFLOW OF RESOURCES				
Pensions	59,540,889	-	-	-
Other deferred inflows	900,000	-	-	-
Total deferred inflow of resources	60,440,889	-	-	-
NET POSITION				
Net investment in capital assets	292,967,203	295,032,434	15,357,160	17,196,997
Restricted:				
Nonexpendable:				
Endowment	23,363,947	24,092,810	102,239,633	99,230,932
Expendable:				
Research and gifts	36,709,910	32,316,294	-	-
Loans	825,904	817,532	-	-
Endowment	31,458,109	32,314,498	60,101,203	65,622,448
Capital projects	4,645,392	8,741,177	-	-
Debt service	342,257	36,744	-	-
Unrestricted (deficit)	(280,253,837)	102,539,839	3,654,466	3,507,445
Total net position	\$ 110,058,885	\$ 495,891,328	\$ 181,352,462	\$ 185,557,822

The University of Akron
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended June 30, 2015 and 2014

REVENUES	The University of Akron		Component Units	
	2015	2014	2015	2014
Operating revenues:				
Student tuition and fees	\$ 257,856,631	\$ 262,638,813	\$ -	\$ -
Scholarship allowance	(45,287,087)	(44,215,295)	-	-
Net student tuition and fees	212,569,544	218,423,518	-	-
Federal grants and contracts	17,541,809	21,274,696	65,542	159,311
State grants and contracts	8,155,110	7,893,162	-	-
Local grants and contracts	358,218	338,420	-	-
Private grants and contracts	8,051,641	9,690,836	9,324,413	8,609,804
Gifts and contributions	-	-	10,279,496	7,659,191
Sales and services	6,769,940	8,144,993	-	-
Auxiliary enterprises	57,030,317	56,492,934	-	-
Scholarship allowance	(6,243,746)	(6,021,505)	-	-
Net auxiliary enterprises	50,786,571	50,471,429	-	-
Pensions	14,062	-	-	-
Other sources	979,186	1,319,523	2,032,458	2,528,074
Total operating revenues	305,226,081	317,556,577	21,701,909	18,956,380
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	162,172,003	166,552,612	-	-
Separately budgeted research	30,496,892	34,135,223	7,531,508	6,472,697
Public service	6,984,579	9,478,054	-	-
Academic support	35,115,408	35,058,248	-	-
Student services	14,138,954	13,920,530	-	-
Institutional support	51,505,090	52,866,822	1,010,986	954,441
Operation and maintenance of plant	23,382,265	23,574,269	-	-
Scholarships and fellowships	25,151,776	25,279,399	-	-
Auxiliary enterprises	64,488,966	63,303,667	-	-
Depreciation	41,408,128	39,281,873	375,661	600,550
Total operating expenses	454,844,061	463,450,697	8,918,155	8,027,688
Operating income (loss)	(149,617,980)	(145,894,120)	12,783,754	10,928,692
NONOPERATING REVENUES (EXPENSES)				
State appropriations	100,217,868	97,877,162	-	-
Federal grants	32,185,530	34,474,524	-	-
Gifts	6,804,003	6,719,566	-	-
Investment income, net	(657,981)	19,895,811	(3,481,022)	25,187,299
Interest on debt	(19,050,279)	(21,727,292)	(98,478)	(100,562)
Distributions to The University	16,185,606	12,872,529	(16,185,606)	(12,872,529)
Distributions on behalf of The University	-	-	(422,147)	(556,103)
Other nonoperating revenues (expenses)	(396,108)	(236,618)	487,294	551,603
Net nonoperating revenues (expenses)	135,288,639	149,875,682	(19,699,959)	12,209,708
Income (loss) before other changes	(14,329,341)	3,981,562	(6,916,205)	23,138,400
OTHER CHANGES				
State capital appropriations	8,383,538	3,180,390	-	-
Capital gifts and grants	606,453	281,360	-	-
Additions to permanent endowments	439,399	282,865	2,710,845	2,144,724
Total other changes	9,429,390	3,744,615	2,710,845	2,144,724
Increase (decrease) in net position	(4,899,951)	7,726,177	(4,205,360)	25,283,124
NET POSITION				
Net position - beginning of year	495,891,328	488,165,151	185,557,822	160,274,698
Adjustment for change in accounting principle	(380,932,492)	-	-	-
Net position - as restated	114,958,836	488,165,151	185,557,822	160,274,698
Net position - end of year	<u>\$ 110,058,885</u>	<u>\$ 495,891,328</u>	<u>\$ 181,352,462</u>	<u>\$ 185,557,822</u>

The University of Akron

Statements of Cash Flows

June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 212,865,306	\$ 216,336,353
Grants and contracts	34,750,078	40,821,643
Auxiliary enterprises	49,732,010	50,460,457
Sales and service of educational activities	6,769,940	8,144,993
Payments to suppliers	(91,519,605)	(98,477,260)
Payments for compensation and benefits	(299,511,540)	(299,549,068)
Payments for scholarships and fellowships	(24,391,989)	(25,739,464)
Loans issued to students	(1,585,431)	(2,188,456)
Collection of loans to students	1,736,884	1,731,976
Other payments	(687,116)	(246,239)
	(111,841,463)	(108,705,065)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	100,217,868	97,877,162
Gifts, grants and contracts for other than capital purposes	54,717,095	53,904,364
Private gifts for endowment purposes	296,523	282,865
Other payments	(396,108)	(236,618)
	154,835,378	151,827,773
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	132,396,244	59,571,171
Repayment of capital debt	(131,505,000)	(13,707,476)
Capital appropriations	8,383,538	3,180,390
Capital grants and gifts received	406,352	5,441,827
Purchases of capital assets	(51,617,472)	(41,862,216)
Principal paid on capital debt and leases	(17,683,257)	(13,707,476)
Interest paid on capital debt and leases	(18,442,566)	(22,120,525)
	(78,062,161)	(23,204,305)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	238,822,308	257,967,742
Interest on investments	5,520,444	18,658,709
Purchase of investments	(206,025,462)	(296,838,546)
	38,317,290	(20,212,095)
Net increase (decrease) in cash and cash equivalents	3,249,044	(293,692)
Cash and cash equivalents - beginning of the year	14,553,720	14,847,412
Cash and cash equivalents - end of the year	\$ 17,802,764	\$ 14,553,720

(continued)

The University of Akron

Statements of Cash Flows

June 30, 2015 and 2014

	2015	2014
RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (149,617,980)	\$ (145,894,120)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	41,408,128	39,281,873
Changes in assets and liabilities:		
Accounts receivable, net	164,986	850,527
Notes receivable, net	151,453	(456,480)
Inventories	2,810	(18,773)
Prepaid expenses	(155,499)	(473,806)
Accounts payable	843,130	(1,250,561)
Accrued liabilities	1,227,951	(590,681)
Unearned income	(492,353)	(1,432,342)
Deposits held for others	(181,802)	302,427
Sick leave liability	215,537	620,100
Other post-employment benefit liability	543,493	340,835
Net pension liability	(6,021,617)	-
Refundable federal student loans	70,300	15,936
	<u>\$ (111,841,463)</u>	<u>\$ (108,705,065)</u>

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

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. The University, along with several partners, formed the Austen BioInnovation Institute in Akron (ABIA) to develop biomaterial and medical research, education, clinical services and commercialization. These organizations are legally separate from The University and have no voting majority from The University. Accordingly, their financial activity is not included within the accompanying financial statements and The University bears no financial benefit or burden for these organizations.

In accordance with Governmental 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 the 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 fund-raising 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 11.

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

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

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. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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.

Deferred Outflow of Resources

Deferred outflow of resources is the consumption of net assets applicable to a future reporting period. Deferred outflow of resources has a positive effect on net position similar to assets.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

1. Summary of Significant Accounting and Reporting Policies – continued

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	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 are conducted in July and August. Unearned income also includes amounts received in advance from grant and contract sponsors that have yet to be earned under the terms of the agreements. The amounts which are unearned are recognized as revenue 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 state retirement plans that The University is a member and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement plans. The plans use 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.

Deferred Inflow of Resources

Deferred inflow of resources is the acquisition of net assets applicable to a future reporting period. Deferred inflow of resources has a negative effect on net position similar to liabilities.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

1. Summary of Significant Accounting and Reporting Policies – continued

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

Service Organization

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

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

1. Summary of Significant Accounting and Reporting Policies – continued

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.

Change in Accounting Principle

Effective with the fiscal year ended June 30, 2015, The University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. These statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). As a result of these statements, The University has reported the \$380.9 million impact as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

Reclassifications

Certain components of operating revenues and expenses have been reclassified for June 30, 2014 to eliminate intra-university charges for telecommunications and other sales accounts. There was no change to net position or changes in net position as a result of these reclassifications. Details of the reclassifications are as follows:

	<u>6/30/2014</u> <u>as reported</u>	<u>Reclassification</u>	<u>6/30/2014</u> <u>as adjusted</u>
Operating revenues:			
Sales and services	\$ 9,868,035	\$ (1,723,042)	\$ 8,144,993
Auxiliary enterprises	59,556,025	(3,063,091)	56,492,934
Operating expenses:			
Institutional support	54,589,864	(1,723,042)	52,866,822
Auxiliary enterprises	66,366,758	(3,063,091)	63,303,667

Accounting Standards

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for fiscal year 2016. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

1. Summary of Significant Accounting and Reporting Policies - continued

Accounting Standards

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, for pension plans and pensions that are within their respective scopes. The requirements of this statement for The University's pensions that are within the scope of Statement No. 68 are effective for fiscal year 2017. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The scope of this statement includes OPEB plans—defined benefit and defined contribution—administered through trusts or equivalent arrangements that meet the following criteria:

- Contributions from employers to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

The University's OPEB plan does not meet these criteria and will not be affected by this statement.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The requirements of this statement are effective for fiscal year 2018. The precise impact is not known; however, if we approximate the liability based on the unfunded actuarial accrued liability of the retirement systems and allocate based on the proportionate share used for pensions, this computes to a liability of approximately \$56.5 million.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and is effective for fiscal year 2016.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

1. Summary of Significant Accounting and Reporting Policies - continued

Accounting Standards – continued

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement provides financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government's financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for fiscal year 2017. The University will not be affected by this statement at this time.

2. Cash and Investments

Cash

At June 30, 2015 and 2014, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$17,802,764 and \$14,553,720, respectively, as compared to bank balances of \$14,801,244 and \$14,073,022, respectively. The differences between carrying amounts and bank balances were caused by items in transit. Of the June 30, 2015 and 2014 bank balances, \$14,419,863 and \$13,510,724, respectively, was 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, municipal notes and bonds, and investment programs offered by The Commonfund.

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.

The University's investments, at fair value, at June 30, 2015 and 2014 are summarized as follows:

	2015	2014
	Fair Value	Fair Value
Pooled investments:		
Money Market	\$ 2,617,820	\$ 661,720
U.S. agencies	14,102,111	13,848,248
U.S. Treasury	22,301,261	18,724,119
U.S. and corporate bonds	15,730,151	10,923,820
Corporate notes	44,478,838	43,413,257
Municipal issues	500,995	503,190
Equities	24,690,777	30,925,479
Managed fixed income	-	2,982,940
PIMCO AAAA	1,449,963	3,745,293
Negotiable certificates of deposit	9,492,587	8,501,416
Commerical paper	-	1,099,164
Mutual funds - alternative investments	4,273,319	-
PFM: Prime Series	10,664,211	15,322,959
Total pooled investments	150,302,033	150,651,605

continued

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

2. Cash and Investments - continued

Investments - continued

	<u>2015</u> <u>Fair Value</u>	<u>2014</u> <u>Fair Value</u>
Endowment investments:		
Marketable securities:		
Money Market	2,457,636	2,708,758
U.S. agencies	163,756	162,773
U.S. Treasury	1,084,953	821,340
Equities	48,798,080	42,738,902
Managed Fixed Income	12,198,223	13,301,714
U.S. and corporate bonds	70,975	1,829,843
Corporate notes	538,748	559,625
PIMCO AAAA	-	6,023,953
The Commonfund: Private Equity	130	10,515
Cash surrender value of life insurance	604	604
Total endowment investments	<u>65,313,105</u>	<u>68,158,027</u>
Investments held in trust by others:		
Money Market	1,146,709	-
U.S. agencies	-	8,439,589
U.S. Treasury	5,567,901	-
Commercial paper sweep	871,581	880,556
Total investments held in trust by others	<u>7,586,191</u>	<u>9,320,145</u>
Restricted investments:		
U.S. agencies	4,128,138	35,208,238
U.S. Treasury	7,923,044	11,277,695
Total restricted investments	<u>12,051,182</u>	<u>46,485,933</u>
Total investments	<u>\$ 235,252,511</u>	<u>\$ 274,615,710</u>

