The University of Akron
(a component unit of the State of Ohio)

Financial Report
With Supplemental Information

June 30, 2010

Dave Yost • Auditor of State

Board of Trustees
The University of Akron
302 Buchtel 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, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

January 26, 2011

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The University of Akron

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The University of Akron

Management's Discussion and Analysis
June 30, 2010

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, 2010. 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 consists of this Management's Discussion and Analysis, three separate but interrelated financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, 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 Assets*; *Revenues, Expenses and Changes in Net Assets;* 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 Assets includes all assets and liabilities, with the difference between the two reported as *net assets*. The assets and liabilities are presented in the order of relative liquidity while *net assets* are categorized as *Invested in capital assets, net of related debt*; *Restricted*; or *Unrestricted*. Over time, increases or decreases in *net assets* are an indicator of the improvement or erosion of The University's financial health.

The Statement of Revenues, Expenses, and Changes in Net Assets 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 across Ohio. For the fiscal years ended June 30, 2010, 2009, and 2008, the State provided approximately $128 million, $119 million, and $109 million, respectively, for operating and capital purposes while The University's operating losses were approximately $141 million, $154 million, and $132 million 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 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.

Table 1 summarizes The University's Net Assets at June 30, 2010, 2009, and 2008.

Table 1
Net Assets (In Thousands)

	2010	2009	2008
Assets:			
Current assets	$ 166,825	$ 141,533	$ 130,255
Restricted current assets	83,520	146,352	175,924
Noncurrent assets:			
Capital	686,229	621,530	551,325
Other	64,351	60,004	87,157
Total assets	1,000,925	969,419	944,661
Liabilities:			
Current liabilities	112,052	113,833	81,424
Noncurrent liabilities	425,275	430,797	430,593
Total liabilities	537,327	544,630	512,017
Net assets:			
Invested in capital assets, net of related debt	307,344	308,702	286,734
Restricted:			
Nonexpendable	29,743	26,785	30,793
Expendable	44,996	29,472	39,032
Unrestricted	81,515	59,830	76,085
Total net assets	$ 463,598	$ 424,789	$ 432,644

(Note: Certain prior year amounts have been reclassified to conform to current year presentations.)

Current assets include those highly liquid assets such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses and deferred charges. Current assets increased $25.3 million and $11.3 million during 2010 and 2009, respectively. There were variations among many of the current asset categories, but the principal causes of the change are from a $19.3 million and $4.1 million increase within all current cash and investments in 2010 and 2009, respectively. Specifically, The University temporarily invested its operating funds, along with the proceeds of debt issues until the proceeds were needed to pay for operating or construction costs. The duration of these investments is short term to ensure their liquidity and immediate availability. During 2010 and 2009, The University also continued its progress toward, and paid costs related to, the Landscape for Learning initiative. The second phase of the New Landscape for Learning campus enhancement initiative includes a new on-campus stadium to replace the Rubber Bowl, the purchase of the Quaker Square properties to be used for residence halls, office space, and academics, and other enhancements to the campus such as residence halls and parking.

Restricted current assets consist of cash, cash equivalents, and investments, which resulted from gifts from friends of The University. In these cases, the donors required that the gifts be used for some particular purpose. Restricted current assets decreased $62.8 million and $29.6 million during 2010 and 2009, respectively. The changes are largely attributable to the separate investment of new bond proceeds in 2008 and the near-term payment demands of the Landscape for Learning initiative as discussed previously.

Noncurrent assets consist of endowment investments; pledges and student notes receivable; and capital assets. Noncurrent assets increased $69.1 million and $43.1 million during 2010 and 2009, respectively. While there were variations among the categories, the increases are largely attributable to a $64.7 million and a $70.2 million increase in 2010 and 2009, respectively, within capital assets. The 2009 increase in capital assets was offset by a $10.7 million decrease in endowment investment valuation and a $17.1 million decrease in long-term investments used for the payment demands of the Landscape for Learning initiative.

Current liabilities include all items that mature within one year. The current liabilities include accounts payable; accrued liabilities; accrued interest payable; deferred revenue; deposits; and the short-term portion of long-term liabilities. Current liabilities decreased $1.8 million and increased $32.4 million during 2010 and 2009, respectively. There were variations among many of the current liability categories, but the principal cause of the 2010 decrease was an $8.9 million decrease in accounts payable which was offset by a $7.0 million increase in the construction debt and capital lease payments required in the next year. The principal causes of the 2009 increase were a $9.6 million increase in accounts payable and a $6.8 million increase in construction debt and capital lease payments required in the next year.

Noncurrent liabilities consist of refundable federal student loans; long-term debt including capital leases and the sick leave and other postemployment benefit liabilities; and long-term deferred revenue. The most notable change occurred within the long-term liabilities. During 2010, the $7.3 million decrease was due to payments made on The University’s long-term debt. During 2009, the slight $0.2 million increase was due primarily to payments made on The University’s long-term debt being offset by a corresponding increase in the other postemployment benefit liability.

As reflected earlier, net assets represent the difference between assets and liabilities and over time is one indicator of improving or eroding financial health. Net assets are categorized as Invested in capital assets, net of related debt; Restricted; or Unrestricted. Restricted net assets include both expendable and nonexpendable components. During 2010 and 2009, net assets increased approximately 9.1% and decreased approximately 1.8%, respectively, or increased $38.8 million and decreased $7.9 million, respectively.

Table 2 summarizes The University's Changes in Net Assets for the years ended June 30, 2010, 2009, and 2008.

Table 2
Changes in Net Assets (In Thousands)

	2010	2009	2008
Operating revenues:			
Tuition and fees	$ 189,066	$ 176,843	$ 174,643
Grants and contracts	33,472	35,763	34,058
Sales and services	13,494	12,280	12,172
Auxiliary enterprises	50,955	47,905	44,926
Other operating revenues	991	1,006	757
Total operating revenues	287,978	273,797	266,556
Operating expenses:			
Educational and general:			
Instruction and departmental research	136,009	134,676	126,778
Other educational and general	199,295	202,401	187,192
Auxiliary enterprises	59,367	57,345	52,586
Depreciation and loss on disposal	32,738	32,935	32,325
Total operating expenses	427,409	427,357	398,881
Operating loss	(139,431)	(153,560)	(132,325)
Nonoperating revenues (expenses):			
State appropriations	95,836	107,665	99,127
Federal fiscal stabilization funds	15,244	-	-
Federal grants	34,424	22,941	18,532
Gifts and distributions	20,376	17,174	20,355
Other (net)	(7,556)	(15,884)	(8,940)
Net nonoperating revenues	158,324	131,896	129,074
Gain (loss) before other changes	18,893	(21,664)	(3,251)
Other changes:			
Capital appropriations	17,029	11,369	9,861
Other changes (net)	2,893	2,440	(79)
Total other changes	19,922	13,809	9,782
(Decrease) increase in net assets	38,815	(7,855)	6,531
Net assets:			
Net assets - beginning of year	424,789	432,644	426,113
Net assets - end of year	$ 463,604	$ 424,789	$ 432,644

The student tuition and fees increased $12.2 million or 6.9% during 2010 and increased $2.2 million or 1.3% during 2009. The observed changes in tuition and fees are attributed to the student headcount, student credit hours taken, and fees charged. The University's total student headcount increased approximately 5% in both 2009 and 2008. Along with headcount, the total student credit hours (or actual courses taken) increased 5% in 2010 and 2009. The University enacted a tuition freeze for the 2009 academic year and the fall semester of the 2010 academic year. Tuition and general fees were increased 3.5% for the spring 2010 semester.

In addition to the fees collected, GASB requires the portion of student aid which is provided in the form of reduced tuition to be reported as a reduction of revenue. This reduction, or scholarship allowance, and increased $12.7 million to $55.5 million in 2010 and increased $4.8 million to $42.8 million in 2009. Both increases were a reflection of increased scholarships awarded and other funding opportunities for students.

The combined federal, state, local, and private grants and contracts revenue levels represent The University's continued pursuit of federal, state, local, and private funding for research related activities. Federal revenues represented the largest component of these revenues at $17.0 million and $13.5 million in 2010 and 2009, respectively, followed by private revenues at $8.5 million and $12.1 million in 2010 and 2009, respectively.

The largest federal sources were the Office of Education (OE) and the National Science Foundation (NSF) with the awards for scholarships and grants. OE provided nearly $4.9 million and $5.2 million during 2010 and 2009, respectively. NSF provided $3.8 million and $4.2 million during 2010 and 2009, respectively. Meanwhile, the largest source of private revenue in 2010 was the Reading First grant which provided $1.2 million. Large sources of private revenue totaling $4.3 million in 2009 were from three foundations which provided research equipment, new reading initiatives, and other scientific research. The state and local revenues consisted of multiple smaller dollar awards.

Sales and services revenue are from certain operations, which provide services to both students and other departments within The University campus. The most significant of these operations was Computer Solutions, which generated sales totaling $3.7 million for 2010 and $3.5 million for 2009.

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, parking services, Rubber Bowl, E.J. Thomas Performing Arts Hall, telecommunications, and dining facilities.

Auxiliary enterprises revenue increased $3.1 million and $3.0 million in 2010 and 2009, respectively. The predominant revenues within this area are from dining facilities, residence halls, and parking services. During 2010, the revenues generated from those three areas represented $15.4 million, $16.2 million, and $7.8 million, respectively, or 77.3% of the total $51.0 million revenues. During 2009, the revenues generated from those three areas represented $14.7 million, $16.1 million, and $6.8 million, respectively, or 78.5% of the total $47.9 million revenues.

The state appropriations represent the other most significant revenue source for The University. In 2010, state appropriations were enhanced with fiscal stabilization funding from the federal government to the State of Ohio. Together, the state appropriations, fiscal stabilization funding, and student tuition and fees are the predominant resources used to fund The University's daily operations. The state appropriations and fiscal stabilization funding combined increased $3.4 million and $8.5 million in 2010 and 2009, respectively. The declining increases are part of continued shifts in higher education funding over the past few years and are largely attributable to state-level fiscal challenges.

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 Board of Regents (OBOR) based upon certain formulas and a capital plan provided by The University. The capital appropriations increased $5.7 million and $1.5 million in 2010 and 2009, respectively.

The University also records Pell grant awards as nonoperating federal grant revenue. Pell grant revenue increased $11.5 million or 50.1% and $4.4 million or 23.8% during 2010 and 2009, respectively.

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. The University receives gifts from a wide array of friends including alumni, the business community, and foundations. 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. For 2010 and 2009, gifts and grants for these purposes and additions to permanent endowments totaled $23.3 million and $19.6 million, respectively.

Investment income, including the unrealized change in fair value of investments, totaled $8.4 million and $1.1 million during 2010 and 2009, respectively. Investment income, net of investment expenses, increased $7.2 million in 2010 and decreased $15.4 million in 2009. The changes are due to overall fluctuations in returns on all investments and a conversion to new investment managers. Those investments were not redeemed; nevertheless, GASB Statement No. 31 requires those investments be reported at fair value for financial statement reporting purposes. Meanwhile, the $2.4 million and $2.3 million net increase in 2010 and 2009, respectively, within net unrealized appreciation on investments occurred because of market conditions as of fiscal year end and the fair value of the investments changing substantially. Once again, those investments were not redeemed, but were adjusted to fair value for financial statement reporting purposes. The University reviewed its investment policies over the past two years and modified its strategies to reduce the portfolio's vulnerability to significant market fluctuations while maintaining certain returns.

The educational and general expenses category is the single largest category of expenses and includes all academic and administrative support salary and benefit related costs. Overall, these expenses had a slight decrease of 0.5% during 2010 and increased nearly 7.1% during 2009. The greatest increase during 2010 of $7.1 million occurred within scholarships and fellowships and reflects increased scholarships paid to students. The most notable increase during 2009 of $7.9 million occurred within instruction and departmental research. This increase was largely due to increased expenditures for instructional faculty and staff wages and departmental expenses.

