
Single Audit Report

The University of Akron

Year Ended June 30, 1999

The University of Akron
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Year Ended June 30, 1999

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We have reviewed the Independent Auditor's Report of the University of Akron, Summit County, prepared by Ernst & Young LLP, for the audit period July 1, 1998 to June 30, 1999. 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.



JIM PETRO
Auditor of State

February 9, 2000

Report of Independent Auditors

Board of Trustees
The University of Akron

We have audited the accompanying balance sheets of The University of Akron, a component unit of the State of Ohio, as of June 30, 1999 and 1998, and the related statement of changes in unallocated fund balances, current funds revenues, expenditures and other changes, changes in current funds allocated fund balances and changes in auxiliary enterprises unrestricted unallocated fund balances for the year ended June 30, 1999. These financial statements are the responsibility of The University of Akron's management. Our responsibility is to express an opinion on these financial statements based on our audits.

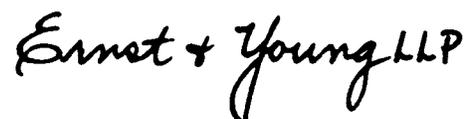
We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 The University of Akron as of June 30, 1999 and 1998 and the changes in its fund balances, and its current fund revenues, expenditures and other changes for the year ended June 30, 1999 in conformity with generally accepted accounting principles.

The Year 2000 supplementary information on page 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin No. 98-1 as amended are not sufficiently specific to permit us to perform procedures that would provide meaningful results. In addition, we do not provide assurance that The University is or will become Year 2000 compliant, that The University of Akron's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which The University of Akron does business are or will become Year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 1999 on our consideration of The University of Akron's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of The University of Akron taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



September 15, 1999

Balance Sheets

	June 30	
	1999	1998
ASSETS		
CURRENT FUNDS		
Unrestricted:		
Educational and general:		
Cash on hand	\$ 123,274	\$ 72,020
Pooled investments, at fair value (note 2)	45,996,238	50,793,552
Accounts receivable, less allowance for doubtful accounts of \$2,738,707 and \$2,513,750 at June 30, 1999 and 1998, respectively (note 3)	5,449,496	5,432,025
Inventories, at cost	914,354	1,030,485
Prepaid expenses and deferred charges	3,967,856	4,259,393
	\$ 56,451,218	\$ 61,587,475
Total educational and general		
Auxiliary enterprises:		
Pooled investments, at fair value (note 2)	4,159,621	4,870,500
Accounts receivable, less allowance for doubtful accounts of \$162,753 and \$121,171, respectively (note 3)	524,274	570,112
Inventories, at cost	224,944	202,751
Prepaid expenses and deferred charges	120,283	127,701
	\$ 5,029,122	\$ 5,771,064
Total auxiliary enterprises		
Total unrestricted	61,480,340	67,358,539
Restricted:		
Pooled investments, at fair value (note 2)	8,657,964	6,842,092
Accounts receivable (note 3)	6,446,211	5,745,138
Prepaid expenses and deferred charges	459	2,775
	\$ 15,104,634	\$ 12,590,005
Total restricted		
Total current funds	\$ 76,584,974	\$ 79,948,544
Liabilities and Fund Balances		
CURRENT FUNDS		
Unrestricted:		
Educational and general:		
Accounts payable	\$ 6,794,927	\$ 2,201,789
Payroll taxes, retirement withheld and payable	1,264,709	1,451,938
Accrued salaries, wages, and benefits	4,643,946	4,164,147
Accrued payroll taxes and retirement	2,500,969	2,386,667
Other accruals	1,596,938	1,489,607
Accrued early retirement incentive plan (note 7)	24,754,106	18,688,832
Accrued sick leave (note 1)	2,686,466	2,494,897
Deferred fee income	11,011,177	11,289,722
Other deferred credits and deposits	70,161	63,704
Due to retirement of indebtedness fund		6,072
Fund balance:		
Akron campus:		
Allocated	23,985,834	34,581,508
Allocated early retirement incentive plan	(24,121,546)	(17,862,942)
Allocated sick leave	(165,308)	(365,308)
Unallocated	500,000	500,000
Wayne College:		
Allocated	1,261,399	1,042,732
Allocated early retirement incentive plan	(632,560)	(825,890)
Unallocated	300,000	300,000
	\$ 56,451,218	\$ 61,587,475
Total educational and general		
Auxiliary enterprises:		
Accounts payable	458,517	799,782
Accrued salaries, wages, and benefits	513,446	465,444
Accrued retirement	27,907	23,883
Accrued early retirement incentive plan (note 7)	765,026	243,779
Accrued sick leave (note 1)	92,784	83,343
Deferred credits	454,101	378,787
Fund balance:		
Allocated	892,529	1,493,146
Allocated early retirement incentive plan	(765,026)	(243,779)
Unallocated	2,589,838	2,526,679
	\$ 5,029,122	\$ 5,771,064
Total auxiliary enterprises		
Total unrestricted	61,480,340	67,358,539
Restricted:		
Accounts payable	301,974	346,427
Accrued salaries and wages	60,629	83,498
Fund balance:		
Allocated	(99,495)	48,519
Unallocated	14,841,526	12,111,561
	\$ 15,104,634	\$ 12,590,005
Total restricted		
Total current funds	\$ 76,584,974	\$ 79,948,544

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

Balance Sheets

	June 30	
	1999	1998
ASSETS		
LOAN FUNDS		
Pooled cash in bank (note 2)	\$ 18,093	\$ 11,199
Pooled investments, at fair value (note 2)	496,044	609,857
Student notes receivable, less allowance for doubtful notes of \$552,486 and \$442,434, respectively	10,221,078	9,701,446
Total loan funds	<u>\$ 10,735,215</u>	<u>\$ 10,322,502</u>
ENDOWMENT AND SIMILAR FUNDS		
Accounts receivable	\$	\$ 400,000
Investments:		
Marketable securities, at fair value (note 2)	\$ 51,490,643	36,474,926
Pooled investments, at fair value (note 2)	832	2,706,762
Cash surrender value of life insurance	96,792	92,386
Real estate	453,968	380,000
	52,042,235	39,654,074
Total endowment and similar funds	<u>\$ 52,042,235</u>	<u>\$ 40,054,074</u>
PLANT FUNDS		
Unexpended:		
State investments, at fair value (note 2)	\$ 3,469,934	\$ 16,198,799
State accounts receivable	1,547,205	289
Total unexpended	<u>5,017,139</u>	<u>16,199,088</u>
Retirement of indebtedness:		
Pooled investments, at fair value (note 2)	924,286	944,024
Investments held in trust by others, at fair value (note 2)	857,206	897,163
Accrued interest receivable	253	494
Prepaid expenses and deferred charges	539,799	563,268
Due from current unrestricted fund	6,072	6,072
Total retirement of indebtedness	<u>2,321,544</u>	<u>2,411,021</u>
Investment in plant:		
Land	16,968,062	16,968,062
Improvements other than buildings	33,010,400	31,272,897
Buildings	297,455,254	269,094,798
Movable equipment, furniture, and library books	143,008,082	146,673,360
Construction in progress	3,166,052	18,463,592
Total investment in plant	<u>493,607,850</u>	<u>482,472,709</u>
Total plant funds	<u>\$ 500,946,533</u>	<u>\$ 501,082,818</u>
AGENCY FUNDS		
Pooled investments, at fair value (note 2)	\$ 441,455	\$ 576,439
Accounts receivable	122,549	95,728
Total agency funds	<u>\$ 564,004</u>	<u>\$ 672,167</u>

