

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

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**Financial Report**  
**With Supplemental Information**

June 30, 2011





# Dave Yost • Auditor of State

Board of Trustees  
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, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 2, 2012

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# The University of Akron

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# The University of Akron

## Management's Discussion and Analysis

### June 30, 2011

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, 2011. 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. For the fiscal years ended June 30, 2011, 2010, and 2009, the State provided approximately \$116 million, \$128 million, and \$119 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$141 million, \$139 million, and \$154 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 of Akron

## Management's Discussion and Analysis

### June 30, 2011

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 Statements of Net Assets at June 30, 2011, 2010, and 2009.

**Table 1**  
**Statements of Net Assets (In Thousands)**

	2011	2010	2009
<b>Assets:</b>			
Current assets	\$ 160,338	\$ 166,825	\$ 141,533
Restricted current assets	65,114	83,520	146,352
<b>Noncurrent assets:</b>			
Capital	686,801	686,229	621,530
Other	113,478	64,351	60,004
<b>Total assets</b>	<b>1,025,731</b>	<b>1,000,925</b>	<b>969,419</b>
<b>Liabilities:</b>			
Current liabilities	75,976	112,052	113,833
Noncurrent liabilities	453,158	425,275	430,797
<b>Total liabilities</b>	<b>529,134</b>	<b>537,327</b>	<b>544,630</b>
<b>Net assets (as restated):</b>			
Invested in capital assets, net of related debt	300,224	307,344	308,702
<b>Restricted:</b>			
Nonexpendable	21,835	21,295	19,403
Expendable	63,748	52,514	52,464
Unrestricted	110,790	82,445	44,220
<b>Total net assets</b>	<b>\$ 496,597</b>	<b>\$ 463,598</b>	<b>\$ 424,789</b>

Certain components of net assets have been restated for 2010 and 2009 to correct an error in the classification of those net assets. See Note 2 of the financial statements.

# The University of Akron

## Management's Discussion and Analysis

June 30, 2011

*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 decreased \$6.5 million during 2011 and increased \$25.3 million during 2010. There were variations among many of the current asset categories, but the principal causes of the change are from a \$6.9 million decrease within investments held in trust by others during 2011 and a \$19.3 million increase within all current cash and investments during 2010. 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.

*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 \$18.4 million and \$62.8 million during 2011 and 2010, respectively. The changes are largely attributable to the near-term payment demands of the separately-invested bond proceeds.

*Noncurrent assets* consist of endowment and restricted other investments; pledges and student notes receivable; long-term prepaid expenses and deferred charges; and capital assets. Noncurrent assets increased \$15.0 million and \$69.1 million during 2011 and 2010, respectively. While there were variations among the categories, the increases are largely attributable to a \$15.2 million increase in endowment and other investments during 2011 and a \$64.7 million increase within capital assets during 2010.

*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 \$36.1 million and \$1.8 million during 2011 and 2010, respectively. There were variations among many of the current liability categories, but the principal cause of the 2011 decrease was a \$16.0 million decrease in construction debt and capital lease payments required in the next year due to the termination of the derivative swap debt agreement as discussed in Note 7 of the financial statements. 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.

*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 2011, the \$27.9 million increase was due primarily to an additional liability for the Wheeler/Grant student housing project partially offset by payments made on The University's long-term debt. During 2010, the \$7.3 million decrease was due to payments made on The University's long-term debt.

As reflected earlier, net assets represent the difference between assets and liabilities and over time are 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 2011 and 2010, net assets increased approximately 7.1% and 9.1%, respectively, or increased \$33.0 million and \$38.8 million, respectively.



**The University of Akron**  
**Management's Discussion and Analysis**  
June 30, 2011

Table 2 summarizes The University's Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2011, 2010, and 2009.

**Table 2**  
**Statements of Revenues, Expenses, and Changes in Net Assets (In Thousands)**

	2011	2010	2009
Operating revenues:			
Tuition and fees	\$ 197,508	\$ 189,066	\$ 176,843
Grants and contracts	35,114	33,472	35,763
Sales and services	14,572	13,494	12,280
Auxiliary enterprises	56,207	50,955	47,905
Other operating revenues	816	991	1,006
Total operating revenues	<u>304,217</u>	<u>287,978</u>	<u>273,797</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	142,092	136,009	134,676
Other educational and general	201,150	199,295	202,401
Auxiliary enterprises	63,458	59,367	57,345
Depreciation and loss on disposal	38,475	32,744	32,935
Total operating expenses	<u>445,175</u>	<u>427,415</u>	<u>427,357</u>
Operating loss	(140,958)	(139,437)	(153,560)
Nonoperating revenues (expenses):			
State appropriations	95,959	95,836	107,665
Federal fiscal stabilization funds	15,664	15,244	-
Federal grants	43,035	34,424	22,941
Gifts and distributions	23,249	20,376	17,174
Other (net)	(10,067)	(7,556)	(15,884)
Net nonoperating revenues	<u>167,840</u>	<u>158,324</u>	<u>131,896</u>
Gain (loss) before other changes	26,882	18,887	(21,664)
Other changes:			
Capital appropriations	4,215	17,029	11,369
Other changes (net)	1,902	2,893	2,440
Total other changes	<u>6,117</u>	<u>19,922</u>	<u>13,809</u>
Increase (decrease) in net assets	32,999	38,809	(7,855)
Net assets:			
Net assets - beginning of year	463,598	424,789	432,644
Net assets - end of year	<u>\$ 496,597</u>	<u>\$ 463,598</u>	<u>\$ 424,789</u>

# The University of Akron

## Management's Discussion and Analysis

### June 30, 2011

The student tuition and fees increased \$8.4 million or 4.5% during 2011 and increased \$12.2 million or 6.9% during 2010. The increases 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 the Fall 2010 and 2009 census. Along with headcount, the total student credit hours (or actual courses taken) increased 5% in 2011 and 2010. The University enacted a tuition freeze for the fall semester of the 2010 academic year. Tuition and general fees were increased 3.5% for the spring 2010 semester and an additional 3.5% in Summer 2010.

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, increased \$11.2 million to \$66.7 million in 2011 and increased \$12.7 million to \$55.5 million in 2010. 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 \$20.0 million and \$17.0 million in 2011 and 2010, respectively, followed by private revenues at \$7.5 million and \$8.5 million in 2011 and 2010, 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 \$5.0 million and \$4.9 million during 2011 and 2010, respectively. NSF provided \$3.9 million and \$3.8 million during 2011 and 2010, respectively. The largest source of private revenue totaling \$1.2 million in 2011 was from a grant to establish the High Institute for Elastomer Industries (HIEI). The largest source of private revenue in 2010 was the Reading First grant which provided \$1.2 million. 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 \$4.6 million for 2011 and \$3.7 million for 2010.

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

Auxiliary enterprises revenue increased \$5.3 million and \$3.1 million in 2011 and 2010, respectively. The predominant revenues within this area are from dining facilities, residence halls, and parking services. During 2011, the revenues generated from those three areas represented \$16.4 million, \$19.1 million, and \$9.6 million, respectively, or 80.2% of the total \$56.2 million revenues. 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.

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 increased 2.4% during 2011 and had a slight decrease of nearly 0.5% during 2010. The most notable increase during 2011 of \$6.1 million occurred within instruction and departmental research. This increase was largely due to increased expenditures for instructional faculty and staff wages and departmental expenses. The greatest increase during 2010 of \$7.1 million occurred within scholarships and fellowships and reflects increased scholarships paid to students. This increase was offset by a \$7.2 million decrease in institutional support during 2010.

# The University of Akron

## Management's Discussion and Analysis

June 30, 2011

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 \$4.1 million and \$2.0 million in 2011 and 2010, respectively. The largest increase during 2011 occurred within residence halls which was a result of the opening of the Spicer Residence Hall along with other increases in maintenance costs. The largest increase during 2010 occurred within intercollegiate athletics which assumed responsibility for the Stile Field House and related operating 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 \$4.6 million in 2011 and \$1.0 million in 2010, 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 \$1.3 million and \$0.2 million during 2011 and 2010, respectively. The losses occurred with the removal of buildings and sale of equipment.

The state appropriations represent the most significant nonoperating revenue source for The University. In 2011 and 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 \$0.5 million and \$3.4 million in 2011 and 2010, 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 decreased \$12.8 million and increased \$5.7 million in 2011 and 2010, respectively.

The University also records Pell grant awards as nonoperating federal grant revenue. Pell grant revenue increased \$8.6 million or 25.0% and \$11.5 million or 50.1% during 2011 and 2010, 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 2011 and 2010, gifts and grants for these purposes and additions to permanent endowments totaled \$25.2 million and \$23.3 million, respectively.

# The University of Akron

## Management's Discussion and Analysis

### June 30, 2011

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

Investment income, including the unrealized change in fair value of investments, totaled \$12.0 million and \$8.4 million during 2011 and 2010, respectively. Investment income, net of investment expenses, increased \$0.5 million in 2011 and \$7.2 million in 2010. The changes are due to overall fluctuations in returns on all investments. 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 \$3.2 million and \$2.4 million net increase in 2011 and 2010, 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.

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense increased \$4.7 million to \$19.6 million in 2011 and decreased by \$1.7 million to \$14.9 million in 2010.

### Capital Assets and Long-term Debt Activity

The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2011 and 2010, additions to capital assets approximated \$83.9 million and \$125.7 million, respectively, net of construction in progress additions. The capital asset activity is reflected in more thorough detail within Note 6 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled \$394.2 million in 2011 and \$418.6 million in 2010. During 2011, The University issued \$131.4 million of General Receipts Refunding Bonds, Series 2010A. The proceeds of the Series 2010A Bonds were used to refund \$123.1 million of The University's outstanding General Receipts Bonds, Series 2008C1 & 2008C2 and pay issuance costs. No additional long-term debt was issued during 2010. The University continued to make payments on other outstanding debt for a total of approximately \$13.9 million. The long-term debt activity is reflected in more thorough detail within Note 7 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 supported The University's annual operations over the last two years. For both 2011 and 2010, those three revenue sources alone represented \$309.1 million and \$300.1 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 \$185.6 million and \$179.7 million, respectively.