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 $2.0 million and $4.8 million in 2010 and 2009, respectively. The largest increase during 2010 occurred within intercollegiate athletics which assumed responsibility for the Stile Field House and related operating costs. The largest increase during 2009 occurred with residence halls which was a result of the opening of the Quaker Square dorm along with other increases in maintenance costs.

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. 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. Depreciation expense increased $1.0 million in 2010 and $4.1 million in 2009, respectively, due to changing levels of capital asset purchases related to the capital project initiative.

The University periodically sells or disposes of obsolete capital assets. Unlike many revenue and expense areas, which tend to be predictable among years, the gains or losses from the disposition of capital assets are often a result of management discretion. The University realized losses totaling $0.2 million and $1.4 million during 2010 and 2009, respectively. The losses occurred with the removal of buildings and sale of equipment.

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense decreased $1.7 million to $14.9 million in 2010 and increased by $5.1 million to $16.6 million in 2009.

Capital Assets and Long-term Debt Activity

As previously reflected, The University is completing a major capital expansion. The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2010 and 2009, additions to capital assets approximated $125.7 million and $28.2 million, respectively, net of construction in progress additions. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled $424.5 million in 2010 and $430.6 million in 2009. No additional long-term debt was issued during 2010 and 2009. The University continued to make payments on other outstanding debt for a total of approximately $9.5 million. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.

Factors Impacting Future Periods

The student tuition and fees, state appropriations, and federal fiscal stabilization funding are the principal revenue sources which support The University's annual operations. For both 2010 and 2009, those three revenue sources alone represented $300.1 million and $284.5 million, respectively, of The University's total operating and nonoperating revenues while the aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled $179.7 million and $149.7 million, respectively. Federal fiscal stabilization funding of $17.1 million will continue in 2011. It is unknown at this time if there will be continuing funding at this level in future years.

The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by these two very important revenue sources plus our ability to manage the increasing employee benefits and energy costs.

On August 25, 2010, The University issued $131.4 million of General Receipts Refunding Bonds, Series 2010A. The proceeds of the Series 2010A Bonds will be used to refund $123.1 million of The University's outstanding General Receipts Bonds, Series 2008C1 & 2008C2 and pay issuance costs.

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Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
University of Akron

We have audited the accompanying statement of net assets of University of Akron (the "University"), a discretely presented component unit of the State of Ohio, and its component units as of June 30, 2010 and 2009 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Akron as of June 30, 2010 and 2009 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 6 to the financial statements, the University has changed its method of accounting for derivative instruments in 2010 and 2009 due to the adoption of GASB 53 – *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2010 on our consideration of 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 for the year ended June 30, 2010. 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 opinions 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 1 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information.

However, we did not audit the information and express no opinion on it. The accompanying 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 13, 2010
Toledo, Ohio

The University of Akron

Statements of Net Assets

June 30, 2010 and 2009

	The University of Akron		Component Units	
ASSETS	2010	2009	2010	2009
Current assets:				
Cash and cash equivalents	$ 323,160	$ 2,507,139	$ 1,674,258	$ -
Pooled investments	104,988,937	83,267,693	-	-
Investments held in trust by others	6,937,208	7,137,006	-	-
Accounts receivable, net	29,331,243	27,737,676	1,512,108	1,416,345
Pledges receivable, net	451,864	488,120	3,845,444	2,983,367
Notes receivable, net	2,195,786	2,104,939	5,008,989	1,803,939
Accrued interest receivable	785,066	1,086,174	-	-
Inventories	900,001	955,044	-	-
Prepaid expenses and deferred charges	5,553,650	5,488,208	92,780	30,328
Deferred outflow of resources-derivatives	15,357,675	10,760,827	-	-
Deposits	-	-	-	10,458
Total current assets	166,824,590	141,532,826	12,133,579	6,244,437
Restricted current assets:				
Cash and cash equivalents	35,077,089	21,525,321	2,545,919	2,264,743
Pooled investments	48,442,898	40,377,697	8,278,749	3,381,488
Other investments	-	84,448,870	8,223,473	2,684,000
Total restricted current assets	83,519,987	146,351,888	19,048,141	8,330,231
Noncurrent assets:				
Endowment investments	48,170,051	42,229,333	116,132,063	110,991,284
Other investments	-	1,501,410	371,966	572,840
Pledges receivable, net	451,736	747,696	12,973,486	11,551,741
Notes receivable, net	10,355,883	9,900,344	-	-
Prepaid expenses and deferred charges	5,373,446	5,624,937	-	-
Capital assets, net	686,229,538	621,530,206	10,011,787	9,821,198
Total assets	1,000,925,231	969,418,640	170,671,022	147,511,731
LIABILITIES				
Current liabilities:				
Accounts payable	14,067,339	22,972,995	2,275,040	3,013,411
Accrued liabilities	21,282,715	21,889,323	795,954	565,033
Accrued interest payable	9,019,055	9,210,202	-	-
Deferred revenue	30,413,428	32,022,503	6,746,204	1,774,930
Deposits	1,727,445	1,223,493	8,223,473	2,709,525
Current portion of long-term liabilities	35,541,675	26,514,270	6,549,301	1,804,086
Total current liabilities	112,051,657	113,832,786	24,589,972	9,866,985
Noncurrent liabilities:				
Refundable federal student loans	11,785,297	11,768,142	-	-
Actuarial liability for annuity/unitrust agreements	-	-	10,775,286	11,271,563
Long-term liabilities	413,490,235	419,029,128	2,871,613	4,420,914
Total liabilities	537,327,189	544,630,056	38,236,871	25,559,462
NET ASSETS				
Invested in capital assets, net of related debt	307,343,887	308,702,174	7,140,174	6,900,284
Restricted:				
Nonexpendable:				
Endowment	29,742,767	26,785,337	84,997,668	82,693,491
Expendable:				
Current operations	26,768,749	27,029,508	47,742,771	44,099,767
Loans	899,230	893,060	-	-
Capital projects	16,558,349	-	-	-
Debt service	769,718	1,549,185	-	-
Unrestricted	81,515,342	59,829,320	(7,446,462)	(11,741,273)
Total net assets	$ 463,598,042	$ 424,788,584	$ 132,434,151	$ 121,952,269

See accompanying notes to financial statements

The University of Akron

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2010 and 2009

	The University of Akron		Component Units	
REVENUES	2010	2009	2010	2009
Operating revenues:				
Student tuition and fees (net of scholarship allowance of $55,539,207 and $42,830,733)	$ 189,065,708	$ 176,842,692	$ -	$ -
Federal grants and contracts	16,999,634	13,533,438	201,146	333,324
State grants and contracts	7,224,224	9,362,808	-	-
Local grants and contracts	700,785	757,864	-	-
Private grants and contracts	8,547,014	12,109,045	3,862,449	3,162,946
Gifts and contributions	-	-	9,017,954	10,120,506
Sales and services	13,493,832	12,280,648	-	-
Auxiliary enterprises	50,955,352	47,904,962	-	-
Other sources	991,231	1,005,751	1,078,880	940,410
Total operating revenues	287,977,780	273,797,208	14,160,429	14,557,186
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	136,009,387	134,675,648	-	-
Separately budgeted research	24,195,795	21,694,892	2,533,237	2,867,965
Public service	17,778,174	20,182,151	-	-
Academic support	33,787,724	34,607,738	-	-
Student services	13,212,303	13,468,157	-	-
Institutional support	49,606,799	56,854,094	696,331	758,077
Operation and maintenance of plant	25,763,196	27,779,552	-	-
Scholarships and fellowships	34,951,202	27,814,499	-	-
Auxiliary enterprises	59,366,776	57,344,600	-	-
Depreciation	32,538,642	31,538,808	210,003	164,214
Loss on disposal of property	205,188	1,397,435	-	-
Total operating expenses	427,415,186	427,357,574	3,439,571	3,790,256
Operating (loss) income	(139,437,406)	(153,560,366)	10,720,858	10,766,930
NONOPERATING REVENUES (EXPENSES)				
State appropriations	95,835,787	107,664,987	-	-
Federal fiscal stabilization funds	15,244,152	-	-	-
Federal grants	34,424,171	22,940,814	-	-
Gifts	6,370,430	4,907,670	-	-
Investment income (loss), net	8,417,533	1,076,346	11,518,843	(36,639,464)
Interest on debt	(14,881,737)	(16,601,253)	(266,714)	(319,905)
Distributions to The University	14,005,817	12,266,850	(14,005,817)	(12,266,850)
Distributions on behalf of The University	-	-	(682,239)	(904,020)
Other nonoperating revenues (expenses)	(1,091,670)	(359,573)	291,878	229,583
Net nonoperating revenues (expenses)	158,324,483	131,895,841	(3,144,049)	(49,900,656)
Income (loss) before other changes	18,887,077	(21,664,525)	7,576,809	(39,133,726)
OTHER CHANGES				
State capital appropriations	17,029,314	11,368,884	-	-
Capital gifts and grants	1,904,293	2,101,033	-	-
Additions to permanent endowments	988,774	338,894	2,905,073	1,830,440
Total other changes	19,922,381	13,808,811	2,905,073	1,830,440
Increase (decrease) in net assets	38,809,458	(7,855,714)	10,481,882	(37,303,286)
NET ASSETS				
Net assets - beginning of year	424,788,584	432,644,298	121,952,269	159,255,555
Net assets - end of year	$ 463,598,042	$ 424,788,584	$ 132,434,151	$ 121,952,269

See accompanying notes to financial statements

The University of Akron

Statements of Cash Flows

June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 189,762,687	$ 192,640,988
Grants and contracts	30,644,390	23,794,427
Auxiliary enterprises	50,626,772	48,038,707
Sales and service of educational activities	13,493,832	12,280,648
Payments to suppliers	(97,785,787)	(104,511,002)
Payments for compensation and benefits	(261,288,732)	(252,267,709)
Payments for scholarships and fellowships	(24,066,793)	(18,491,832)
Loans issued to students	(2,205,324)	(2,095,003)
Collection of loans to students	1,201,911	1,208,179
Other payments	(5,281,129)	(6,110,832)
Net cash used in operating activities	(104,898,173)	(105,513,429)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	95,835,787	107,664,987
Federal fiscal stabilization funds	15,244,152	-
Gifts, grants and contracts for other than capital purposes	52,595,914	38,865,359
Private gifts for endowment purposes	1,032,762	412,717
Other payments	(1,091,670)	(359,573)
Net cash provided by noncapital financing activites	163,616,945	146,583,490
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	3,400,000	1,800,000
Capital appropriations	17,029,314	11,368,884
Capital grants and gifts received	4,964,880	2,719,466
Purchases of capital assets	(80,720,699)	(101,634,248)
Principal paid on capital debt and leases	(9,522,483)	(9,084,781)
Interest paid on capital debt and leases	(19,471,295)	(24,097,115)
Loans issued for capital purposes	-	(181,000)
Collection of loans issued for capital purposes	174,713	127,568
Net cash used in capital financing activites	(84,145,570)	(118,981,226)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	509,646,018	567,905,693
Interest on investments	5,717,222	(1,701,456)
Purchase of investments	(478,568,653)	(545,161,960)
Net cash provided by investing activites	36,794,587	21,042,277
Net increase (decrease) in cash and cash equivalents	11,367,789	(56,868,888)
Cash and cash equivalents - beginning of the year	24,032,460	80,901,348
Cash and cash equivalents - end of the year	$ 35,400,249	$ 24,032,460

(continued)

The University of Akron

Statements of Cash Flows

June 30, 2010 and 2009

	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (139,437,406)	$ (153,560,365)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	32,538,642	31,538,808
Loss on disposal of property	205,188	1,397,435
Changes in assets and liabilities:		
Accounts receivable, net	(520,075)	(1,772,421)
Notes receivable, net	(1,003,413)	(886,824)
Inventories	55,043	53,325
Prepaid expenses and deferred charges	(39,988)	249,137
Accounts payable	661,313	1,148,331
Accrued liabilities	(606,608)	2,324,077
Deferred revenue	(1,609,075)	4,695,967
Deposits held for others	503,952	236,317
Sick leave liability	245,394	701,626
OPEB liability	4,091,705	8,314,796
Refundable federal student loans	17,155	46,362
Net cash used in operating activities	$ (104,898,173)	$ (105,513,429)

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 three educational centers, the Medina County University Center in Medina, Ohio, the Holmes County Higher Education Center in Millersburg, 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; accordingly, their financial activity is not included within the accompanying financial statements, and The University bears no financial liability for these organizations.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Consolidated 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. 39, 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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, The University has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

1. Summary of Significant Accounting and Reporting Policies – continued

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 No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, and changes in net assets and cash flows. It replaces fund groups with net asset groups, and requires the direct method of cash flow presentation.