See accompanying notes to financial statements

EXHIBIT A
(Continued)

	June 30	
	1999	1998
Liabilities and Fund Balances		
LOAN FUNDS		
Fund balance:		
U.S. Government grants:		
Perkins Student Loan Fund	\$ 9,000,579	\$ 8,681,273
Nursing Student Loan Fund	970,319	920,174
	9,970,898	9,601,447
University loan funds:		
Allocated	(5,701)	3,875
Unallocated	770,018	717,180
Total loan funds	<u>\$ 10,735,215</u>	<u>\$ 10,322,502</u>
ENDOWMENT AND SIMILAR FUNDS		
Fund balance:		
Allocated - Endowment	\$ 9,095,092	\$ 9,378,880
- Quasi-endowment, unrestricted	1,576,932	1,915,459
Unallocated - Endowment	29,781,955	21,238,740
- Quasi-endowment, unrestricted	11,588,256	7,520,995
Total endowment and similar funds	<u>\$ 52,042,235</u>	<u>\$ 40,054,074</u>
PLANT FUNDS		
Unexpended:		
Accounts payable	\$ 1,689,399	\$ 1,767,991
Bonds payable	2,305,463	11,618,964
Deferred revenues	6,119	6,119
Fund balance:		
Allocated	(39,883)	127,156
Unallocated	1,056,041	2,678,858
Total unexpended	<u>5,017,139</u>	<u>16,199,088</u>
Retirement of indebtedness:		
Accrued interest expense	854,536	896,661
Bonds payable (note 4)	1,474,732	1,498,201
Fund balance:		
Allocated	(10,647)	9,092
Unallocated	2,923	7,067
Total retirement of indebtedness	<u>2,321,544</u>	<u>2,411,021</u>
Investment in plant:		
Notes payable (note 4)	60,715	91,072
Capitalized lease obligations (note 5)	6,495,062	7,611,820
Bonds payable (note 4)	29,451,995	21,888,406
Net investment in plant	457,600,078	452,881,411
Total investment in plant	<u>493,607,850</u>	<u>482,472,709</u>
Total plant funds	<u>\$ 500,946,533</u>	<u>\$ 501,082,818</u>
AGENCY FUNDS		
Deposits held in custody for others - allocated	\$ (5,088)	\$ 7,845
- unallocated	569,092	664,322
Total agency funds	<u>\$ 564,004</u>	<u>\$ 672,167</u>

THE UNIVERSITY OF AKRON
Statement of Changes in Unallocated Fund Balances

Year ended June 30, 1999

	Current Funds			Total Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds		
	Educational and General	Restricted					Unexpended	Retirement of Indebtedness	Investment in Plant
		Unrestricted Auxiliary Enterprises	Auxiliary Enterprises						
Revenues and other additions:									
Unrestricted current fund revenues	\$ 197,500,303	\$ 27,456,685	\$ 224,956,988	\$ 224,956,988			\$ 5,026,124		
State appropriations - restricted			13,296	13,296					
Federal grants and contracts - restricted			18,092,848	18,122,546	\$ 417,840				
State grants and contracts - restricted			2,729,508	2,729,508			18,451		
Local grants and contracts - restricted			1,179,523	1,179,523					
Private gifts, grants, and contracts - restricted			13,972,459	15,971,005	46,535	\$ 8,550,172		\$ 317,188	
Endowment income - restricted			304,898	304,898	1,011	6,220,440			
Investment income - restricted					3,005	2,649			
Interest on loans receivable					166,037			1,928	
Interest on plant facilities (including \$12,903,697 charged to current funds expenditures)									
Retirement of indebtedness						(622,315)			
Rentals charged to current funds							90,041		
Unrealized depreciation on investments							(167,039)		
Total revenues and other additions	197,500,303	27,456,685	234,956,988	234,956,988	624,852	14,150,946	5,456,968	24,673,362	
Expenditures and other deductions:									
Educational and general expenditures	209,529,078		33,942,401	243,471,479					
Auxiliary enterprises expenditures		27,531,186	621,048	28,152,234					
Indirect costs recovered			2,306,858	2,306,858					
Refunded to grantors			600	600					
Loan cancellations and write-offs					722				
Administrative and collection costs					171,983				
Trustee fees and other expenditures					161,527			23,470	
Administrative fee						950,572			
Expended for plant facilities (including \$148,823 not capitalized)						403,699			
Retirement of indebtedness							8,275,927		
Interest on indebtedness								3,348,843	
Disposal and write-offs of plant facilities								2,172,869	
Total expenditures and other deductions	209,529,078	27,531,186	237,060,264	237,060,264	334,232	1,354,271	8,275,927	19,954,695	
Transfers among funds-additions (deductions):									
Mandatory:									
Principal and interest	(138,734)	(3,042,493)	(3,181,227)	(3,181,227)				3,261,977	
Loan fund matching grant	(119,434)		(119,434)	(119,434)	119,434				
Support for auxiliary debt service	(255,000)	255,000							
Nonmandatory:									
Current allocated fund balance - net	10,377,007	600,617	10,977,624	148,014			167,039	19,759	
Support to auxiliary enterprises	(1,803,289)	1,803,289							
Capital improvements	(500,000)		(500,000)	(500,000)			500,000		
Allocated early retirement incentive plan	6,065,274	521,247	6,586,521	(200,000)					
Allocated sick leave	(200,000)		(200,000)	(200,000)					
Principal and interest	(23,000)		(23,000)	(23,000)				312,955	
Unrestricted to restricted	(1,572,194)		(1,572,194)	(500)		1,572,194			
Unrestricted to endowment									
Restricted to plant funds									
Endowment transfer to plant funds	198,145	137,660	198,145	1,338,346	2,659	500	842,058		
Endowment income transfer to other funds	12,028,775		12,166,435	1,428,110		(1,539,150)			
Total transfers									
Net increase (decrease) for year									
Unallocated fund balance at beginning of year	800,000	2,559,838	3,326,679	11,715,123	10,318,627	28,789,735	2,678,858	4,718,667	
Unallocated fund balance at end of year	800,000	2,559,838	3,326,679	11,715,123	10,318,627	28,789,735	2,678,858	4,718,667	
Unallocated fund balance at end of year	\$ 800,000	\$ 2,559,838	\$ 3,326,679	\$ 11,715,123	\$ 10,318,627	\$ 28,789,735	\$ 2,678,858	\$ 4,718,667	