The University will no longer receive federal fiscal stabilization funding. In turn, state support provided through the State Share of Instruction subsidy is projected to decline approximately \$15 million for fiscal year 2012. The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by the remaining major revenue sources. In this uncertain economic climate, The University needs to pursue opportunities to diversify its revenue sources. In addition, The University's financial future will also be significantly affected by its ability to manage and control expenses proportional to revenue fluctuations.

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, 2011 and 2010 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, 2011 and 2010 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 Note 2 to the financial statements, certain errors resulting in a restatement within categories of net assets for the year ended June 30, 2010 were discovered during the current year. Accordingly, the 2010 financial statements have been restated and an adjustment has been made to net assets at June 30, 2010 to correct the errors.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2011 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, 2011. 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*

October 14, 2011  
Toledo, Ohio

# The University of Akron

## Statements of Net Assets

June 30, 2011 and 2010

ASSETS	The University of Akron		Component Units	
	2011	2010	2011	2010
<b>Current assets:</b>				
Cash and cash equivalents	\$ 40,481,227	\$ 323,160	\$ 688,527	\$ 1,674,258
Pooled investments	86,036,820	104,988,937	-	-
Investments held in trust by others	8,374	6,937,208	-	-
Accounts receivable, net	26,615,103	29,331,243	1,677,418	1,512,108
Pledges receivable, net	287,606	451,864	2,885,535	3,845,444
Notes receivable, net	1,946,289	2,195,786	5,007,617	5,008,989
Accrued interest receivable	641,555	785,066	-	-
Inventories	939,026	900,001	-	-
Prepaid expenses and deferred charges	3,381,650	5,553,650	17,572	92,780
Deferred outflow of resources-derivatives	-	15,357,675	-	-
<b>Total current assets</b>	<b>160,337,650</b>	<b>166,824,590</b>	<b>10,276,669</b>	<b>12,133,579</b>
<b>Restricted current assets:</b>				
Cash and cash equivalents	9,539,404	35,077,089	2,300,697	2,545,919
Pooled investments	55,574,306	48,442,898	5,991,323	8,278,749
Other investments	-	-	4,189,558	8,223,473
<b>Total restricted current assets</b>	<b>65,113,710</b>	<b>83,519,987</b>	<b>12,481,578</b>	<b>19,048,141</b>
<b>Noncurrent assets:</b>				
Endowment investments	57,164,838	48,170,051	135,987,811	116,132,063
Restricted other investments	40,873,588	-	292,352	371,966
Pledges receivable, net	240,782	451,736	9,618,904	12,973,486
Notes receivable, net	9,728,434	10,355,883	-	-
Prepaid expenses and deferred charges	5,470,891	5,373,446	-	-
Capital assets, net	686,800,628	686,229,538	12,977,649	10,011,787
<b>Total assets</b>	<b>1,025,730,521</b>	<b>1,000,925,231</b>	<b>181,634,963</b>	<b>170,671,022</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	5,120,781	14,067,339	3,277,736	2,275,040
Accrued liabilities	23,619,763	21,282,715	756,838	795,954
Accrued interest payable	280,095	9,019,055	-	-
Deferred revenue	25,866,764	30,413,428	4,342,663	6,746,204
Deposits	1,518,084	1,727,445	4,189,558	8,223,473
Current portion of long-term liabilities	19,570,517	35,541,675	5,052,547	6,549,301
<b>Total current liabilities</b>	<b>75,976,004</b>	<b>112,051,657</b>	<b>17,619,342</b>	<b>24,589,972</b>
<b>Noncurrent liabilities:</b>				
Refundable federal student loans	11,665,283	11,785,297	-	-
Actuarial liability for annuity/unitrust agreements	-	-	12,033,539	10,775,286
Long-term liabilities	441,492,390	413,490,235	2,819,066	2,871,613
<b>Total liabilities</b>	<b>529,133,677</b>	<b>537,327,189</b>	<b>32,471,947</b>	<b>38,236,871</b>
<b>NET ASSETS (as restated)</b>				
Invested in capital assets, net of related debt	300,224,476	307,343,887	10,158,583	7,140,174
<b>Restricted:</b>				
<b>Nonexpendable:</b>				
Endowment	21,834,571	21,294,987	91,004,853	84,997,668
<b>Expendable:</b>				
Current operations	29,912,337	26,768,749	-	-
Loans	727,537	899,230	-	-
Endowment	24,604,003	19,178,480	50,611,189	47,742,771
Capital projects	8,476,386	5,656,518	-	-
Debt service	27,500	11,142	-	-
Unrestricted	110,790,034	82,445,049	(2,611,609)	(7,446,462)
<b>Total net assets</b>	<b>\$ 496,596,844</b>	<b>\$ 463,598,042</b>	<b>\$ 149,163,016</b>	<b>\$ 132,434,151</b>

**The University of Akron**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Years Ended June 30, 2011 and 2010**

	The University of Akron		Component Units	
	2011	2010	2011	2010
<b>REVENUES</b>				
Operating revenues:				
Student tuition and fees (net of scholarship allowance of \$66,752,079 and \$55,539,207)	\$ 197,508,153	\$ 189,065,708	\$ -	\$ -
Federal grants and contracts	19,924,153	16,999,634	132,657	201,146
State grants and contracts	6,959,436	7,224,224	-	-
Local grants and contracts	754,481	700,785	-	-
Private grants and contracts	7,476,191	8,547,014	4,318,433	3,862,449
Gifts and contributions	-	-	6,440,171	9,017,954
Sales and services	14,571,844	13,493,832	-	-
Auxiliary enterprises	56,207,250	50,955,352	-	-
Other sources	815,907	991,231	1,932,977	1,078,880
<b>Total operating revenues</b>	<b>304,217,415</b>	<b>287,977,780</b>	<b>12,824,238</b>	<b>14,160,429</b>
<b>EXPENSES</b>				
Operating expenses:				
Educational and general:				
Instruction and departmental research	142,092,473	136,009,387	-	-
Separately budgeted research	23,639,951	24,195,795	3,609,860	2,533,237
Public service	16,551,088	17,778,174	-	-
Academic support	36,062,559	33,787,724	-	-
Student services	14,028,724	13,212,303	-	-
Institutional support	48,029,864	49,606,799	809,845	696,331
Operation and maintenance of plant	25,548,284	25,763,196	-	-
Scholarships and fellowships	37,289,644	34,951,202	-	-
Auxiliary enterprises	63,457,908	59,366,776	-	-
Depreciation	37,183,087	32,538,642	277,581	210,003
Loss on disposal of property	1,291,916	205,188	-	-
<b>Total operating expenses</b>	<b>445,175,498</b>	<b>427,415,186</b>	<b>4,697,286</b>	<b>3,439,571</b>
Operating (loss) income	(140,958,083)	(139,437,406)	8,126,952	10,720,858
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	95,958,798	95,835,787	-	-
Federal fiscal stabilization funds	15,664,344	15,244,152	-	-
Federal grants	43,034,521	34,424,171	-	-
Gifts	7,073,246	6,370,430	-	-
Investment income, net	12,046,510	8,417,533	20,820,644	11,518,843
Interest on debt	(19,558,143)	(14,881,737)	(73,689)	(266,714)
Distributions to The University	16,175,583	14,005,817	(16,175,583)	(14,005,817)
Distributions on behalf of The University	-	-	(642,279)	(682,239)
Other nonoperating (expenses) revenues	(2,555,559)	(1,091,670)	398,202	291,878
<b>Net nonoperating revenues (expenses)</b>	<b>167,839,300</b>	<b>158,324,483</b>	<b>4,327,295</b>	<b>(3,144,049)</b>
Income before other changes	26,881,217	18,887,077	12,454,247	7,576,809
<b>OTHER CHANGES</b>				
State capital appropriations	4,215,168	17,029,314	-	-
Capital gifts and grants	1,478,251	1,904,293	-	-
Additions to permanent endowments	424,166	988,774	4,274,618	2,905,073
<b>Total other changes</b>	<b>6,117,585</b>	<b>19,922,381</b>	<b>4,274,618</b>	<b>2,905,073</b>
Increase in net assets	32,998,802	38,809,458	16,728,865	10,481,882
<b>NET ASSETS</b>				
Net assets - beginning of year	463,598,042	424,788,584	132,434,151	121,952,269
Net assets - end of year	<b>\$ 496,596,844</b>	<b>\$ 463,598,042</b>	<b>\$ 149,163,016</b>	<b>\$ 132,434,151</b>

# The University of Akron

## Statements of Cash Flows

June 30, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 196,463,938	\$ 189,762,687
Grants and contracts	33,757,001	30,644,390
Auxiliary enterprises	57,124,111	50,626,772
Sales and service of educational activities	14,571,844	13,493,832
Payments to suppliers	(110,130,567)	(97,785,787)
Payments for compensation and benefits	(263,456,630)	(261,288,732)
Payments for scholarships and fellowships	(25,258,773)	(24,066,793)
Loans issued to students	(1,119,364)	(2,205,324)
Collection of loans to students	1,816,301	1,201,911
Other payments	(7,858,615)	(5,281,129)
	(104,090,754)	(104,898,173)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	95,958,798	95,835,787
Federal fiscal stabilization funds	15,664,344	15,244,152
Gifts, grants and contracts for other than capital purposes	62,739,532	52,595,914
Private gifts for endowment purposes	437,057	1,032,762
Other payments	(2,555,559)	(1,091,670)
	172,244,172	163,616,945
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from capital debt	8,275,000	3,400,000
Capital appropriations	4,215,168	17,029,314
Capital grants and gifts received	7,074,106	4,964,880
Purchases of capital assets	(35,074,986)	(80,720,699)
Principal paid on capital debt and leases	(13,912,890)	(9,522,483)
Interest paid on capital debt and leases	(12,246,244)	(19,471,295)
Collection of loans issued for capital purposes	180,009	174,713
	(41,489,837)	(84,145,570)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	325,816,370	509,646,018
Interest on investments	6,339,710	5,717,222
Purchase of investments	(344,199,279)	(478,568,653)
	(12,043,199)	36,794,587
Net increase in cash and cash equivalents	14,620,382	11,367,789
Cash and cash equivalents - beginning of the year	35,400,249	24,032,460
Cash and cash equivalents - end of the year	\$ 50,020,631	\$ 35,400,249

