

SINGLE AUDIT REPORT

The University of Akron

Year Ended June 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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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, 1999 through June 30, 2000. 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

November 30, 2000

The University of Akron

Single Audit Report

Year Ended June 30, 2000

Contents

Audited Financial Statements

Report of Independent Auditors on the Financial Statements.....	1
Balance Sheets.....	2-5
Statement of Changes in Unallocated Fund Balances.....	6
Statement of Current Funds Revenues, Expenditures and Other Changes	7
Statement of Changes in Current Funds Allocated Fund Balances.....	8
Statement of Changes in Auxiliary Enterprises Unrestricted Unallocated Fund Balances.....	9
Notes to Financial Statements	10-24

<i>Schedule of Expenditures of Federal Awards</i>	25
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Compliance and Internal Controls

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 <i>Government Auditing Standards</i>	37
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	39

<i>Schedule of Findings and Questioned Costs</i>	41
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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, 2000 and 1999, and the related statements 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, 2000. 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, 2000 and 1999 and the changes in its fund balances, and its current fund revenues, expenditures and other changes for the year ended June 30, 2000 in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2000 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 22, 2000

THE UNIVERSITY OF AKRON

Balance Sheets

<u>Assets</u>	June 30	
	2000	1999
<u>CURRENT FUNDS</u>		
Unrestricted:		
Educational and general:		
Cash on hand	\$ 70,719	\$ 123,274
Pooled investments, at fair value (note 2)	36,758,893	45,996,238
Accounts receivable, less allowance for doubtful accounts of \$3,124,302 and \$2,738,707 at June 30, 2000 and 1999, respectively (note 3)	5,549,733	5,449,496
Inventories, at cost	906,245	914,354
Prepaid expenses and deferred charges	4,258,441	3,967,856
Total educational and general	47,544,031	56,451,218
Auxiliary enterprises:		
Pooled investments, at fair value (note 2)	3,530,144	4,159,621
Accounts receivable, less allowance for doubtful accounts of \$219,807 and \$162,753, respectively (note 3)	571,214	524,274
Inventories, at cost	250,992	224,944
Prepaid expenses and deferred charges	178,418	120,283
Total auxiliary enterprises	4,530,768	5,029,122
Total unrestricted	52,074,799	61,480,340
Restricted:		
Pooled investments, at fair value (note 2)	12,349,796	8,657,964
Accounts receivable (note 3)	6,814,919	6,446,211
Prepaid expenses and deferred charges	459	459
Total restricted	19,165,174	15,104,634
Total current funds	\$ 71,239,973	\$ 76,584,974

See accompanying notes to financial statements.

Liabilities and Fund Balances	June 30	
	2000	1999
CURRENT FUNDS		
Unrestricted:		
Educational and general:		
Accounts payable	\$ 3,347,520	\$ 6,794,927
Payroll taxes, retirement withheld and payable	1,833,731	1,264,709
Accrued salaries, wages, and benefits	4,307,981	4,643,946
Accrued payroll taxes and retirement	2,715,100	2,500,969
Other accruals	1,992,469	1,596,938
Accrued early retirement incentive plan (note 7)	23,663,660	24,754,106
Accrued sick leave (note 1)	2,664,315	2,686,466
Deferred fee income	11,626,482	11,011,177
Other deferred credits and deposits	74,588	70,161
Fund balance:		
Akron campus:		
Allocated	16,707,238	23,985,834
Allocated early retirement incentive plan	(23,032,020)	(24,121,546)
Allocated sick leave		(165,308)
Unallocated	500,000	500,000
Wayne College:		
Allocated	1,474,607	1,261,399
Allocated early retirement incentive plan	(631,640)	(632,560)
Unallocated	300,000	300,000
Total educational and general	47,544,031	56,451,218
Auxiliary enterprises:		
Accounts payable	493,702	458,517
Accrued salaries, wages, and benefits	458,665	513,446
Accrued retirement	15,944	27,907
Accrued early retirement incentive plan (note 7)	724,534	765,026
Accrued sick leave (note 1)	109,057	92,784
Deferred credits	419,257	454,101
Fund balance:		
Allocated	956,458	892,529
Allocated early retirement incentive plan	(724,534)	(765,026)
Unallocated	2,077,685	2,589,838
Total auxiliary enterprises	4,530,768	5,029,122
Total unrestricted	52,074,799	61,480,340
Restricted:		
Accounts payable	442,308	301,974
Accrued salaries and wages	32,295	60,629
Fund balance:		
Allocated	(391,784)	(99,495)
Unallocated	19,082,355	14,841,526
Total restricted	19,165,174	15,104,634
Total current funds	\$ 71,239,973	\$ 76,584,974

(Continued)