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

EXHIBIT C

Statement of Current Funds Revenues, Expenditures and Other Changes

Year ended June 30, 1999

with comparative totals for year ended June 30, 1998

	Unrestricted		Restricted		Total Current Funds	
	Educational and General	Auxiliary Enterprises	Educational and General	Auxiliary Enterprises	1999	1998
Revenues:						
Tuition, fees, and other student charges	\$ 89,294,528	\$	\$ 17,208,537	\$ 29,698	\$ 89,294,528	\$ 84,579,441
State appropriations	95,788,902		2,278,267		95,788,902	96,060,193
Federal grants and contracts	1,179,189		902,828		18,417,424	17,335,728
State grants and contracts	126,607		173,588		2,404,874	3,290,212
Local grants and contracts	173,588		1,893,057		1,076,416	1,152,310
Private gifts, grants, and contracts	1,893,057		86,904		15,137,345	13,688,829
Endowment income	86,904		5,624,836		1,067,485	987,620
Sales and services	5,624,836	\$ 27,539,380	33,164,216		33,164,216	30,471,566
Unrealized (depreciation) appreciation on investments	(941,730)	(82,695)	(1,024,425)		(1,024,425)	889,958
Other sources	4,274,422		4,274,422		4,274,422	4,443,354
Total revenues	197,500,303	27,456,685	34,023,151	621,048	259,601,187	252,899,211
Expenditures and mandatory transfers:						
Educational and general:						
Instruction and departmental research	90,319,879		2,119,042		92,438,921	89,282,639
Separately budgeted research	3,137,477		8,469,549		11,607,026	10,867,308
Public service	4,350,994		7,183,045		11,534,039	10,449,772
Academic support	26,600,673		1,324,438		27,925,111	24,780,442
Student services	11,561,534		230,279		11,791,813	11,900,286
Institutional support	26,971,207		162,240		27,133,447	23,795,014
Operation and maintenance of plant	16,995,657		40,189		17,035,846	16,235,926
Scholarships and fellowships	16,435,278		14,413,619		30,848,897	28,215,473
Early retirement incentive program	13,156,379		33,942,401		13,156,379	13,901,390
Total educational and general expenditures	209,529,078		33,942,401		243,471,479	229,428,250
Auxiliary Enterprises		27,531,186		621,048	28,152,234	26,753,320
Mandatory transfers for:						
Principal and interest	138,734		80,750		3,261,977	2,719,227
Loan fund matching grant	119,434				119,434	102,728
Support for auxiliary debt service	255,000					
Total mandatory transfers	513,168		80,750		3,381,411	2,821,955
Total expenditures and mandatory transfers	210,042,246		34,023,151	621,048	275,005,124	259,003,525
Nonmandatory transfers and additions/(deductions):						
Nonmandatory transfers for:						
Current allocated fund balance - net	10,377,007	600,617	148,014		11,125,638	(2,254,959)
Support to auxiliary enterprises	(1,803,289)	1,803,289			(500,000)	(500,000)
Capital improvements	(500,000)				6,586,521	8,368,487
Allocated early retirement incentive plan	6,065,274	521,247			(200,000)	(218,498)
Allocated sick leave	(200,000)		23,000		(1,572,194)	(243,433)
Unrestricted to restricted	(1,572,194)		(500)		(500)	(110,000)
Restricted to endowment					1,338,346	617,618
Endowment income transfer to other funds	198,145				3,528,563	4,155,768
Excess of restricted receipts over transfers to revenue				1,507,196	(2,306,858)	(2,291,282)
Indirect costs recovered					(600)	(168,676)
Refunded to grantors						
Net increase/(decrease) in unallocated fund balance	\$ -0-	\$ 63,159	\$ 1,222,769	\$ 1,507,196	\$ 2,793,124	\$ 1,250,711

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

Statement of Changes in Current Funds Allocated Fund Balances

Year ended June 30, 1999

	Balance July 1, 1998	Transfers from (to) Unallocated Fund Balance	Balance June 30, 1999
<u>Akron Campus</u>			
Educational and general:			
Reserve for changing enrollment	\$ 1,000,000		\$ 1,000,000
Reserve for unemployment compensation	200,000		200,000
Reserve for fire loss	100,000		100,000
Reserve for insurance liability	1,000,000		1,000,000
Campus reserve	1,000,000		1,000,000
Reserve for departmental carryover	25,557,093	\$ (9,863,461)	15,693,632
Reserve for departmental sales accounts carryover	1,241,961	(121,747)	1,120,214
Reserve for encumbrances	1,639,176	41,264	1,680,440
Reserve for chilled water tank	2,430,000	290,000	2,720,000
Reserve for unrealized appreciation (depreciation) on investments	413,278	(941,730)	(528,452)
Subtotal	34,581,508	(10,595,674)	23,985,834
Early retirement incentive plan	(17,862,942)	(6,258,604)	(24,121,546)
Allocated sick leave (note 1)	(365,308)	200,000	(165,308)
Total educational and general	16,353,258	(16,654,278)	(301,020)
Auxiliary enterprises:			
Reserve for subsequent year	755,218	(247,643)	507,575
Reserve for encumbrances	699,816	(267,104)	432,712
Reserve for unrealized appreciation (depreciation) on investments	34,937	(82,695)	(47,758)
Subtotal	1,489,971	(597,442)	892,529
Early retirement incentive plan	(243,779)	(521,247)	(765,026)
Total auxiliary enterprises	1,246,192	(1,118,689)	127,503
Restricted:			
Reserve for unrealized appreciation (depreciation) on investments	48,519	(148,014)	(99,495)
Total restricted	48,519	(148,014)	(99,495)
Total Akron campus	\$ 17,647,969	\$ (17,920,981)	\$ (273,012)
<u>Wayne College</u>			
Educational and general:			
Reserve for changing enrollment	\$ 500,000		\$ 500,000
Reserve for contingency	50,000		50,000
Reserve for departmental carryover	270,300	\$ 68,386	338,686
Reserve for subsequent year	125,000	100,000	225,000
Reserve for encumbrances	71,476	75,352	146,828
Reserve for departmental sales accounts carryover	25,956	(25,071)	885
Subtotal	1,042,732	218,667	1,261,399
Early retirement incentive plan	(825,890)	193,330	(632,560)
Total educational and general	216,842	411,997	628,839
Auxiliary enterprises:			
Reserve for encumbrances	3,175	(3,175)	
Total auxiliary enterprises	3,175	(3,175)	
Total Wayne College	\$ 220,017	\$ 408,822	\$ 628,839

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON
Statement of Changes in Auxiliary Enterprises Unrestricted
Unallocated Fund Balances