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, 2015 and 2014, 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, 2015 and 2014, 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 Commonfund is a nonprofit membership corporation which provides investment management services for its member colleges, universities and independent schools and offers a series of pooled investment funds.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2015 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$ 10,664,211	\$ -	\$ -	\$ -	\$ 10,664,211
U.S. agencies	AAA	4,153,150	4,994,530	1,537,365	7,708,960	18,394,005
U.S. Treasury	AA	10,145,090	22,425,063	4,307,006	-	36,877,159
Municipal issues	AAA	500,995	-	-	-	500,995
Negotiable CDs	AA	925,564	1,895,896	-	-	2,821,460
	A	924,852	5,746,275	-	-	6,671,127
Total negotiable CDs		1,850,416	7,642,171	-	-	9,492,587
Corporate notes	AAA	-	949,231	-	-	949,231
	AA	691,912	13,378,237	1,750,572	-	15,820,721
	A	3,083,334	24,499,107	551,016	35,838	28,169,295
	BBB	35,361	26,134	16,844	-	78,339
Total corporate notes		3,810,607	38,852,709	2,318,432	35,838	45,017,586
U.S. and corporate bonds	AAA	2,670,638	-	-	63,608	2,734,246
	AA	1,269,205	-	-	-	1,269,205
	A	1,484,995	-	-	-	1,484,995
	BBB	1,691,247	-	-	-	1,691,247
	BB	887,150	-	-	-	887,150
	B	787,950	-	-	-	787,950
	Below B	188,871	-	-	-	188,871
Total U.S. and corporate bonds		8,980,056	-	-	63,608	9,043,664
Totals		<u>\$ 40,104,525</u>	<u>\$ 73,914,473</u>	<u>\$ 8,162,803</u>	<u>\$ 7,808,406</u>	<u>\$129,990,207</u>

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2014 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$ 15,322,959	\$ -	\$ -	\$ -	\$ 15,322,959
U.S. agencies	AAA	20,763,362	15,215,176	9,339	-	35,987,877
U.S. Treasury	AA	425,630	26,739,951	3,629,839	27,734	30,823,154
Municipal issues	AAA	-	503,190	-	-	503,190
Commercial paper	A	1,099,164	-	-	-	1,099,164
Negotiable CDs	AA	-	2,071,622	-	-	2,071,622
	A	3,403,638	-	-	-	3,403,638
Total negotiable CDs		3,403,638	2,071,622	-	-	5,475,260
Corporate notes	AAA	-	985,018	-	-	985,018
	AA	-	15,858,735	2,963,878	-	18,822,613
	A	491,945	23,422,047	134,714	36,946	24,085,652
	BBB	-	36,093	43,506	-	79,599
Total corporate notes		491,945	40,301,893	3,142,098	36,946	43,972,882
U.S. and corporate bonds	AAA	2,236,466	-	-	-	2,236,466
	AA	526,118	-	-	-	526,118
	A	848,710	-	-	-	848,710
	BBB	1,050,289	-	-	-	1,050,289
	BB	642,120	-	-	-	642,120
	B	432,679	-	-	-	432,679
	Below B	337,047	-	-	-	337,047
Total U.S. and corporate bonds		6,073,429	-	-	-	6,073,429
Totals		\$ 47,580,127	\$ 84,831,832	\$ 6,781,276	\$ 64,680	\$139,257,915

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Accounts receivable, net:		
Federal, state, local governments, foundations, and companies, net of allowance for doubtful accounts of \$695,875 and \$1,415,972, respectively	\$ 15,656,799	\$ 14,703,505
Student receivables, net of allowance for doubtful accounts of \$31,795,069 and \$29,893,763, respectively	14,995,227	16,071,211
Other, net of allowance for doubtful accounts of \$48,209 and \$46,292, respectively	<u>1,627,316</u>	<u>1,543,675</u>
Total accounts receivable, net	32,279,342	32,318,391
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$1,000,745 and \$1,258,119, respectively	<u>10,297,477</u>	<u>10,448,930</u>
Accounts and notes receivable, net	<u><u>\$ 42,576,819</u></u>	<u><u>\$ 42,767,321</u></u>

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2015 and 2014 were as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Pledges Receivable</u>	<u>Current Portion</u>	<u>Pledges Receivable</u>	<u>Current Portion</u>
Total pledges receivable	\$1,013,975	\$ 318,085	\$ 450,511	\$ 168,888
Less: amount estimated to be uncollectible	(43,979)	(14,147)	(16,593)	(7,514)
Less: unamortized discount	<u>(25,141)</u>	-	<u>(77,573)</u>	-
Pledges receivable, net	944,855	<u>\$ 303,938</u>	356,345	<u>\$ 161,374</u>
Less: current portion	<u>(303,938)</u>		<u>(161,374)</u>	
Pledges receivable, noncurrent portion	<u>\$ 640,917</u>		<u>\$ 194,971</u>	

As of June 30, 2015 and 2014, The University has approximately \$4,433,000 and \$4,233,000, 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.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

5. Capital Assets

Changes in capital assets during fiscal years 2015 and 2014 were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Nondepreciable capital assets:					
Land	\$ 39,661,058	\$ -	\$ -	\$ -	\$ 39,661,058
Historical collections	4,586,517	-	-	-	4,586,517
Construction in progress	3,584,041	42,392,701	-	(35,155,904)	10,820,838
Total nondepreciable capital assets	47,831,616	42,392,701	-	(35,155,904)	55,068,413
Depreciable capital assets:					
Land improvements	49,480,156	-	(2,192,205)	428,139	47,716,090
Buildings	927,985,313	-	-	5,912,713	933,898,026
Infrastructure	46,414,969	-	(2,645)	28,815,052	75,227,376
Equipment, furniture and books	118,980,664	8,343,312	(7,257,297)	-	120,066,679
Total depreciable capital assets	1,142,861,102	8,343,312	(9,452,147)	35,155,904	1,176,908,171
Total capital assets	1,190,692,718	50,736,013	(9,452,147)	-	1,231,976,584
Less accumulated depreciation:					
Land improvements	29,381,024	1,862,912	(2,192,205)	-	29,051,731
Buildings	343,067,809	25,291,215	-	-	368,359,024
Infrastructure	10,105,610	3,665,241	(2,645)	-	13,768,206
Equipment, furniture and books	80,677,581	10,494,832	(7,163,369)	-	84,009,044
Total accumulated depreciation	463,232,024	41,314,200	(9,358,219)	-	495,188,005
Capital assets, net	<u>\$ 727,460,694</u>	<u>\$ 9,421,813</u>	<u>\$ (93,928)</u>	<u>\$ -</u>	<u>\$ 736,788,579</u>
	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Nondepreciable capital assets:					
Land	\$ 39,661,058	\$ -	\$ -	\$ -	\$ 39,661,058
Historical collections	4,558,045	148,372	(8,500)	(111,400)	4,586,517
Construction in progress	5,771,032	36,639,138	-	(38,826,129)	3,584,041
Total nondepreciable capital assets	49,990,135	36,787,510	(8,500)	(38,937,529)	47,831,616
Depreciable capital assets:					
Land improvements	48,448,524	-	(728,956)	1,760,588	49,480,156
Buildings	902,958,582	13,500,000	(908,390)	12,435,121	927,985,313
Infrastructure	23,228,249	-	(1,443,700)	24,630,420	46,414,969
Equipment, furniture and books	125,309,625	6,453,173	(12,893,534)	111,400	118,980,664
Total depreciable capital assets	1,099,944,980	19,953,173	(15,974,580)	38,937,529	1,142,861,102
Total capital assets	1,149,935,115	56,740,683	(15,983,080)	-	1,190,692,718
Less accumulated depreciation:					
Land improvements	28,204,211	1,905,769	(728,956)	-	29,381,024
Buildings	318,593,910	25,382,289	(908,390)	-	343,067,809
Infrastructure	9,637,069	1,912,241	(1,443,700)	-	10,105,610
Equipment, furniture and books	83,498,041	9,979,584	(12,800,044)	-	80,677,581
Total accumulated depreciation	439,933,231	39,179,883	(15,881,090)	-	463,232,024
Capital assets, net	<u>\$ 710,001,884</u>	<u>\$ 17,560,800</u>	<u>\$ (101,990)</u>	<u>\$ -</u>	<u>\$ 727,460,694</u>

For the years ended June 30, 2015 and 2014, respectively, included in depreciation expense of \$41,408,128 and \$39,281,873 is a loss of \$93,928 and \$101,990 from the disposal of obsolete capital assets.

The University of Akron
Notes to Financial Statements
June 30, 2015 and 2014

6. Long-term Liabilities

Changes in long-term liabilities during fiscal year 2015 were as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Bonds payable:					
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	\$ 14,875,000	\$ -	\$ (14,875,000)	\$ -	\$ -
General receipts bonds - Series 2004B, 2.0% to 5.0%, due serially through 2035	16,495,000	-	(16,495,000)	-	-
General receipts refunding bonds - Series 2005, 3.5% to 5.0%, due serially through 2022	11,420,000	-	(1,220,000)	10,200,000	1,275,000
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	189,120,000	-	(104,480,000)	84,640,000	4,495,000
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	117,040,000	-	(5,005,000)	112,035,000	6,245,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	31,320,000	-	(850,000)	30,470,000	1,445,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	-	29,635,000	(1,875,000)	27,760,000	710,000
Bond premium, Series 2014A	-	2,252,592	(107,266)	2,145,326	107,266
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	-	99,135,000	-	99,135,000	1,600,000
Bond premium, Series 2015A	-	14,013,911	(206,087)	13,807,824	824,348
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	44,571,171	-	(3,234,490)	41,336,681	3,314,706
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	439,841,171	145,036,503	(148,347,843)	436,529,831	20,016,320
Development Finance Authority lease	32,635,000	-	(595,000)	32,040,000	615,000
Innovation Generation Scholarships	13,102,210	-	(437,533)	12,664,677	600,000
Capitalized lease obligations	1,523,411	-	(558,767)	964,644	577,706
Sick leave liability	8,716,082	1,489,130	(1,273,593)	8,931,619	2,738,860
Other postemployment benefits	20,028,855	543,493	-	20,572,348	-
Totals	<u>\$ 515,846,729</u>	<u>\$ 147,069,126</u>	<u>\$ (151,212,736)</u>	<u>\$ 511,703,119</u>	<u>\$ 24,547,886</u>
Less: current portion				(24,547,886)	
Long-term liabilities				<u>\$ 487,155,233</u>	

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 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.

The University of Akron
Notes to Financial Statements
June 30, 2015 and 2014

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal year 2014 were as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Bonds payable:					
General receipts bonds -					
Series 2003A, 1.5% to 5.0%, due serially through 2033	\$ 15,850,000	\$ -	\$ (975,000)	\$ 14,875,000	\$ 1,045,000
General receipts bonds -					
Series 2004B, 2.00% to 5.00%, due serially through 2035	17,290,000	-	(795,000)	16,495,000	830,000
General receipts refunding bonds -					
Series 2005, 3.50% to 5.00%, due serially through 2022	12,760,000	-	(1,340,000)	11,420,000	1,220,000
General receipts bonds -					
Series 2008A, 3.0% to 5.0%, due serially through 2038	193,315,000	-	(4,195,000)	189,120,000	4,345,000
General receipts refunding bonds -					
Series 2010A, 2.00% to 5.00%, due serially through 2029	121,880,000	-	(4,840,000)	117,040,000	5,005,000
General receipts refunding bonds -					
Series 2012A, 2.4%, due serially through 2027	31,605,000	-	(285,000)	31,320,000	850,000
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds -					
Series 2013A, 2.48% due serially through 2026	-	44,571,171	-	44,571,171	3,234,490
Tax credit revenue bonds -					
Series 2013B, 4.99%, due 2029	-	15,000,000	-	15,000,000	-
Total bonds payable	<u>392,700,000</u>	<u>59,571,171</u>	<u>(12,430,000)</u>	<u>439,841,171</u>	<u>16,529,490</u>
Development Finance Authority lease	33,215,000	-	(580,000)	32,635,000	595,000
Innovation Generation Scholarships	-	13,500,000	(397,790)	13,102,210	450,000
Capitalized lease obligations	2,105,887	-	(582,476)	1,523,411	558,767
Sick leave liability	8,095,982	1,542,101	(922,001)	8,716,082	2,747,454
Other postemployment benefits	<u>19,688,020</u>	<u>340,835</u>	<u>-</u>	<u>20,028,855</u>	<u>-</u>
Totals	<u>\$ 455,804,889</u>	<u>\$ 74,954,107</u>	<u>\$ (14,912,267)</u>	<u>\$ 515,846,729</u>	<u>\$ 20,880,711</u>
Less: current portion				(20,880,711)	
Long-term liabilities				<u>\$ 494,966,018</u>	

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

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 semi-annual 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, 2015 and 2014 were \$779,653 and \$391,693, respectively. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

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, 2015	Amount Outstanding at June 30, 2014
General Receipts Rental Note:			
Series 2003A	\$ 33,412,270	\$ 25,383,453	\$ 26,453,962
General Receipts Bonds:			
Series 2008A	48,765,000	48,765,000	-
Series 2008B	51,370,000	51,370,000	-
	<u>\$ 133,547,270</u>	<u>\$ 125,518,453</u>	<u>\$ 26,453,962</u>
Totals	<u>\$ 133,547,270</u>	<u>\$ 125,518,453</u>	<u>\$ 26,453,962</u>

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2015 are as follows:

Fiscal Year:	Principal	Interest	Total
2016	\$ 20,016,320	\$ 17,800,822	\$ 37,817,142
2017	19,473,524	16,422,809	35,896,333
2018	19,872,768	15,675,681	35,548,449
2019	20,559,100	14,907,693	35,466,793
2020	21,287,574	14,098,792	35,386,366
2021-2025	112,903,703	57,931,594	170,835,297
2026-2030	117,017,902	33,584,873	150,602,775
2031-2035	67,933,940	15,192,154	83,126,094
2036-2038	37,465,000	2,871,125	40,336,125
	<u>\$ 436,529,831</u>	<u>\$ 188,485,543</u>	<u>\$ 625,015,374</u>
Totals	<u>\$ 436,529,831</u>	<u>\$ 188,485,543</u>	<u>\$ 625,015,374</u>

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2015 and 2014, interest on borrowings for the Series 2008A&B bonds was \$6,901,879 and \$9,618,623, respectively, and earnings on the proceeds were \$289 and \$1,724, respectively. Substantial completion on outstanding projects was determined to be 98.3% and 98.0% in 2015 and 2014, resulting in net capitalized interest of \$120,365 and \$190,312, respectively. At June 30, 2015 and 2014, interest on borrowings for the Series 2013A&B bonds was \$1,073,931 and \$843,492, respectively, and earnings on the proceeds were \$42,949 and \$85,865, respectively. Substantial completion on outstanding projects was determined to be 86.0% and 39.9% in 2015 and 2014, respectively, resulting in net capitalized interest of \$144,121 and \$455,605, respectively.