(continued)



# The University of Akron

## Statements of Cash Flows

June 30, 2011 and 2010

	2011	2010
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (140,958,083)	\$ (139,437,406)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	37,183,087	32,538,642
Loss on disposal of property	1,291,916	205,188
Changes in assets and liabilities:		
Accounts receivable, net	3,263,817	(520,075)
Notes receivable, net	696,937	(1,003,413)
Inventories	(39,025)	55,043
Prepaid expenses and deferred charges	101,184	(39,988)
Accounts payable	(7,375,830)	661,313
Accrued liabilities	2,337,048	(606,608)
Deferred revenue	(4,546,664)	(1,609,075)
Deposits held for others	(209,361)	503,952
Sick leave liability	192,529	245,394
OPEB liability	4,091,705	4,091,705
Refundable federal student loans	(120,014)	17,155
	<b>\$ (104,090,754)</b>	<b>\$ (104,898,173)</b>
Net cash used in operating activities	<b>\$ (104,090,754)</b>	<b>\$ (104,898,173)</b>

**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

## 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.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

## **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. Investments for bond issue proceeds and the income earned on those investments are separately managed and recorded on the Statements of Net Assets as restricted other investments in noncurrent assets.

### **Inventories**

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

### **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.

### **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.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

**1. Summary of Significant Accounting and Reporting Policies - continued**

**Capital Assets**

Capital assets are recorded at cost or, if acquired by gift, at an appraised value at the date of gift. The University's capitalization threshold is \$75,000 for building renovations and \$5,000 for other capitalized items. Infrastructure assets are included in the financial statements and are depreciated. Expenditures for construction in progress are capitalized as incurred and depreciated when put into service. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts and any gain or loss on disposal is recognized. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed.

Estimated useful lives are as follows:

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

**Capitalization of Interest**

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. 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.

**Accounts Receivable**

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

**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

**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, 2011 and 2010, student-related grants amounted to approximately \$2.4 million and \$4.2 million, respectively, with the balance of \$17.5 million and \$12.8 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.

**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.

**Accounting Standards**

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses issues related to service concession arrangements which are a type of public-private or public-public partnership.

In November 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2011 and 2010

**1. Summary of Significant Accounting and Reporting Policies - continued**

**Accounting Standards - continued**

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of Statements 60, 62 and 63 are effective for financial statements for periods beginning after December 15, 2011.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012.

University management has not yet determined the impact that implementation of these GASB Statements will have on The University's financial statements.

**2. Prior Period Restatement**

Certain components of net assets have been restated for June 30, 2010 to correct an error in the classification of those net assets. Details of the restatement are as follows:

	6/30/2010 as reported	Reclassification	6/30/2010 as restated
Invested in capital assets, net of related debt	\$ 307,343,887	\$ -	\$ 307,343,887
Restricted:			
Nonexpendable: Endowment	29,742,767	(8,447,780)	21,294,987
Expendable: Current operations	26,768,749	-	26,768,749
Loans	899,230	-	899,230
Endowment	-	19,178,480	19,178,480
Capital projects	16,558,349	(10,901,831)	5,656,518
Debt service	769,718	(758,576)	11,142
Unrestricted	81,515,342	929,707	82,445,049
Total net assets	<u>\$ 463,598,042</u>	<u>\$ -</u>	<u>\$ 463,598,042</u>

**3. Cash and Investments**

**Cash**

At June 30, 2011 and 2010, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$50,020,631 and \$35,400,249 as compared to bank balances of \$52,393,626 and \$36,513,779, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2011 and 2010 bank balances, \$50,809,060 and \$35,541,456, 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, and investment programs offered by The Commonfund. University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument. The fair value of investments represents published market quotations.

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2011 and 2010

**3. Cash and Investments - continued**

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.

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, 2011, 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, 2011, 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.

	2011 Fair Value	2010 Fair Value
	<u>                    </u>	<u>                    </u>
Pooled investments:		
Repurchase agreement	\$ -	\$ 948,706
U.S. agencies	45,996,102	67,959,162
U.S. Treasury	28,102,368	17,419,974
Corporate notes	52,766,613	15,729,752
PFM: Prime Series	14,746,043	51,374,241
	<u>                    </u>	<u>                    </u>
Total pooled investments	141,611,126	153,431,835
Endowment investments:		
Marketable securities:		
U.S. Treasury	1,443,793	3,959,115
U.S. agencies	2,123,264	4,395,541
Common stocks	35,233,655	27,636,155
Managed Fixed Income	1,484,603	-
U.S. and corporate bonds	10,131,478	11,833,762
PFM: Government Series	2,092,708	307,976
PIMCO AAAA	4,622,449	-
The Commonfund: Private Equity	31,858	34,170
Cash surrender value of life insurance	1,030	3,332
	<u>                    </u>	<u>                    </u>
Total endowment investments	57,164,838	48,170,051
Investments held in trust by others:		
U.S. agencies	8,374	6,937,208
Other restricted investments:		
U.S. Treasury	15,827,815	-
Commercial paper sweep	4,120,122	-
Commercial paper	20,925,651	-
	<u>                    </u>	<u>                    </u>
Total other investments	40,873,588	-
	<u>                    </u>	<u>                    </u>
Total investments	<u>\$ 239,657,926</u>	<u>\$ 208,539,094</u>

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**3. Cash and Investments - continued**

The U.S. Treasury and agencies securities and corporate bonds were invested through banks that keep the securities in their names in safekeeping accounts at the Federal Reserve Bank. The Commonfund is a nonprofit membership corporation which provides investment management services for its member colleges, universities and independent schools and offers a series of pooled investment funds.

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2011 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM Funds: Prime Series	AAA	\$ 16,794,860	\$ -	\$ -	\$ -	\$ 16,794,860
U.S. agencies	AAA	2,008,860	37,573,212	5,487,119	1,176,150	46,245,341
Commercial paper sweep	AAA	4,120,122	-	-	-	4,120,122
U.S. and corporate notes	AAA	8,142,575	3,551,562	-	-	11,694,137
	AA	-	20,330,601	-	-	20,330,601
	A	-	17,140,036	-	-	17,140,036
Total U.S. and corporate notes		8,142,575	41,022,199	-	-	49,164,774
U.S. and corporate bonds	AAA	4,222,265	-	-	-	4,222,265
	AA	716,225	-	-	-	716,225
	A	1,734,737	-	-	-	1,734,737
	BBB	1,317,721	-	-	-	1,317,721
	BB	611,736	-	-	-	611,736
	B	613,517	-	-	-	613,517
	Below B	417,102	-	-	-	417,102
Total U.S. and corporate bonds		9,633,303	-	-	-	9,633,303
Totals		\$ 40,699,720	\$ 78,595,411	\$ 5,487,119	\$ 1,176,150	\$ 125,958,400

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)			Totals
		Less than 1	1 to 5	6 to 10	
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 University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

**4. Accounts and Notes Receivable**

Accounts and notes receivable at June 30, 2011 and 2010 consisted of the following:

	2011	2010
Accounts receivable, net:		
Federal, state, local governments, foundations, and companies	\$ 9,306,816	\$ 10,703,085
Student receivables, net of allowance for doubtful accounts of \$21,005,717 and \$18,518,715, respectively	16,052,767	17,660,601
Other, net of allowance for doubtful accounts of \$39,381 and \$608,149, respectively	1,255,520	967,557
Total accounts receivable, net	26,615,103	29,331,243
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$764,298 and \$1,001,071, respectively	11,370,615	12,067,552
Other notes receivable	304,108	484,117
Total notes receivable, net	11,674,723	12,551,669
Accounts and notes receivable, net	\$ 38,289,826	\$ 41,882,912

**5. Pledges Receivable**

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2011 and 2010 were as follows:

	2011		2010	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	\$ 564,668	\$ 303,194	\$ 942,578	\$ 459,536
Less: amount estimated to be uncollectible	(28,581)	(15,588)	(15,342)	(7,672)
Less: unamortized discount	(7,699)	-	(23,636)	-
Pledges receivable, net	528,388	\$ 287,606	903,600	\$ 451,864
Less: current portion	(287,606)		(451,864)	
Pledges receivable, noncurrent portion	\$ 240,782		\$ 451,736	

As of June 30, 2011 and 2010, The University has approximately \$3,208,000 and \$3,333,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**6. Capital Assets**

Changes in capital assets during fiscal 2011 and 2010 were as follows:

	Balance July 1, 2010	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2011
Nondepreciable capital assets:				
Land	\$ 37,375,544	\$ 1,732,078	\$ -	\$ 39,107,622
Historical collections	4,679,963	-	382,950	4,297,013
Construction in progress	69,558,536	25,575,194	70,421,288	24,712,442
Total nondepreciable capital assets	111,614,043	27,307,272	70,804,238	68,117,077
Depreciable capital assets:				
Land improvements	46,558,009	230,600	251,411	46,537,198
Buildings	750,361,161	70,937,601	4,424,534	816,874,228
Infrastructure	19,394,089	1,300,933	-	20,695,022
Equipment, furniture and books	126,742,494	9,690,975	13,560,175	122,873,294
Total depreciable capital assets	943,055,753	82,160,109	18,236,120	1,006,979,742
Total capital assets	1,054,669,796	109,467,381	89,040,358	1,075,096,819
Less accumulated depreciation:				
Land improvements	23,639,990	1,852,756	251,411	25,241,335
Buildings	259,617,938	21,324,351	4,330,886	276,611,403
Infrastructure	6,478,371	1,002,228	-	7,480,599
Equipment, furniture and books	78,703,959	13,003,752	12,744,857	78,962,854
Total accumulated depreciation	368,440,258	37,183,087	17,327,154	388,296,191
Capital assets, net	\$ 686,229,538	\$ 72,284,294	\$ 71,713,204	\$ 686,800,628
<hr/>				
	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