Year ended June 30, 1999
with comparative totals for year ended June 30, 1998

	Residence Halls	Gardner Student Center	Inter-collegiate Athletics	Parking Services	Rubber Bowl	E.J. Thomas Performing Arts Hall	Telecom-munications	Dining Facilities	Akron Campus Subtotal	Wayne College Bookstore	Totals	
	1999	1999	1999	1999	1999	1999	1999	1999	1999	1999	1998	
Revenues	\$ 4,901,692	\$ 1,411,146	\$ 7,017,798	\$ 3,029,007	\$ 189,150	\$ 1,999,747	\$ 2,931,808	\$ 5,387,794	\$ 26,868,142	\$ 588,543	\$ 27,456,685	\$ 26,599,146
Expenditures	4,614,636	1,356,190	7,282,668	2,090,719	477,810	2,860,820	2,781,608	5,584,495	27,048,946	482,240	27,531,186	26,175,885
Transfers among funds - additions (deductions):												
Mandatory:												
Principal and interest	(1,392,518)	(272,653)		(1,267,036)		(24,223)	(30,762)	(55,301)	(3,042,493)		(3,042,493)	(2,315,926)
Support from current unrestricted educational and general for debt service		220,000			35,000				255,000		255,000	255,000
Nonmandatory:												
Current allocated fund balance	88,526	36,811	137,719	131,846	1,976	39,358	204,618	(43,412)	597,442	3,175	600,617	(231,029)
Support from current unrestricted educational and general	701,255		127,151		251,684	667,427	105,772	105,772	1,853,289	(50,000)	1,803,289	1,215,521
Early retirement incentive plan	359,711	(18,766)		(5,983)		148,000		38,285	521,247		521,247	43,971
Total transfers	(243,026)	(34,608)	264,870	(1,141,173)	288,660	830,562	173,856	45,344	184,485	(46,825)	137,660	(1,032,463)
Net increase (decrease) for the year	44,030	20,348		(202,885)		(30,511)	324,056	(151,357)	3,681	59,478	63,159	(609,202)
Unallocated fund balance at beginning of year	398,134	379,609		1,041,187		124,567		151,357	2,094,854	431,825	2,526,679	3,135,881
Unallocated fund balance at end of year	\$ 442,164	\$ 399,957	\$ -	\$ 838,302	\$ -	\$ 94,056	\$ 324,056	\$ -	\$ 2,098,535	\$ 491,303	\$ 2,589,838	\$ 2,526,679

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

Notes to Financial Statements

June 30, 1999 and 1998

1. Summary of Significant Accounting and Reporting Policies

Organization

The University of Akron (The University) is a coeducational, degree granting state university and was established by the General Assembly of the State of Ohio 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. In 1972, the Wayne College branch was established in Orrville, Ohio. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

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, and Northeastern Ohio Universities College of Medicine (NEOUCOM), Rootstown, Ohio. 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*, The University's financial statements are included, as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report.

Accrual and Fund Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principals (GAAP) applicable to governmental colleges and universities as prescribed by the American Institute of Certified Public Accountants' Audit Guide. Under this accounting method, resources for various purposes are classified into funds in accordance with specified activities or objectives, with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined in fund groups, and all financial transactions are recorded and reported by such fund groups, described as follows:

- **Current Funds** include all funds which are available for current operations. They consist of *unrestricted funds*, which are available for general operating purposes, *auxiliary enterprise funds*, which are available for the operation of various auxiliaries; and *restricted funds*, which are available for current operating purposes subject to donor and grantor restrictions. Restricted funds are recorded as revenues only to the extent that such funds were expended.
- **Loan funds** include resources available for loans to students. Loans granted are receivables of the fund until repaid, at which time the money becomes available for new loans.

1. Summary of Significant Accounting and Reporting Policies - Continued

- **Endowment and Similar Funds** include resources 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. All realized gains and losses on sales of investments in this fund group are treated as principal transactions.
- **Plant Funds** include unexpended funds which are to be used for the acquisition of properties, funds restricted or designated for retirement of indebtedness incurred in connection with the acquisition of properties, reserves for repairs and replacements, and The University's investment in institutional properties and related indebtedness.
- **Agency Funds** include amounts held in custody for University-related organizations and others

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. The University does not invest in derivatives.

Inventories

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

Interfund Activity

Interfund borrowings are recorded in each fund as due to/due from other funds

Compensated Absences

Staff employees earn vacation at rates specified under State of Ohio law and upon termination are entitled to a maximum payout of the amount earned in the last three years. Full-time administrators and twelve-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 22 days and is payable upon termination of employment. At June 30, 1999 and 1998, The University had 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) of \$3,007,216 and \$2,737,911, respectively

The University of Akron

Notes to Financial Statements - Continued

1. Summary of Significant Accounting and Reporting Policies - Continued

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 to a maximum of 240 hours

At June 30, 1999 and 1998, the total current unrestricted accrued sick leave liability amounted to \$2,779,250 (\$2,686,466 educational and general and \$92,784 auxiliary enterprises) and \$2,578,240 (\$2,494,897 educational and general and \$83,343 auxiliary enterprises), respectively. The University had funded \$2,613,941 and \$2,212,932 of the liability, respectively, at June 30, 1999 and 1998. The remaining balances of \$165,308 and \$365,308 at June 30, 1999 and 1998, respectively, are being funded over several successive accounting periods.

Pledges

The University does not report pledges in the financial statements until the gifts are received. The University's records indicate that approximately \$5,200,000 and \$7,800,000 in pledges were outstanding at June 30, 1999 and 1998, respectively. Since those pledges are often payable either at the discretion of the donors or through their estates, neither the receivable value nor the period of collection can be determined.

Investments in Plant Assets

Investments in plant assets are recorded at cost or, if acquired by gift, at an appraised value at date of gift. Additions to plant fund assets are generally capitalized while replacements, repairs, and renovations are recorded as expenditures of current funds. In accordance with generally accepted accounting principles for state-assisted colleges and universities, The University's practice is not to provide for depreciation.

On July 1, 1998, The University increased the capitalization threshold on moveable equipment and removed all items which cost less than the threshold amount. As a result, a writedown to moveable equipment and net investment in plant was recorded in fiscal year 1999 in the amount of \$11,653,116 and is included in the disposal of assets.

Deferred Income

Deferred fee income in the current unrestricted fund consists of prepaid student tuition and fees for summer sessions

The University of Akron

Notes to Financial Statements - Continued

2. Cash and Investments

Cash

At June 30, 1999 and 1998, the carrying amounts of The University's bank deposits and interest bearing cash equivalents for all funds were \$18,093 and \$11,199 as compared to bank balances of \$961,396 and \$1,893,762, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 1999 and 1998 bank balances, \$282,615 and \$140,660, respectively, were covered by federal deposit insurance; \$678,744 and \$1,753,102, respectively, were uninsured but collateralized with securities held by the Federal Reserve Bank of Cleveland in the depository bank's and The University's name.

The University pools its operating cash for investment purposes. All investment income for these pooled items is credited to the current unrestricted educational and general fund.

Investments

The University records its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses on investments are recorded in the statement of changes. The University has established allocated fund balances in which these unrealized gains and losses are recorded in order to segregate balances subject to market fluctuation.

In accordance with the *Policies of the Board of Trustees of The University*, the types of investments which may be purchased by The University include United States Government securities, federal agency securities, obligations of commercial banks including certificates of deposit, repurchase agreements, notes, debentures, banker's acceptance and commercial paper, obligations of corporations, municipal notes and bonds, investment programs offered by The Commonfund and shares of the State Treasury Asset Reserve (STAR Ohio). University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument.