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 FASB reporting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's or the Research Foundation's financial information in The University's financial report for these differences.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 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 Assets.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the average cost basis.

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 contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations.

1. Summary of Significant Accounting and Reporting Policies – continued

Capital Assets

Capital assets greater than $5,000 are recorded at cost or, if acquired by gift, at an appraised value at the date of gift. 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.

Estimated useful lives are as follows:

Classification	Estimated Life
Land improvements	25 years
Buildings	40 years
Infrastructure	20 years
Equipment and furniture	3 to 15 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. The University applies the Capitalization of Interest Topic of the FASB Accounting Standards Codification for its General Receipts Bonds, Series 2008 A&B. This requires capitalization of interest cost of the borrowings less 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.

Deferred Revenue

Deferred revenue includes tuition and fees relating to summer sessions that are conducted in July and August. Deferred revenue 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 deferred are recognized as revenue in the following fiscal year.

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 with the maximum payable upon termination of employment of 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.

Derivative Instruments

Derivative instruments consist primarily of interest rate swap agreements associated with The University's outstanding long-term debt obligations. Derivative instruments are stated at fair value as established by major securities markets.

1. Summary of Significant Accounting and Reporting Policies - continued

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.

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.

Federal Grants and Contracts Revenue

Federal grants and contracts operating revenue consists of sponsored program revenue from federal sources along with student-related grants such as College Work Study and Supplemental Educational Opportunity Grant programs. For the years ended June 30, 2010 and 2009, student-related grants amounted to approximately $4.2 million and $3.5 million, respectively, with the balance of $12.8 million and $10.0 million, respectively, related to sponsored programs.

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 Auditing Standards No. 70 while LCCC is a user organization.

Change in Accounting Policy

GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in 2008. The Statement is effective for the financial statements for reporting periods beginning after June 15, 2009, therefore for the fiscal year ending June 30, 2010. Statement No. 53 is intended to improve the reporting of derivative instruments, specifically requiring measuring most derivative instruments at fair value in financial statements that are prepared using the accrual basis of accounting. The fair value of an ineffective hedged derivative instrument is reported on the statement of revenue, expenses, and changes in net assets as investment gains or losses. To the extent they are effective hedges, recognition is deferred (reported as deferred charges or deferred income); otherwise the income or loss is recognized as a component of investment income. This pronouncement was implemented by retrospectively applying its effect to prior periods presented. There was no effect on net assets as of July 1, 2009 and 2008 or the Statements of Revenues, Expenses, and Changes in Net Assets for the year ended June 30, 2009.

1. Summary of Significant Accounting and Reporting Policies - continued

Net Assets

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are 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 assets represent funds that have been awarded or gifted for specific purposes, funds used for capital projects and debt service, and funds held in federal loan programs.

2. Cash and Investments

Cash

At June 30, 2010 and 2009, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were $35,400,249 and $24,032,460 as compared to bank balances of $36,513,779 and $25,135,459, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2010 and 2009 bank balances, $35,541,456 and $19,821,684, respectively, was uninsured but collateralized with securities held by the depository bank's and 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, investment programs offered by The Commonfund and shares of the State Treasury Asset Reserve (STAR Ohio). 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 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. STAR Ohio is an investment pool created pursuant to Ohio Statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30 of each year.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements,* as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, 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 assets.

2. Cash and Investments - continued

	2010 Fair Value	2009 Fair Value
Pooled investments:		
Repurchase agreement	$ 948,706	$ 556,445
STAR Ohio	-	1,742,152
The Commonfund: Short Term Fund	-	91,686
U.S. agencies	67,959,162	65,581,334
U.S. Treasury	17,419,974	10,713,941
Corporate notes	15,729,752	1,971,492
PFM Funds: Prime Series	51,374,241	42,988,340
Total pooled investments	153,431,835	123,645,390
Endowment investments:		
Marketable securities:		
U.S. Treasury	3,959,115	3,944,794
U.S. agencies	4,395,541	1,930,261
Common stocks	27,636,155	26,033,246
Preferred stocks	-	45,428
U.S. and corporate bonds	11,833,762	10,226,330
PFM Funds: Prime Series	307,976	-
The Commonfund:		
Private Equity	34,170	45,942
Cash surrender value of life insurance	3,332	3,332
Total endowment investments	48,170,051	42,229,333
Investments held in trust by others:		
U.S. agencies	6,937,208	7,137,006
Other investments:		
U.S. agencies	-	81,500,280
Commercial paper	-	4,450,000
Total other investments	-	85,950,280
Total investments	$ 208,539,094	$ 258,962,009

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, 2010, 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, 2010, 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 or intermediate), 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.

2. Cash and Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2010 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	Totals
Repurchase agreement	AAA	$ 948,706	$ -	$ -	$ 948,706
PFM Funds: Prime Series	AAA	52,327,838	-	-	52,327,838
U.S. corporate notes	AAA	1,031,090	-	-	1,031,090
	AA	10,672,131	-	-	10,672,131
	A	4,026,531	-	-	4,026,531
Total U.S. corporate notes		15,729,752	-	-	15,729,752
U.S. agencies	AAA	6,498,926	61,979,181	856,410	69,334,517
U.S. and corporate bonds	AAA	7,973,886	-	-	7,973,886
	AA	1,016,845	-	-	1,016,845
	A	1,322,688	-	-	1,322,688
	BBB	763,871	-	-	763,871
	BB	690,481	-	-	690,481
	B	65,991	-	-	65,991
Total U.S. and corporate bonds		11,833,762	-	-	11,833,762
Totals		$ 87,338,984	$ 61,979,181	$ 856,410	$ 150,174,575

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2009 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
Repurchase agreement	AAA	$ 556,445	$ -	$ -	$ -	$ 556,445
STAR Ohio	AAA	1,742,152	-	-	-	1,742,152
Commonfund-Short Term Fund	A	60,238	-	-	-	60,238
	BB	27,598	-	-	-	27,598
Total Commonfund-Short Term Fund		87,836	-	-	-	87,836
U.S. agencies	AAA	88,076,980	37,791,230	7,183,430	13,996,550	147,048,190
Commercial paper	AA	5,460,747	-	-	-	5,460,747
	A	955,370	-	-	-	955,370
Total Commercial paper		6,416,117	-	-	-	6,416,117
PFM Funds: Prime Series	AAA	45,983,393	-	-	-	45,983,393
U.S. and corporate bonds	AAA	4,595,047	-	-	-	4,595,047
	AA	922,330	-	-	-	922,330
	A	1,335,744	-	-	-	1,335,744
	BBB	683,356	-	-	-	683,356
	BB	337,317	-	-	-	337,317
	B	189,483	-	-	-	189,483
Total U.S. and corporate bonds		8,063,277	-	-	-	8,063,277
Totals		$ 150,926,200	$ 37,791,230	$ 7,183,430	$ 13,996,550	$ 209,897,410

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2010 and 2009 consisted of the following:

	2010	2009
Accounts receivable, net:		
Federal, state, local and governments, foundations, and companies, net of allowance for doubtful accounts of $0 and $119,807, respectively	$ 10,703,085	$ 14,820,355
Student receivables, net of allowance for doubtful accounts of $18,518,715 and $18,874,229, respectively	17,660,601	11,803,290
Other, net of allowance for doubtful accounts of $608,149 and $582,135, respectively	967,557	1,114,031
Total accounts receivable, net	29,331,243	27,737,676
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of $1,001,071 and $986,946, respectively	12,067,552	11,346,454
Other notes receivable	484,117	658,829
Total notes receivable, net	12,551,669	12,005,283
Accounts and notes receivable, net	$ 41,882,912	$ 39,742,959

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2010 and 2009 were as follows:

	2010		2009	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	$ 942,578	$ 459,536	$ 1,310,952	$ 497,885
Less: amount estimated to be Uncollectible	(15,342)	(7,672)	(24,724)	(9,765)
Less: unamortized discount	(23,636)	-	(50,412)	-
Pledges receivable, net	903,600	$ 451,864	1,235,816	$ 488,120
Less: current portion	(451,864)		(488,120)	
Pledges receivable, noncurrent portion	$ 451,736		$ 747,696	

As of June 30, 2010 and 2009, The University has approximately $3,333,000 and $3,781,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

5. Capital Assets

Changes in capital assets during fiscal 2010 and 2009 were as follows:

	Balance July 1, 2009	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2010
Nondepreciable capital assets:				
Land	$ 35,765,281	$ 1,610,263	$ -	$ 37,375,544
Historical collections	4,399,452	280,511	-	4,679,963
Construction in progress	97,861,383	82,696,453	110,999,300	69,558,536
Total nondepreciable capital assets	138,026,116	84,587,227	110,999,300	111,614,043
Depreciable capital assets:				
Land improvements	45,364,463	2,018,543	824,997	46,558,009
Buildings	646,217,004	104,144,157	-	750,361,161
Infrastructure	15,356,285	4,627,933	590,129	19,394,089
Equipment, furniture and books	119,386,220	13,064,602	5,708,328	126,742,494
Total depreciable capital assets	826,323,972	123,855,235	7,123,454	943,055,753
Total capital assets	964,350,088	208,442,462	118,122,754	1,054,669,796
Less accumulated depreciation:				
Land improvements	22,648,065	1,816,922	824,997	23,639,990
Buildings	239,904,803	19,713,135	-	259,617,938
Infrastructure	6,214,494	854,006	590,129	6,478,371
Equipment, furniture and books	74,052,520	10,154,579	5,503,140	78,703,959
Total accumulated depreciation	342,819,882	32,538,642	6,918,266	368,440,258
Capital assets, net	$ 621,530,206	$ 175,903,820	$ 111,204,488	$ 686,229,538

	Balance July 1, 2008	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2009
Nondepreciable capital assets:				
Land	$ 31,865,281	$ 3,900,000	$ -	$ 35,765,281
Historical collections	3,212,652	1,186,800	-	4,399,452
Construction in progress	22,870,945	80,237,044	5,246,606	97,861,383
Total nondepreciable capital assets	57,948,878	85,323,844	5,246,606	138,026,116
Depreciable capital assets:				
Land improvements	43,935,312	1,499,312	70,161	45,364,463
Buildings	643,242,857	2,974,147	-	646,217,004
Infrastructure	14,667,269	689,016	-	15,356,285
Equipment, furniture and books	107,839,486	17,912,903	6,366,169	119,386,220
Total depreciable capital assets	809,684,924	23,075,378	6,436,330	826,323,972
Total capital assets	867,633,802	108,399,222	11,682,936	964,350,088
Less accumulated depreciation:				
Land improvements	20,950,134	1,768,092	70,161	22,648,065
Buildings	221,084,841	18,819,962	-	239,904,803
Infrastructure	5,493,411	721,083	-	6,214,494
Equipment, furniture and books	68,780,531	10,229,672	4,957,683	74,052,520
Total accumulated depreciation	316,308,917	31,538,809	5,027,844	342,819,882
Capital assets, net	$ 551,324,885	$ 76,860,413	$ 6,655,092	$ 621,530,206