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**7. Long-term Liabilities**

Changes in long-term liabilities during fiscal 2011 were as follows:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Current Portion
Note payable:					
The University of Akron Foundation, 0.64%	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000
Total note payable	5,000,000	-	-	5,000,000	5,000,000
Bonds payable:					
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	37,325,000	-	775,000	36,550,000	840,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	31,070,000	-	715,000	30,355,000	740,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	17,655,000	-	1,765,000	15,890,000	1,840,000
Deferred amount on refunding - Series 2005 refunding bonds	(618,045)	-	(53,743)	(564,302)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	205,085,000	-	3,795,000	201,290,000	3,920,000
Deferred amount on refunding - Series 2008A&B bonds	(3,588,652)	-	(129,711)	(3,458,941)	(129,710)
General receipts refunding bonds - Series 2008C1&C2, 3.45%, due serially through 2029	128,345,000	-	128,345,000	-	-
Deferred amount on refunding - Series 2008C1&C2 refunding bonds	(12,038,180)	-	(12,038,180)	-	-
Derivative instrument - Interest rate swap, Series 2008C1&C2 refunding bonds	15,357,675	4,187,119	19,544,794	-	-
General receipts refunding bonds - Series 2010A, 2.00% to 5.00%, due serially through 2029	-	131,410,000	-	131,410,000	4,745,000
Deferred amount on refunding - Series 2010A refunding bonds	-	(18,221,097)	(971,792)	(17,249,305)	(971,792)
Total bonds payable	418,592,798	117,376,022	141,746,368	394,222,452	10,929,755
Summit County Port Authority Lease	-	33,770,000	-	33,770,000	-
Capitalized lease obligations	6,314,519	-	1,652,891	4,661,628	1,383,956
Sick leave liability	6,718,092	192,529	-	6,910,621	2,256,806
OPEB liability	12,406,501	4,091,705	-	16,498,206	-
Totals	\$ 449,031,910	\$ 155,430,256	\$ 143,399,259	\$ 461,062,907	\$ 19,570,517
Less: current portion				(19,570,517)	
Long-term liabilities				\$ 441,492,390	

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**7. Long-term Liabilities - continued**

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	

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

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2011 and 2010

**7. Long-term Liabilities - continued**

In August 2010, The University issued \$131.4 million of General Receipts Refunding Bonds, Series 2010A, with an average coupon of 4.733% and an average life of 11 years. The proceeds of the Series 2010A Bonds 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 \$19.5 million related to the swap agreement on the Series 2008C1&C2 Bonds. 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 was made in January 2011.

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, 2011 and 2010, interest on the revolver was at 0.59 percent and 0.75 percent, respectively. Borrowings outstanding under this agreement at June 30, 2011 and 2010 were \$5,000,000. 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 line of credit agreement is set to expire on January 2, 2012. The entire amount outstanding as of June 30, 2011 and 2010 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, 2011 and 2010, respectively, \$33.5 and \$35.2 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, 2011 and 2010, interest on borrowings for the Series 2008A&B bonds was \$10,036,662 and \$10,708,352, respectively, and earnings on the proceeds were \$61,749 and \$748,750, respectively. Substantial completion on outstanding projects was determined to be 85.7% and 52.0% in 2011 and 2010, resulting in net capitalized interest of \$1,427,061 and \$4,780,705, 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, 2011 are as follows:

Fiscal Year:	Principal	Interest	Total
2012	\$ 15,929,755	\$ 20,483,320	\$ 36,413,075
2013	10,649,755	20,131,764	30,781,519
2014	10,989,755	19,709,973	30,699,728
2015	11,289,755	19,208,030	30,497,785
2016	12,829,755	18,665,635	31,495,390
2017-2021	73,683,774	82,783,566	156,467,340
2022-2026	85,715,618	62,004,845	147,720,463
2027-2031	87,669,021	35,898,835	123,567,856
2032-2036	65,096,448	14,998,676	80,095,124
2037-2038	25,368,816	1,511,059	26,879,875
	<u>\$ 399,222,452</u>	<u>\$ 295,395,703</u>	<u>\$ 694,618,155</u>

The University leases certain office facilities, computers, and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2011 and 2010 amounted to approximately \$1,898,000 and \$2,356,000, respectively.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

**7. Long-term Liabilities - continued**

The University's bookstore facilities and operations and certain food operations are leased to outside operators. These leases provide for annual rental receipts of approximately \$584,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal 2011 and 2010 totaled approximately \$402,000 and \$393,000, respectively. During fiscal 2011 and 2010, The University also received rental receipts approximating \$816,000 and \$1,006,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

In May 2011, The University entered into a Facilities Lease Agreement with The Summit County Port Authority (Port Authority) to finance and construct the Wheeler/Grant student housing facility. This agreement provided for the Port Authority to issue \$33.8 million Summit County Port Authority, Lease Revenue Bonds, Series 2011 in May 2011 to finance the project and for the housing facility to be leased to The University upon completion of construction. The University is required to pay semi-annual rental payments to the Port Authority for the life of the revenue bonds. The agreement allows for The University to purchase the housing facility with a bargain purchase option at the end of the agreement.

The University's other capital leased assets consist of a chilled water tank, property, and duplicating or other equipment. Future minimum lease payments as of June 30, 2011 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:	Port				Total
	Authority	Building	Land	Equipment	
2012	\$ 1,800,612	\$ 574,194	\$ 85,042	\$ 947,161	\$ 3,407,009
2013	2,344,513	574,194	85,042	771,900	3,775,649
2014	2,349,712	574,194	35,434	9,108	2,968,448
2015	2,347,088	574,194	-	-	2,921,282
2016	2,348,937	574,194	-	-	2,923,131
2017-2021	11,717,456	382,797	-	-	12,100,253
2022-2026	11,676,963	-	-	-	11,676,963
2027-2031	11,635,900	-	-	-	11,635,900
2032-2036	11,567,150	-	-	-	11,567,150
2037-2041	11,495,400	-	-	-	11,495,400
2042	2,286,600	-	-	-	2,286,600
Total minimum lease payments	71,570,331	3,253,767	205,518	1,728,169	76,757,785
Less amount representing interest	(37,800,331)	(298,045)	(19,208)	(208,573)	(38,326,157)
Present value of net minimum capital lease payments	\$ 33,770,000	\$ 2,955,722	\$ 186,310	\$ 1,519,596	\$ 38,431,628

**Interest Rate Swaps (or Derivative Instruments)**

The University held one interest rate swap instrument as of June 30, 2010. This swap agreement was terminated as of September 9, 2010 and a termination cost of \$19.5 million was paid with the Series 2010A bond issue proceeds. The University had entered into the agreement at the same time and amount as the issuance of the Series 2008C1&C2 Bonds 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 was calculated by the counterparty to the transaction and approximated the termination value of the interest rate swap. As of June 30, 2010 the swap agreement was summarized as follows (in millions):

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

**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

**7. Long-term Liabilities - continued**

**Interest Rate Swaps (or Derivative Instruments) - continued**

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

The interest rate swaps are subject to the following risks:

Credit and termination risk The University was not exposed to credit risk on the interest rate swap as of June 30, 2010, since the University owed J. P. Moran Chase if the swap agreement was 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 have resulted in termination of the swap agreement. The aggregate fair value of the hedging derivative instrument represented the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. As of June 30, 2010 the bonds had not been downgraded, so no termination event occurred.

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

Basis risk The pay-fixed, receive-variable interest rate swap agreement converted 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 was paid monthly on the first day of each month. The University was exposed to variances in the interest paid on the variable portion of the bonds which was based on market rates and the reimbursement of the variable interest which was based on a percentage of the one-month LIBOR. This variance could have been 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 LIBOR which was 0.312%.

Rollover risk The University was exposed to rollover risk on hedging derivative instruments that were hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminated, or in the case of a termination option, if the counterparty exercised its option, The University would have been re-exposed to the risks being hedged by the hedging derivative instrument.

**8. 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.

In accordance with the requirements of Ohio Revised Code Section 124.21(D) and (E), university facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of The Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2011 and 2010

**8. State Support - continued**

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.

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.

**9. 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
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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		
			2011	2010	2009
			STRS	10.0%	14.00%
SERS	10.0%	14.00%	8,616,498	8,713,603	8,574,481
OPERS-LE	11.1%	17.87%	497,903	448,834	431,651
			<u>\$ 21,068,844</u>	<u>\$ 20,774,036</u>	<u>\$ 20,428,846</u>

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



**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

**9. 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 ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, are required to pay a portion of the health care cost in the form of a monthly premium. 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, 2010, 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 amount of STRS employer contributions used to fund OPEB for the years ended June 30, 2011, 2010, and 2009 were \$853,889, \$829,400, and \$815,908, respectively.

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their beneficiaries. 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, 2011, the allocation rate is 1.43%. The amount of the SERS employer contributions used to fund health care for the years ended June 30, 2011, 2010, and 2009 were \$880,115, \$286,303, and \$2,547,847, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge amount paid to SERS for the years ended June 30, 2011, 2010, and 2009 was \$934,081, \$921,197, and \$860,782, respectively. 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 .76%. The amount of the SERS employer contributions used to fund Medicare B for the years ended June 30, 2011, 2010, and 2009 were \$467,755, \$473,027, and \$459,343, respectively.