The University of Akron

Notes to Financial Statements - Continued

2. Cash and Investments - Continued

The University pools certain of its investments for investment purposes. All investment income for these pooled items is credited to the current unrestricted educational and general fund.

The fair value of investments represents published market quotations

	1999		1998	
	Cost	Fair Value	Cost	Fair Value
Current, loan, endowment, plant, and agency funds				
Repurchase agreement	\$ 1,013,000	\$ 1,013,000	\$ 3,510,000	\$ 3,510,000
STAR Ohio	306	306	9,976,547	9,976,547
The Commonfund.				
Operating Fund	13,752	13,752	7,032,085	7,032,085
Intermediate Fund	39,642,545	38,183,731	39,639,154	38,758,492
Bond Fund	21,455,215	21,829,859	20,125,399	21,346,200
Global Bond Fund	2,758,591	3,105,726	2,599,312	2,918,701
Total	64,883,409	64,146,374	82,882,497	83,542,025
Endowment and similar funds.				
U S Treasury	1,185,197	1,184,001	1,300,763	1,313,312
U.S agencies	2,622,277	2,622,277	487,955	487,955
Common stocks	8,797,289	15,862,839	6,469,641	10,359,539
Preferred stocks	159,460	156,372	146,042	140,796
Corporate bonds	2,039,923	1,943,730	1,364,631	1,390,944
The Commonfund				
Equity Fund	9,511,673	9,806,379	3,933,917	6,909,764
Endowment Realty	405,275	453,968	380,000	380,000
Private & Small Cap. Equity	6,361,946	9,232,084	4,696,161	8,155,120
Bond Fund	9,615,000	10,108,424	6,754,193	7,675,385
Short-Term Fund	574,537	574,537	42,111	42,111
Cash surrender value of life insurance	96,792	96,792	92,386	92,386
Total	41,369,369	52,041,403	25,667,800	36,947,312
Plant Funds				
U.S. agencies	857,206	857,206	897,163	897,163
Total investments, all funds	\$ 107,109,984	\$ 117,044,983	\$ 109,447,460	\$ 121,386,500

2. Cash and Investments - Continued

GASB Statement No. 3 requires The University to categorize investments to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered for which securities are held by The University or its agent in the name of The University. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of The University. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in The University's name.

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 and are therefore Category 3 investments. The Government Securities Act of 1986 requires banks to segregate these securities from the bank assets and keep them free of any lien, charge or claim of any third party. The book value of these investments was \$7,717,603 and \$7,560,512 at June 30, 1999 and 1998, respectively. The fair value of these investments was \$7,620,214 and \$7,599,374 at June 30, 1999 and 1998, respectively. The preferred and common stocks were handled by investment managers, and were held in The University's safe deposit box and are, therefore, Category 1 investments. The book value of these investments was \$8,956,749 and \$6,615,683 at June 30, 1999 and 1998, respectively. The fair value of these investments was \$16,019,211 and \$10,500,335 at June 30, 1999 and 1998, respectively.

The Commonfund (The Fund) 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 Fund invests in funds with off balance sheet risk strategies. The University does not have available information to determine their exposure to credit, market or legal risk. State Treasurer Asset Reserve Fund (STAR Ohio) is an investment pool created pursuant to Ohio Statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999. The deposits held in The Commonfund and STAR Ohio are not classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The book value of these funds was \$90,338,840 and \$95,178,879 at June 30, 1999 and 1998, respectively. The fair value of these funds was \$93,308,766 and \$103,194,405 at June 30, 1999 and 1998, respectively. The cash surrender value of life insurance also is not classified by risk category and both its book and fair value were \$96,792 and \$92,386 at June 30, 1999 and 1998, respectively.

The University of Akron

Notes to Financial Statements - Continued

3. Receivables

Receivables at June 30, 1999 and 1998, consisted of the following:

	<u>1999</u>		<u>1998</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
Current funds.				
Federal, state, local and other governments, foundations and companies, net of allowance for unrestricted doubtful accounts of \$497,267 and \$311,075, respectively	\$2,924,101	\$6,446,211	\$3,136,502	\$5,745,138
Student receivables, net of allowance for doubtful accounts of \$2,259,862 and \$2,137,121, respectively	2,145,151		2,145,423	
Other, net of allowance for doubtful accounts of \$144,331 and \$186,725, respectively	904,518		720,212	
	<u>\$5,973,770</u>	<u>\$6,446,211</u>	<u>\$6,002,137</u>	<u>\$5,745,138</u>

The University of Akron

Notes to Financial Statements - Continued

4. Debt

Debt at June 30, 1999 and 1998, consisted of the following:

	<u>1999</u>	<u>1998</u>
Note payable:		
Note payable, interest free, due through May 1, 2001	\$ 60,715	\$ 91,072
Total note payable	<u>\$ 60,715</u>	<u>\$ 91,072</u>
Bonds payable:		
General receipts bonds - Series 1997A, 3.65% to 6.0%, due serially through 2022	\$ 32,895,000	\$ 34,580,000
Capital improvements, 5 668% to 7%, due through 2003	<u>337,190</u>	<u>425,571</u>
Total bonds payable	<u>\$ 33,232,190</u>	<u>\$ 35,005,571</u>

During fiscal year 1997, The University defeased certain bonds and Certificates of Participation (COP's) by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in The University's financial statements. On June 30, 1999, \$9,890,000 of bonds and COP's outstanding are considered defeased.

The general receipts bonds, Series 1997A, will be payable from and secured by a first pledge and lien on the general receipts of The University, excluding state appropriations.

The aggregate annual principal maturities for fiscal years subsequent to June 30, 1999 are as follows:

	<u>Notes</u>	<u>Bonds</u>
2000	\$ 30,357	\$ 1,702,681
2001	30,358	1,361,418
2002	0	1,351,728
2003	0	1,411,728
2004	0	1,354,817
2005 and thereafter	<u>0</u>	<u>26,049,818</u>
	<u>\$ 60,715</u>	<u>\$ 33,232,190</u>

The University of Akron

Notes to Financial Statements - Continued

5. Leases

The University leases certain office facilities and computer and duplicating equipment under operating leases (see Note 9). Total rental expense under operating leases during the years ended June 30, 1999 and 1998, amounted to \$2,104,431 and \$1,389,381, respectively. Included in the operating expense were month-to-month rentals amounting to \$2,086,081 and \$1,371,031 in fiscal year 1999 and 1998, respectively

The University's capital leased assets consist of dormitory and educational facilities and computer, duplicating, telecommunications, and other equipment (see Note 9) Capital leased assets by major classes at June 30, 1999 and 1998 are as follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 517,065	\$ 517,065
Building	5,304,584	5,304,584
Movable equipment	<u>7,459,765</u>	<u>7,767,539</u>
	<u>\$ 13,281,414</u>	<u>\$ 13,589,188</u>