6. Long-term Liabilities

Changes in long-term liabilities during fiscal 2010 were as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion
Note payable:					
The University of Akron Foundation, 0.75%	$ 1,800,000	$ 3,200,000	$ -	$ 5,000,000	$ 5,000,000
Total note payable	1,800,000	3,200,000	-	5,000,000	5,000,000
Bonds payable:					
General receipts bonds - Series 1999, 4.8 to 5.125%, due serially through 2010	$ 3,620,000	$ -	$ 3,620,000	$ -	$ -
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	38,030,000	-	705,000	37,325,000	775,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	31,765,000	-	695,000	31,070,000	715,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	19,365,000	-	1,710,000	17,655,000	1,765,000
Deferred amount on refunding - Series 2005 refunding bonds	(671,788)	-	(53,743)	(618,045)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	205,085,000	-	-	205,085,000	3,795,000
Deferred amount on refunding - Series 2008A&B bonds	(3,718,362)	-	(129,710)	(3,588,652)	(129,710)
General receipts refunding bonds - Series 2008C1&C2, 3.45%, due serially through 2029	129,680,000	-	1,335,000	128,345,000	5,210,000
Deferred amount on refunding - Series 2008C1&C2 refunding bonds	(12,680,250)	-	(642,070)	(12,038,180)	(642,070)
Derivative instrument - Interest rate swap, Series 2008C1&C2 refunding bonds	10,760,827	4,596,848	-	15,357,675	15,357,675
Total bonds payable	421,235,427	4,596,848	7,239,477	418,592,798	26,792,152
Capitalized lease obligations	7,720,477	3,637,284	5,043,242	6,314,519	1,671,079
Sick leave liability	6,472,698	245,394	-	6,718,092	2,078,444
OPEB liability	8,314,796	4,091,705	-	12,406,501	-
Totals	$ 445,543,398	$ 15,771,231	$ 12,282,719	$ 449,031,910	$ 35,541,675
Less: current portion				(35,541,675)	
Long-term liabilities				$ 413,490,235	

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal 2009 were as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Note payable:					
The University of Akron Foundation, 0.71%	$ -	$ 1,800,000	$ -	$ 1,800,000	$ 1,800,000
Total note payable	-	1,800,000	-	1,800,000	1,800,000
Bonds payable:					
General receipts bonds - Series 1999, 4.8 to 5.125%, due serially through 2010	$ 7,070,000	$ -	$ 3,450,000	$ 3,620,000	$ 3,620,000
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	38,680,000	-	650,000	38,030,000	705,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	32,440,000	-	675,000	31,765,000	695,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	21,010,000	-	1,645,000	19,365,000	1,710,000
Deferred amount on refunding - Series 2005 refunding bonds	(725,531)	-	(53,743)	(671,788)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	205,085,000	-	-	205,085,000	-
Deferred amount on refunding - Series 2008A&B bonds	(3,848,072)	-	(129,710)	(3,718,362)	(129,710)
General receipts refunding bonds - Series 2008C1&C2, 3.45%, due serially through 2029	130,970,000	-	1,290,000	129,680,000	1,335,000
Deferred amount on refunding - Series 2008C1&C2 refunding bonds	(13,322,321)	-	(642,071)	(12,680,250)	(642,070)
Derivative instrument - Interest rate swap, Series 2008C1&C2 refunding bonds	3,979,332	6,781,495		10,760,827	10,760,827
Total bonds payable	421,338,408	6,781,495	6,884,476	421,235,427	18,000,304
Capitalized lease obligations	4,572,634	4,522,624	1,374,781	7,720,477	4,867,868
Sick leave liability	5,771,072	701,626	-	6,472,698	1,846,098
OPEB liability	-	8,314,796	-	8,314,796	-
Totals	$ 431,682,114	$ 22,120,541	$ 8,259,257	$ 445,543,398	$ 26,514,270
Less: current portion				(26,514,270)	
Long-term liabilities				$ 419,029,128	

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

6. Long-term Liabilities - continued

During 2007, the Foundation obtained a $5,000,000 revolving line of credit with PNC Bank (formerly National City Bank). Interest on the revolver is at a fluctuating rate of LIBOR plus 0.40 percent per annum. At June 30, 2010 and 2009, interest on the revolver was at 0.75 percent and 0.71 percent, respectively. Borrowings outstanding under this agreement at June 30, 2010 and 2009 were $5,000,000 and $1,800,000, respectively. The Foundation is not required to pay a fee on the unused line of credit. The proceeds from the line of credit were transferred to The University during the year to provide funding for real estate acquisitions. There are no specified repayment terms for the note although The University agreed to reimburse the Foundation for any interest incurred on the revolver. The entire amount outstanding as of June 30, 2010 and 2009 was considered a current liability on The University's financial statements.

In February and March 2008, respectively, The University issued $90.9 million of General Receipts Bonds, Series 2008A and $114.2 million of General Receipts Bonds, Series 2008B. A portion of the proceeds was used to defease the General Receipts Rental Notes, Series 2003A and Series 2003B which guaranteed The University's obligation to pay rent under a master lease to Akron Student Housing Associates, LLC (ASHA). The University defeased the rental notes by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds issued by ASHA. Accordingly, the trust account assets and the liability for the defeased notes are not included in The University's financial statements. On June 30, 2010 and 2009, respectively, $35.2 and $36.9 million of outstanding ASHA bonds and the related notes are considered defeased.

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2010 and 2009, interest on borrowings for the Series 2008A&B bonds was $10,708,352 and $6,562,203, respectively, and earnings on the proceeds were $748,750 and $4,290,642, respectively. Substantial completion on outstanding projects was determined to be 52.0% and 16.0% in 2010 and 2009, resulting in net capitalized interest of $4,780,705 and $5,512,251, respectively.

The aggregate annual principal maturities for the Foundation note, general receipt bonds, and general receipt refunding bonds for fiscal years subsequent to June 30, 2010 are as follows:

Fiscal Year:	Principal	Interest	Interest rate swap	Total
2011	$ 16,434,477	$ 18,843,024	$ 15,357,675	$ 50,635,176
2012	11,359,476	18,422,549	-	29,782,025
2013	11,229,476	17,995,122	-	29,224,598
2014	11,714,476	17,555,254	-	29,269,730
2015	12,049,477	17,105,577	-	29,155,054
2016-2020	68,927,383	77,259,553	-	146,186,936
2021-2025	81,805,483	59,920,263	-	141,725,746
2026-2030	90,749,320	38,952,911	-	129,702,231
2031-2035	66,846,449	18,283,498	-	85,129,947
2036-2038	37,119,106	3,217,019	-	40,336,125
	$ 408,235,123	$ 287,554,770	$ 15,357,675	$ 711,147,568

The University leases certain office facilities, computers, and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2010 and 2009 amounted to approximately $2,356,000 and $2,466,000, 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 $584,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal 2010 and 2009 totaled approximately $393,000 and $353,000, respectively. During fiscal 2010 and 2009, The University also received rental receipts approximating $1,006,000 and $1,691,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

6. Long-term Liabilities - continued

The University's capital leased assets consist of a chilled water tank, property, and duplicating or other equipment. Future minimum lease payments as of June 30, 2010 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:	Building	Equipment	Land	Total
2011	$ 574,194	$ 1,328,503	$ 85,042	$ 1,987,739
2012	574,194	923,667	85,042	1,582,903
2013	574,194	771,900	85,042	1,431,136
2014	574,194	9,108	35,434	618,736
2015	574,194	759	-	574,953
2016	574,194	-	-	574,194
2017	382,797	-	-	382,797
Total minimum lease payments	3,827,961	3,033,937	290,560	7,152,458
Less amount representing interest	(407,149)	(393,730)	(37,060)	(837,939)
Present value of net minimum capital lease payments	$ 3,420,812	$ 2,640,207	$ 253,500	$ 6,314,519

Interest Rate Swaps (or Derivative Instruments)

The University currently holds one interest rate swap instrument. The University entered into the agreement at the same time and amount as the issuance of certain variable rate debt; with the intent of creating a synthetic fixed rate debt, at an interest rate that is lower than if fixed rate debt were to have been issued directly. As of June 30, 2010, The University determined that the swap agreement was an effective hedge. The fair value is calculated by the counterparty to the transaction and approximates the termination value of the interest rate swap.

As of June 30, 2010 and 2009, the swap agreement can be summarized as follows (in millions):

	Changes in Fair Value		Fair Value		
Business-type activities:	Classification	Amount	Classification	Amount	Notional
Cash flow hedges:					
Pay-fixed interest rate swaps (receive-variable):					
June 30, 2010	Deferred charge	$ 4.6	Debt	$ 15.4	$ 125.7
June 30, 2009	Deferred charge	$ 6.8	Debt	$ 10.8	$ 127.0

Effective date	Type	Objective	Notional amount	Pay terms	Receive terms	Maturity date	Counter-party credit rating
4/1/2008	Pay-fixed, Receive-variable	Cash flow hedge for Series 2008 C1&C2	$131.0	3.465% fixed	Floating rate of USD-LIBOR	1/1/2029	AAA/Aaa

6. Long-term Liabilities - continued

Interest Rate Swaps (or Derivative Instruments) - continued

The interest rate swaps are subject to the following risks:

Credit and termination risk The University is not exposed to credit risk on the interest rate swap as of the balance sheet date, since the University would owe J. P. Moran Chase if the swap agreement were terminated. The occurrence of a credit event with respect to The University, defined as a reduction in the long-term bond rating to less than Aaa by Moody's Investors Service, Inc. or AAA by Fitch Ratings, Inc., could result in termination of the swap agreement. The aggregate fair value of the hedging derivative instrument represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. As of June 30, 2010 and 2009, the bonds have not been downgraded, so no termination event has occurred. There are no scheduled termination events. Refer to Note 10 for events relating to this bond series subsequent to year end.

Interest rate risk The University is exposed to interest rate risk on its interest rate swap. On its pay-fixed, receive-variable interest rate swap, as LIBOR swap decreases, the University's net payment on the swap increases.

Basis risk The pay-fixed, receive-variable interest rate swap agreement converts the Series 2008 C1&C2 Bonds variable interest rate to a fixed rate of 3.465%, settled on the first day of January and July. The variable interest is paid monthly on the first day of each month. The University is exposed to variances in the interest paid on the variable portion of the bonds which is based on market rates and the reimbursement of the variable interest which is based on a percentage of the one-month London LIBOR rates. This variance could be favorable or unfavorable to The University. At June 30, 2010, The University paid an interest rate of 0.38% on its variable-rate debt, while the reimbursement was 90 percent of the LIBOR rate which is 0.312%.

Rollover risk The University is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, The University will be re-exposed to the risks being hedged by the hedging derivative instrument.

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 Board of Regents (OBR) from revenue bond proceeds issued by the Ohio Public Facilities Commission (OPFC). The capital assets are transferred from the OBR to The University upon completion. Costs incurred during construction are included in construction in progress.

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 Board of Regents for payment of debt service are not reflected as appropriation revenue received by The University, and the related debt service payments are not recorded in The University's accounts.

7. State Support - continued

The Ohio Board of Regents adopts a two-year operating budget that includes line items to fund infrastructure investments for higher education. The Capital Component program is an appropriation line item in the Ohio Board of Regents operating budget. The 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. The Capital Component constitutes a reform of capital funding for higher education as part of the capital funding policy adopted in 1997. This new 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 formula is driven by considering existing space shortages on campus, student enrollments, and other campus activities (i.e. non-credit activities, community service functions and research). Thus, if the formula allocation exceeds the amount requested, 10% of the difference is paid to the institution for 15 years in the form of Excess Capital Component Allocation (Capital Component). The University intends to use this Capital Component toward funding the debt service obligation of the Series 2003A and 2004B Bond Issues.

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 statute per Chapter 3307 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

The ORC provides statutory authority for employee and employer contributions. The contribution rates on covered payroll and The University's contributions to each system are:

	Employee Contribution Rate	Employer Contribution Rate	The University's contributions For the years ended 6/30 2010	2009	2008
STRS	10.0%	14.00%	$ 11,611,599	$ 11,422,714	$ 10,670,459
SERS	10.0%	14.00%	8,713,603	8,574,481	8,012,230
OPERS-LE	10.1%	17.63%	448,834	431,651	360,584
			$ 20,774,036	$ 20,428,846	$ 19,043,273

The University's contributions are equal to the required contributions for each year.