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 ranged between 4.23% and 5.5% based on the type of plan. The amount of the OPERS-LE employer contributions used to fund OPEB for the years ended June 30, 2011, 2010, and 2009 were \$177,801, \$160,278, and \$173,653, respectively.

**The University of Akron**  
Notes to Financial Statements  
June 30, 2011 and 2010

## **9. Employee Benefit Plans - continued**

### **Other Postretirement Employee Benefits - continued**

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.

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 2011, 2010, and 2009, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled approximately \$800,000, \$1,336,000 and \$1,545,000, 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 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, 2011 was 26 years. Pursuant to this actuarial valuation, The University recorded \$16,498,206, \$12,406,501 and \$8,314,796 for future OPEB obligation as a liability due in more than one year during fiscal year 2011, 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 its 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, 2011, 2010, and 2009 were \$4,488,083, \$4,399,446, and \$4,005,949, respectively, equal to the required contributions for each year. The ARPs do not provide postretirement benefits other than pension and death benefits.

## **10. 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.

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2011 and 2010

**10. Litigation, Commitments, and Contingencies - continued**

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 has elected to provide employee health insurance benefits through a self-insurance program as of January 1, 2011. Two third-party administrators, Apex Benefit Services for medical insurance and Delta Dental of Ohio for dental insurance, review all claims which are then paid by The University. Full-time employees are eligible for health insurance benefits effective on the first day of the month following appointment or date of hire. Employees are offered two traditional PPO medical plans with different levels of coverage and one PPO dental plan. Employees make contributions to pay a portion of health insurance benefits based on plan selections and annual salary ranges.

A claims liability of \$2,675,900, included with accrued liabilities as of June 30, 2011, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	2011
Liability at beginning of year	\$ -
Claims incurred and changes in estimates	10,809,257
Claim payments	(8,133,357)
Liability at end of year	\$ 2,675,900

To reduce potential loss exposure, The University has established a reserve for health insurance stabilization of \$8.7 million as of June 30, 2011.

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 \$5.2 million from the State for buildings and renovations, of which \$2.7 million has been expended as of June 30, 2011. In addition, as of June 30, 2011, University construction projects will cost an estimated \$17.8 million to complete with 73.6%, or \$13.1 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.

**The University of Akron**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

**11. Component units**

Details of the component units' net assets at June 30, 2011 and 2010 are as follows:

	2011			2010		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 688,527	\$ -	\$ 688,527	\$ 1,674,258	\$ -	\$ 1,674,258
Accounts receivable, net	467,813	1,209,605	1,677,418	466,015	1,046,093	1,512,108
Pledges receivable, net	2,885,535	-	2,885,535	3,845,444	-	3,845,444
Notes receivable	5,007,617	-	5,007,617	5,008,989	-	5,008,989
Prepaid expenses and deferred charges	-	17,572	17,572	-	92,780	92,780
<b>Total current assets</b>	<b>9,049,492</b>	<b>1,227,177</b>	<b>10,276,669</b>	<b>10,994,706</b>	<b>1,138,873</b>	<b>12,133,579</b>
<b>Restricted current assets:</b>						
Cash and cash equivalents	-	2,300,697	2,300,697	-	2,545,919	2,545,919
Pooled investments	-	5,991,323	5,991,323	-	8,278,749	8,278,749
Other investments	4,189,558	-	4,189,558	8,223,473	-	8,223,473
<b>Total restricted current assets</b>	<b>4,189,558</b>	<b>8,292,020</b>	<b>12,481,578</b>	<b>8,223,473</b>	<b>10,824,668</b>	<b>19,048,141</b>
<b>Noncurrent assets:</b>						
Endowment investments	135,987,811	-	135,987,811	116,132,063	-	116,132,063
Other investments	-	292,352	292,352	-	371,966	371,966
Pledges receivable, net	9,618,904	-	9,618,904	12,973,486	-	12,973,486
Capital assets, net	7,727,045	5,250,604	12,977,649	5,541,850	4,469,937	10,011,787
<b>Total assets</b>	<b>166,572,810</b>	<b>15,062,153</b>	<b>181,634,963</b>	<b>153,865,578</b>	<b>16,805,444</b>	<b>170,671,022</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	846,148	2,431,588	3,277,736	179,038	2,096,002	2,275,040
Accrued liabilities	88,805	668,033	756,838	76,091	719,863	795,954
Deferred revenue	30,000	4,312,663	4,342,663	30,000	6,716,204	6,746,204
Deposits	4,189,558	-	4,189,558	8,223,473	-	8,223,473
Current portion of long-term liabilities	5,000,000	52,547	5,052,547	6,500,000	49,301	6,549,301
<b>Total current liabilities</b>	<b>10,154,511</b>	<b>7,464,831</b>	<b>17,619,342</b>	<b>15,008,602</b>	<b>9,581,370</b>	<b>24,589,972</b>
<b>Noncurrent liabilities:</b>						
Actuarial liability for annuity/unitrust agreements	12,033,539	-	12,033,539	10,775,286	-	10,775,286
Long-term liabilities	-	2,819,066	2,819,066	-	2,871,613	2,871,613
<b>Total liabilities</b>	<b>22,188,050</b>	<b>10,283,897</b>	<b>32,471,947</b>	<b>25,783,888</b>	<b>12,452,983</b>	<b>38,236,871</b>
<b>Net assets</b>						
Invested in capital assets, net	7,727,045	2,431,538	10,158,583	5,541,850	1,598,324	7,140,174
Restricted:						
Nonexpendable	91,004,853	-	91,004,853	84,997,668	-	84,997,668
Expendable	50,611,189	-	50,611,189	47,742,771	-	47,742,771
Unrestricted	(4,958,327)	2,346,718	(2,611,609)	(10,200,599)	2,754,137	(7,446,462)
<b>Total net assets</b>	<b>\$ 144,384,760</b>	<b>\$ 4,778,256</b>	<b>\$ 149,163,016</b>	<b>\$ 128,081,690</b>	<b>\$ 4,352,461</b>	<b>\$ 132,434,151</b>

**The University of Akron**  
**Notes to Financial Statements**  
June 30, 2011 and 2010

**11. Component units - continued**

Details of the component units' revenues, expenses, and changes in net assets at June 30, 2011 and 2010 are as follows:

	2011			2010		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
<b>Revenues</b>						
Operating revenues:						
Federal grants and contracts	\$ -	\$ 132,657	\$ 132,657	\$ -	\$ 201,146	\$ 201,146
Private grants and contracts	-	4,318,433	4,318,433	-	3,862,449	3,862,449
Gifts and contributions	6,440,171	-	6,440,171	9,017,954	-	9,017,954
Other sources	-	1,932,977	1,932,977	-	1,078,880	1,078,880
<b>Total operating revenues</b>	<b>6,440,171</b>	<b>6,384,067</b>	<b>12,824,238</b>	<b>9,017,954</b>	<b>5,142,475</b>	<b>14,160,429</b>
<b>Expenses</b>						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	3,609,860	3,609,860	-	2,533,237	2,533,237
Institutional support	809,845	-	809,845	696,331	-	696,331
Depreciation	-	277,581	277,581	-	210,003	210,003
<b>Total operating expenses</b>	<b>809,845</b>	<b>3,887,441</b>	<b>4,697,286</b>	<b>696,331</b>	<b>2,743,240</b>	<b>3,439,571</b>
<b>Operating income</b>	<b>5,630,326</b>	<b>2,496,626</b>	<b>8,126,952</b>	<b>8,321,623</b>	<b>2,399,235</b>	<b>10,720,858</b>
<b>Nonoperating revenues (expenses)</b>						
Investment income (loss), net	20,351,581	469,063	20,820,644	11,185,644	333,199	11,518,843
Interest on debt	-	(73,689)	(73,689)	-	(266,714)	(266,714)
Distributions to The University	(13,414,295)	(2,761,288)	(16,175,583)	(11,686,384)	(2,319,433)	(14,005,817)
Distributions on behalf of The University	(642,279)	-	(642,279)	(682,239)	-	(682,239)
Other nonoperating revenues	103,119	295,083	398,202	97,838	194,040	291,878
<b>Net nonoperating revenues (expenses)</b>	<b>6,398,126</b>	<b>(2,070,831)</b>	<b>4,327,295</b>	<b>(1,085,141)</b>	<b>(2,058,908)</b>	<b>(3,144,049)</b>
<b>Gain (loss) before other changes</b>	<b>12,028,452</b>	<b>425,795</b>	<b>12,454,247</b>	<b>7,236,482</b>	<b>340,327</b>	<b>7,576,809</b>
<b>Other changes</b>						
Additions to permanent endowments	4,274,618	-	4,274,618	2,905,073	-	2,905,073
<b>Increase (decrease) in net assets</b>	<b>16,303,070</b>	<b>425,795</b>	<b>16,728,865</b>	<b>10,141,555</b>	<b>340,327</b>	<b>10,481,882</b>
<b>Net assets - beginning of year</b>	<b>128,081,690</b>	<b>4,352,461</b>	<b>132,434,151</b>	<b>117,940,135</b>	<b>4,012,134</b>	<b>121,952,269</b>
<b>Net assets - end of year</b>	<b>\$ 144,384,760</b>	<b>\$ 4,778,256</b>	<b>\$ 149,163,016</b>	<b>\$ 128,081,690</b>	<b>\$ 4,352,461</b>	<b>\$ 132,434,151</b>

## Supplemental Information

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
The University of Akron

We have audited the financial statements of The University of Akron as of and for the year ended June 30, 2011 and have issued our report thereon dated October 14, 2011. 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as finding 2011-1. 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.

To the Board of Trustees  
The University of Akron

### **Compliance and Other Matters**

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

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 trustees, others 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*

October 14, 2011



Report on Compliance with Requirements That Could Have a Direct and  
Material Effect on Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
The 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 its major federal programs for the year ended June 30, 2011. 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 its major federal programs for the year ended June 30, 2011.