Future minimum lease payments as of June 30, 1999 under all capital and operating 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:

Fiscal Year	<u>Capital Leases</u>	<u>Operating Leases</u>
2000	\$ 1,768,578	\$ 18,350
2001	742,082	
2002	4,059,748	
2003	349,178	
2004	166,773	
2005 and thereafter	<u>237,018</u>	
Total minimum lease payments	\$ 7,323,377	<u>\$ 18,350</u>
Less amount representing interest	<u>828,315</u>	
Present value of net minimum capital lease payments	<u>\$ 6,495,062</u>	

The University is lessor under an agreement whereby its bookstore facilities and operations have been leased to an outside bookstore operator through December 2002. The lease provides for annual rentals ranging from \$600,000 to \$700,000 and contingent rentals based upon gross sales. There were no such contingent rentals earned in 1999 or 1998

5. Leases - Continued

The University also received rental payments of approximately \$400,000 in both 1999 and 1998 from the rental of various other campus facilities under the terms of operating lease agreements, including contingent rentals of approximately \$19,000 in 1999 and \$27,000 in 1998.

6. State Support

The University is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio (State). This subsidy is determined annually based upon a formula devised by the State

In addition to the student subsidies, the State provides the funding for and constructs major academic plant facilities, except for auxiliary enterprises, on The University campus. Funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn results in the construction and subsequent transfer of the facility to The University by the Ohio Board of Regents. Costs incurred during construction are included in construction in progress. Upon completion of a facility, the Board of Regents turns control over to The University.

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of The Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

As a result of the above described financial assistance provided by the State to The University, outstanding debt issued by OPFC is not included on The University's balance sheet. In addition, the appropriations by the State's General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by The University, and the related debt service payments are not recorded in The University's accounts.

7. 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) and the School Employees Retirement System (SERS). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS and SERS 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).

Notes to Financial Statements - Continued

7. Employee Benefits Plan - Continued

Both STRS and SERS issue stand-alone financial reports. The STRS' Comprehensive Annual Financial Report may be obtained by writing to State Teachers Retirement System, 275 E Broad Street, Columbus, Ohio 43215-3371 and the SERS' Comprehensive Annual Financial Report may be obtained by writing to School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215. The ORC provides statutory authority for employee and employer contributions. The employee contribution rates for STRS and SERS are 9.3% and 9%, respectively, of covered payroll and The University is required to contribute 14% of covered payroll for both programs. The University's contributions to STRS and SERS for the years ending June 30, 1999, 1998, and 1997 were \$9,984,006, \$9,679,382, and \$8,918,683, and \$4,777,242, \$4,597,905, and \$4,332,372, respectively, equal to the required contributions for each year.

Early Retirement Incentive Plan

On December 2, 1992, the Board of Trustees approved an Early Retirement Incentive Program to be effective July 1, 1993, which permits The University to purchase up to five years of additional service credit toward retirement for faculty and staff who meet certain state eligibility requirements. Additional flexibility allowed for three open enrollment periods during fiscal years 1993-94, 1995-96, and 1997-98. On September 25, 1996, a fourth open enrollment period was approved for fiscal year 1999-2000. This plan is available for both STRS and SERS members. The University's costs associated with this plan amounted to \$50,938,031 (\$49,414,016 to the current unrestricted fund and \$1,524,015 to the auxiliary enterprises fund). The liability is being paid in annual installments through 2005 with principal plus interest at 7.5% for STRS and 7.75% for SERS due on June 30 of each year. Through June 30, 1999, \$25,384,099 in principal and \$4,795,769 of interest have been paid.

Other Postretirement Employee Benefits

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 may become eligible for those benefits if they reach normal retirement age while working for The University. For 1999 and 1998, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled \$850,765 and \$905,551, respectively. STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, The State Teachers Retirement Board

7. Employee Benefit Plans - Continued

has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 % of covered payroll. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions equal to 2 % of covered payroll to a Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the most recent data available, the board allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999, was 8% of covered payroll. For the year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000 and there were 91,999 eligible benefit recipients.

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees, with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 % of the premium. After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 1998, the most recent data available, the allocation rate is 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

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 eight ARP's formed as Section 401(a) defined contribution plans. The legislation requires employees to contribute at the same rates as stated above, while the employer continues to contribute 6% to the State funds and 7.5% to the ARP's. The University holds one-half of the one percent for administrative expenses. The University's contribution to the ARP's for the year ending June 30, 1999 was \$908,268. The ARP's do not provide postretirement benefits other than pension and death benefits.

8. 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 all pending litigation will not have a material adverse effect on the financial statements of The University

In addition to purchasing insurance to cover any potential losses from litigation, The University participates in a risk pool, along with other state universities, for commercial property 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. The next \$250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate deductible 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 limit.

The University has been appropriated approximately \$44,000,000 of funds from the State of Ohio for building and renovation, of which approximately \$20,000,000 has been expended as of June 30, 1999. In addition, several University-funded construction projects will cost an estimated \$14,120,000 to complete as of June 30, 1999.

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 any additional audit work necessary to carry out their responsibilities under federal law or regulations and may arrange for funding the cost of such additional audits. 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 to the grantor agency for expenditures disallowed under the terms of the grant. No significant costs have been questioned to date, and any disallowance or adjustment of such costs would not have a material effect on the accompanying financial statements.

9. Related Party Transactions

The University of Akron Foundation (Foundation) is a legally separate nonprofit organization, exempt from federal income tax, formed in 1967 to assist in developing and increasing the facilities of The University. The Foundation maintains a self-appointing board of trustees. Management has determined that the Foundation is not a component unit of The University as defined by GASB Statement No. 14. Certain services were performed by The University for the Foundation for which an administrative fee of \$500,000 was charged in both fiscal years 1999 and 1998. The Foundation's financial activity is not included in The University's financial statements. During the years ended June 30, 1999 and 1998, the Foundation distributed approximately \$5,579,055 and \$3,214,205, respectively, to The University, and the balance of earnings was reinvested for future development of The University.

The University of Akron

Notes to Financial Statements - Continued

9. Related Party Transactions - Continued

The University had assets under capital lease agreements with the Foundation aggregating \$1,224,283 at both June 30, 1999 and 1998, with remaining lease obligations of \$259,085 and \$379,400, respectively. Rental payments by The University to the Foundation under the terms of operating lease agreements for both fiscal years 1999 and 1998 were \$18,350 (see Note 5)

At June 30, 1999 and 1998, The University had receivables representing scholarships and other fund transfers of \$28,259 and \$920,530, respectively, from the Foundation

Summary financial information of the Foundation at June 30, 1999 is as follows:

	<u>Net Assets</u>	<u>Revenues</u>	<u>Expenditures Exclusive of Distributions</u>
Unrestricted	\$ 7,350,112	\$ 7,711,457	\$ 936,540
Temporarily restricted	58,000,657	9,426,146	220,272
Permanently restricted	52,295,508	4,539,317	(220,272)
	<u>\$ 117,646,277</u>	<u>\$ 21,676,920</u>	<u>\$ 936,540</u>

The Foundation's investments had a book value of \$75,105,653 and a market value of \$121,093,217 at June 30, 1999

10. Subsequent Event

Effective August 31, 1999, The University issued \$131,320,000 of General Receipts Bonds, Series 1999, with an all inclusive interest cost of 5.72% and an average life of 19.2 years. The proceeds of the Series 1999 Bonds will be used to pay the costs of acquiring, constructing, improving and equipping facilities on the campus of the University and to pay the costs of issuing the Series 1999 Bonds

Required Supplemental Information for GASB
 Technical Bulletin No. 99-1,
Disclosure about Year 2000 issues

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect The University's operations

The University has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary for conducting University operations. The University has identified the following systems requiring Year 2000 remediation.