8. Employee Benefit Plans - continued

Other Postretirement Employee Benefits

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2009, benefits are funded on a pay-as-you-go basis through an allocation of employer contributions equal to 1% of covered payroll to a Health Care Stabilization Fund from which health care benefits are paid. The balance in the Health Care Stabilization Fund was $2.7 billion at June 30, 2009, the latest available information. For the year ended June 30, 2009, the net health care costs paid by STRS were $298.1 million and there were 129,659 eligible benefit recipients.

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees, with ten or more years of qualifying service credit, disability and survivor benefit recipients. 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. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2010, the allocation rate is 1.22%. 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 2010, the minimum compensation level was established at $35,800. 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. 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 2010, the actuarially required allocation was .46%. The amount of employer contributions for the year ended June 30, 2010 was $286,303, which equaled the required contributions for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums.

A portion of the employer OPERS contribution is set aside to fund the health care benefits. The portion of employer contributions for all employers allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. OPERS health care benefits are advanced-funded on an actuarially determined basis. The actuarial value of the retirement system's net assets available for other post-employment benefits was $10.7 billion as of December 31, 2008. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.6 billion and $18.9 billion, respectively. The number of active contributing participants was 356,388.

The University also provides certain health care benefits for dependents of retired employees and life insurance benefits for 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. This is a single employer defined benefit plan administered by The University.

8. Employee Benefit Plans - continued

Other Postretirement Employee Benefits - continued

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. As of January 1, 2010, the plan was changed to include a 15% contribution for retiree dependent coverage. During fiscal 2010, 2009, and 2008, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled approximately $1,336,000, $1,545,000 and $1,349,000, respectively.

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 healthcare 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. 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.

The University has estimated the cost of providing retiree health care benefits through an actuarial valuation as of July 27, 2010. In this actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual healthcare cost trend rate of 9 percent initially, reduced by 0.5 percent decrements per year to an ultimate rate of 5.0 percent after by FY 2017, and a 2.0 percent salary increase. The amortization of the unfunded actuarial accrued liability (UAAL) of $144.8 million is based on a 30 year open level dollar amortization method. The remaining amortization period at June 30, 2010 was 27 years. Pursuant to this actuarial valuation, The University recorded $12,406,501 and $8,314,796 for future OPEB obligation as a liability due in more than one year during fiscal year 2010 and 2009, respectively.

Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees and those with less than five years of service to opt out of STRS and SERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. In 2005, this legislation was amended to include all full-time college employees as of August 2005. The legislation, as amended, requires employees to contribute to the ARPs at the same rates as previously stated for STRS and SERS employee contributions. The employer contributes 3.50% of their 14.00% STRS employer contribution to STRS. For SERS, no funding is contributed to SERS if hired before August 2005, and 6.00% of their 14.00% is contributed to SERS if hired after August 2005. The employer contribution rate is based on independent actuarial studies. The University’s contributions for ARP employees for the years ended June 30, 2010, 2009, and 2008 were $4,399,446, $4,005,949, and $3,524,506, respectively, equal to the required contributions for each year. The ARPs do not provide postretirement benefits other than pension and death benefits.

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 purchases a $4,000,000 liability insurance policy that sits over top of the pool.

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 $12.2 million from the State for buildings and renovations, of which $9.9 million has been expended as of June 30, 2010. In addition, as of June 30, 2010, University construction projects will cost an estimated $11.4 million to complete with 68.9%, or $7.8 million, funded from bond proceeds.

The University, as part of its commitment to the Austen BioInnovation Institute in Akron, must make annual supporting contributions of $800,000 through fiscal year 2013. This commitment must consist of not less than $400,000 in cash with the balance made in in-kind capital contributions as approved by the other partners.

10. Subsequent Event

On August 25, 2010, The University issued $131.4 million of General Receipts Refunding Bonds, Series 2010A, with an average coupon of 4.733% and an average life of 11 years. The proceeds of the Series 2010A Bonds will be used to refund $123.1 million of The University's outstanding General Receipts Bonds, Series 2008C1&C2, pay issuance costs, and pay termination costs of $20.2 million related to the swap agreement. The swap agreement was terminated as of this date with a balance of $5.2 million on the variable debt not refunded with the Series 2010A bond issue. A final payment on the variable debt will be made in January 2011.

11. Component units

Details of the component units' net assets at June 30, 2010 and 2009 are as follows:

	2010			2009		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	$ 1,674,258	$ -	$ 1,674,258	$ -	$ -	$ -
Accounts receivable, net	466,015	1,046,093	1,512,108	654,500	761,845	1,416,345
Pledges receivable, net	3,845,444	-	3,845,444	2,983,367	-	2,983,367
Notes receivable	5,008,989	-	5,008,989	1,803,939	-	1,803,939
Prepaid expenses and deferred charges	-	92,780	92,780	-	30,328	30,328
Deposits	-	-	-	-	10,458	10,458
Total current assets	10,994,706	1,138,873	12,133,579	5,441,806	802,631	6,244,437
Restricted current assets:						
Cash and cash equivalents	-	2,545,919	2,545,919	-	2,264,743	2,264,743
Pooled investments	-	8,278,749	8,278,749	-	3,381,488	3,381,488
Other investments	8,223,473	-	8,223,473	2,684,000	-	2,684,000
Total restricted current assets	8,223,473	10,824,668	19,048,141	2,684,000	5,646,231	8,330,231
Noncurrent assets:						
Endowment investments	116,132,063	-	116,132,063	110,991,284	-	110,991,284
Other investments	-	371,966	371,966	-	572,840	572,840
Pledges receivable, net	12,973,486	-	12,973,486	11,551,741	-	11,551,741
Capital assets, net	5,541,850	4,469,937	10,011,787	5,761,850	4,059,348	9,821,198
Total assets	153,865,578	16,805,444	170,671,022	136,430,681	11,081,050	147,511,731
Liabilities						
Current liabilities:						
Accounts payable	179,038	2,096,002	2,275,040	1,110,623	1,902,788	3,013,411
Accrued liabilities	76,091	719,863	795,954	68,835	496,198	565,033
Deferred revenue	30,000	6,716,204	6,746,204	30,000	1,744,930	1,774,930
Deposits	8,223,473	-	8,223,473	2,709,525	-	2,709,525
Current portion of long-term liabilities	6,500,000	49,301	6,549,301	1,800,000	4,086	1,804,086
Total current liabilities	15,008,602	9,581,370	24,589,972	5,718,983	4,148,002	9,866,985
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	10,775,286	-	10,775,286	11,271,563	-	11,271,563
Long-term liabilities	-	2,871,613	2,871,613	1,500,000	2,920,914	4,420,914
Total liabilities	25,783,888	12,452,983	38,236,871	18,490,546	7,068,916	25,559,462
Net assets						
Invested in capital assets, net	5,541,850	1,598,324	7,140,174	5,761,850	1,138,434	6,900,284
Restricted:						
Nonexpendable	84,997,668	-	84,997,668	82,693,491	-	82,693,491
Expendable	47,742,771	-	47,742,771	44,099,767	-	44,099,767
Unrestricted	(10,200,599)	2,754,137	(7,446,462)	(14,614,973)	2,873,700	(11,741,273)
Total net assets	$ 128,081,690	$ 4,352,461	$ 132,434,151	$ 117,940,135	$ 4,012,134	$ 121,952,269

11. Component units - continued

Details of the component units' revenues, expenses, and changes in net assets at June 30, 2010 and 2009 are as follows:

	2010			2009		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	$ -	$ 201,146	$ 201,146	$ -	$ 333,324	$ 333,324
Private grants and contracts	-	3,862,449	3,862,449	-	3,162,946	3,162,946
Gifts and contributions	9,017,954	-	9,017,954	10,120,506	-	10,120,506
Other sources	-	1,078,880	1,078,880	-	940,410	940,410
Total operating revenues	9,017,954	5,142,475	14,160,429	10,120,506	4,436,680	14,557,186
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	2,533,237	2,533,237	-	2,867,965	2,867,965
Institutional support	696,331	-	696,331	758,077	-	758,077
Depreciation	-	210,003	210,003	-	164,214	164,214
Total operating expenses	696,331	2,743,240	3,439,571	758,077	3,032,179	3,790,256
Operating income	8,321,623	2,399,235	10,720,858	9,362,429	1,404,501	10,766,930
Nonoperating revenues (expenses)						
Investment income (loss), net	11,185,644	333,199	11,518,843	(36,296,890)	(342,574)	(36,639,464)
Interest on debt	-	(266,714)	(266,714)	-	(319,905)	(319,905)
Distributions to The University	(11,686,384)	(2,319,433)	(14,005,817)	(10,851,972)	(1,414,878)	(12,266,850)
Distributions on behalf of The University	(682,239)	-	(682,239)	(904,020)	-	(904,020)
Other nonoperating revenues	97,838	194,040	291,878	129,947	99,636	229,583
Net nonoperating expenses	(1,085,141)	(2,058,908)	(3,144,049)	(47,922,935)	(1,977,721)	(49,900,656)
Gain (loss) before other changes	7,236,482	340,327	7,576,809	(38,560,506)	(573,220)	(39,133,726)
Other changes						
Additions to permanent endowments	2,905,073	-	2,905,073	1,830,440	-	1,830,440
Increase (decrease) in net assets	10,141,555	340,327	10,481,882	(36,730,066)	(573,220)	(37,303,286)
Net assets - beginning of year	117,940,135	4,012,134	121,952,269	154,670,201	4,585,354	159,255,555
Net assets - end of year	$ 128,081,690	$ 4,352,461	$ 132,434,151	$ 117,940,135	$ 4,012,134	$ 121,952,269

Supplemental Information

plante moran

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

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 the Board of Trustees
University of Akron

We have audited the financial statements of the University of Akron as of and for the year ended June 30, 2010 and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of Akron's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2010-01 and 2010-2 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.

Compliance and Other Matters

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

To the Board of Trustees
University of Akron

We noted certain matters that we have reported to management of the University of Akron in a separate letter dated December 13, 2010.

The University of Akron's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University of Akron's response and, accordingly, we express no opinion on it.

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

Plante & Moran, PLLC

December 13, 2010

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Report on Compliance with Requirements Applicable to Each Major Program and
on Internal Control Over Compliance with OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees
University of Akron

Compliance

We have audited the compliance of the University of Akron 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 each of each of its major federal programs for the year ended June 30, 2010. The major federal programs of the University of Akron are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University of Akron's management. Our responsibility is to express an opinion on the University of Akron's compliance based on our audit.

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. Our audit does not provide a legal determination on the University of Akron's compliance with those requirements.

In our opinion, the University of Akron complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as 2010-03.

To the Board of Trustees
University of Akron

Internal Control Over Compliance

The management of the University of Akron is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University of Akron's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 is a deficiency, or combination of deficiencies, in internal control overmaterial weakness in internal control over compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item *2010-03*. 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

The University of Akron's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University of Akron's response and, accordingly, we express no opinion on the responses.