THE UNIVERSITY OF AKRON

Balance Sheets

<u>Assets</u>	June 30	
	2000	1999
<u>LOAN FUNDS</u>		
Pooled cash in bank (note 2)	\$ 26,639	\$ 18,093
Pooled investments, at fair value (note 2)	757,498	496,044
Student notes receivable, less allowance for doubtful notes of \$788,249 and \$552,486, respectively	10,025,749	10,221,078
Total loan funds	\$ 10,809,886	\$ 10,735,215
<u>ENDOWMENT AND SIMILAR FUNDS</u>		
Investments:		
Marketable securities, at fair value (note 2)	\$ 64,959,478	\$ 51,490,643
Pooled investments, at fair value (note 2)	380,951	832
Cash surrender value of life insurance	103,858	96,792
Real estate	475,112	453,968
Total endowment and similar funds	\$ 65,919,399	\$ 52,042,235
<u>PLANT FUNDS</u>		
Unexpended:		
Pooled investments, at fair value (note 2)	\$ 2,811,992	\$ 3,469,934
Investments held in trust by others, at fair value (note 2)	110,184,120	
Accrued interest receivable	19,900	
State accounts receivable		1,547,205
Total unexpended	113,016,012	5,017,139
Retirement of indebtedness:		
Pooled investments, at fair value (note 2)	906,193	924,286
Investments held in trust by others, at fair value (note 2)	4,463,578	857,206
Accrued interest receivable	3,917	253
Prepaid expenses and deferred charges	1,899,357	539,799
Total retirement of indebtedness	7,273,045	2,321,544
Investment in plant:		
Land	17,059,865	16,968,062
Improvements other than buildings	37,434,053	33,010,400
Buildings	320,975,463	297,455,254
Movable equipment, furniture, and library books	151,473,085	143,008,082
Construction in progress	5,190,451	3,166,052
Total investment in plant	532,132,917	493,607,850
Total plant funds	\$ 652,421,974	\$ 500,946,533
<u>AGENCY FUNDS</u>		
Pooled investments, at fair value (note 2)	\$ 452,691	\$ 441,455
Accounts receivable	108,271	122,549
Total agency funds	\$ 560,962	\$ 564,004

See accompanying notes to financial statements

Liabilities and Fund Balances	June 30	
	2000	1999
LOAN FUNDS		
Fund balance:		
U.S. Government grants:		
Perkins Student Loan Fund	\$ 9,026,543	\$ 9,000,579
Nursing Student Loan Fund	1,013,243	970,319
	10,039,786	9,970,898
University loan funds:		
Allocated	(24,024)	(5,701)
Unallocated	794,124	770,018
Total loan funds	\$ 10,809,886	\$ 10,735,215
ENDOWMENT AND SIMILAR FUNDS		
Fund balance:		
Allocated - Endowment	\$ 17,977,151	\$ 9,095,092
- Quasi-endowment, unrestricted	4,515,737	1,576,932
Unallocated - Endowment	31,868,967	29,781,955
- Quasi-endowment, unrestricted	11,557,544	11,588,256
Total endowment and similar funds	\$ 65,919,399	\$ 52,042,235
PLANT FUNDS		
Unexpended:		
Accounts payable	\$ 1,520,026	\$ 1,689,399
Bonds payable	106,243,508	2,305,463
Deferred revenues	6,119	6,119
Other accruals	256,898	
Fund balance - allocated	(89,216)	(39,883)
- unallocated	5,078,677	1,056,041
Total unexpended	113,016,012	5,017,139
Retirement of indebtedness:		
Accrued interest expense	4,454,802	854,536
Bonds payable (note 4)	2,881,981	1,474,732
Fund balance - allocated	(28,740)	(10,647)
- unallocated	(34,998)	2,923
Total retirement of indebtedness	7,273,045	2,321,544
Investment in plant:		
Note payable (note 4)	30,358	60,715
Capitalized lease obligations (note 5)	5,260,193	6,495,062
Bonds payable (note 4)	53,724,021	29,451,995
Net investment in plant	473,118,345	457,600,078
Total investment in plant	532,132,917	493,607,850
Total plant funds	\$ 652,421,974	\$ 500,946,533
AGENCY FUNDS		
Deposits held in custody for others - allocated	\$ (14,346)	\$ (5,088)
- unallocated	575,308	569,092
Total agency funds	\$ 560,962	\$ 564,004