To the Board of Trustees  
The 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 entity's internal control over compliance.

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

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.

This report is intended solely for the information and use of management, the board of trustees, others 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*

October 14, 2011

# The University of Akron

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
<b>Student Financial Aid Cluster</b>			
Department of Education:			
Direct programs:			
Federal Pell Grant Program	84.063		\$ 43,034,521
Federal Supplemental Educational Opportunity Grant	84.007		1,127,959
Federal College Work-Study	84.033		1,228,839
Academic Competitive Grants	84.375		1,199,329
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		678,082
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		147,000
Federal Perkins Loan Program	84.038		12,035,546
Federal Direct Loans	84.268		175,836,771
Total Department of Education			235,288,047
Department of Health and Human Services:			
Direct program:			
Nursing Student Loans	93.364		1,135,243
Total Student Financial Aid Cluster			236,423,290
<b>Research and Development Cluster</b>			
Department of Agriculture:			
Direct program:			
Agricultural Research-Basic and Applied Research	10.001		1,827
Department of Commerce:			
Direct program:			
Center for Sponsored Coastal Ocean Research, Coastal Ocean Program	11.478		22,181
Pass-through program:			
Ohio State University-Sea Grant Support	11.417	NA06OAR4170020	20,204
Total Department of Commerce			42,385
Department of Defense:			
Direct programs:			
Office of Naval Research-Basic and Applied Scientific Research	12.300		61,184
United States Army-Basic Scientific Research	12.431		663,858
USAF-Air Force Defense Research Sciences Program	12.800		259,680
Air Force Defense Research Sciences Program	12.800		1,962,334
Pass-through programs:			
University of Akron Research Foundation (UARF)-Basic and Applied Scientific Research	12.300	N00014-08-M-0325	85
UARF-Basic and Applied Scientific Research	12.300		10,101
UARF-Basic and Applied Scientific Research	12.300	N68335-10-C-0419	407
University of Connecticut-Basic and Applied Scientific Research	12.300	N00014-10-0944	31,762
Babcock & Wilcox-Basic and Applied Scientific Research	12.300	N00024-07-C-2100	7,920
UARF-Basic Scientific Research	12.431	W911QY-08-C-0085	8,075
UARF-Basic Scientific Research	12.431	S690000034	21,791
UARF-United States Army-Basic Scientific Research	12.431		12,190
UARF-Air Force Defense Research Sciences Program	12.800	FA9550-10-C-0167	16,317
AFRL/Dayton Area Graduate Studies Institute-Air Force Defense Research Sciences Program	12.800		83,772
Mandaree Enterprise-Air Force Defense Research Sciences Program	12.800	FA8501-06-D-0001	239,071
University of Dayton-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5223/0003	71,941
UES Inc-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5037	71,869
Alpha Star Corporation-Air Force Defense Research Sciences Program	12.800	FA8650-10-M-5115	4,580
Ohio Aerospace Institute-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-2945	94,564
Centro de Investigacion en Materiales Avanzados, S.C.-Air Force Defense Research Sciences Program	12.800	FA9550-10-1-0236	42,901
Wright State University-Air Force Defense Research Sciences Program	12.800	FA9550-09-1-0358	7,247

# The University of Akron

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	FA9550-10-C-0114	56,981
University of Illinois-Research and Technology Development	12.910	HR0011-10-1-0077	33,670
Total Department of Defense			3,762,300
Department of Housing and Urban Development:			
Pass-through program:			
AMHA-Demolition and Revitalization of Severely Distressed Public Housing	14.866		54,729
Department of the Interior:			
Direct program:			
Cultural Resource Management	15.224		43,716
Department of Justice:			
Direct program:			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		923
Pass-through program:			
City of Cleveland-Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0012	2,259
NEOMED-Ohio Criminal Justice-Edward Byrne Memorial Justice Assistance Grant Program	16.738		15,833
Total Department of Justice			19,015
Department of Transportation:			
Direct programs:			
University Transportation Centers Program	20.701		341,246
Pass-through programs:			
Ohio Department of Public Safety-State and Community Highway Safety	20.600		37,010
National Transportation Research Center-University Transportation Centers Program	20.701	DTRT06-G-0043	23,829
Auburn University/University of Tennessee-Biobased Transportation Research	20.761	DTOS59-07-G-00050	44,663
Total Department of Transportation			446,748
National Aeronautics and Space Administration:			
Direct program:			
Technology transfer	43.002		1,442,621
Pass-through programs:			
UARF-Technology Transfer	43.002	NNC09BA02B	7,645
Brown University-Technology Transfer	43.002	NNX07AO07A	11,399
Sunpower Inc-Technology Transfer	43.002	NAS3-03128	40,546
Ohio Space Grant Consortium-Technology Transfer	43.002		89,643
Total National Aeronautics and Space Administration			1,591,854
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		1,061,839
Mathematical and Physical Sciences	47.049		1,723,373
Geosciences	47.050		19,355
Computer and Information Science and Engineering	47.070		60,580
Biological Sciences	47.074		227,608
Social, Behavioral, and Economic Sciences	47.075		67,353
Educational and Human Resources	47.076		271,331
ARRA-Trans-NSF Recovery Act Research Support	47.082		315,672
Pass-through programs:			
University of Dayton-Engineering Grants	47.041	CMS-0609077	(35,120)
UARF-Engineering Grants	47.041	IIP-0822914	341
UARF-Engineering Grants	47.041	IIP-1010240	51,282
Case Western Reserve University-Engineering Grants	47.041	CMMI-1047655	119,345

# The University of Akron

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-0526864	66,667
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-05322560	8,260
University of Arkansas-Educational and Human Resources	47.076	HRD-0533208	(800)
University of Virginia-Educational and Human Resources	47.076	DUE-0717820	9,521
North Carolina State-Educational and Human Resources	47.076	DUE-0914404	14,592
The Ohio State University Research Foundation-Office of Cyber infrastructure	47.080	OCI-0753287	19,191
Total National Science Foundation			4,000,390
Department of Energy:			
Direct programs:			
Office of Science Financial Assistance Program	81.049		385,598
ARRA-Conservation Research and Development	81.086		446,869
Renewable Energy Research and Development	81.087		374,611
Fossil Energy Research and Development	81.089		546,660
ARRA-Geologic Sequestration Training and Research Grant Program	81.133		52,360
Pass-through programs:			
Arizona State University	81.000	DE-FG36-06G016029/A000	(42,868)
Arizona State University-Renewable Energy Research and Development	81.087	DE-FG36-06G016029	37,500
Total Department of Energy			1,800,730
Department of Education:			
Pass-through program:			
Ohio Department of Education	84.000		37,980
Total Department of Education			37,980
Department of Health and Human Services:			
Direct programs:			
Centers for Disease Control	93.000		2
Nurse Anesthetist Traineeships	93.124		9,318
Mental Health Research Grants	93.242		115,125
Advanced Education Nursing Grant Program	93.358		57,816
Nursing Research	93.361		304,274
Academic Research Enhancement Award	93.390		43,075
Cancer Detection and Diagnosis Research	93.394		133,378
Cancer Treatment Research	93.395		82,951
ARRA-Trans-NIH Recovery Act Research Support	93.701		191,718
Diabetes, Endocrinology and Metabolism Research	93.847		32,028
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		131,633
Biomedical Research and Research Training	93.859		388,398
Pass-through programs:			
ARRA-Ohio Department of Mental Health	93.000	HSH250200900042C	1,500
Pregnancy Support Center-Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FE0055	36,678
City of Cleveland-Project of Regional and National Significance	93.243	1H79TI019946-01	104,784
NEOMED/ODMH/SAMHSA-Project of Regional and National Significance	93.243		20,760
Summit Co. Community Partnership-SAMHSA-Drug Free Communities Support Program Grants	93.276	5 H79 SP12407-04	35,452
Rutgers, The State University of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	5P41EB001046-08	19,180
Ohio Dept. of Jobs and Family Services-Foster Care Title IV-E	93.658		40,156
ARRA-Indiana University-Trans-NIH Recovery Act Research Support	93.701	2R01DC006436-04A2	32,627
Washington University St. Louis-Diabetes, Endocrinology and Metabolism Research	93.847	1 R01 DK082546-01A1	44,247
NEOMED-Block Grants for Community Mental Health Services	93.958		131
Total Department of Health and Human Services			1,825,231
Total Research and Development Cluster			13,626,905

# The University of Akron

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
<b>Child Nutrition Cluster</b>			
Department of Agriculture:			
Pass-through program:			
Ohio Department of Education-Summer Food Service Program for Children	10.559		18,327
<b>Highway Planning and Construction Cluster</b>			
Department of Transportation:			
Pass-through programs:			
Ohio Department of Transportation-Highway Planning and Construction	20.205		116,277
Ohio Department of Transportation-Highway Planning and Construction	20.205	E051106	518
Ohio Department of Transportation-Highway Planning and Construction	20.205	E081157	101,133
Ohio Department of Transportation-Highway Planning and Construction	20.205	E100009	13,731
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110181	6,715
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110431	4,851
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110578	9,011
University of Cincinnati-Highway Planning and Construction	20.205		32,273
Marshall University/West Virginia DOT-Highway Planning and Construction	20.205	CMAQ-0705(013)D	23,512
<b>Total Highway Planning and Construction Cluster</b>			<b><u>308,021</u></b>
<b>Highway Safety Cluster</b>			
Department of Transportation:			
Pass-through program:			
Ohio Department of Public Safety-State and Community Highway Safety	20.600		42,158
<b>State Fiscal Stabilization Fund Cluster</b>			
Department of Education:			
Pass-through programs:			
ARRA-State of Ohio-State Fiscal Stabilization Fund (SFSF)-Education State Grants	84.394		13,650,531
ARRA-State of Ohio-State Fiscal Stabilization Fund (SFSF)-Government Services	84.397		2,013,813
<b>Total State Fiscal Stabilization Fund Cluster</b>			<b><u>15,664,344</u></b>
<b>TRIO Cluster</b>			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		364,963
TRIO Upward Bound	84.047A		352,044
TRIO Upward Bound Math/Science	84.047M		290,920
TRIO McNair Post Baccalaureate Achievement	84.217A		199,357
<b>Total TRIO Cluster</b>			<b><u>1,207,284</u></b>
<b>TANF Cluster</b>			
Department of Health and Human Services:			
Direct programs:			
Summit Co. Family and Children First Council-Temporary Assistance for Needy Families	93.558		35,011
<b>Other Programs</b>			
<b>Instruction</b>			
National Aeronautics and Space Administration:			
Pass-through program:			
Ohio Space Grant Consortium-Technology Transfer	43.002		6,314