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

Plante & Moran, PLLC

December 13, 2010

The University of Akron

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Student Financial Aid Cluster			
Department of Education:			
Direct programs:			
Federal Pell Grant Program	84.063		$ 34,423,146
Federal Supplemental Educational Opportunity Grant	84.007		1,332,820
Federal College Work-Study	84.033		1,417,954
Federal Perkins Loans	93.558		46,362
Academic Competitive Grants	84.375		962,295
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		467,310
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		63,000
Total Student Financial Aid Cluster			**38,712,887**
Research and Development			
Research and Development Cluster			
Department of Agriculture:			
Direct program:			
Agricultural Research-Basic and Applied Research	10.001		4,574
Department of Commerce:			
Direct program:			
Center for Sponsored Coastal Ocean Research, Coastal Ocean Program	11.478		56,896
Pass-through program:			
Ohio State University-Sea Grant Support	11.417	NA06OAR4170020	52,241
Total Department of Commerce			109,137
Department of Defense:			
Direct programs:			
Office of Naval Reasearch-Basic and Applied Scientific Research	12.300		21,004
United States Army-Basic Scientific Research	12.431		878,420
USAF-Air Force Defense Research Sciences Program	12.800		204,114
Pass-through programs:			
UARF-Office of Naval Reasearch-Basic and Applied Scientific Research	12.300	N68335-08-C-0298	17,577
UARF-Office of Naval Reasearch-Basic and Applied Scientific Research	12.300	N00014-08-M-0325	3,395
Babcock & Wilcox-Basic and Applied Scientific Research	12.300	N00024-07-C-2100	2,677
UARF-United States Army-Basic Scientific Research	12.431	W911QY-08-C-0085	76,337
UARF-United States Army-Basic Scientific Research	12.431	S690000034	54,592
Universal Technology Corporation-United States Army-Basic Scientific Research	12.431	S690000034	34,567
UARF-Air Force Defense Research Sciences Program	12.800	F33615-03-D-5408	(636)
UARF-Air Force Defense Research Sciences Program	12.800	FA9550-09-C-0095	2,085
Air Force Research Laboratory/Dayton Area Graduate Studies Institute-Air Force Defense Research Sciences Program	12.800		123,874
Mandaree Enterprise-Air Force Defense Research Sciences Program	12.800	FA8501-06-D-0001	286,059
University of Dayton-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5223/0003	18,689
UES Inc-Air Force Defense Research Sciences Program	12.800		60,531
Alpha Star Corporation-Air Force Defense Research Sciences Program	12.800	FA8650-10-M-5115	10,940
Ohio Aerospace Institute-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-2945	37,379
Total Department of Defense			1,831,604

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development:			
Pass-through program:			
AMHA-Demolition and Revitalization of Severely Distressed Public Housing	14.866		23,762
Department of the Interior:			
Direct program:			
Cultural Resource Management	15.224		11,656
Department of Justice:			
Direct program:			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		9,809
Pass-through program:			
Community Partnership/Summit County-Drug Free Communities Support Program Grants	16.729	2003-ND-FX-0156	17,630
Total Department of Justice			27,439
Department of Transportation:			
Direct programs:			
Highway Training and Education	20.215		32,524
Research and Innovation Technology Administration-University Transportation Centers	20.760		310,643
Pass-through programs:			
Ohio Department of Public Safety-State and Community Highway Safety	20.600		28,690
Auburn University/University of Tennessee-Biobased Transportation Research	20.761	DTOS59-07-G-00050	25,947
Total Department of Transportation			397,804
National Aeronautics and Space Administration:			
Direct program:			
Technology transfer	43.002		1,644,461
Pass-through programs:			
UARF-Technology Transfer	43.002	NNC09BA02B	16,398
Clark Atlanta University-Technology Transfer	43.002	NCC3-1044	37,146
Brown University-Technology Transfer	43.002	NNX07AO07A	54,801
Sunpower Inc-Technology Transfer	43.002	NAS3-03128	67,891
Ohio Space Grant Consortium-Technology Transfer	43.002		10,000
Total National Aeronautics and Space Administration			1,830,697
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Humanities	45.161		30,224
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		578,538
Mathematical and Physical Sciences	47.049		1,699,315
Geosciences	47.050		82,239
Computer and Information Science and Engineering	47.070		71,082
Biological Sciences	47.074		490,599
Social, Behavioral, and Economic Sciences	47.075		69,633
Educational and Human Resources	47.076		168,985
ARRA-Trans-NSF Recovery Act Research Support	47.082		600,920

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Pass-through programs:			
University of Dayton-Engineering Grants	47.041	CMS-0609077	50,666
UARF-Engineering Grants	47.041	IIP-0822914	72,598
University of Colorado-Natural Hazards Research & Applications Information Center	47.041	CMMI-0734304	881
The Ohio State University Research Foundation-Engineering Grants	47.041	EEC-0425626	5,077
University of Nebraska-Engineering Grants	47.041	DMI-0600733	8,997
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-0526864	59,490
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-05322560	13,170
University of Virginia-Educational and Human Resources	47.076	DUE-0717820	27,347
North Carolina State-Educational and Human Resources	47.076	DUE-0914404	12,679
The Ohio State University Research Foundation-Office of Cyberinfrastructure	47.080	OCI-0753287	44,436
Total National Science Foundation			4,056,652
Department of Energy:			
Direct programs:			
Office of Science Financial Assistance Program	81.049		556,171
Renewable Energy Research and Development	81.087		376,025
Fossil Energy Research and Development	81.089		337,805
ARRA-Geologic Sequestration Training and Research Grant Program	81.133		55,831
Pass-through program:			
Arizona State University	81.000	DE-FG36-06G016029/A000	84,686
Total Department of Energy			1,410,518
Department of Education:			
Pass-through programs:			
Ohio Department of Education	84.000		133
Ohio Department of Education-Supplemental Educational Services External Evaluation	84.000		31,719
Summit County-Technology Innovation Challenge Grants	84.303		1,138
Total Department of Education			32,990
Department of Health and Human Services:			
Direct programs:			
Centers for Disease Control	93.000		1,463
Nurse Anesthetist Traineeships	93.124		6,660
Mental Health Research Grants	93.242		294,710
Advanced Education Nursing Grant Program	93.358		62,977
Nursing Research	93.361		311,246
Academic Research Enhancement Award	93.390		69,867
Cancer Detection and Diagnosis Research	93.394		30,761
ARRA-Trans-NIH Recovery Act Research Support	93.701		9,900
Heart and Vascular Diseases Research	93.837		204,614
Diabetes, Endocrinology and Metabolism Research	93.847		79,543
Extramural Research Programs in the Neurosciences and Neurological Disorders	83.853		17,576
Biomedical Research and Research Training	93.859		465,474

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Pass-through programs:			
Pregnacy Support Center-Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FE0055	38,260
Community Health-SAMHSA-Projects of Regional and National Significance	93.243	1 H79 TI17371-01	15,071
ADASBCC-SAMHSA-Project of Regional and National Significance	93.243	H79TI16543-01	21,678
City of Cleveland-Project of Regional and National Significance	93.243	1H79TI019946-01	66,637
ODADAS/SAMHSA-Substance Abuse and Mental Health Services-Access to Recovery	93.275		(289)
Summit Co. Family and Children First Council-Temporary Assitance for Needy Families	93.558		19,473
Ohio Dept. of Jobs and Family Services-Foster Care Title IV-E	93.658		58,512
ARRA-Indiana University-Trans-NIH Recovery Act Research Support	93.701	2R01DC006436-04A2	8,192
UARF-Heart and Vascular Diseases Research	93.837	1 R41 HL077984-01	2,759
Washington Univerisity-Allergy, Immunology and Transplantation Research	93.855	1 R01 AI067856-01	(1,155)
NEOUCOM-Block Grants for Community Mental Health Services	93.958		3,767
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		48,119
Total Department of Health and Human Services			1,835,815
Total Research and Development Cluster			**11,602,872**
Child Nutrition Cluster			
Department of Agriculture:			
Pass-through programs:			
Ohio Department of Education-Summer Food Service Program for Children	10.559		19,581
Firestone Endowment-Summer Food Service Program for Children	10.559		3,558
Total Child Nutrition Cluster			**23,139**
Highway Planning and Construction Cluster			
Department of Transportation:			
Pass-through programs:			
Ohio Department of Transportation-Highway Planning and Construction	20.205		37,793
Ohio Department of Transportation-Highway Planning and Construction	20.205	E051106	237,584
Ohio Department of Transportation-Highway Planning and Construction	20.205	E080077	41,555
Ohio Department of Transportation-Highway Planning and Construction	20.205	E081157	3,008
Ohio Department of Transportation-Highway Planning and Construction	20.205	E081158	63,191
Ohio Department of Transportation-Highway Planning and Construction	20.205	E100009	6,228
Total Highway Planning and Construction Cluster			**389,359**
State Fiscal Stabilization Fund Cluster			
Department of Education:			
Pass-through program:			
ARRA-State of Ohio-State Fiscal Stabilization Fund (SFSF)-Education State Grants	84.394		**15,244,152**
TRIO Cluster			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		429,453
TRIO Upward Bound	84.047A		497,177
TRIO Upward Bound Math/Science	84.047M		283,645
TRIO McNair Post Baccalaureate Achievement	84.217A		245,052
Total TRIO Cluster			**1,455,327**
Other Programs			
Instruction			
Department of Defense:			
Pass-through program:			
State of Ohio-National Guard Military Operations and Maintenance (O&M) Projects	12.401		13,432

The University of Akron

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
National Science Foundation:			
Direct program:			
Education and Human Resources	47.076		
Pass-through programs:			
The Ohio State University Research Foundation-Education and Human Resources	47.076	HRD-0331560	(12,374)
SENSOR Summer Institute-Education and Human Resources	47.076		1,949
Total National Science Foundation			(10,425)
Department of Education:			
Direct programs:			
Fund for the Improvement of Postsecondary Education	84.116Z		37,816
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		165,393
Pass-through programs:			
Kent State University-Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	H325D030008	286
Ohio Board of Regents-Improving Teacher Quality State Grants	84.367		53,288
Total Department of Education			256,783
Department of Health and Human Services:			
Pass-through program:			
SPAHEC - Model State Supported Area Health Education Centers	93.107		7,472
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		66,767
Total Department of Health and Human Services			74,239
Corporation for National and Community Service:			
Pass-through program:			
Otterbein College-Learn and Serve American Higher Education	94.005	06LHHOH0001	4,428
Total Instruction			**338,457**
Public Service			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		31,162
Department of Justice:			
Pass-through program:			
City of Akron-Byrne State and Local Law Enforcement Assistance Discretionary Grants	16.580	2007-DD-BX-0680	9,949
Department of State:			
Direct programs:			
Department of State-Academic Exchange Programs - Teachers	19.408	S-ECAAS-07-GR-171(CS)	6,981
Department of State-Academic Exchange Programs - Teachers	19.408	S-ECAAS-08-CA-149(KF)	264,199
Department of State-Academic Exchange Programs - Teachers	19.408	S-ECAAS-09-CA-146(SM)	126,093
Total Department of State			397,273
National Aeronautics and Space Administration:			
Pass-through program:			
Akron Regional Development Board-Technology transfer	43.002		13,000

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
National Foundation of Arts and the Humanities:			
Direct programs:			
Promotion of the Arts	45.024		10,000
Promotion of the Humanities-Division of Preservation and Access	45.149		12,481
Pass-through program:			
Arts Midwest-Promotion of the Arts	45.025		2,644
			25,125
Department of Education:			
Direct programs:			
Fund for the Improvement of Education	84.215K		44,474
Early Reading First	84.359B		679,946
Pass-through programs:			
Ohio Department of Education -Vocational Education Basic Grants to States	84.048		14,394
Summit Co. Educational Service Center-Fund for the Improvement of Education	84.215X	U215X080287	120,145
Ohio Department of Education-Tech Prep Education	84.243		152,225
Cleveland State University/Ohio Dept of Education-Reading First State Grants	84.357	062950-RSSI-03/AS4036/ CSP#0A03034	1,106,431
Ohio Board Regents-Improving Teacher Quality State Grants	84.367		2,264
Total Department of Education			2,119,879
Department of Health and Human Services:			
Pass-through programs:			
SPAHEC - Model State Supported Area Health Education Centers	93.107		11,602
Summit County Health District-Healthly Communities Access Program	93.252		1,067
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		21,720
Total Department of Health and Human Services			34,389
Corporation for National and Community Service:			
Pass-through program:			
Harrisburg Univ of Science & Technology-Learn and Serve America Higher Education	94.005	09LHAPA002	8,704
Corporation for National and Community Service-Learn and Serve America Higher Educ.	94.006	03ACH-K729-04-A147	11,644
			20,348
Total Public Service			**2,651,125**
Operation and maintenance of plant			
Department of Homeland Security:			
Direct program:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		**11,219**
Total Other Programs			**3,000,801**
Total Expenditures of Federal Awards			**$70,428,537**

Note 1 - Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "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, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 assets or cash flows, if applicable, of the University. Pass-through entity identifying numbers are presented where available.