THE UNIVERSITY OF AKRON

EXHIBIT B

Statement of Changes in Unallocated Fund Balances

Year ended June 30, 2000

	Current Funds						Loan Funds	Endowment and Similar Funds	Plant Funds			
	Unrestricted			Restricted					Total Current Funds	Unexpended	Retirement of Indebtedness	Investment in Plant
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted						
Revenues and other additions:												
Unrestricted current fund revenues	\$ 205,230,517	\$ 30,455,584	\$ 235,686,101				\$ 235,686,101					
State appropriations - restricted				\$ 25,594		\$ 25,594	25,594		\$ 8,881,353			
Federal grants and contracts - restricted				18,403,315	\$ 36,987	18,440,302	18,440,302	\$ 344,330				
State grants and contracts - restricted				7,855,801		7,855,801	7,855,801		6,206			
Local grants and contracts - restricted				637,900		637,900	637,900					
Private gifts, grants, and contracts - restricted				16,935,366	706,942	17,642,308	17,642,308	17,508	\$ 2,938,667	601,903	\$ 580,273	
Endowment income - restricted				636,272	50,063	686,335	686,335	1,317				
Investment income - restricted								4,008		5,956,744	\$ 9,770	
Gain on sale of investments (net)									2,550,918			
Interest on loans receivable								178,539				
Other								459				
Expended for plant facilities (including \$10,338,104 charged to current funds expenditures)											16,655,752	
Retirement of indebtedness											23,469	
Rentals charged to current funds										49,171	1,830,641	
Unrealized appreciation (depreciation) on investments				(292,289)		(292,289)	(292,289)	(18,323)	11,820,865	(49,333)	(18,093)	
Total revenues and other additions	205,230,517	30,455,584	235,686,101	44,201,959	793,992	44,995,951	280,682,052	527,838	17,310,450	15,446,044	1,845,787	20,430,555
Expenditures and other deductions:												
Educational and general expenditures	207,778,749		207,778,749	39,442,392		39,442,392	247,221,141					
Auxiliary enterprises expenditures		28,782,773	28,782,773		514,463	514,463	29,297,236					
Indirect costs recovered				2,427,807		2,427,807	2,427,807					
Refunded to grantors								205				
Loan cancellations and write-offs								394,534				
Administrative and collection costs								149,504			71,160	
Trustee fees and other expenditures									1,256,420			
Administrative fee									559,222			
Expended for plant facilities (including \$1,396,382 not capitalized)										7,513,428		
Retirement of indebtedness											3,217,998	
Interest on indebtedness											8,103,158	
Disposal and write-offs of plant facilities												4,912,288
Total expenditures and other deductions	207,778,749	28,782,773	236,561,522	41,870,199	514,463	42,384,662	278,946,184	544,243	1,815,642	7,513,428	11,392,316	4,912,288
Transfers among funds - additions (deductions):												
Mandatory:												
Principal and interest	(355,180)	(4,041,298)	(4,396,478)	(80,674)		(80,674)	(4,477,152)			(4,698,853)	9,176,005	
Loan fund matching grant	(88,347)		(88,347)				(88,347)	88,347				
Support for auxiliary debt service	(35,000)	35,000										
Nonmandatory:												
Current allocated fund balance - net	7,065,330	(63,929)	7,001,401	292,289		292,289	7,293,690	18,323	(11,820,865)	49,333	18,093	
Support to auxiliary enterprises	(1,925,755)	1,925,755										
Capital improvements	(850,000)		(850,000)				(850,000)			850,000		
Allocated early retirement incentive plan	(1,090,447)	(40,492)	(1,130,939)				(1,130,939)					
Allocated sick leave	(165,308)		(165,308)				(165,308)					
Principal and interest										(314,510)	314,510	
Unrestricted to endowment	(200,000)		(200,000)				(200,000)		200,000			
Endowment to plant funds									(204,050)	204,050		
Endowment income to other funds	192,939		192,939	1,417,925		1,417,925	1,610,864	2,729	(1,613,593)			
Total transfers among funds	2,548,232	(2,184,964)	363,268	1,629,540	0	1,629,540	1,992,808	109,399	(13,438,508)	(3,909,980)	9,508,608	0
Net increase (decrease) for year	0	(512,153)	(512,153)	3,961,300	279,529	4,240,829	3,728,676	92,994	2,056,300	4,022,636	(37,921)	15,518,267
Unallocated fund balance at beginning of year	800,000	2,589,838	3,389,838	12,937,892	1,903,634	14,841,526	18,231,364	10,740,916	41,370,211	1,056,041	2,923	457,600,078
Unallocated fund balance at end of year	\$ 800,000	\$ 2,077,685	\$ 2,877,685	\$ 16,899,192	\$ 2,183,163	\$ 19,082,355	\$ 21,960,040	\$ 10,833,910	\$ 43,426,511	\$ 5,078,677	\$ (34,998)	\$ 473,118,345