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, 2015 and 2014 was \$12,664,677 and \$13,102,210, respectively.

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 \$1,032,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal years 2015 and 2014 totaled approximately \$120,000 and \$345,000, respectively. During fiscal years 2015 and 2014, The University also received rental receipts approximating \$443,000 and \$582,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

6. Long-term Liabilities - continued

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2015 and 2014 amounted to approximately \$655,000 and \$687,000, respectively.

The University has entered into a six-year lease to house UA Lakewood in the Bailey Building in Lakewood, Ohio through 2018. 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, 2015 are as follows:

Fiscal Year	2016	\$ 174,421
	2017	175,675
	2018	<u>43,919</u>
		<u>\$ 394,015</u>

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 University is required to pay semi-annual rental payments to the DFA for the life of the revenue bonds. The agreement allows for The University to purchase the housing facility with a bargain purchase option at the end of the agreement.

The University's other capital leased assets consist of a chilled water tank and property. Future minimum lease payments as of June 30, 2015 under all capital leases with an initial or remaining noncancelable lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows by major class:

Fiscal Year:	<u>DFA</u>	<u>Building</u>	<u>Land</u>	<u>Total</u>
2015	\$ 2,348,937	\$ 574,194	\$ 27,047	\$ 2,950,178
2016	2,345,263	382,796	9,016	2,737,075
2017	2,345,250	-	-	2,345,250
2018	2,342,962	-	-	2,342,962
2019	2,343,206	-	-	2,343,206
2020-2024	11,682,538	-	-	11,682,538
2025-2029	11,651,500	-	-	11,651,500
2030-2034	11,580,000	-	-	11,580,000
2035-2039	11,511,100	-	-	11,511,100
2040-2042	<u>4,577,650</u>	<u>-</u>	<u>-</u>	<u>4,577,650</u>
Total minimum lease payments	62,728,406	956,990	36,063	63,721,459
Less amount representing interest	<u>(30,688,406)</u>	<u>(27,888)</u>	<u>(521)</u>	<u>(30,716,815)</u>
Present value of net minimum capital lease payments	<u>\$ 32,040,000</u>	<u>\$ 929,102</u>	<u>\$ 35,542</u>	<u>\$ 33,004,644</u>

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.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

7. State Support - continued

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. The University intends to use this Capital Component toward funding the debt service obligation of the Series 2010A Bond Issue.

8. Employee Benefit Plans

Retirement Plans

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the law enforcement division of the Ohio Public Employees Retirement System (OPERS-LE). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS, SERS, and OPERS-LE provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries. Authority to establish and amend benefits is provided by state statutes of the Ohio Revised Code (ORC).

Each retirement system issues stand-alone Comprehensive Annual Financial Reports that may be obtained by contacting:

State Teachers Retirement System
275 E. Broad Street
Columbus, Ohio 43215-3371
(888) 227-7877
www.strsoh.org

School Employees Retirement System
300 East Broad Street, Suite 100
Columbus, Ohio 43215-3746
(800) 878-5853
www.ohsers.org

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215-4642
(800) 222-7377
www.opers.org

Contributions

The ORC provides statutory authority for employee and employer contributions. The employee contribution rates on covered payroll for the last three years are:

	<u>Employee contributions</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
STRS	12.00%	11.00%	10.00%
SERS	10.00%	10.00%	10.00%
OPERS-LE	13.00%	12.60%	12.10%

The statutory STRS employee contribution rate will be increased one percent each year until it reaches 14% on July 1, 2016.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

The employer contribution rates on covered payroll for the last three years are:

	Employer contributions								
	2015			2014			2013		
	Pension	Healthcare	Total	Pension	Healthcare	Total	Pension	Healthcare	Total
STRS	14.00%	0.00%	14.00%	13.00%	1.00%	14.00%	13.00%	1.00%	14.00%
SERS	12.44%	1.56%	14.00%	13.10%	0.90%	14.00%	13.10%	0.90%	14.00%
OPERS-LE	16.10%	2.00%	18.10%	16.10%	2.00%	18.10%	17.10%	1.00%	18.10%

The University's annual required and actual contributions to each system are:

	2015	2014	2013
STRS	\$ 12,098,895	\$ 12,322,156	\$ 12,827,555
SERS	8,374,258	8,495,147	8,986,356
OPERS-LE	558,723	549,163	554,734
	<u>\$ 21,031,876</u>	<u>\$ 21,366,466</u>	<u>\$ 22,368,645</u>

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.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the schedules of employer allocations and pension amounts by employer.

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 will change. 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.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

School Employees Retirement System

Plan benefits are established under Chapter 3309 of the ORC, as amended by Substitute Senate Bill 341 in 2012. New age and service requirements for retirement became effective with the passage of Senate Bill 341. For members who retire on or after August 1, 2017, the member must be age 67 with 10 years of service credit or age 57 with 30 years of service credit to retire with full benefits. The member can be age 62 with 10 years of service credit or age 60 with 25 years of service credit to retire early with actuarially-reduced benefits.

To protect the benefits of longtime members, SERS included a grandfather provision and a buy-up option that give members the opportunity to retire under the previous age and service credit requirements after August 1, 2017. The grandfather provision allows members, who reach 25 years of service on or before August 1, 2017, to retire under the previous age and service credit eligibility requirements. These age and service requirements are at any age with 30 years of service credit to retire with full benefits; or age 60 with five years of service credit, or age 55 with 25 years of service credit to retire with actuarially reduced benefits. The buy-up option allows members who will have fewer than 25 years of service credit as of August 1, 2017, to retire under previous retirement eligibility requirements if they pay the actuarial difference between the benefit they would have received under the new requirements and the benefit they may receive under the previous requirements. Members who want to buy-up must complete their payments on or before August 1, 2017.

If a member has been employed in a job covered by STRS or OPERS as well as in a job covered by SERS, at retirement the member may receive a retirement benefit independently from each of the systems, if eligible, or may combine the service credit and accounts in all the systems to receive one benefit. The system with the greatest service credit will be the system that will calculate and pay the benefit. While the salaries in one year will be added together, if the member has service credit in each system for the same year, the member cannot be credited with more than one year of service credit.

All non-teaching employees of The University are required to be members unless their position permits exemption from membership or the position is excluded from membership. Coverage is required for any employee who:

- Is employed in a position for which the person is not required to have a certificate or license issued pursuant to sections 3319.22 to 3319.31 of the Revised Code
- Performs a service common to the normal daily operation of an educational unit even though the person is employed and paid by one who has contracted with the school to perform the service

The following individuals may choose exemption from coverage by filing a written application with the employer within the first month after being employed:

- A student who is not a member at the time of the student's employment and who is employed by The University and the student is enrolled and regularly attending classes
- An emergency employee serving on a temporary basis in case of fire, snow, earthquake, flood, or other similar emergency
- An individual employed in a program established under the Federal Job Training Partnership Act

The following employees are excluded from SERS coverage:

- Any person having a license issued by the Ohio Department of Education (ODE) and employed in a public school in this state in an educational position, as determined by the ODE, under programs under federal law and financed in whole or in part from federal funds, but for which no licensure requirements for the position can be made under the provisions of such federal law
- University of Akron police officers who are covered by OPERS.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

School Employees Retirement System - continued

A member is entitled to a benefit under one of two disability plans. A member who became a member before July 29, 1992 is covered by the old disability plan unless they exercised a one-time election to switch to the new plan. Members after that date are covered by the new plan. Under both plans, a member is eligible for disability benefits if the member:

- Has at least five (5) years of total service credit
- Files an application no later than two (2) years from the date that the contributing service stopped
- Is permanently disabled, either physically or mentally, for work in a SERS-covered position as determined by a physician appointed by SERS
- Became disabled after becoming a SERS member
- Did not receive a refund of the member's contributions
- Does not receive a service retirement benefit

Under the old disability plan, a member also must apply before turning 60 years old. Under the new disability plan, a member may apply at any age. All disability recipients are required to apply for Social Security disability benefits, if eligible.

One year after an effective benefit date, a benefit recipient is entitled to a three percent (3%) cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

At death, after retirement or receipt of a disability benefit, the retiree's beneficiary or disability benefit recipient's beneficiary is entitled to a one-time lump sum payment of \$1,000. If a member dies while working, before the member begins receiving a monthly service retirement benefit, or while receiving a disability benefit, the member's qualified survivors are entitled to certain benefits.

Ohio Public Employees Retirement System (Law Enforcement)

Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. In that legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013 comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

OPERS Law Enforcement program is divided into two separate divisions: Law Enforcement and Public Safety. Both divisions of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced 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 personnel who are eligible immediately upon employment.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

OPERS administers two disability plans for participants in the Traditional Pension plan. Members in the plan as of July 29, 1992 could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be 66 eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Law enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury.

Alternative Retirement Plan

Chapter 3305 of the ORC establishes an Alternative Retirement Plan (ARP) for the purpose of providing to eligible employees an alternative to participating in a state retirement system. Each ARP offered under this program is a defined contribution plan qualified under section 401(a) of the Internal Revenue Code. In 1997, the State approved the ARP for full-time academic and administrative employees. In 2005, this legislation was amended to include all full-time college employees as of August 2005.

Eligible employees have 120 days from their first day of full-time employment to enroll in the ARP. The Ohio Department of Insurance has identified ARPs that Ohio public colleges and universities are required to offer. Employers and employees are required to contribute to the ARPs at the same rates as previously stated for state retirement system contributions. The law also provides that The University sends a portion of each ARP participant's employer contribution to the retirement system to be used for unfunded accrued liabilities. The employer contribution rates are based on independent actuarial studies. The balance of the employer contribution and the entire employee contribution is sent directly to the ARP elected by the employee. Employees are immediately vested in their own contributions and earnings on those contributions and become 50% vested in university contributions and earnings on university contributions after completion of two years of service with The University and 100% vested after completion of five years. Nonvested contributions are forfeited upon termination of employment. The ARPs do not provide postretirement benefits other than pension and death benefits.

For STRS, the employer contributes 4.50% of its 14.00% employer contribution in 2015 and 2014 to STRS (up from 3.50% in 2013). For SERS, no funding is contributed to SERS if the employee was hired before August 2005. If the employee was hired on or after August 2005, the employer contributes 6.00% of the 14.00% employer contribution to SERS. The University's contributions for ARP employees for the years ended June 30, 2015, 2014, and 2013 were \$5,019,069, \$5,061,708, and \$5,110,742, respectively, equal to the required contributions for each year.

Net Pension Liability, Deferrals and Pension Expense

At June 30, 2015, The University reported a liability for its proportionate share of the net pension liability of the retirement systems. The net pension liability was measured as of July 1, 2014 for the STRS plan, June 30, 2014 for the SERS plan and December 31, 2014 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 date	Net pension liability		Proportionate share		Percent change
		2015	2014	2015	2014	
STRS	July 1	\$ 231,277,151	\$ 275,495,829	0.950840%	0.950840%	0.000000%
SERS	June 30	104,527,403	122,821,163	2.065374%	2.065374%	0.000000%
OPERS-LE	December 31	3,961,106	3,871,646	0.032842%	0.032842%	0.000000%
Total		<u>\$ 339,765,660</u>	<u>\$ 402,188,638</u>			

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

For the years ended June 30, 2015 and 2014, The University recognized pension expense of \$15,327,461 and \$21,300,041, respectively. At June 30, 2015, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2015</u>	
	<u>Deferred outflow of resources</u>	<u>Deferred inflow of resources</u>
Difference between expected and actual experience	\$ 3,046,596	\$ -
Net difference between projected and actual earnings on pension plan investments	-	59,540,889
University contributions subsequent to the measurement date	<u>21,396,895</u>	<u>-</u>
Totals	<u>\$ 24,443,491</u>	<u>\$ 59,540,889</u>

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

Fiscal Year:

2016	\$ (14,136,039)
2017	(14,136,038)
2018	(14,109,300)
2019	<u>(14,112,916)</u>
Total	<u>\$ (56,494,293)</u>

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

Actuarial Assumptions

The total pension liability is based on the results of an actuarial valuations and were determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>STRS as of July 1, 2014</u>	
Valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Cost of living	2.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent
Inflation	2.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)
<u>SERS as of June 30, 2014</u>	
Valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Cost of living	3.0 percent
Salary increases, including inflation	4.0 percent - 22.0 percent
Inflation	3.25 percent
Investment rate of return	7.75 percent, net of investment expense, including inflation
Experience study date	Period of 5 years ended June 30, 2010
Mortality basis	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.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

Actuarial Assumptions – continued

	<u>OPERS as of December 31, 2014</u>
Valuation date	December 31, 2014
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	4.25 percent - 10.05 percent
Inflation	3.75 percent
Investment rate of return	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 mortality table projected 20 years using Projection Scale AA

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent, 7.75 percent, and 8.0 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 table:

<u>STRS</u>			<u>SERS</u>			<u>OPERS</u>		
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%	5.25%	Cash	1.00%	0.00%	Fixed Income	23.00%	2.31%
International Equity	26.00%	5.10%	U.S. Stocks	22.50%	5.00%	Domestic Equities	19.90%	5.84%
Alternatives	14.00%	5.25%	Non-U.S. Stocks	22.50%	5.50%	Real Estate	10.00%	4.25%
Fixed Income	18.00%	1.00%	Fixed Income	19.00%	1.50%	Private Equity	10.00%	9.25%
Real Estate	10.00%	4.00%	Private Equity	10.00%	10.00%	International Equity	19.10%	7.40%
Liquidity Reserves	1.00%	0.25%	Real Estate	10.00%	5.00%	Other Investments	18.00%	4.59%
			Hedge Funds	15.00%	7.50%			
Total	<u>100.00%</u>		Total	<u>100.00%</u>		Total	<u>100.00%</u>	

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:

	<u>1.00 percent decrease</u>		<u>Current discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.75%	\$ 331,098,456	7.75%	\$ 231,277,151	8.75%	\$ 146,861,917
SERS	6.75%	149,129,545	7.75%	104,527,403	8.75%	67,013,145
OPERS-LE	7.00%	7,287,311	8.00%	3,961,106	9.00%	1,159,651
		<u>\$ 487,515,312</u>		<u>\$ 339,765,660</u>		<u>\$ 215,034,713</u>

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued retirement system financial reports.