Facilities and Administrative Costs

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 48.5 percent for on-campus research and 26 percent for off-campus research through June 30, 2011.

Note 2 - 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, 2010, the University disbursed funds to subrecipients in the amount of $1,049,353. Subrecipient amounts are as follows:

CFDA	CFDA Description	Amount
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	$ 7,775
19.408	Department of State-Academic Exchange Programs-Teachers	45,646
20.205	Ohio Department of Transportation-Highway Planning and Construction	25,094
20.760	Research and Innovation Technology Administration-University Transportation Centers	103,644
43.002	National Aeronautics and Space Administration - Technology transfer	451,188
43.002	Ohio Space Grant Consortium - Technology transfer	10,000
47.041	National Science Foundation - Engineering Grants	19,450
47.076	National Science Foundation - Educational and Human Resources	19,600
84.325K	Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	78,043
84.359B	Early Reading First	55,871
93.242	Mental Health Research Grants	22,500
93.361	Nursing Research	66,970
93.859	Biomedical Research and Research Training	126,749
93.959	ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	16,823
	Total subrecipients	**$ 1,049,353**

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.

Note 3 - Loans Outstanding

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins and Nursing Loan Programs for the year ended June 30, 2010:

Cluster/Program Title	CFDA Number	Advances	Amount Outstanding
Perkins Loan Program	84.038	$ 1,790,500	$ 12,451,470
Nursing Student Loan Program	93.364	196,500	1,186,705

Note 4 - Federal Family Education Loan Program

During the year ended June 30, 2010, the University processed applications for the following loan amounts under the Federal Family Education Loan Program which includes Stafford Loans, Unsubsidized Stafford Loans, and Parent PLUS loans for Undergraduate Students.

	CFDA Number	Advances
Federal Family Education Loan Program	84.032	$ 150,336,999

Note 5 - Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the statement of revenues, expenses, and changes in net assets (the "Statement"), which is included as part of the University's financial statements:

Expenditures per the Schedule	$ 70,428,537
Pell grants	(34,424,171)
Perkins Loan funds excluded from federal grants on the Statement	(46,362)
State grants	(847,286)
Local grants	(283,561)
Private grants	(2,653,317)
Sales	(31,162)
Federal fiscal stabilization funds	(15,244,152)
Federal purchased service contracts	172,975
Indirect costs excluded from federal grants on Statement	65,066
Change in deferred revenue from federal grants	(136,933)
Federal grants and contracts as shown on the Statement	$ 16,999,634

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.

Note 6 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the University transferred $241,559 of Federal Work Study (FWS) Program (84.003) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007) for the 2009-2010 award year.

In addition, the University carried forward no amount of the SEOG award to the 2010-2011 award year. The University also carried forward $82,577 of the 2009-2010 FWS award to the 2010-2011 award year. The University spent $126,351 and $59,846 of carried forward FWS and SEOG funds, respectively, from the 2008-2009 award year during the 2009-2010 award year.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ____ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ____ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.038, 84.375, 84.376, 84.032, 93.558, 93.364	Student Financial Aid Cluster
Various	Research and Development Cluster
84.044, 84.047, 84.217	TRIO Cluster
84.394	ARRA - State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between type A and type B programs: $ 951,470

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

Reference Number	Findings
2010-01	**Internal Controls for Pledge Receivables**

Finding Type - Significant deficiency

Criteria - The University is required to implement effective internal controls over the accounting of pledge receivables, including properly applying payments on pledge receivables, timely charge-off of receivables, and reconciling the pledge receivable listing to the financial statements.

Condition - Pledge receivable balances were not properly recorded due to misapplication of receipts and pledges not being charged-off timely when they are not expected to be collected. In addition, the pledge receivables subsidiary ledger was not properly reconciled to the financial statements.

Context - Plante & Moran, PLLC selected a sample of 12 pledge receivables as of June 30, 2010 for a total amount of $736,100 (78 percent of the population) and found errors for six of them. Cash receipts related to the pledges were not applied correctly or pledges which were uncollectible were not written-off to bad debt expense. Plante & Moran, PLLC obtained the original letter of intent (or equivalent) and payment history, recalculated the current pledge receivable balance, and compared that balance to the amount recorded in the financial statements. For any pledge receivables selected which had not received any payments in the past year, we discussed with management the likelihood of repayment. In addition, some of the supporting documentation for the pledges tested included correspondence of the University of Akron Foundation. In some cases, it was unclear if the pledge should have been recorded on the University's financial statements.

Cause - This issued resulted in pledge receipts not being properly submitted through the development department, the individuals responsible for the pledge receivable balances not properly reviewing the accounting records for proper balances at year end, and the subsidiary ledger not being properly reconciled to the financial statements.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2010-01 (Continued)	**Effect** - As a result of the issue, the pledge receivable balance as of June 30, 2010 was overstated by $90,500 on the financial statements. The incorrect application of pledge receipts resulted in the related revenue being recorded twice (once when the pledge is recorded and once when the cash receipt is applied incorrectly).
	Recommendation - Management or the internal audit department should review the process for recording pledge receipts to ensure they are consistently applied. In addition, at fiscal year end, an individual with knowledge of the pledge receivable balance listing should review the pledge receivables and charge-off any pledge receivables which are not likely to be received. Finally, when preparing the financial statements the subsidiary ledger should be properly reconciled to the financial statements.
	Views of Responsible Officials and Planned Corrective Actions - The controller's office agrees and will review and improve the processes used to collate pledge information with the Department of Development to ensure proper recording of pledge receipts and pledge receivables on the financial statements.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2010-02	**Internal Controls for the Cash Cycle**

Finding Type - Significant deficiency

Criteria - The University is required to implement effective internal controls over the accounting of cash accounts and cash disbursement transactions, including the reconciliation of all cash accounts, approval and maintenance of supporting documentation for wire transfers and ACH payments, and adequate segregation of duties among the internal controls for the cash transaction cycle.

Condition - Supervisors did not review all banks reconciliations all of the time. A few members of the Finance and Administration Department have the ability to initiate and approve wire transfers, have access to the general ledger and are involved in the cash reconciliation process, which results in inadequate segregation of duties. Wire transfers require the approval of two designated individuals (one to initiate and one to approve) however, supporting documentation was not consistently attached to the request for funds transfers.

Context - During the testing of the bank reconciliation and outgoing wire transfers/ACHs, assisted by the University Internal Audit Department, we noted the conditions identified above. As a result of this testing, the Office of the Internal Auditor issued a report dated October 14, 2010, titled "Bank Reconciliations and Wire Transfers/ACHs." We reviewed the report issued by the Office of the Internal Auditor and re-performed a sample of the testing completed. The control deficiencies noted above are considered to be significant deficiencies in internal control.

Cause and Effect - Improvements in these areas would strengthen internal controls and help safeguard and adequately document the reconciliation and disbursement of cash.

Recommendation - Management should review the internal controls for the cash cycle to ensure all bank reconciliations are prepared, reviewed, and documented in a timely manner; all wire transfers/ACHs are approved and adequate supporting documentation is attached to the transfer request; and controls and processes for the cash cycle are reviewed for appropriate segregation of duties.

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2010-02 (Continued)	**Views of Responsible Officials and Planned Corrective Action** - While we believe there are controls already in place, we are taking steps to improve controls even more, in accordance with the recommendation. We are increasing the segregation of duties by removing wire transfer capabilities from two employees; ensuring that all bank account reconciliations are reviewed in a timely manner; and attaching appropriate documentation to requests for wire/ACH payments.

Section III - Federal Program Audit Findings

Reference Number	Findings
2010-03	**Program Name** - Student Financial Aid Cluster - Federal Family Education Loans (FFEL) - 84.032

Finding Type - Significant deficiency/noncompliance

Criteria - Special tests and provisions compliance requirement - For FFEL, loan funds must be disbursed within three business days of receipt if the lender provided the funds by EFT or master check or 30 days if the lender provided the funds by check payable to the borrower or co-payable to the borrower and the institution (34 CFR § 668.167(b)).

Condition - The University did not disburse FFEL loan proceeds within three business days of receipt.

Questioned Costs - None

Context - Of the 45 students tested for eligibility and disbursement testing (from a total population of 624 students), we noted five students where the University did not disburse loan proceeds within three business days of receipt. Given the error rate (11 percent) of the sample selected we have concluded this is a significant deficiency in internal control.

Cause and Effect - The students were enrolled less than full-time and therefore the disbursement process is done manually. The disbursements were overlooked and the student financial aid office did not manually disburse the loan funds within three business days. There were no errors identified in testing the automated disbursement of FFEL funds for full-time students.

Recommendation - We recommend the student financial aid office review the internal control and processes surrounding the manual disbursements to ensure loan proceeds received by the University are disbursed within the required time frame.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2010-03 (Continued)	**Views of Responsible Officials and Planned Corrective Actions** - The University received and disbursed FFEL resources approximating $150 million during FY 2009/2010. Those resources were disbursed either electronically or manually to the applicable student's account. In the vast majority of instances, the resources were electronically disbursed and, those disbursements occurred within the three day requirement. However, based upon the nature of certain students (e.g., part-time "Special Programs"), the transaction required additional analysis prior to disbursement. The University agrees the manual disbursements, and specifically those for internships ($54,000) and CoOps ($337,000) were not consistently disbursed within the three day requirement. We agree the five exceptions observed by the external auditors ranged between 6 to 13 days. During October 2010, the Office of Student Financial Aid began generating a daily report that now identifies resources that have been received by the University buy not yet disbursed to the respective student's account. We believe that report, which is subject to a supervisory review, will help the University achieve a higher level of compliance for FY2011 and beyond.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

Prior Year Finding Number	Federal Program	Status	Planned Corrective Action
2009-1	Student Financial Aid Cluster - 84.032	Corrective Action Has Been Taken	N/A
2009-2	Student Financial Aid Cluster - 84.032	Corrective Action Has Been Taken	N/A
2009-3	Student Financial Aid Cluster - 84.032	Corrective Action Has Been Taken	N/A

The University of Akron
National Collegiate Athletics Association

Agreed-upon Procedures Report
Related to NCAA Bylaw 6.2.3
June 30, 2010

The University of Akron
National Collegiate Athletics Association

Contents

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

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

Dr. Luis M. Proenza
President
The University of Akron
Akron, OH 44325

We have performed the procedures enumerated below, which were agreed to by the president of The University of Akron (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program statement of revenue and expenditures of The University of Akron is in compliance with the National Collegiate Athletics Association (NCAA), Bylaw 6.2.3 for the year ended June 30, 2010. The University of Akron's management is responsible for the statement of revenue and expenditures ("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 Statement of Revenue and Expenditures

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

<u>Internal Control Structure</u>

A. In preparation for our procedures related to the University's internal control structure, we met with the associate athletic director and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment; we obtained and inspected the audited financial statements for the year ended June 30, 2010 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure; and we obtained and inspected any documentation of the accounting systems and procedures unique to the intercollegiate athletics department. We then performed the following procedures:

1) We attempted to select three cash disbursements indicated as relating to the intercollegiate athletics program and obtained any available evidence documenting the following related to those disbursements:

    - Approval by the director of intercollegiate athletics
    - Receipt of goods or services
    - Agreement of underlying purchase order or request for payment

2) We attempted to select three athletic department employees and obtained available evidence of approval of such individuals' gross pay, recalculated their net pay using the deduction amounts in the payroll register, compared net pay amounts to the related canceled check, and compared the net pay amounts to the related entries to the University's general ledger system.

3) We attempted to select three athletic department cash receipts and compared the following to those receipts:

    - Remittance advices or copies of checks
    - Deposits made to the business office

4) We selected three games and traced the ticket collections per the receipting process for such games to the reconciliation and documentation of the related cash deposit amount with the bank.

Result: Management indicated that ticket collection and receipting were the only systems unique to athletics; therefore, we selected two football games and one men's basketball game during the year and compared the total receipts for such events, as documented by the University's ticket reconciliation procedures, to documentation of the related cash deposit amount with the bank. We found no discrepancies between the receipts for each event and the related cash deposit amount with the bank.