The table below summarizes the status of these systems in The University's Year 2000 compliance project.

	Awareness	Assessment	Remediation	Validation & Testing
Human Resource Management	C	C	C	C
Student Administration	C	C	C	C
Financial Systems	C	C	P	P
Alumni & Development	C	C	C	C
Facilities Systems & Devices	C	C	C	P

Legend
 C-Completed
 P-In process

Remaining contracted amounts of \$225,000 are committed to this project as of June 30, 1999

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that The University is or will be Year 2000 ready, that The University's remediation efforts will be successful in whole or in part, or that parties with whom The University does business will be Year 2000 ready.

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1999

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Student Financial Aid—Cluster			
Department of Education:			
Direct programs			
Federal Pell Grant Program	84 063		\$ 10,893,959
Federal Supplemental Educational Opportunity Grant	84 007		843,266
Federal College Work-Study	84 033		957,198
Federal Perkins Loans (Note 2)	84 038		161,527
Federal Family Education Loan Program (Note 4)	84 032		
Total Department of Education			12,855,950
Department of Health and Human Services			
Direct programs			
Nursing Student Loans (Note 3)	93 364		
Total Student Financial Aid-Cluster			12,855,950
Research and Development—Cluster			
Department of Agriculture			
Pass-through program:			
University of Arizona*	10 001		3,733
Department of Commerce			
Direct program			
Measurement and Engineering Research and Standards	11 609		17,218
Pass-through program			
Ohio Sea Grant	11 455	NA86RG0053	28,868
Total Department of Commerce			46,086
United States Army			
Direct program			
Military Medical Research and Development	12 420		42,687
United States Army—Basic Scientific Research	12 431		109,176
Total direct programs			151,863
Pass-through program:			
North Carolina State University	12 431	DAAH04-96-1-0018	415,929
Total United States Army			567,792

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Air Force			
Pass-through programs:			
Veda Corporation	12 800	F33601-94-D- J018/5004	12,454
Technology Management	12 800	F33615-97-D-5405	27,668
Universal Technology Corporation	12 800	F33615-97-D-5009 F33615-94-C-5800	13,124
McDonnell Douglas, Inc	12 800	F33615-94-C-3400	45,089
Total United States Air Force			98,335
Federal Aviation Administration			
Direct programs			
Aviation research grants	20 108		20,052
Pass through program:			
Case Western Reserve University	20 108	95-G-016	41,225
Total Federal Aviation Administration			61,277
National Aeronautics and Space Administration—			
Lewis Research Center			
Direct program			
Aerospace Education Services	43 001		58,561
Technology transfer	43 002		1,079,829
Pass-through programs			
Maverick Corporation	43 002	NAS3-98024	47,592
National Aeronautics and Space Administration-Langley			
Direct program			
Technology transfer	43 002		42,137
Total National Aeronautics and Space Administration			1,228,119
National Science Foundation			
Direct programs:			
Engineering grants	47 041		648,752
Mathematical and physical sciences	47 049		866,841
Geosciences	47 050		27,920
Materials development, research, and informational science education	47 067		
Biological sciences	47 074		76,197
Social, Behavioral, and Economic Sciences	47 075		8,971
Education and human resources	47 076		3,333

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Academic Research facilities and instrumentation	47 077		117,905
Total direct programs			<u>1,749,919</u>
Pass-through programs			
Cleveland State University	47 041	CTS-9725256	(1,363)
State University of New York	47 041	CTS-9711135	15,608
University of Nebraska	47 049	DMI-9523022	25,902
Cornell University	47 049	DMI-9813098 DMR-9708062	4,915
Texas A&M*	47 050		2,146
Kent State University	47 067	DMR-8920147 DMR-9714254	342,626
Case Western Reserve University	47 073	ECD-9108700	108,659
Total pass-through programs			<u>498,493</u>
Total National Science Foundation			<u>2,248,412</u>
Environmental Protection Agency			
Direct program			
Air pollution control research	66 501		81,959
Pass-through Program			
Great Lakes program	66 469	R-826596-01-0	14,905
Total Environmental Protection Agency			<u>96,864</u>
Department of Energy:			
Direct program			
Department of Energy	81 000		337,039
Department of Health and Human Services			
Direct programs			
HHS	93 000		267,324
Nurse Anesthetist Traineeships	93 124		14,784
Mental Health Research Grants	93 242		3,534
Drug Abuse Scientist Development	93 277		50,133
Professional Nurse Traineeships	93 358		83,724
Nurse Training Improvement—Special Projects	93 359		102,642
Academic Research Enhancement Award	93 390		55,054
Microbiology and Infectious Disease	93 856		5,540
Scholarships for Health Profession Students	93 925		63,475
Total direct programs			<u>646,210</u>

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Pass-through program			
Summit County (State of Ohio) Human Services*	93 000		586,295
OHIO Department of Alcohol & Drug Addiction Services (ODADAS)*	93 000		63,251
Alcohol and Drug Addiction Services Board-Cuyahoga County	93 196	5 U95 TI 00672-05 5 U95 TI 00672-06 5 U95 TI 00662-02	1,927,121
Case Western Reserve University	93 866	IR01-AG15091-01	16,205
Total pass-through programs			<u>2,592,872</u>
Total Department of Health and Human Services			<u>3,239,082</u>
Total Research and Development—Cluster			<u>7,926,739</u>
Child Nutrition—Cluster			
Department of Agriculture			
Pass-through programs			
Office of Education—Upward Bound*	10 599		19,384
Firestone endowment*	10 599		2,651
NCAA youth sports*	10 599		11,216
Total Child Nutrition-Cluster			<u>33,251</u>
Special Education—Cluster			
Department of Education			
Pass-through program			
Barberton Deck Center*	84 173		68,768
TRIO—Cluster			
Department of Education			
Direct programs			
Talent Search	84 044		305,356
Upward Bound	84 047		407,171
Upward Bound Math/Science	84 047		268,508
Total TRIO-Cluster			<u>981,035</u>
Other Programs			
Instruction			
Department of Education			
Direct program			
Graduate assistance in areas of national need	84 200		114,814