Payable to the pension plan

At June 30, 2015, The University recorded an accrued liability of \$1,176,631 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Nonemployer contributing entity

The University uses a contractor to perform certain services on campus common to the normal daily operation. Employees of this contractor are required to contribute to SERS at the same rates as previously stated. These contributions are included in The University's proportionate share of the SERS net pension liability, deferrals and pension expense. Pension revenue of \$14,062 was recognized in 2015 for SERS contributions made on behalf of The University by the contractor.

Other Postretirement Employee Benefits (OPEB)

State Teachers Retirement System

Plan description – 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 participate 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 ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All health care plan enrollees, for the most recent year, are required to pay a portion of the health care cost in the form of a monthly premium.

Funding policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the year ended June 30, 2015, there was no allocation of the 14% employer contribution rate to post-employment health care (1% was allocated in 2014 and 2013). The amount of STRS employer contributions used to fund OPEB for the years ended June 30, 2014 and 2013 were \$880,154 and \$916,254, respectively.

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.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

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, 2015, the health care allocation is .82%. The amount of the SERS employer contributions used to fund health care for the years ended June 30, 2015, 2014, and 2013 was \$492,480, \$84,951, and \$102,701, respectively.

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 year 2015, the actuarially required allocation is .74%. 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. The amount of the SERS employer contributions used to fund the Medicare B fund for the years ended June 30, 2015, 2014, and 2013 was \$444,433, \$461,165, and \$474,993, 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 2015, the minimum compensation level was established at \$20,450. The surcharge amount paid to SERS for the years ended June 30, 2015, 2014, and 2013 was \$1,055,770, \$1,104,507, and \$973,856, respectively.

Ohio Public Employees Retirement System

Plan description - The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums.

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional and Combined Plans was 1 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The amount of the OPERS-LE employer contributions used to fund OPEB for the years ended June 30, 2015, 2014, and 2013 were \$62,074, \$30,314, and \$122,496, respectively.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

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	1/1/2014
Participating Employees:	
Employees eligible for dependent medical coverage	396
Employees also eligible for retiree life insurance	28
Average age	59.35
Average credited service	28.14
Retirees:	
Retirees with life insurance coverage	1,065
Average age for retirees	73.79
Dependents with medical coverage	496
Average age for dependents	71.42

Plan description - The University provides health care 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.

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:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 3,450,181	\$ 3,475,853	\$ 4,576,677
Interest on net OPEB obligation	776,119	762,486	719,693
Adjustment to annual required contribution	<u>(1,079,142)</u>	<u>(1,060,186)</u>	<u>(1,000,686)</u>
Annual OPEB cost (expense)	3,147,158	3,178,153	4,295,684
Employer contributions	<u>(2,603,665)</u>	<u>(2,837,318)</u>	<u>(2,600,000)</u>
Increase in net OPEB obligation	543,493	340,835	1,695,684
Net OPEB obligation - beginning of year	<u>20,028,855</u>	<u>19,688,020</u>	<u>17,992,336</u>
Net OPEB obligation - end of year	<u>\$ 20,572,348</u>	<u>\$ 20,028,855</u>	<u>\$ 19,688,020</u>
Percentage of annual OPEB cost contributed	82.7%	89.3%	60.5%

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

Funded status and funding progress – The University has estimated the cost of providing retiree health care benefits through an actuarial valuation as of July 15, 2014. As of actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability (AAL) for benefits was \$60.1 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$60.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$32.6 million and the ratio of all UAAL to covered payroll was 54.2 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.

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 15, 2014 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, and a 2.0 percent salary increase. The amortization of the UAAL is based on a 30-year open level dollar amortization method. The remaining amortization period at June 30, 2015 was 22 years.

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, Apex Benefit Services 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.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

9. Litigation, Commitments, and Contingencies - continued

A claims liability of \$2,983,000 and \$2,775,000, included with accrued liabilities as of June 30, 2015 and 2014, respectively, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Liability at beginning of year	\$ 2,775,000	\$ 2,608,950	\$ 2,542,000
Claims incurred and changes in estimates	35,663,087	29,437,565	27,992,071
Claim payments	<u>(35,455,087)</u>	<u>(29,271,515)</u>	<u>(27,925,121)</u>
Liability at end of year	<u>\$ 2,983,000</u>	<u>\$ 2,775,000</u>	<u>\$ 2,608,950</u>

To reduce potential loss exposure, The University has established a reserve for health insurance stabilization of \$3.7 million as of June 30, 2015 and 2014.

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 Office of Management and Budget Circular A-133. 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 \$23.0 million from the State for buildings and renovations, of which \$7.0 million has been expended as of June 30, 2015. In addition, as of June 30, 2015, university construction projects will cost an estimated \$14.5 million to complete with 58.5%, or \$8.5 million, funded from bond proceeds.

In May 2012, the Foundation obtained a \$10.0 million revolving line of credit with Fifth Third Bank. Interest on the revolver is at a fluctuating rate of the one-month LIBOR plus 0.65 percent per annum. At June 30, 2015 and 2014, the interest rate on the revolver was 0.90 percent. Certain proceeds from the line of credit were used to purchase real estate adjacent to The University during fiscal year 2013. The University has made a commitment to reimburse the Foundation for payments of principal, interest, loan fees and any other costs associated with the line of credit as long as the property acquired with these proceeds is owned by the Foundation or The University and not leased by the Foundation to a private person. The outstanding amount of this commitment as of June 30, 2015 and 2014, which includes the amount of the transfer plus accrued interest due to the bank, is \$4.9 and \$5.0 million, respectively.

10. Subsequent Events

The University has contracted with Aramark Educational Services to manage food service operations beginning in the Fall 2015 semester. Since almost all food service financial activity will be handled by Aramark, auxiliary revenues and expenses will be reduced in fiscal year 2016.

The University is in the process of issuing General Receipts Refunding Bonds, Series 2015B, which will refund a portion of the Series 2005 bonds to generate interest savings. The approximate amount of the issue will be \$10.6 million and is anticipated to close in November 2015.

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

11. Component units

Details of the component units' net position at June 30, 2015 and 2014 are as follows:

	2015			2014		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,318,666	\$ 2,637,946	\$ 3,956,612	\$ 2,115,351	\$ 2,837,071	\$ 4,952,422
Pooled investments	-	6,735,662	6,735,662	1,954,194	5,739,413	7,693,607
Accounts receivable, net	186,390	1,484,949	1,671,339	792,282	1,963,738	2,756,020
Pledges receivable, net	2,912,480	-	2,912,480	1,675,058	-	1,675,058
Prepaid expenses	-	81,844	81,844	-	52,851	52,851
Total current assets	4,417,536	10,940,401	15,357,937	6,536,885	10,593,073	17,129,958
Noncurrent assets:						
Restricted investments	-	386,477	386,477	-	220,766	220,766
Endowment investments	167,910,416	-	167,910,416	170,633,498	-	170,633,498
Pledges receivable, net	8,286,498	-	8,286,498	6,807,009	-	6,807,009
Capital assets, net	12,335,525	5,593,518	17,929,043	13,916,760	5,919,955	19,836,715
Total assets	192,949,975	16,920,396	209,870,371	197,894,152	16,733,794	214,627,946
Liabilities						
Current liabilities:						
Accounts payable	762,175	3,602,988	4,365,163	317,963	3,235,888	3,553,851
Accrued liabilities	-	678,347	678,347	-	830,151	830,151
Unearned income	29,085	2,652,576	2,681,661	31,152	2,986,426	3,017,578
Deposits	-	-	-	1,954,194	-	1,954,194
Current portion of long-term liabilities	4,901,000	67,835	4,968,835	5,011,000	63,636	5,074,636
Total current liabilities	5,692,260	7,001,746	12,694,006	7,314,309	7,116,101	14,430,410
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	13,252,020	-	13,252,020	11,999,996	-	11,999,996
Long-term liabilities	-	2,571,883	2,571,883	-	2,639,718	2,639,718
Total liabilities	18,944,280	9,573,629	28,517,909	19,314,305	9,755,819	29,070,124
Net position						
Net investment in capital assets	12,335,525	3,021,635	15,357,160	13,916,760	3,280,237	17,196,997
Restricted:						
Nonexpendable	102,239,633	-	102,239,633	99,230,932	-	99,230,932
Expendable	60,101,203	-	60,101,203	65,622,448	-	65,622,448
Unrestricted (deficit)	(670,666)	4,325,132	3,654,466	(190,293)	3,697,738	3,507,445
Total net position	\$ 174,005,695	\$ 7,346,767	\$ 181,352,462	\$ 178,579,847	\$ 6,977,975	\$ 185,557,822

The University of Akron
Notes to Financial Statements
June 30, 2015 and 2014

11. Component units - continued

Details of the component units' revenues, expenses, and changes in net position at June 30, 2015 and 2014 are as follows:

	2015			2014		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	\$ -	\$ 65,542	\$ 65,542	\$ -	\$ 159,311	\$ 159,311
Private grants and contracts	-	9,324,413	9,324,413	-	8,609,804	8,609,804
Gifts and contributions	10,279,496	-	10,279,496	7,659,191	-	7,659,191
Other sources	-	2,032,458	2,032,458	-	2,528,074	2,528,074
Total operating revenues	10,279,496	11,422,413	21,701,909	7,659,191	11,297,189	18,956,380
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	7,531,508	7,531,508	-	6,472,697	6,472,697
Institutional support	1,010,986	-	1,010,986	954,441	-	954,441
Depreciation	-	375,661	375,661	-	600,550	600,550
Total operating expenses	1,010,986	7,907,169	8,918,155	954,441	7,073,247	8,027,688
Operating income	9,268,510	3,515,244	12,783,754	6,704,750	4,223,942	10,928,692
Nonoperating revenues (expenses)						
Investment income (loss), net	(3,694,478)	213,456	(3,481,022)	24,526,920	660,379	25,187,299
Interest on debt	-	(98,478)	(98,478)	-	(100,562)	(100,562)
Distributions to The University	(12,522,181)	(3,663,425)	(16,185,606)	(8,280,447)	(4,592,082)	(12,872,529)
Distributions on behalf of The University	(422,147)	-	(422,147)	(556,103)	-	(556,103)
Other nonoperating revenues	85,299	401,995	487,294	123,297	428,306	551,603
Net nonoperating revenues (expenses)	(16,553,507)	(3,146,452)	(19,699,959)	15,813,667	(3,603,959)	12,209,708
Gain (loss) before other changes	(7,284,997)	368,792	(6,916,205)	22,518,417	619,983	23,138,400
Other changes						
Additions to permanent endowments						
	2,710,845	-	2,710,845	2,144,724	-	2,144,724
Increase (decrease) in net position	(4,574,152)	368,792	(4,205,360)	24,663,141	619,983	25,283,124
Net position – beginning of year	178,579,847	6,977,975	185,557,822	153,916,706	6,357,992	160,274,698
Net position – end of year	\$ 174,005,695	\$ 7,346,767	\$ 181,352,462	\$ 178,579,847	\$ 6,977,975	\$ 185,557,822

The University of Akron

Notes to Financial Statements

June 30, 2015 and 2014

11. Component units - continued

Details of the component units' fair value of investments at June 30, 2015 and 2014 are as follows:

	2015			2014		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Pooled investments:						
Money market funds	\$ -	\$ -	\$ -	\$ 1,954,194	\$ -	\$ 1,954,194
Mutual funds	-	6,735,662	6,735,662	-	5,739,413	5,739,413
Total pooled investments	-	6,735,662	6,735,662	1,954,194	5,739,413	7,693,607
Noncurrent assets:						
Endowment investments:						
Pooled investment funds	121,349,682	-	121,349,682	129,768,204	-	129,768,204
Bonds	9,845,015	-	9,845,015	10,121,531	-	10,121,531
Commercial paper	2,499,759	-	2,499,759	2,300,000	-	2,300,000
Common stocks	1,858,172	-	1,858,172	2,109,704	-	2,109,704
Floater	4,560,000	-	4,560,000	2,900,955	-	2,900,955
Cash surrender value of						
insurance policies	78,760	-	78,760	112,467	-	112,467
Money market funds	3,764,305	-	3,764,305	260,265	-	260,265
Mutual funds	23,137,539	-	23,137,539	22,213,195	-	22,213,195
U.S. Treasury obligations	254,804	-	254,804	254,408	-	254,408
Exchange traded funds	108,418	-	108,418	93,668	-	93,668
Preferred stocks	80,638	-	80,638	81,317	-	81,317
Private equities	-	-	-	17,413	-	17,413
Direct financing lease	38,324	-	38,324	65,371	-	65,371
Beneficial interest in real estate	335,000	-	335,000	335,000	-	335,000
Total endowment investments	167,910,416	-	167,910,416	170,633,498	-	170,633,498
Restricted investments	-	386,477	386,477	-	220,766	220,766
Total fair value of investments	\$ 167,910,416	\$ 7,122,139	\$ 175,032,555	\$ 172,587,692	\$ 5,960,179	\$ 178,547,871

Details of the component units' capital assets at June 30, 2015 and 2014 are as follows:

	2015			2014		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	\$ 12,236,267	\$ 406,925	\$ 12,643,192	\$ 12,055,539	\$ 406,925	\$ 12,462,464
Buildings	131,290	5,184,373	5,315,663	1,862,872	5,147,391	7,010,263
Equipment	-	2,636,716	2,636,716	-	2,636,716	2,636,716
Total capital assets	12,367,557	8,228,014	20,595,571	13,918,411	8,191,032	22,109,443
Less: accumulated depreciation	(32,032)	(2,634,496)	(2,666,528)	(1,651)	(2,271,077)	(2,272,728)
Capital assets, net	\$ 12,335,525	\$ 5,593,518	\$ 17,929,043	\$ 13,916,760	\$ 5,919,955	\$ 19,836,715

Required Supplementary Information

The University of Akron
 Schedule of University Pension Contributions
 Fiscal Years Ended June 30, 2006 to 2015

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)					
2015	\$ 13,373,987	\$ 13,373,987	\$ -	\$ 114,757,851	11.65%
2014	12,737,577	12,737,577	-	116,805,956	10.90%
2013	12,914,330	12,914,330	-	120,281,485	10.74%
2012	12,430,036	12,430,036	-	115,012,148	10.81%
2011	11,954,019	11,954,019	-	109,837,711	10.88%
2010	11,597,845	11,597,845	-	106,287,425	10.91%
2009	11,354,418	11,354,418	-	102,951,158	11.03%
2008	10,725,670	10,725,670	-	96,396,033	11.13%
2007	10,109,045	10,109,045	-	91,170,435	11.09%
2006	9,981,114	9,981,114	-	89,874,333	11.11%
State Employees Retirement System (SERS)					
2015	\$ 7,742,505	\$ 7,742,505	\$ -	\$ 65,124,508	11.89%
2014	8,318,099	8,318,099	-	66,821,498	12.45%
2013	8,806,834	8,806,834	-	70,827,657	12.43%
2012	8,739,522	8,739,522	-	72,334,287	12.08%
2011	7,658,830	7,658,830	-	68,043,954	11.26%
2010	8,374,677	8,374,677	-	69,248,704	12.09%
2009	5,941,416	5,941,416	-	67,481,760	8.80%
2008	5,556,999	5,556,999	-	62,467,249	8.90%
2007	5,934,594	5,934,594	-	58,079,257	10.22%
2006	5,710,751	5,710,751	-	55,594,870	10.27%
Ohio Public Employees Retirement System (OPERS)					
2015	\$ 496,000	\$ 496,000	\$ -	\$ 3,080,746	16.10%
2014	488,482	488,482	-	3,034,050	16.10%
2013	524,085	524,085	-	3,064,824	17.10%
2012	417,444	417,444	-	2,960,596	14.10%
2011	375,216	375,216	-	2,750,850	13.64%
2010	300,793	300,793	-	2,479,744	12.13%
2009	166,937	166,937	-	2,384,815	7.00%
2008	244,604	244,604	-	2,009,893	12.17%
2007	221,780	221,780	-	1,784,232	12.43%
2006	211,607	211,607	-	1,666,197	12.70%

The University of Akron

Schedule of University's Proportionate Share of the Net Pension Liability Plan Years Ended 2013 and 2014

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)					
2014	0.950840%	\$ 231,277,151	\$ 116,805,956	198.00%	74.70%
2013	0.950840%	\$ 275,495,829	\$ 120,281,485	229.04%	69.30%
State Employees Retirement System (SERS)					
2014	2.065374%	\$ 104,527,403	\$ 66,821,498	156.43%	71.70%
2013	2.065374%	122,821,163	70,827,657	173.41%	65.52%
Ohio Public Employees Retirement System (OPERS)					
2014	0.032842%	\$ 3,961,106	\$ 3,034,050	130.56%	86.45%
2013	0.032842%	\$ 3,871,645	\$ 3,064,824	126.33%	86.36%

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

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

Supplemental Information

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 discretely presented component units as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 12, 2015.

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. 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.

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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

November 12, 2015

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 compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University 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, 2015.

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 OMB Circular A-133, 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The University of Akron's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The University of Akron's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

November 12, 2015

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog Federal Domestic Assistance</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Student Financial Aid Cluster			
Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 870,871
Federal College Work-Study	84.033		856,756
Federal Perkins Loan Program	84.038		8,996,070
Federal Pell Grant Program	84.063		32,187,685
Federal Direct Student Loans	84.268		135,106,691
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		<u>183,221</u>
Total Department of Education			178,201,294
Department of Health and Human Services:			
Direct program:			
Nursing Student Loans	93.364		<u>1,113,552</u>
Total Student Financial Aid Cluster			<u>179,314,846</u>
Research and Development Cluster			
Department of Commerce:			
Direct program:			
Education Quality Award Ambassadorship	11.013		28,907
Pass-through program:			
The University of Oklahoma-Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.616	NA11OAR4320072	<u>12,149</u>
Total Department of Commerce			41,056
Department of Defense:			
Direct programs:			
Office of Naval Research-Basic and Applied Scientific Research	12.300		282,458
United States Army-Basic Scientific Research	12.431		1,949,394
Basic, Applied, and Advanced Research in Science and Engineering	12.630		1,848,187
Air Force Defense Research Sciences Program	12.800		688,576
Mathematical Sciences Grants Program	12.901		30,745
Pass-through programs:			
HRL Laboratories LLC	12.000	HR0011-13-C-0027	(6,653)
Babcock & Wilcox-Basic and Applied Scientific Research	12.300		896
Northwestern University-Basic and Applied Scientific Research	12.300	N00014-14-1-0675	52,860
University of Connecticut-Basic and Applied Scientific Research	12.300	N00014-10-1-0944	118,017
University of Akron Research Foundation (UARF)-Basic Scientific Dayton Area Graduate Studies Institute-Basic, Applied, and Advanced Research in Science and Engineering	12.431	S690000034	719
Deformation Control Technology, Inc-Air Force Defense Research Sciences Program	12.630	IIP-1353531	17,905
Howard University-Air Force Defense Research Sciences Program	12.800	FA9550-14-1-0194	57,000
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	FA9550-12-01-0306	63,250
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	FA8650-11-M-1164	1,004
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	STTR FA9550-10-C-011	21,673
Technology Services Corporation-Air Force Defense Research Sciences Program	12.800	FA8650-14-C-7400	17,280
Universal Energy Systems Inc-Air Force Defense Research Sciences Program	12.800	FA8650-09-D5037 0019	14,648
University of Nebraska-Air Force Defense Research Sciences Program	12.800	FA9550-11-1-0204	<u>27,395</u>
Total Department of Defense			5,185,354
Department of the Interior:			
Direct program:			
Endangered Species Conservation - Recovery Implementation Funds	15.657		67,066

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog Federal Domestic Assistance</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Research and Development Cluster - continued			
Department of State:			
Direct programs:			
Public Diplomacy Programs	19.040		\$ 125,148
Public Diplomacy Programs for Afghanistan and Pakistan	19.501		13,748
Total Department of State			<u>138,896</u>
Department of Transportation:			
Pass-through program:			
Regents of the University of Minnesota-University Transportation Centers Program	20.701	DTRT13-G-UTC35	51,202
National Aeronautics and Space Administration:			
Direct programs:			
Aerospace Education Services Program	43.001		3,915
Aeronautics	43.002		298,842
Cross Agency Support	43.009		49,167
Pass-through program:			
Universities Space Research Association-Aeronautics	43.002		551,056
Total National Aeronautics and Space Administration			<u>902,980</u>
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		2,266,897
Mathematical and Physical Sciences	47.049		2,495,243
Geosciences	47.050		326,311
Computer and Information Science and Engineering	47.070		420,557
Biological Sciences	47.074		207,618
Educational and Human Resources	47.076		108,541
ARRA-Trans-NSF Recovery Act Research Support	47.082		(425)
Pass-through programs:			
Akron Ascent Innovations, LLC-Engineering Grants	47.041	IIP-1315174	4,529
Kent Displays Inc.-Engineering Grants	47.041	IIP-1332050	(622)
PolyInsight LLC-Engineering Grants	47.041	IIP-1353531	47,359
Premix, Inc.-Engineering Grants	47.041	IIP-1256123	(94)
Tennessee Technological University-Engineering Grants	47.041	IIP-1343447	13,978
Tennessee Technological University-Engineering Grants	47.041	IIP-1400881	8,831
Texas A&M University-Geosciences	47.050		27,368
University of Southern California-Geosciences	47.050	OCE-0939564	21,322
Carleton College-Educational and Human Resources	47.076	DUE-1125331	1,193
Duquesne University-Education and Human Resources	47.076	DUE-1226175	24,561
University of Alabama-Educational and Human Resources	47.076	HRD-1136266	8,007
ARRA-Southern Illinois University-Trans-NSF Recovery Act Research Support	47.082	DMR-0847580	100,015
Total National Science Foundation			<u>6,081,189</u>
Department of Veterans Affairs:			
Pass-through program:			
Ohio Willow Wood Company-Veterans Prosthetic Appliances	64.013		56,206
Department of Energy:			
Direct programs:			
Office of Science Financial Assistance Program	81.049		111,656
Fossil Energy Research and Development	81.089		82,775

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog Federal Domestic Assistance</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Research and Development Cluster - continued			
Department of Energy - continued:			
Pass-through programs:			
Case Western Reserve University	81.000		\$ 57,499
North Carolina State University	81.000	DE-EE0005573	8,325
Aspen Aerogels Inc.-Office of Science Financial Assistance Program	81.049		(5,589)
University of Notre Dame-Office of Science Financial Assistance Program	81.049	DE-SC0001089	33,212
United Technologies Research Center-Conservation Research and Development	81.086	DEEE0005775	1,570
Aspen Aerogels Inc.-Fossil Energy Research and Development	81.089	DE-FOA-0000785	208,929
Battelle Memorial Institute-Advanced Research and Projects Agency - Energy Financial Assistance Program	81.135	DE-AR0000272	<u>27,017</u>
Total Department of Energy			525,394
Department of Education:			
Pass-through program:			
Ohio State University-Education Research, Development and	84.305	CSP904009	28,767
Department of Health and Human Services:			
Direct programs:			
Oral Diseases and Disorders Research	93.121		68,180
Mental Health Research Grants	93.242		457,110
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		88,101
Nursing Research	93.361		114,846
Academic Research Enhancement Award	93.390		89,787
Cancer Detection and Diagnosis Research	93.394		243,094
Cardiovascular Diseases Research	93.837		44,616
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		125,169
Biomedical Research and Research Training	93.859		327,149
Pass-through programs:			
University of Texas at Arlington-Occupational Safety and Health Program	93.262	R03OH010112	18,445
Michigan State University-Drug Abuse and Addiction Research Programs	93.279	5R25DA030310-03	1,380
Rutgers, The State University of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	P41EB001046	25,911
Ohio Department of Job and Family Services-Foster Care Title IV-E	93.658		73,404
Requisite Biomedical, LLC-Cardiovascular Diseases Research	93.837	1R41HL123334-01	27,268
Walsh University-Cardiovascular Diseases Research	93.837	1R15HL097343	60,697
SUNY at Stony Brook-Arthritis, Musculoskeletal and Skin Diseases	93.846	R21AR0163279	26,243
Bertec-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R44DK084844	(3,022)
Washington University in St Louis-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK082546	<u>45,918</u>
Total Department of Health and Human Services			1,834,296
Total Research and Development Cluster			<u>14,912,406</u>
Child Nutrition Cluster			
Department of Education:			
Direct program:			
Summer Food Service Program for Children	10.559		23,975
Pass-through program:			
Firestone Endowment-Summer Food Service Program for Children	10.559		<u>4,467</u>
Total Child Nutrition Cluster			<u>28,442</u>