<u>Capital Expenditure Survey and Related Debt</u>

B. In preparation for our procedures related to the capital expenditure survey, we obtained the capital expenditure survey for the reporting period prepared by management; we obtained the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets; and we obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We then performed the following procedures:

1) **Procedure:** We agreed the data provided on the capital expenditure survey to the University's general ledger and disclosed additions, deletions, and book values in the report.

   Result: We noted no exceptions. We obtained the capital expenditure survey for the reporting period and agreed the data to the University's general ledger. Additions, deletions, and books values are disclosed in Note 2.

2) **Procedure:** We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We then agreed the total annual maturities to supporting documentation and the University's general ledger and disclosed in the report.

   Result: We recalculated the annual maturities and agreed to supporting documentation and the University's general ledger and noted no exceptions. Annual maturities are disclosed in Note 3.

Intercollegiate Athletics Restricted and Endowment and Plant Funds

C. **Procedure:** We obtained a summary of additions exceeding 10 percent to restricted funds related to intercollegiate athletics, as well as changes exceeding 10 percent to endowment and plant funds related to intercollegiate athletics, prepared by management and disclosed the additions in the report.

   Result: Based on inquiry of management, additions in excess of 10 percent are a result of the new football stadium. There were no other additions exceeding 10 percent to restricted funds related to intercollegiate athletics or any changes exceeding 10 percent to endowment and plant funds related to intercollegiate athletics.

Statement of Revenue and Expenditures

D. **Procedure:** We obtained the intercollegiate athletics program statement of revenue and expenditures for the reporting period prepared by management and agreed all amounts to the University's general ledger.

   Result: We noted no exceptions. We obtained the intercollegiate athletics program statement of revenue and expenditures for the year ended June 30, 2010 as prepared by management. We recalculated the amounts on the statement, compared the amounts on the statement to management's worksheets supporting the preparation of the statement, and agreed the amounts on such worksheets to the University's general ledger and found them to be in agreement.

E. **Procedure:** We agreed revenue and expenditure amounts from the statement to prior year amounts and budget estimates. We obtained and documented any variations exceeding 10 percent and $100,000.

Result: The following significant variations were identified:

- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football ticket sales. It was noted by management that the increase from the prior year is attributed to the first season in a new stadium, which included six home games, compared to five in the prior year.

- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football guarantees. It was noted by management that the decrease from the prior year is attributed to a decrease in guarantee games from three in prior year to two in the current year. Additionally, the three games in the prior year included higher-paying guarantees from opponents such as the University of Wisconsin.

- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football contributions. It was noted by management that the increase from the prior year is attributed to contributions for premium areas in the new stadium.

- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for merchandise, sports camps, and other revenue. It was noted by management that the decrease in merchandise revenue was a result of Barnes and Noble taking over the team shop. The increase in sports camps was due to growth of the program, including adding camps for sports not previously held. The increase in other revenue was due to concessions revenue at the new stadium.

- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for coaching salaries for football, men's basketball, and other sports. It was noted by management that the coaching salaries for football increased as new coaching staff were hired during the year. This was also the case for men's basketball coaching salaries, but there was also an increase due to bonuses for making the NCAA tournament.

- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football team travel. It was noted by management that the decrease from the prior year is attributed to having fewer football road games.

Revenue

F. **Revenue Procedures:** We agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University.

1) Ticket Sales

Procedure: We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.

Result: We compared and agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals. We also agreed the ticket reconciliation to the cash amount deposited with the bank. We compared and agreed revenue receipts to bank deposit slips. We noted no exceptions.

2) Guarantees

Procedure: We selected a sample of three settlement reports for away games during the reporting period and agreed each selection to the University's general ledger and/or the statement. We selected a sample of three contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or the statement, and recalculated totals. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation.

Result: We selected settlement reports from two away football games and one away basketball game during the reporting period and agreed each selection to the University's general ledger. For those same games, we received the contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger, and recalculated totals. We compared and agreed the revenue category in the statement during the reporting period to the supporting schedule provided by the University. We compared and agreed revenue receipts to bank deposit slips.

3) Contributions

Procedure: We obtained supporting documentation for each contribution of monies, 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. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of one revenue receipt obtained from the above revenue supporting schedules to supporting documentation.

Result: We disclosed the source and dollar value of these contributions in Note 1. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of one revenue receipt obtained from the above revenue supporting schedules to supporting documentation.

4) Other

Procedure: We compared the related revenue to the University's general ledger, and/or the statement, and recalculated totals.

Result: We compared the related revenue to the University's general ledger and recalculated totals.

Expenditures

G. **Expenditure Procedures:** We compared each operating expenditure category reported in the statement during the reporting period to supporting schedules provided by the University.

1) Athletic Student Aid

Procedure: We selected a sample of 25 students from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account and recalculated totals.

Result: We obtained individual student account detail for each selection, compared total aid allocated from the related aid award letter to the student's account, and recalculated totals, noting no exceptions.

2) Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

   Procedure: We obtained a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 10 coaches' contracts that included football, and men's and women's basketball from the above listing. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and inspected W-2s or 1099s for each selection. We compared and agreed related W-2s or 1099s to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period, and recalculated totals.

   Result: We selected a sample of 10 contracts which included the head football coach, head men's basketball coach, and the head women's basketball coach. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and inspected W-2s for each selection. We compared and agreed the related W-2s to the related coaching salaries, benefits, and bonuses paid by the University and the related expense recorded by the University in the statement during the reporting period, and recalculated totals, noting no exceptions.

3) Team Travel

   Procedure: We obtained the University's team travel policies. We compared and agreed to existing institutional- and NCAA-related policies.

   Result: We obtained the University's team travel policies. We compared and agreed to existing institutional- and NCAA-related policies.

4) Other

   Procedure: We agreed a sample of three operating expense disbursements obtained from the above operating expense supporting schedules to supporting documentation.

   Result: We compared three operating expense disbursements obtained from the above operating expenses to supporting schedules and related invoices and noted no exceptions.

<u>Affiliated and Outside Organizations Not Under the Institution's Accounting Control</u>

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

1) 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, 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

2) We obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program.

3) We obtained audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment.

Management identified Zip Athletic Club and the Varsity "A" Association as meeting the above criteria. We obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. The University of Akron Foundation confirmed that the financial activities of the affiliated and outside organizations listed below were recorded on the books of the University of Akron Foundation and are not included in either the statement of revenue and expenditures for intercollegiate athletics programs or the books of the University.

We obtained audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment.

Dr. Luis M. Proenza
The University of Akron

I. **Procedure:** For expenses on or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the University's accounting control, we attempted to obtain those organizations' statements for the reporting period. We also attempted to agree the amounts reported to the organizations' general ledgers or confirm the revenue and expenses directly with the responsible officials of the organizations.

   1) We obtained a summary of revenue and expenses for or on behalf of the organizations and have included it with this report.

   2) We compared and agreed a sample of three operating revenue categories reported in the organization's statement during the reporting period to supporting schedules provided by the organization.

   3) We compared and agreed a sample of three operating revenue receipts obtained from the above operating revenue schedule to supporting documentation.

   4) We compared and agreed a sample of three operating expense categories reported in the organization's statement during the reporting period to supporting schedules provided by the organization.

   5) We compared and agreed a sample of three operating expenses obtained from the above operating expense supporting schedules to supporting documentation.

   Result: We inquired of management as to whether it had identified any affiliated or outside organizations that are not under the University's accounting control. They identified no affiliated or outside organizations not under the University's accounting control.

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 revenue and expenditures. 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 9, 2010

The University of Akron
National Collegiate Athletics Association

Intercollegiate Athletics Program Statement of Revenue and Expenditures
Year Ended June 30, 2010

Operating Revenue	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Non-program Specific	Total
Ticket Sales	$ 1,109,005	$ 305,304	$ 10,541	$ 48,361	$ 60,306	$ 1,533,517
Student Fees	-	-	-	-	16,355,704	16,355,704
Guarantees	750,000	75,000	-	24,500	-	849,500
Contributions	380,857	59,291	24,333	99,142	705,667	1,269,290
Direct State or Other Governmental Support	-	-	-	176	15,665	15,841
NCAA/Conference Distributions Including All Tournament Revenue	-	-	-	-	1,008,452	1,008,452
Program Sales, Concessions, Novelty Sales, and Parking	-	-	-	-	37,142	37,142
Royalties, Advertisements, and Sponsorships	-	-	-	-	493,943	493,943
Sports Camp Revenue	-	-	-	-	506,566	506,566
Endowment and Investment Income	26,719	-	1,559	30,995	113,407	172,680
Spirit Groups	-	-	-	-	16,674	16,674
Other	1,809	22,709	116	93,048	812,814	930,496
Total Operating Revenue	2,268,390	462,304	36,549	296,222	20,126,340	23,189,805
Operating Expenditures						
Athletic Student Aid	2,153,265	387,113	342,115	2,736,337	221,365	5,840,195
Guarantees	425,000	221,611	6,000	13,300	131,500	797,411
Coaching Salaries, etc. (by Institution)	1,602,733	760,399	400,879	2,025,512	-	4,789,523
Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	223,707	169,861	65,106	88,271	3,559,218	4,106,163
Recruiting	192,271	91,036	89,578	196,735	99,427	669,047
Team Travel	297,791	144,621	75,970	725,277	49,419	1,293,078
Equipment, Uniforms, and Supplies	297,164	70,572	48,503	377,631	418,329	1,212,199
Game Expenses	-	-	-	-	592,863	592,863
Fundraising, Marketing, and Promotion	4,650	5,085	3,869	8,072	361,645	383,321
Sports Camp Expenses	-	-	-	-	231,047	231,047
Direct Facilities, Maintenance, and Rental	19,543	34,102	7,657	50,414	519,208	630,924
Spirit Groups	-	-	-	-	84,851	84,851
Medical Expenses and Medical Insurance	295	1,484	1,719	1,376	248,787	253,661
Memberships and Dues	1,825	-	657	8,901	126,345	137,728
Other Operating Expenses	338,602	123,106	116,992	218,466	1,856,546	2,653,712
Total Operating Expenditures	5,556,846	2,008,990	1,159,045	6,450,292	8,500,550	23,675,723
Excess (Deficiency) of Revenue Over (Under) Expenditures	**$ (3,288,456)**	**$ (1,546,686)**	**$ (1,122,496)**	**$ (6,154,070)**	**$ 11,625,790**	**$ (485,918)**

See Notes to Intercollegiate Athletics Program Statement of Revenue and Expenditures.

Note 1 - Contributions

Individual contributions of monies, goods, or services received directly by the University'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, 2010 are as follows:

Source of Funds, Goods, and Services	Value
The University of Akron Z-Fund	$ 255,690
The University of Akron Foundation	153,405

Note 2 - 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. Expenditures for maintenance and repairs are charged to current expenditures 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. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5-40 years, depending on classification.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2010 are as follows:

	Current Year Additions	Current Year Deletions
Football athletics facilities	$ 74,264,217	$ -
Basketball athletics facilities	-	-
Other athletics facilities	585,506	-
Athletics' total	$ 74,849,723	$ -
University's total	$ 108,772,090	$ -

Note 2 - Intercollegiate Athletics-related Assets (Continued)

The total estimated book values of property, plant, and equipment, net of depreciation, of the University as of the year ended June 30, 2010 are as follows:

	Estimated Book Value
Athletics - Related property, plant, and equipment balances	$ 125,067,709
University's total property, plant, and equipment balances	$ 686,229,538

Note 3 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University as of the year ended June 30, 2010 are as follows:

	Annual Debt Service	Debt Outstanding
Athletically related facilities	$ 3,929,979	$ 77,969,949
Institution's total	7,239,477	449,031,910

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2010 is as follows:

2011	$ 1,470,412
2012	1,531,753
2013	1,596,649
2014	1,671,546
2015	1,745,000
Thereafter	69,954,589
Total	$ 77,969,949

Dave Yost • Auditor of State

THE 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 8, 2011