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Public Service			
Department of Agriculture			
Pass-through program			
Center for Child Development*	10 558		28,505
Department of Defense			
Direct program			
Air Force ROTC Uniform	12 000		5,356
Molecular OPTOEL	12 800		4,349
Total Department of Defense			<u>9,705</u>
U S Department of Housing and Urban Development			
Pass-through programs			
City of Akron/Enterprise Community*	14 000		(1,631)
Enterprise Community Grant #2*	14 000		32,524
Total U S Department of Housing and Urban Development			<u>30,893</u>
Department of Justice:			
Direct Program:			
Law Enforcement Assistance	16 303		(11,188)
Pass-through Program			
ABT Associates Adam Project	16 560	OJP-97-R-009	50,705
Total Department of Justice			<u>39,517</u>
Department of Labor			
Pass-through programs			
School to Work	17 200	STW 1998 FED- 98-B09008 STW 1998 FED- 99-B0905 STW97FED-SUED	44,488
National Endowment for the Humanities			
Direct Program			
National Endowment Humanities Fellowship	45 160		(447)
National Science Foundation			
Direct program:			
Education and human resources	47 076		193,153

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Small Business Administration			
Direct Program			
Center for Small Business	59 005		11,721
Pass-through program			
Akron Regional Development Board*	59 037		46,229
Total Small Business Administration			57,950
United States Information Agency:			
Direct program			
Educational Exchange—University Lecturers & Research Scholars	82 002		15,951
Department of Education			
Direct program			
Drug Prevention Program	84 183		438
Pass-through programs:			
Barberton Decker Center*	84 002		1,479
Vocational education Basic grants to states*	84 048		54,985
University of Illinois	84 133	H133B30069	32,555
Ohio Department of Education—Self Even Start*	84 213		103,731
Ohio Department of Education—Tech prep*	84 243		113,920
OBR Eisenhower*	84 281		4,826
Barberton Decker Center*	84 314		11,809
Total pass-through programs			323,305
Total Department of Education			323,743
Department of Health and Human Services			
Pass-through programs:			
Ohio Department of Alcohol and Drug Addiction Services*	93 000		30,670
NCAA youth sports*	93 032		55,508
Summit County Healthy 2000*	93 194		30,455
Trumbul City*	93 239		9,637
CWRU-Alemagno	93 273	5R01-AA-10847-02	8,367
OBR Work Study Program*	93 561		306,271
Barberton Decker Center*	93 667		220,919
Total Department of Health and Human Services			661,827
Total Public Service			1,405,285
Total Other Programs			1,520,099
Total Expenditures of Federal Awards			\$ 23,385,842

* Pass-through entity identifying number not available

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

Of the federal expenditures presented on the previous pages, the University provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
United States Army.		
Pass-through programs		
The Ohio State University	12 420	\$ 35,289
National Science Foundation		
Pass-through programs		
Inventure Place Inc	47 076	36,960
Department of Education		
Pass-through programs		
Kent City Schools	84 213	33,050
Summit County Educational	84 213	57,874
Department of Energy		
Pass-through programs		
Illinois Institute of Technology	81 000	39,559
Department of Justice		
Pass-through programs		
Cleveland State University	16 560	4,200
Department of Health and Human Services		
Pass-through programs		
Bryn-Mawr College	93.196	71,250
Treatment Alternative for Safe Communities	93 196	117,775
Multnomah County Oregon	93 196	9,922
University of California Los Angeles	93 196	278,773
Cleveland Treatment Center	93 196	318,323
State of Washington Department of Social and Health Services	93 196	311,500
Sharon Hunt, LICSW	93 196	44,667
Alpha Phi Alpha Homes	93 359	10,000
Access Inc	93 359	10,000
North American Indian Cultural Center	93.359	10,000
Total Department of Health and Human Services		<u>1,182,210</u>
Total pass-through dollars provided to subrecipients		<u><u>\$1,389,142</u></u>

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

1: Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant transactions of The University of Akron (University) recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2: The University administers the following federal loan program:

	CFDA Number	Outstanding Balance at June 30, 1999
Federal Perkins Loan Program	84.038	\$ 10,483,465

Total loan expenditures and disbursements of the Department of Education student financial assistance program for the fiscal year are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	\$ 1,535,772

The above expenditures for the Federal Perkins Loan Program include disbursements and expenditures such as loans to students and administrative expenditures. The Schedule of Expenditures of Federal Awards only includes administrative costs of the loan program.

The University of Akron

Schedule of Expenditures of Federal Awards—Continued

3: The University administers the following federal loan program:

	CFDA Number	Outstanding Balance at June 30, 1999
Nursing Student Loan Program	93.364	\$ 950,721

Total loan expenditures and disbursements of the Department of Health and Human Services student financial assistance programs for the fiscal year are identified below:

	CFDA Number	Disbursements
Nursing Student Loan Program	93.364	\$ 235,252

4: During the fiscal year ending June 30, 1999, The University processed the following amount of new loans under the Federal Family Education Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	CFDA Number	Amount Processed
Federal Family Education Loans Program	84.032	\$ 51,020,583

Report of Independent Auditors on Compliance and on
Internal Control Over Financial Reporting Based on an Audit of the
Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Trustees
The University of Akron

We have audited the financial statements of The University of Akron (the University) as of and for the year ended June 30, 1999, and have issued our report thereon dated September 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the University in a separate letter dated September 15, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the University in a separate letter dated September 15, 1999.

This report is intended for the information and use of the Board of Trustees, management and 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.

Ernst + Young LLP

September 15, 1999

Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
The University of Akron

Compliance

We have audited the compliance of The University of Akron (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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, *Audit 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'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's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the University 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'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Trustees, management and 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.

Ernst & Young LLP

September 15, 1999

The University of Akron
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 1999

Part I—Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued:	Unqualified Opinion		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	_____ <u>X</u> _____ no	
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____ none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> _____ no	

Federal Awards Section

Dollar threshold used to determine Type A programs:	\$ 701,575		
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____ yes	_____ _____ no	
Type of auditor’s report on compliance for major programs:	Unqualified Opinion		
Internal Control over compliance:			
Material weakness(es) identified?	_____ yes	_____ <u>X</u> _____ no	

The University of Akron

Schedule of Findings and Questioned Costs—Continued

Part I—Summary of Auditor’s Results—Continued

Were reportable condition(s) identified not considered to be material weakness(es)? _____ yes X none noted

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a))? _____ yes X no

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.001, 11.609, 11.455, 12.420, 12.431, 12.800, 20.108, 43.001, 43.002, 47.041, 47.049, 47.050, 47.067, 47.074, 47.075, 47.076, 47.077, 47.073, 66.501, 66.469, 81.000, 93.000, 93.124, 93.242, 93 196, 93.277, 93.358, 93.359, 93.390, 93.856, 93.925, and 93.866.	Research and Development—Cluster
84.063, 84.007, 84.033 84.038, 84.032, 93.364	Student Financial Aid-Cluster

The University of Akron

Schedule of Findings and Questioned Costs—Continued

Part II—Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

None.

Part III—Schedule of Federal Award Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by Circular A-133 Section.510.

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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.

By: *Susan Babbitt*

Date: MARCH 2, 2000