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Highway Planning and Construction Cluster			
Department of Transportation:			
Pass-through programs:			
Ohio Department of Transportation-Highway Planning and Construction	20.205	E120086	\$ 132,917
Ohio Department of Transportation-Highway Planning and Construction	20.205	E120610	33,704
Ohio Department of Transportation-Highway Planning and Construction	20.205	E120615	73,978
Ohio Department of Transportation-Highway Planning and Construction	20.205	E120961	(653)
Ohio Department of Transportation-Highway Planning and Construction	20.205	E130096	110,399
Ohio Department of Transportation-Highway Planning and Construction	20.205	E130298	212,624
Ohio Department of Transportation-Highway Planning and Construction	20.205	E131343	108,043
Ohio Department of Transportation-Highway Planning and Construction	20.205	E131344	70,971
Ohio Department of Transportation-Highway Planning and Construction	20.205	E131488	64,492
Ohio Department of Transportation-Highway Planning and Construction	20.205	E131490	37,006
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140060	67,087
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140626	52,522
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140627	19,786
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140628	64,614
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140629	177,024
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140636	36,061
Ohio Department of Transportation-Highway Planning and Construction	20.205	E141048	44,396
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 25175	50,055
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 25176B	236,077
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 25180	59,948
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 25337	46,917
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 26049	6,039
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 26609	58,914
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 26677	43,968
Ohio University-Highway Planning and Construction	20.205	E131400	7,753
Texas A&M University-Highway Planning and Construction	20.205	E150313	4,899
Wayne State University-Highway Planning and Construction	20.205		11,800
Total Highway Planning and Construction Cluster			<u>1,831,341</u>
TRIO Cluster			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		442,831
TRIO Upward Bound	84.047A		822,220
Total TRIO Cluster			<u>1,265,051</u>
Special Education Cluster (IDEA)			
Department of Education:			
Pass-through programs:			
University of Dayton Research Institute-Special Education Grants to States	84.027		14,439
University of Dayton Research Institute-Special Education Grants to States	84.027	CSP904009	36,223
University of Dayton Research Institute-Special Education Grants to States	84.027	N00014-14-1-0675	76,221
Total Special Education Cluster (IDEA)			<u>126,883</u>
TANF Cluster			
Department of Health and Human Services:			
Pass-through program:			
Summit County Dept of Job and Family Services-Temporary Assistance for Needy Families	93.558	H027A140111	38,008

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog Federal Domestic Assistance</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Medicaid Cluster			
Department of Health and Human Services:			
Pass-through programs:			
Northeast Ohio Medical University-Medical Assistance Program	93.778	G-1415-07-0060	\$ 117,117
Ohio State University-Medical Assistance Program	93.778	G-1415-07-0060	4,362
Ohio State University-Medical Assistance Program	93.778	H027A140111	48,213
Total Medicaid Cluster			<u>169,692</u>
Other Programs			
Instruction			
Department of Defense:			
Direct program:			
Air Force Defense Research Sciences Program	12.800		81,060
Department of Labor:			
Pass-through program:			
Ohio Board of Regents - H-1B Job Training Grants	17.268		206
Department of Education:			
Direct programs:			
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		243,008
English Language Acquisition Grants	84.365		349,312
Pass-through program:			
Ohio Board of Regents-Improving Teacher Quality State Grants	84.367		54,976
Total Department of Education			<u>647,296</u>
Department of Health and Human Services:			
Pass-through programs:			
Northeast Ohio Medical University-Model State-Supported Area Health Education Centers	93.107	U77HP23072	75,946
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		(71,388)
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658	G-1415-06-0358	124,614
Total Department of Health and Human Services			<u>129,172</u>
Total Instruction			<u>857,734</u>
Public Service			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		24,364
Department of Justice:			
Direct program:			
Public Safety Partnership and Community Policing Grants	16.710		12,253
National Endowment for the Arts:			
Direct program:			
Museums for America	45.301		21,815
Pass-through program:			
Arts Midwest-Promotion of the Arts Partnership Agreements	45.025		3,800
Total National Foundation of Arts and the Humanities			<u>25,615</u>
Department of Education:			
Pass-through program:			
ARRA-Ohio Department of Education-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants	84.395		84,354

The University of Akron
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog Federal Domestic Assistance</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Public Service - continued			
Department of Health and Human Services:			
Pass-through program:			
Summit County Dept of Job and Family Services-Social Services Block Grant	93.667		6,832
Total Public Service			<u>153,418</u>
Total Other Programs			<u>1,011,152</u>
Total Expenditures of Federal Awards			<u><u>\$ 198,697,821</u></u>

The University of Akron
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 50% for on-campus research, 35% for other on-campus sponsored activities and 26% for off-campus research through June 30, 2015.

Note 3 – Subrecipient Awards

Certain funds are passed through to subgrantee organizations by The University. Expenditures incurred by the subgrantees and reimbursed by The University are presented in the Schedule. During the year ended June 30, 2015, the funds disbursed by The University to subrecipients are as follows:

CFDA	CFDA Description	Amount
12.431	Basic Scientific Research	\$ 896,825
12.800	Air Force Defense Research Sciences Program	37,698
19.040	Public Diplomacy Programs	90,000
20.205	Highway Planning and Construction	300,937
43.002	Aeronautics	140,527
47.041	Engineering Grants	22,021
47.049	Mathematical and Physical Sciences	7,930
47.070	Computer and Information Science and Engineering	10,028
81.049	Office of Science Financial Assistance Program	24,436
84.325K	Special Education-Personnel Development to Improve Services and Results for Children with Disabilities	118,535
84.365	English Language Acquisition Grants	17,439
93.121	Oral Diseases and Disorders Research	32,999
93.242	Mental Health Research Grants	190,532
93.361	Nursing Research	45,346
93.394	Cancer Detection and Diagnosis Research	107,246
93.859	Biomedical Research and Research Training	12,987
	Total paid to subrecipients	<u>\$ 2,055,486</u>

The University is also the subrecipient of federal funds which have been subject to testing and are reported as expenditures and listed separately as pass-through programs.

The University of Akron
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Note 4 – 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, 2015:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	\$ 1,338,348	\$ 8,996,070
Nursing Student Loan Program	93.364	271,294	1,113,552

Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred \$131,913 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 \$85,113 of the 2013-2014 SEOG award to the 2014-2015 award year.

In addition, the University carried forward \$109,186 and \$87,200 of the 2014-2015 FWS and SEOG awards, respectively, to the 2015-2016 award year. The University spent \$24,395 of the carried forward FWS funds from the 2013-2014 award year during the 2014-2015 award year.

Note 6 - 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	\$ 198,697,821
Pell grants	(32,187,685)
Federal direct loans	(135,106,691)
Federal Perkins loan program	(8,996,070)
Nursing student loan program	(1,113,552)
Federal grants passed through state entities	(2,073,055)
Federal grants passed through local entities	(44,840)
Private grants	(2,280,864)
Sales	(24,364)
Federal purchased service contracts	(740,325)
Indirect costs excluded from federal grants on Statement	214,598
Change in deferred revenue from federal grants	<u>1,196,836</u>
Federal grants and contracts as shown on the Statement	<u>\$ 17,541,809</u>

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

The University of Akron
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

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 No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes 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 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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: \$581,489

Auditee qualified as low-risk auditee? Yes No

The University of Akron
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

Reference Number	Findings
Current Year	None

The University of Akron
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

Section III - Federal Program Audit Findings

Reference Number	Findings
2005-001	<p>Program Name - Student Financial Aid Cluster (Pell - 84.063, Federal Direct Loans - 84.268)</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant Deficiency</p> <p>Criteria - Student status changes must be reported to the NSLDS within a certain time frame as described in the following CFR sections.</p> <p>34 CFR section 690.83(b)(2) - In relation to Pell, an institution shall submit, in accordance with deadline dates established by the Secretary through publication in the Federal Registrar, certain required reports, including student status confirmation reports (SSCR).</p> <p>34 CFR section 685.309 and 34 CFR part 668 - In relation to the Direct Loan Program, student status confirmation reports shall be completed and returned to the Secretary within 30 days of receipt. In addition, unless the institution expects to submit its next student status confirmation report to the Secretary within the next 60 days, the institution must notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to a student who has experienced certain status changes.</p> <p>Condition - The University of Akron (The University) utilizes a third-party service organization, National Student Clearinghouse (NSC), to submit SSCRs on their behalf. The University submitted a graduated status to the NSC for a group of students; however, the status was not reported to the National Student Loan Data System (NSLDS).</p> <p>Questioned Costs - N/A</p> <p>Context - Of the 25 tested, one student did not have their status updated within the 30-day time frame upon graduation as the status change was not reported as of the testing date.</p> <p>Cause and Effect - The University did not have a process in place to appropriately verify that graduated status for certain students was submitted to NSLDS within the required time frame.</p> <p>As a secondary effect, if a student is not reported as graduated to NSLDS and continues their education it may appear that they have exceeded the allowed 150 percent of the length of the borrower's educational program. When this occurs, the student becomes ineligible to receive Direct Subsidized Loans and loses eligibility for interest subsidies.</p> <p>Recommendation - The University should implement a process to ensure the status changes are properly reported to the NSLDS within the required time frame.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University's contracted party, National Student Clearinghouse (NSC), submitted reports to the NSLDS which correctly included continuing university students but incorrectly excluded students who graduated at the conclusion of the most recent semester. In those cases, the graduated students actually returned to The University to pursue an additional course(s) of study the following semester; therefore, the students remained eligible for Title IV funding for that following period while their repayment of previously received loans was not yet triggered. Nonetheless, those graduated students were not reported to the NSLDS as required.</p> <p>After discussions with NSC representatives, The University will request the timing of NSC submissions to the NSLDS be sequenced to help ensure that all graduated students including those who return to The University the following semester are submitted to the NSLDS as required.</p> <p>For the interim, The University will verbally notify NSC when reports should be submitted to ensure the report filings are sequenced properly while an automated notification process will be pursued for the longer term. The University will also periodically reconcile files and report submissions to help further reduce the likelihood of future reporting errors.</p>

The University of Akron
Summary Schedule of Prior Findings
For the Year Ended June 30, 2015

**Prior Year Finding
Number**

None

The University of Akron

**Agreed-upon Procedures Report
Related to NCAA Constitution 3.2.4.16
June 30, 2015**

The University of Akron National Collegiate Athletics Association Report

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Independent Accountants' Report on
the Application of Agreed-upon Procedures

Dr. Scott Scarborough, President
Mr. Nathan Mortimer, VP Finance and
Administration/Chief Financial Officer
The University of Akron
Akron, Ohio 44325

We have performed the procedures enumerated below, which were agreed to by The University of Akron (the "Institution"), solely to assist you in evaluating whether the accompanying intercollegiate athletics program statement of revenues and expenses of The University of Akron is in compliance with the National Collegiate Athletics Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2015. The University of Akron's management is responsible for the intercollegiate athletics program statement of revenues and expenses (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Intercollegiate Athletics Program Statement of Revenues and Expenses

The procedures that we performed and our results are as follows:

Internal Control Structure

A. In preparation for our procedures related to the Institution's internal control structure:

- 1) We met with the associate director of intercollegiate athletics and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the Institution, the competence of personnel, and the protection of records and equipment.
- 2) We obtained the audited financial statements for the year ended June 30, 2015 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure.
- 3) We obtained any documentation of the accounting systems and procedures unique to the intercollegiate athletics department.

Dr. Scott Scarborough, President
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The University of Akron

4) We then performed the following procedure:

Procedure: We concluded that the intercollegiate athletics department's internal control structure was the same as the University's internal control for the cash disbursement, general cash receipt, and employee pay processes. Therefore, the only procedure listed that is unique to intercollegiate athletics is the ticket collection receipt process. We selected a game and traced ticket collections per the receipting process for the game to the reconciliation and documentation of the related cash deposit amount with the bank.

Result: We selected the following ticket receipt transaction for testing purposes:

Event Date	Sporting Event	Ticket		
		Sales Amount	Deposit Amount	Deposit Date
9/20/2014	Football v. Marshall	\$ 20,155	\$ 21,733	9/24/2014

We agreed the gate sales for the above game and date to deposit slips of the related cash deposit amount with the bank. We noted no differences between the event audit report and the Institution's records. The total deposit amount listed above includes amounts not related to the game tested.

NCAA Reporting

B. **Procedure:** The financial report submission to the NCAA is due on January 15, 2016. We obtained the financial data detailing operating revenues, expenses, and capital related to the Institution's intercollegiate athletics program that is to be submitted to the NCAA and agreed the amounts to the intercollegiate athletics program statement of revenues and expenses included in the agreed-upon procedures report for the reporting period.

Results: We noted no discrepancies.

C. **Procedure:** We agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the Institution. The NCAA Membership Financial Reporting System populates the sports from the NCAA Membership Database as they are reported by the Institution.

Results: We noted no discrepancies in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists.

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Notes and Disclosures

D. **Procedure:** We obtained and described the Institution's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets in Note 1. We agreed the schedule to the Institution's general ledger. We obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the Institution during the reporting period. We recalculated annual maturities (consisting of principal and interest) provided in the schedules obtained and agreed the total annual maturities to supporting documentation and the Institution's general ledger, as applicable. The repayment schedule is disclosed in Note 2.

Result: We noted no exceptions.

E. **Procedure:** We obtained significant additions to restricted funds related to intercollegiate athletics, as well as significant changes to endowment and plant funds. Significant is defined as exceeding 10 percent of total contributions in the statement.

Results: We reviewed a detail listing of additions to restricted funds, noting no significant changes that exceeded 10 percent of total contributions. Management indicated there were no significant changes to the plant funds related to intercollegiate athletics.

Intercollegiate Athletics Program Statement of Revenues and Expenses

F. **Procedure:** We obtained the intercollegiate athletics program statement of revenues and expenses for the reporting period, prepared by management, and agreed all amounts to the Institution's general ledger.

Result: We noted no exceptions.

G. **Procedure:** We compared each revenue and expense amount from the statement to prior year amounts and budget estimates. We obtained and documented any variations exceeding the lesser of \$1 million or 10 percent of total revenues or expenses.