# The University of Akron

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
National Science Foundation:			
Pass-through program:			
SENSOR Summer Institute-Education and Human Resources	47.076	DUE-0717407	740
Department of Education:			
Direct program:			
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		169,916
Department of Health and Human Services:			
Pass-through programs:			
SPAHEC-Model State Supported Area Health Education Centers	93.107		(55)
NEOMED/University of Toledo-Model State Supported Area Health Education Centers	93.107	6 U77HP03029-16-01	65,147
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		66,796
Total Department of Health and Human Services			131,888
Corporation for National and Community Service:			
Pass-through program:			
Ohio Campus Compact-Learn and Serve America Higher Education	94.005		9,673
Total Instruction			318,531
<b>Public Service</b>			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		25,433
Department of Justice:			
Pass-through program:			
Office of Criminal Justice Services-Project Safe Neighborhoods	16.609		20,845
Department of State:			
Direct programs:			
Department of State-Academic Exchange Programs - Teachers	19.408	S-ECAAS-08-CA-149(KF)	27,378
Department of State-Academic Exchange Programs - Teachers	19.408	S-ECAAS-09-CA-146(SM)	202,923
Department of State-Academic Exchange Programs - Teachers	19.408	S-ECAAS-11-CA-038(KF)	111,200
Total Department of State			341,501
Institute of Museum and Library Services:			
Direct program:			
Conservation Project Support	45.303	IC-22-10-0148-10	2,381
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Humanities-Division of Preservation and Access	45.149	PW-50583-10	123,473
National Science Foundation:			
Direct program:			
Engineering Grants	47.041		2,666
Pass-through program:			
North Carolina State University-Educational and Human Resources	47.076	DUE-1022917	7,113
Total National Science Foundation			9,779

# The University of Akron

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Direct programs:			
Fund for the Improvement of Education	84.215K		106,221
Early Reading First	84.359B		1,443,482
Pass-through programs:			
Ohio Department of Education -Vocational Education Basic Grants to States	84.048		22,400
Summit Co. Educational Service Center-Fund for the Improvement of Education	84.215X	U215X080287	87,225
Stark County Educational Service Center-Fund for the Improvement of Education	84.215X	U215X100034	69,395
Ohio Department of Education-Tech Prep Education	84.243		164,871
Cleveland State University/Ohio Dept of Education-Reading First State Grants	84.357		11,652
Ohio Department of Education-Reading First State Grants	84.357		268,694
Ohio Board Regents-Improving Teacher Quality State Grants	84.367		83,113
ARRA-Ohio Department of Education-State Fiscal Stabilization Fund (SFSF)- Race-to-the-Top Incentive Grants	84.395		11,967
Total Department of Education			<u>2,269,020</u>
Department of Health and Human Services:			
Pass-through programs:			
SPAHEC - Model State Supported Area Health Education Centers	93.107		(769)
Summit County Child Support Enforcement-Child Support Enforcement Demonstrations and Special Projects	93.601	90FI0109/01	11,028
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		21,795
Total Department of Health and Human Services			<u>32,054</u>
Corporation for National and Community Service:			
Pass-through program:			
Harrisburg Univ of Science & Technology-Learn and Serve America Higher Education	94.005	09LHAPA002	40,931
Total Public Service			<u>2,865,417</u>
Total Other Programs			<u>3,183,948</u>
Total Expenditures of Federal Awards			<u>\$ 270,509,288</u>



## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

### Note 1 - Summary of 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, 2011. 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, 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% for on-campus research and 26% for off-campus research through June 30, 2011.

### Note 2 - Loans Outstanding

The following schedule represents total loans advanced to students by The University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2011:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	\$ 867,958	\$ 12,035,546
Nursing Student Loan Program	93.364	129,682	1,135,243

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

### Note 3 - Subrecipient Awards

Certain funds are passed through to subgrantee organizations by The University. Expenditures incurred by the subgrantees and reimbursed by The University are presented in the Schedule. During the year ended June 30, 2011, the University disbursed funds to subrecipients in the amount of \$2,291,405. Subrecipient amounts are as follows:

CFDA	CFDA Description	Amount
12.800	Air Force Defense Research Sciences Program	\$ 999,877
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	923
19.408	Academic Exchange Programs - Teachers	43,103
20.701	University Transportation Centers Program	134,196
20.205	Highway Planning and Construction	32,013
43.002	NASA Technology Transfer	489,928
47.041	Engineering Grants	59,614
47.049	Mathematical and Physical Sciences	2,500
47.075	Social, Behavioral, and Economic Sciences	39,700
47.076	Educational and Human Resources	15,985
81.049	Office of Science Financial Assistance Program	101,881
84.215	Fund for the Improvement of Education	25,000
84.325K	Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	99,146
84.359	Early Reading first	57,643
84.367	Improving Teacher Quality State Grants	13,543
93.242	Mental Health Research Grants	3,053
93.361	Nursing Research	63,037
93.394	Cancer Detection and Diagnosis Research	11,660
93.701	ARRA-Trans-NIH Recovery Act Research Support	6,924
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	35,997
93.859	Biomedical Research and Research Training	43,961
93.959	Block Grants for Prevention and Treatment of Substance Abuse	2,481
94.005	Learn and Serve America Higher Education	9,240
	<b>Total subrecipients</b>	<b><u>\$ 2,291,405</u></b>

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.

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

### Note 4 - 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	\$ 270,509,288
Pell grants	(43,034,521)
Federal direct loans	(175,836,771)
Federal Perkins loan program	(12,035,546)
Nursing student loan program	(1,135,243)
Federal grants passed through state entities	(1,071,520)
Federal grants passed through local entities	(399,884)
Private grants	(1,667,070)
Sales	(25,433)
Federal fiscal stabilization funds	(15,664,344)
Federal purchased service contracts	208,277
Indirect costs excluded from federal grants on Statement	132,336
Change in deferred revenue from federal grants	(55,416)
Federal grants and contracts as shown on the Statement	<u>\$ 19,924,153</u>

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

### Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University can transfer Federal Work Study (FWS) Program (84.003) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007). No funds were transferred for the 2010-2011 award year.

In addition, the University carried forward \$18,165 of the 2010-2011 FWS award to the 2011-2012 award year. The University spent \$82,577 of carried forward FWS funds from the 2009-2010 award year during the 2010-2011 award year.

## Schedule of Findings and Questioned Costs Year Ended June 30, 2011

### 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  No

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

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards:

Internal control over major programs:

Material weakness(es) identified?  Yes  No

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

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

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

#### Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033, 84.038, 84.268, 84.375, 84.376, 84.379, 93.364 84.359	Student Financial Aid Cluster Early Reading First
84.394, 84.397	ARRA - State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,022,580

Auditee qualified as low-risk auditee?  Yes  No

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section II - Financial Statement Findings

Reference Number	Findings
2011-1	<p data-bbox="363 485 915 510"><b>Internal Controls for Net Asset Classification</b></p> <p data-bbox="363 541 805 567"><b>Finding Type</b> - Significant deficiency</p> <p data-bbox="363 598 1430 684"><b>Criteria</b> - The University is required to implement effective internal controls over the classification of net assets between invested in capital assets, net of related debt, restricted and unrestricted net assets.</p> <p data-bbox="363 716 1430 774"><b>Condition</b> - Net assets which were internally designated for capital projects were originally classified as restricted net assets.</p> <p data-bbox="363 806 1430 892"><b>Context</b> - The total amount which was incorrectly classified was approximately \$17,390,000 and was discovered when completing the audit procedures for the year ended June 30, 2011.</p> <p data-bbox="363 924 1430 982"><b>Cause</b> - The University was not classifying the net assets in accordance with guidance provided by the Government Accounting Standards Board.</p> <p data-bbox="363 1014 1430 1100"><b>Effect</b> - As a result of the issue, unrestricted net assets was understated by approximately \$17,390,000. An audit adjustment was made to the financial statements to correct the error.</p> <p data-bbox="363 1131 1430 1218"><b>Recommendation</b> - Management should review the net asset classifications used and ensure net asset balances are presented in accordance with guidance provided by the Government Accounting Standards Board.</p> <p data-bbox="363 1249 1430 1459"><b>Views of responsible officials and planned corrective actions</b> - These net assets were from board-designated funds that still are restricted for the purpose of capital project expenditures, but do not fully meet the Governmental Accounting Standards Board definition of restricted expendable net assets. These classifications would not have an effect on most analysis of the University's financial position, but we agree to review all net asset balances to ensure that they are properly recorded on the financial statements in accordance with GASB definitions.</p>

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section III - Federal Program Audit Findings

Reference Number	Findings
Current Year	None

# The University of Akron

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2011

Prior year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2010-03	Student Financial Aid Cluster - Federal Family Education Loans (FFEL) - 84.032	FFEL were not disbursed to students within the required 3 business days.	Corrective action has been taken	Corrective action has been taken
2010-01	NA - Financial Statement finding	Internal controls for pledges receivable	Corrective action has been taken	Corrective action has been taken
2010-02	NA - Financial Statement finding	Internal controls for cash cycle	Corrective action has been taken	Corrective action has been taken

**The University of Akron**  
**National Collegiate Athletics Association**

**Agreed-upon Procedures Report**  
**Related to NCAA Constitution 3.2.4.16**  
**June 30, 2011**



# **The University of Akron National Collegiate Athletics Association**

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## 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 you as 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), Constitution 3.2.4.16 for the year ended June 30, 2011. The University of Akron's management is responsible for the statement of revenue and expenses (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Agreed-upon Procedures Related to the Statement of Revenue and Expenses**

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

#### **Internal Control Structure**

A. In preparation for our procedures related to the 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, 2011 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:

Dr. Luis M. Proenza  
President  
The University of Akron

- 1) **Procedure** - 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 and purchase price
- 2) **Procedure** - 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) **Procedure** - 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) **Procedure** - 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.