Result: The budget to actual statement comparison was not performed on the same level of detail as the actual to actual comparison due to limitations of the Institution's internal reporting structure for the budgeting process. See Appendix A for variance explanations provided by management.

H. **Procedure:** We performed additional procedures on the following revenue and expense categories unless the specific reporting category is less than 0.5 percent of total revenues or expenses.

Results: See procedures I and J below.

Dr. Scott Scarborough, President
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The University of Akron

Revenues

- I. **Procedure:** We agreed each revenue reported in the statement during the reporting period to supporting schedules provided by the Institution. We agreed a sample of 19 operating revenue receipts obtained from the supporting schedules to supporting documentation as described in the procedures below.

Result: The supporting schedules provided by the Institution agreed to the statement without exception.

- I) **Ticket Sales**

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the Institution in the statement and related attendance figures and recalculated totals.

Result: We noted no exceptions when agreeing tickets sold, complimentary tickets, and unsold tickets to supporting event audit reports for football and men's basketball games. When agreeing the related revenue amounts per the supporting event audit reports to the general ledger, we noted that football revenue recorded in the general ledger was \$80,566 more than the revenue per the event audit reports. When agreeing the related revenue amounts per the supporting event audit reports to the general ledger, we noted that basketball revenue recorded in the general ledger was \$81,428 less than the revenue per the event audit reports. Per management, it appears that the amounts were recorded in the wrong sport category. The offsetting difference is \$862. We noted no other exceptions.

- 2) **Direct Institutional Support**

Procedure: We agreed the direct institutional support recorded by the Institution during the reporting period with institutional authorizations and other corroborative supporting documentation and recalculated totals.

Result: We obtained and reviewed the calculation for direct institutional support, recalculated it, and tied out components of the calculation to the general ledger. We noted no exceptions.

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 The University of Akron

3) Guarantees

Procedure: We selected a sample of three settlement reports for away games during the reporting period and agreed each selection to the Institution's general ledger and/or the statement. We selected a sample of three contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and agreed each selection to the Institution's general ledger and/or the statement. We also recalculated totals. The guarantee agreements we selected for testing were as follows:

<u>Event Date</u>	<u>Sporting Event</u>	<u>Contract Amount</u>	<u>Date of Check/Transfer</u>
9/6/2014	Football v. Penn State	\$ 850,000	1/26/2015
9/27/2014	Football v. Pittsburgh	125,000	10/31/2014
11/25/2014	Men's Basketball v. Penn State	70,000	10/21/2014

Result: We obtained the related contracts, which were signed by both parties, for the agreements listed above. We agreed the amounts outlined in the contract to the amount recorded on the general ledger. As agreed-upon amounts were stated in each contract, no recalculation was necessary. We noted no exceptions.

4) Contributions

Procedure: We obtained supporting documentation for each contribution of moneys, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We disclosed the source and dollar value of these contributions in the report. The contributions we selected for testing were as follows:

<u>Source of Funds, Goods, and Services</u>	<u>Value</u>
Gary L. and Karen Taylor, Football Stadium Master Gift	\$ 865,000

Result: We completed the procedure steps without exception, including agreeing the contribution listed above to a copy of the funds transfer request from The University of Akron Foundation to the Institution. See Note 3 for contributions over 10 percent.

Dr. Scott Scarborough, President
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 The University of Akron

5) NCAA Distributions

Procedure: We agreed the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions. We selected a sample of three revenue receipts to agree to corroborative supporting documents and recalculated totals. The transactions selected for testing were as follows:

<u>Journal Date</u>	<u>Journal Description</u>	<u>Revenue Recorded</u>	<u>Support Amount</u>
5/22/2015	NCAA Grants-in-aid 2014-15	\$ 200,000	\$ 206,654
5/22/2015	NCAA Sports Sponsorship 2014-15	700,000	632,025
5/22/2015	NCAA MBB Tournament 2014-15	125,427	125,427

Result: We traced the amount of the revenue recorded to the related ACH bank deposit, as noted above. In the first transaction listed, a difference of \$6,654 was noted, with the amount received being higher than the amount recorded. Per management, this amount has been recorded as revenue in the 2016 fiscal year. In the second transaction listed, a difference of \$67,975 was noted, with the amount received being lower than the amount recorded. Per management, there was no additional payments received that related to the \$700,000 amount recorded and this adjustment will be reflected in the 2016 fiscal year. We noted no exceptions with the third transaction listed. There were no expenses recorded related to NCAA distributions.

6) Conference Distributions

Procedure: We obtained and inspected all agreements related to the Institution's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We selected a sample of revenue receipts to agree corroborative supporting documents and to the Institution's general ledger statement. The transactions selected for testing were as follows:

<u>Journal Date</u>	<u>Journal Description</u>	<u>Revenue Recorded</u>	<u>Support Amount</u>
5/22/2015	NCAA MBB Tournament 2014-15	\$ 74,573	\$ 74,573
6/19/2015	MAC Conference FY 14	875,427	875,427

Result: We traced the amount of the revenue recorded to the related ACH bank deposit, as noted above. We noted no exceptions.

Dr. Scott Scarborough, President
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7) Program Sales, Concessions, Novelty Sales, and Parking

Procedure: We requested the related revenues and the Institution's general ledger detail of program sales, concessions, novelty sales, and parking as well as other corroborative supporting documents.

Result: This revenue category is under the 0.5 percent threshold of total revenue per review of the statement. Therefore, the procedure outlined above is not deemed necessary.

8) Royalties, Licensing, Advertisements, and Sponsorships

Procedure: We obtained and inspected all agreements related to the Institution's participation in revenues from royalties, advertisements, and sponsorships during the reporting period. We agreed the related revenues for one agreement reviewed to the Institution's general ledger and/or the statement. The agreement selected for this test was the agreement between IMG and the Institution executed on December 18, 2013. The Institution recorded revenue in the amount of \$358,193 related to this agreement in the 2015 fiscal year. For the revenue transaction collected, we also recalculated totals.

Result: We agreed the revenue recorded in the general ledger for this agreement to the copy of the related invoice and check stub. We noted no exceptions.

9) Sports Camp Revenues

Procedure: We requested all sports camp contracts between the Institution and persons conducting the Institution sports camps or clinics during the reporting period. We obtained schedules of camp participants. We selected a sample of one individual camp participant cash receipt from the schedule of sports camp participants and agreed each selection to the Institution's general ledger and/or the statement and recalculated totals.

Result: Per discussion with management, there are no sports camp contracts with coaches. We selected one individual participant of the Institution's soccer camp with a payment of \$205 in March 14, 2015. We agreed all March 2015 soccer sports camp revenues per the general ledger to the related deposit report, CashNet report, and bank statement but were not able to obtain the detail to ensure the specific payment selected was included.

Dr. Scott Scarborough, President
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10) Athletics Restricted Endowment and Investment Income

Procedure: We obtained and inspected three endowment agreements. For a sample of three endowment agreements, we agreed the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement. We also recalculated totals. The agreements and related transactions selected for testing were as follows:

<u>Sample</u>	<u>Revenue Amount</u>	<u>Expense Amount</u>
1	\$ 19,646	\$ 19,646
2	7,509	10,500
3	11,381	11,381

Result: We noted no exceptions for samples 1 and 3. For sample 2, we noted that the agreement indicated the scholarships are for undergraduate student athletes enrolled in the colleges of Business, Education, or Nursing. However, the agreement allows final review by members of the donating family. The scholarships were awarded to men's basketball student managers and the intercollegiate athletics department and management represented that they obtained verbal confirmation from the donor for that use of the income in fiscal year 2015.

11) Other

Procedure: We agreed other revenues to the Institution's general ledger, and/or the statement, and recalculated totals.

Result: We agreed other revenues to the Institution's general ledger and noted no exceptions.

Expenses

J. **Procedure:** We agreed each expense reported in the statement during the reporting period to supporting schedules provided by the Institution. We agreed a sample of 98 operating expense disbursements obtained from the supporting schedules to supporting documentation as described in the procedures below.

Result: The supporting schedules provided by the Institution agreed to the statement without exception.

Dr. Scott Scarborough, President
Mr. Nathan Mortimer, VP Finance and
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The University of Akron

We performed the following procedures for the indicated expense category:

I) Athletic Student Aid

Procedure: We selected a sample of 73 students from the listing of institutional student aid recipients during the reporting period. We inquired of management as to whether they use the NCAA's Compliance Assistant software to prepare athletic aid detail. As management represented that they did not use the software, the sample size selected was 20 percent of student athletes. We obtained individual student-account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account and recalculated totals.

- a. We performed a check of each student selected to ensure that their information was entered directly into the NCAA Membership Financial Reporting System using the following criteria:
 - i. The equivalency value for each student-athlete in all sports, including head-count sports, need to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the squad list as the numerator and the full grant amount, which is the total cost for tuition, fees, books, room, and board for an academic year as the denominator.
 - ii. If an athlete participates in more than one sport, the Rev. Dist. Equivalent Award can only be included in one sport.
 - iii. All equivalency calculations should be rounded to two decimal places.
 - iv. The full grant amount should be the full cost of tuition for an academic year, not a semester.
 - v. If a sport is discontinued and the grants are still being honored by the institution, the grants may be included in the total.
 - vi. Student-athletes receiving athletic aid who have exhausted their athletics eligibility or are inactive due to medical reasons should be included in the grants-in-aid calculation, marked properly on the squad list and on the Grants-in-Aid submission form.
 - vii. Only athletic grants awarded in sports in which the NCAA conducts championship competitions, emerging sports for women, and football should be included in the calculations.
- b. We recalculated totals for each sport and overall.

Dr. Scott Scarborough, President
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 The University of Akron

Result: Of the sample of 73 students selected, three of the students received summer aid only; therefore, procedures were not performed on them. For the remaining sample of 70, each student's account detail agreed to the student's award letter. The identified differences are included in the table below. We noted that one student athlete had a full grant amount of \$22,135 reported on the squad list; however, \$23,411 should have been reported.

The students' accounts tested are summarized below:

Student Tested	Amount per Award Letter	Amount per Student Account	Difference	Student Tested	Amount Disbursed	Amount per Student Account	Difference
1	\$ 5,534	\$ 5,534	\$ -	41	\$ 12,424	\$ 12,406	\$ (18)
2	N/A - Summer			42	5,800	5,800	-
3	17,640	17,640	-	43	9,670	9,814	144
4	7,986	7,986	-	44	2,150	2,214	64
5	19,856	19,856	-	45	21,576	21,576	-
6	7,667	7,667	-	46	16,047	16,151	105
7	5,376	5,534	158	47	25,852	25,852	-
8	5,376	5,534	158	48	31,014	31,630	616
9	5,937	5,937	-	49	18,132	18,406	274
10	27,162	27,118	(45)	50	9,583	9,583	-
11	21,461	21,861	399	51	22,421	22,421	-
12	21,889	21,889	-	52	16,532	16,188	(344)
13	21,511	21,511	-	53	20,215	20,160	(55)
14	30,222	30,217	(5)	54	17,026	16,633	(394)
15	29,988	29,988	-	55	22,506	22,481	(25)
16	21,461	20,896	(565)	56	22,363	22,363	-
17	9,879	9,879	-	57	N/A - Summer		
18	21,701	21,618	(83)	58	29,190	28,857	(333)
19	27,796	27,667	(129)	59	13,800	13,800	-
20	20,670	20,385	(285)	60	9,800	9,800	-
21	11,601	11,601	-	61	7,000	7,000	-
22	21,547	21,246	(300)	62	30,085	29,370	(715)
23	28,101	28,101	-	63	800	800	-
24	22,097	21,106	(991)	64	7,000	7,000	-
25	20,501	20,501	-	65	1,800	1,800	-
26	21,941	21,836	(105)	66	32,653	32,653	-
27	21,531	21,499	(32)	67	15,923	15,923	-
28	21,583	21,230	(353)	68	16,619	16,286	(333)
29	22,336	22,191	(145)	69	1,573	1,573	-
30	22,322	22,279	(43)	70	23,874	23,156	(718)
31	22,286	22,259	(27)	71	20,466	20,466	-
32	N/A - Summer			72	30,899	30,899	-
33	14,613	14,613	-	73	31,666	31,666	-
34	17,084	17,670	586				
35	6,044	6,136	92				
36	8,200	7,916	(284)				
37	6,000	6,000	-				
38	2,800	2,800	-				
39	3,400	3,400	-				
40	33,052	30,877	(2,175)				

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2) Guarantees

Procedure: We obtained and inspected three home-game settlement reports received by the Institution during the reporting period and agreed related expenses to the Institution’s general ledger and/or the statement. We obtained and inspected three contractual agreements pertaining to expenses recorded by the Institution from guaranteed contests during the reporting period. We agreed related amounts expensed by the Institution during the reporting period to the Institution’s general ledger and/or the statement. We also recalculated totals. The guarantee agreements we selected for testing were as follows:

Event Date	Sporting Event	Contract Amount	Date of Check/Transfer
8/28/2014	Football v. Howard	\$ 300,000	9/24/2014
12/4/2014	Men's basketball v. Western Illinois	90,000	12/4/2014
11/30/2014	Men's basketball v. Bryant	80,000	11/26/2014

Result: We obtained the related contracts, which were signed by both parties, for the agreements listed above. We agreed the amounts outlined in the contract to the amount recorded on the general ledger. As agreed-upon amounts were stated in each contract, no recalculation was necessary. We noted no exceptions.

3) Coaching Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities

Procedure: We obtained and inspected a listing of coaches employed by the Institution and related entities during the reporting period. We selected a sample of 10 coaches’ contracts that includes football and men’s and women’s basketball from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Institution and related entities in the statement during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related coaching salaries, benefits, and bonuses paid by the Institution and related entities expense recorded by the Institution in the statement during the reporting period and recalculated totals. We compared and agreed the totals recorded to any employment contracts executed for the sample selected.

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Result: We noted no exceptions. The coaches selected for testing are summarized below:

Coach	Sport Selected
1	Football
2	Men's basketball
3	Women's basketball
4	Baseball
5	Men's soccer (head coach)
6	Rifle
7	Swimming
8	Tennis
9	Men's soccer (assistant coach)
10	Men's and women's track

4) Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities

Procedure: We selected a sample of five support staff/administrative personnel employed by the Institution and related entities during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by the Institution and related entities expense recorded by the Institution in the statement during the reporting period. We also recalculated totals.

Result: We noted no exceptions. The staff selected for testing are summarized below:

Staff	Position Selected
1	Associate Athletic Director, Business
2	Associate Athletic Director, Compliance
3	Equipment Manager
4	Director, Men's Basketball Operations
5	Director, Sports Medicine

5) Recruiting

Procedure: We obtained the Institution's recruiting expense policies. We agreed to existing NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

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Result: We obtained and reviewed the Institution's recruiting expense policies. We obtained general ledger detail and agreed to the total expenses reported. We noted no exceptions.

6) Team Travel

Procedure: We obtained the Institution's team travel policies. We agreed to existing institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Result: We obtained and reviewed the Institution's team travel policies. We obtained general ledger detail and agreed to the total expenses reported. We noted no exceptions.

7) Equipment, Uniforms, and Supplies

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to supporting documentation. We recalculated totals.

Result: We agreed total expenses reported to a detail list of equipment, uniform, and supplies expenses. We selected one sample, a purchase of uniforms for \$28,110 on September 4, 2014 (check date), and agreed to the supporting invoice and check information. We noted no exceptions.

8) Game Expenses

Procedure: We obtained general ledger detail to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We agreed total expenses reported to a detail list of game expenses. We selected one sample, the payment of football officials for \$17,093 on September 30, 2014 (check date), and agreed to the supporting invoice and check information. We noted no exceptions.

9) Fundraising, Marketing, and Promotion

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction to supporting documentation. We recalculated totals.

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Result: We obtained a detail listing of fundraising, marketing, and promotion and agreed to the total expenses reported. We selected one sample, a purchase of promotional apparel for \$26,332 on October 28, 2014 (check date), and agreed to the supporting invoice and check information. We noted no exceptions.

10) Sports Camp Expenses

Procedure: We obtained general ledger detail to the total expenses reported. We agreed a sample of one transaction to supporting documentation. We recalculated totals.

Result: We obtained a detail listing of sports camp expenses and agreed to the total expenses reported. We selected one sample, a payment of \$47,450 related to a men's soccer camp on May 19, 2015 (wire date), and agreed to the related wire transfer request and contract. We noted no exceptions.

11) Spirit Groups

Procedure: We requested general ledger detail to agree it to the total expenses reported. We selected a sample of transactions and agreed them to supporting documentation. We recalculated totals.

Result: This revenue category is under the 0.5 percent threshold of total revenue per review of the statement. Therefore, it was not deemed necessary to perform procedures.

12) Athletic Facility Debt Service, Leases, and Rental Fees

Procedure: We obtained a listing of debt service schedules, lease payments, and rental fees for athletic facilities for the reporting year. We agreed a sample of facility payments, including the top two highest facility payments, to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements). We agreed amounts recorded to amounts listed in the general ledger detail and recalculated totals. The two payments selected for testing were in the amounts of \$1,088,013 and \$362,671 on September 9, 2014 and October 9, 2014, respectively. These were the two highest payments made, per review of the general ledger detail.

Result: Management represents that all "payment" amounts due from the athletics department for debt service are transferred from the athletics fund to the general fund. They are not paid directly to the lender. The transfer amounts listed above were agreed to the applicable debt service schedule, the Series 2008 A & B General Receipts Bonds. We noted no exceptions.

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13) Direct Overhead and Administrative Support

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction it to supporting documentation. We recalculated totals.

Result: We obtained a detail listing of direct overhead and administrative support expenses and agreed to the total expenses reported. We selected one sample, a charge for \$29,057 on December 2, 2014 (journal entry date), and agreed it to the related detailed journal entry listing and chargeback documentation. We noted no exceptions.

14) Medical Expenses and Medical Insurance

Procedure: We obtained general ledger detail to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We obtained a detail listing of medical expenses and medical insurance expenses and agreed to the total expenses reported. We selected one sample, a purchase for \$4,759 on July 23, 2015 (check date), and agreed it to supporting invoice and check information. We noted no exceptions.

15) Memberships and Dues

Procedure: We obtained general ledger detail to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Result: We obtained a detail listing of membership and dues expenses and agreed to the total expenses reported. We selected one sample, a purchase for \$65,000 on October 30, 2014 (check date), and agreed it to supporting invoice and check information. We noted no exceptions.

16) Other Operating Expenses

Procedure: We agreed other expenses to the Institution's general ledger, and/or the statement, and recalculated totals.

Result: We noted no exceptions.

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Affiliated and Outside Organizations

K. In preparation for our procedures related to the Institution's affiliated and outside organizations, we performed the following:

- I) **Procedure:** Inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:
 - i. Booster organizations established by or on behalf of an intercollegiate athletics program.
 - ii. Independent or affiliated foundations or other organizations that have, as a principal purpose, the generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments, or other monies, goods, or services to be used entirely or in part by the intercollegiate athletics program.
 - iii. Alumni organizations that have, as one of their principal purposes the generating of monies, goods, or services for or on behalf of an intercollegiate athletics program and that contribute monies, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted.

Result: Based on inquiries with management, management identified Zip Athletic Club and the Varsity "A" Association as meeting the above criteria. The accounting for these organizations is performed by The University of Akron Foundation. No additional procedures were performed.

- 2) **Procedure:** We also obtained documentation on the Institution's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management as to the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the Institution's intercollegiate athletic program.

Result: We obtained documentation on the Institution's practices and procedures for monitoring the internal controls and financial activities of these organizations. The University of Akron Foundation confirmed that the financial activities of the affiliated and outside organizations listed above were recorded on the books of The University of Akron Foundation and the Institution confirmed that these activities are not included in either the intercollegiate athletics program statement of revenues and expenses for intercollegiate athletics programs or the books of the Institution.

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- 3) **Procedure:** We obtained and inspected audited financial statements of The University of Akron Foundation and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management.

Result: We obtained audited financial statements of The University of Akron Foundation and noted that there were no additional reports regarding internal controls.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying intercollegiate athletics program statement of revenues and expenses. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of The University of Akron's management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 24, 2015

The University of Akron National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenues and Expenses Year Ended June 30, 2015

	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating Revenues						
Ticket Sales	\$ 544,330	\$ 321,714	\$ 12,870	\$ 131,236	\$ 58,513	\$ 1,068,663
Direct Institutional Support	-	-	-	-	22,118,580	22,118,580
Guarantees	975,000	70,000	-	22,426	-	1,067,426
Contributions	117,796	79,049	11,669	288,575	1,689,045	2,186,134
In-Kind	46,771	5,163	1,744	48,753	-	102,431
NCAA Distributions	-	-	-	-	1,605,245	1,605,245
Conference Distributions (Non-Media or Bowl)	-	-	-	-	1,063,760	1,063,760
Program, Novelty, Parking, and Concession Sales	-	-	-	-	150,696	150,696
Royalties, Licensing, Advertisements, and Sponsorships	-	-	-	-	908,420	908,420
Sports Camp Revenues	19,430	41,191	19,552	562,087	28,057	670,317
Athletic Restricted Endowment and Investments Income	27,491	15,154	2,148	29,601	138,219	212,613
Other Operating Revenue	190	8,142	370	104,589	503,892	617,183
Total Operating Revenue	1,731,008	540,413	48,353	1,187,267	28,264,427	31,771,468
Operating Expenses						
Athletic Student Aid	\$ 2,682,748	\$ 407,393	\$ 415,837	\$ 3,577,538	\$ 39,346	7,122,862
Guarantees	400,000	465,702	22,000	17,986	-	905,688
Coaching Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities	1,887,862	1,057,108	579,184	2,379,547	-	5,903,701
Support Staff/Administrative Compensation, Benefits, and Bonuses Paid by the Institution and Related Entities	489,035	263,704	169,526	402,215	3,879,161	5,203,641
Recruiting	151,055	86,003	52,529	145,036	9,412	444,035
Team Travel	517,720	305,492	127,488	872,465	137,856	1,961,021
Sports Equipment, Uniforms, and Supplies	325,343	68,433	48,030	334,133	274,609	1,050,548
Game Expenses	337,796	174,365	78,197	186,077	700	777,135
Fundraising, Marketing, and Promotion	6,183	5,808	2,318	2,514	435,439	452,262
Sports Camp Expenses	9,963	13,726	17,321	271,436	12,773	325,219
Spirit Groups	-	-	-	-	61,755	61,755
Athletic Facility Debt Service, Leases, and Rental Fees	-	-	-	19,822	5,048,738	5,068,560
Direct Overhead and Administrative Expenses	42,729	20,527	11,890	24,500	1,608,228	1,707,874
Medical Expenses and Insurance	-	177	-	281	389,409	389,867
Memberships and Dues	3,594	1,350	1,291	24,153	248,686	279,074
Other Operating Expenses	393,847	156,237	53,021	314,285	1,499,382	2,416,772
Total Operating Expenses	7,247,875	3,026,025	1,578,632	8,571,988	13,645,494	34,070,014
(Deficiency) Excess of Revenues (Under) Over Expenses	<u>\$(5,516,867)</u>	<u>\$(2,485,612)</u>	<u>\$(1,530,279)</u>	<u>\$(7,384,721)</u>	<u>\$14,618,933</u>	<u>\$(2,298,546)</u>

See Notes to Intercollegiate Athletics Program
Statement of Revenues and Expenses.

The University of Akron National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenses Year Ended June 30, 2015

Note I - Intercollegiate Athletics-related Assets

Property and equipment greater than \$5,000 are recorded at cost or, if donated, the fair value at the time of donation. Expenses for maintenance and repairs are charged to current expenses as incurred. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. No depreciation is recorded on land. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5 to 40 years, depending on classification.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2015 are as follows:

	Current Year Additions	Current Year Deletions
Basketball athletics facilities	\$ 109,414	\$ -
Total athletics facilities	<u>\$ 109,414</u>	<u>\$ -</u>
Other institutional facilities	\$ 35,046,490	\$ 2,194,850

The total book values of property, plant, and equipment, net of depreciation, of the Institution as of the year ended June 30, 2015 are as follows:

	Book Value
Athletics-related property, plant, and equipment balance	\$ 124,919,047
Institution's total property, plant, and equipment balance	\$ 736,788,579

The University of Akron

National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenses (Continued) Year Ended June 30, 2015

Note 2 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the Institution as of the year ended June 30, 2015 is as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	\$ 4,950,626	\$ 66,425,689
University's total	\$ 32,886,319	\$ 469,534,475

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the Institution during the year ended June 30, 2015 is as follows:

Years Ending June 30	Principal	Interest
2016	\$ 1,736,454	\$ 3,228,610
2017	1,819,021	3,160,102
2018	1,887,361	3,081,228
2019	1,974,501	3,152,675
2020	2,072,185	2,889,488
Thereafter	56,936,167	27,609,594
Total	<u>\$ 66,425,689</u>	<u>\$ 43,121,697</u>

The University of Akron National Collegiate Athletics Association Report

Notes to Intercollegiate Athletics Program Statement of Revenues and Expenses (Continued) Year Ended June 30, 2015

Note 3 - Contributions

Individual contributions of monies, goods, or services received directly by the Institution's intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitute 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2015 are as follows:

<u>Source of Funds, Goods, and Services</u>	<u>Value</u>
Gary L. and Karen Taylor, Football Stadium Master Gift	\$ 865,000

The University of Akron National Collegiate Athletics Association Report

Appendix A

Actual versus Actual Variance Explanations	2014-15	2013-14	\$ Change	%	Explanation of Variance per Associate Athletic Director
	Actual Total	Actual Total		Change	
Operating Expenses					
Athletic Facilities Debt Service, Leases and, Rental Fees	\$ 5,068,560	\$ -	\$ 5,068,560	100%	This difference is a result of the revised operating expense categories. In the previous year, this was included in the direct facilities, maintenance, and rental category.
Direct Facilities, Maintenance, and Rental	-	6,384,835	(6,384,835)	(100%)	This difference is a result of the revised operating expense categories. See the related explanation above for athletics facilities debt service, leases, and rental fees.
Actual versus Budget Variance Explanations	2014-15	2014-15	\$ Change	%	Explanation of Variance per Associate Athletic Director
	Actual Total	Budget Total		Change	
Operating Expenses -					
Salaries	\$ 11,107,343	\$ 9,621,663	\$ 1,485,680	15%	There are several factors that contributed to the actual expenses being more than the budgeted expenses, including restricted expenses that were not included in the budget; bonuses that were not included in the budget, expenses that were previously funded (and budgeted for) through the general fund were moved to the athletics fund during the middle of the year; outside events hosted in facilities that were not included in the budget; expenses related to the MAC men's soccer championship that was not included in the budget; and mid-year raises given to the swim coaching staff that were not included in the budget.



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
FEBRUARY 9, 2016