**Results** - Since the processes in steps one through three were not unique to the athletic department, and they were tested during the audit of the University's basic financial statements, we did not perform the procedures listed above. 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.

### **Capital Expenditure Survey and Related Debt**

- 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:

Dr. Luis M. Proenza  
President  
The University of Akron

- 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 book 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** - There were no 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 Expenses**

- D. **Procedure** - We obtained the intercollegiate athletics program statement of revenue and expenses 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 expenses for the year ended June 30, 2011 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.

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E. **Procedure** - We agreed revenue and expense 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 decrease in current year revenue is attributed to the football team's on-field performance; therefore, ticket sales dropped, compared to the first season in a new stadium (2010), for which more people bought tickets.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football guarantees revenue. It was noted by management that the decrease in current year revenue is attributed to playing games against schools that provided lesser guarantees.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for basketball guarantees revenue. It was noted by management that the increase in current year revenue is attributed to playing two games this year that provided better guarantees.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for guarantees expense, not related to a specific team. It was noted by management that the decrease in expense was a result of not having to pay the Mid-American Conference (MAC) Bowl Assessment in the current year that was paid in the previous year.
- 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 decrease in current year revenue is attributed to three large gifts that were received in the prior year for the new stadium that were not received this year.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for soccer contributions. It was noted by management that the increase in current year revenue is attributed to a fundraising campaign that was performed to raise money for the men's soccer team trip to Spain.
- 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 a specific concessionaire's service being discontinued in the current year.

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- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for coaching salaries for football and soccer, and for football administrative salary. It was noted by management that the coaching salaries for football decreased as there was a terminated head coach that remained on the payroll per his contract in the previous year. This was not the case in the current year. Administrative salary for football increased due to expenses related to the coaching staff changes. In the case for men's soccer coaching salaries, there was 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 men's basketball other operating expenses. It was noted by management that the increase in expenses resulted from paying for more men's basketball MAC tournament tickets in the current year.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for NCAA/conference distributions. It was noted by management that the increase in expenses was a result of increased funds received from the NCAA and MAC offices. There was also a payment received from ESPN for moving a football game in the current year.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for membership dues, not related to a specific team. It was noted by management that the increase was a result of an increase in the number of MAC membership dues paid in the current year.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for direct facilities, maintenance, and rental expense for football and other, not related to a specific team. It was noted by management that the increase in expense was due to the first debt service payment being made on the new football stadium in the current year.
- We obtained and documented a significant variation from the prior year exceeding 10 percent or more for direct institutional support revenue for other, not related to a specific team. It was noted by management that the increase in revenue was due to an increase in the debt service payment made on the fieldhouse in the current year.

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## **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 one revenue receipt obtained from the above revenue supporting schedules to supporting documentation.

**Result** - We selected settlement reports from one away football game, one away basketball game, and one away soccer 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 the revenue receipt to bank deposit slips.

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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 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. We disclosed the source and dollar value of this contribution in Note I.

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.

**Expenses**

G. **Expense Procedures** - We compared each operating expense 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.



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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, noting no exceptions.

4) Other

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

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

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### **Affiliated and Outside Organizations Not Under the Institution's Accounting Control**

H. **Procedure** - In preparation for our procedures related to the University's affiliated and outside organizations, we:

- 1) Inquired of finance 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 finance 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.

**Result** - 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 above were recorded on the books of the University of Akron Foundation and are not included in either the statement of revenue and expenses for intercollegiate athletics programs or the books of the University.

We obtained audited financial statements of the organization and noted that there were no additional reports regarding internal controls.

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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.
- i. We obtained a summary of revenue and expenses for or on behalf of the organizations and have included it with this report.
  - ii. 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.
  - iii. We compared and agreed a sample of three operating revenue receipts obtained from the above operating revenue schedule to supporting documentation.
  - iv. 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.
  - v. 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 finance 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 expenses. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Plante & Moran, PLLC*

October 25, 2011

# The University of Akron National Collegiate Athletics Association

## Intercollegiate Athletics Program Statement of Revenue and Expenses Year Ended June 30, 2011

	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
<b>Operating Revenue</b>						
Ticket sales	\$ 621,361	\$ 282,332	\$ 10,142	\$ 151,644	\$ 122,220	\$ 1,187,699
Student fees	-	-	-	-	17,698,300	17,698,300
Guarantees	550,000	189,000	-	13,500	-	752,500
Contributions	37,797	56,089	21,987	250,588	685,419	1,051,880
Direct institutional support	-	12,112	1,264	5,387	1,624,315	1,643,078
Direct state or other governmental support	324	-	-	-	14,676	15,000
NCAA/Conference distributions including all tournament revenue	-	-	-	-	1,312,318	1,312,318
Program sales, concessions, novelty sales, and parking	-	-	-	-	48,980	48,980
Royalties, advertisements, and sponsorships	-	-	-	-	595,764	595,764
Sports camp revenue	19,617	42,854	17,118	475,215	23,082	577,886
Endowment and investment income	23,451	10,677	1,318	26,205	102,228	163,879
Spirit groups	-	-	-	-	7,756	7,756
Other	2,350	26,695	200	91,362	408,083	528,690
<b>Total operating revenue</b>	<b>1,254,900</b>	<b>619,759</b>	<b>52,029</b>	<b>1,013,901</b>	<b>22,643,141</b>	<b>25,583,730</b>
<b>Operating Expenditures</b>						
Athletic student aid	2,105,866	431,514	362,094	2,796,218	201,906	5,897,598
Guarantees	385,000	271,900	5,000	4,905	-	666,805
Coaching salaries	1,432,084	716,579	383,912	2,192,981	-	4,725,556
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	362,187	193,781	85,004	106,711	3,598,666	4,346,349
Recruiting	186,725	50,176	57,639	144,736	51,826	491,102
Team travel	366,055	267,159	109,121	929,222	119,768	1,791,325
Equipment, uniforms, and supplies	240,139	41,708	46,262	356,911	335,400	1,020,420
Game expenses	205,845	125,531	67,935	121,581	2,482	523,374
Fundraising, marketing, and promotion	16,656	13,118	7,462	12,242	380,865	430,343
Sports camp expenses	16,607	40,327	20,818	194,871	22,325	294,948
Direct facilities, maintenance, and rental	307,375	8,150	18,913	24,231	1,888,263	2,246,932
Spirit groups	-	-	-	-	82,217	82,217
Medical expenses and medical insurance	381	433	845	1,162	262,700	265,521
Memberships and dues	1,185	2,475	3,250	8,865	262,811	278,586
Other operating expenses	340,140	134,665	63,821	276,069	1,468,688	2,283,383
<b>Total operating expenditures</b>	<b>5,966,245</b>	<b>2,297,516</b>	<b>1,232,076</b>	<b>7,170,705</b>	<b>8,677,917</b>	<b>25,344,459</b>
<b>(Deficiency) Excess of Revenue Over (Under) Expenditures</b>	<b>\$ (4,711,345)</b>	<b>\$ (1,677,757)</b>	<b>\$ (1,180,047)</b>	<b>\$ (6,156,804)</b>	<b>\$ 13,965,224</b>	<b>\$ 239,271</b>

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

# The University of Akron National Collegiate Athletics Association

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## Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses Year Ended June 30, 2011

### Note 1 - Contributions

The intercollegiate athletics program of the University did not directly receive any individual contributions of monies, goods, or services from any affiliated or outside organization, agency, or individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2011.

### 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. Expenses for maintenance and repairs are charged to current expenses as incurred. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. No depreciation is recorded on land. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5-40 years, depending on classification.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2011 are as follows:

	Current Year Additions	Current Year Deletions
Football athletics facilities	\$ 1,407,823	\$ -
Other athletics facilities	<u>3,142,606</u>	<u>4,318,823</u>
Total athletics facilities	<u>\$ 4,550,429</u>	<u>\$ 4,318,823</u>
Other University facilities	\$ 67,688,105	\$ 105,712

**The University of Akron  
National Collegiate Athletics Association**

**Notes to Intercollegiate Athletics Program  
Statement of Revenue and Expenses  
Year Ended June 30, 2011**

**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, 2011 are as follows:

	Estimated Book Value
Athletically related property, plant, and equipment balance	<u>\$ 128,352,760</u>
University's total property, plant, and equipment balance	<u>\$ 686,800,628</u>

**Note 3 - Intercollegiate Athletics-related Debt**

The annual debt service and debt outstanding for the University as of the year ended June 30, 2011 are as follows:

	Annual Debt Service	Debt Outstanding
Athletically related facilities	\$ 5,153,138	\$ 76,499,536
University's total	31,464,622	461,062,907

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2011 is as follows:

Years Ending June 30	Principal	Interest
2012	\$ 1,531,753	\$ 3,634,393
2013	1,596,649	3,580,603
2014	1,671,546	3,523,717
2015	1,745,000	3,466,749
2016	1,823,454	3,402,806
Thereafter	<u>68,131,134</u>	<u>42,141,082</u>
Total	<u>\$ 76,499,536</u>	<u>\$ 59,749,350</u>



# 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 14, 2012