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, 2000

with comparative totals for year ended June 30, 1999

	Unrestricted			Restricted			Total Current Funds Unallocated	
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted	2000	1999
Revenues:								
Tuition, fees, and other student charges	\$ 93,186,751		\$ 93,186,751				\$ 93,186,751	\$ 89,294,528
State appropriations	98,816,564		98,816,564				98,816,564	95,788,902
Federal grants and contracts	1,305,070		1,305,070	\$ 17,127,098	\$ 36,979	\$ 17,164,077	18,469,147	18,417,424
State grants and contracts	167,037		167,037	5,113,601		5,113,601	5,280,638	2,404,874
Local grants and contracts	60,530		60,530	570,193		570,193	630,723	1,076,416
Private gifts, grants, and contracts	2,096,710		2,096,710	15,163,214	444,027	15,607,241	17,703,951	15,137,345
Endowment income	104,628		104,628	1,548,960	33,457	1,582,417	1,687,045	1,067,485
Sales and services	6,322,542	\$ 30,519,808	36,842,350				36,842,350	33,164,216
Unrealized appreciation (depreciation) on investments	(637,700)	(64,224)	(701,924)				(701,924)	(1,024,425)
Other sources	3,808,385		3,808,385				3,808,385	4,274,422
Total revenues	205,230,517	30,455,584	235,686,101	39,523,066	514,463	40,037,529	275,723,630	259,601,187
Expenditures and mandatory transfers:								
Educational and general:								
Instruction and departmental research	95,724,077		95,724,077	3,322,515		3,322,515	99,046,592	92,438,921
Separately budgeted research	3,968,017		3,968,017	10,348,065		10,348,065	14,316,082	11,607,026
Public service	4,203,615		4,203,615	5,621,030		5,621,030	9,824,645	11,534,039
Academic support	26,367,528		26,367,528	2,160,168		2,160,168	28,527,696	27,925,111
Student services	11,832,331		11,832,331	231,767		231,767	12,064,098	11,791,813
Institutional support	26,430,438		26,430,438	2,449,853		2,449,853	28,880,291	27,133,447
Operation and maintenance of plant	18,661,160		18,661,160	25,696		25,696	18,686,856	17,035,846
Scholarships and fellowships	15,499,085		15,499,085	15,283,298		15,283,298	30,782,383	30,848,897
Early retirement incentive program	5,092,498		5,092,498				5,092,498	13,156,379
Total educational and general expenditures	207,778,749	0	207,778,749	39,442,392	0	39,442,392	247,221,141	243,471,479
Auxiliary Enterprises		28,782,773	28,782,773		514,463	514,463	29,297,236	28,152,234
Mandatory transfers for:								
Principal and interest	355,180	4,041,298	4,396,478	80,674		80,674	4,477,152	3,261,977
Loan fund matching grant	88,347		88,347				88,347	119,434
Support for auxiliary debt service	35,000	(35,000)					0	0
Total mandatory transfers	478,527	4,006,298	4,484,825	80,674	0	80,674	4,565,499	3,381,411
Total expenditures and mandatory transfers	208,257,276	32,789,071	241,046,347	39,523,066	514,463	40,037,529	281,083,876	275,005,124
Nonmandatory transfers and additions/(deductions):								
Nonmandatory transfers for:								
Current allocated fund balance - net	7,065,330	(63,929)	7,001,401	292,289		292,289	7,293,690	11,125,638
Support to auxiliary enterprises	(1,925,755)	1,925,755					0	0
Capital improvements	(850,000)		(850,000)				(850,000)	(500,000)
Allocated early retirement incentive plan	(1,090,447)	(40,492)	(1,130,939)				(1,130,939)	6,586,521
Allocated sick leave	(165,308)		(165,308)				(165,308)	(200,000)
Unrestricted to endowment	(200,000)		(200,000)				(200,000)	(1,572,194)
Restricted to endowment							0	(500)
Endowment income transfer to other funds	192,939		192,939	1,417,925		1,417,925	1,610,864	1,536,491
Excess of restricted receipts over transfers to revenue				4,678,893	279,529	4,958,422	4,958,422	3,528,563
Indirect costs recovered				(2,427,807)		(2,427,807)	(2,427,807)	(2,306,858)
Refunded to grantors							0	(600)
Net increase(decrease) in unallocated fund balance	\$ 0	\$ (512,153)	\$ (512,153)	\$ 3,961,300	\$ 279,529	\$ 4,240,829	\$ 3,728,676	\$ 2,793,124

THE UNIVERSITY OF AKRON

Statement of Changes in Current Funds Allocated Fund Balances

Year ended June 30, 2000

	Balance July 1, 1999	Transfers from (to) Unallocated Fund Balance	Balance June 30, 2000
<u>Akon 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	15,693,632	\$ (4,342,584)	11,351,048
Reserve for departmental sales accounts carryover	1,120,214	138,158	1,258,372
Reserve for encumbrances	1,680,440	283,531	1,963,971
Reserve for chilled water tank	2,720,000	(2,720,000)	
Reserve for unrealized appreciation (depreciation) on investments	(528,452)	(637,641)	(1,166,093)
Subtotal	23,985,834	(7,278,536)	16,707,298
Early retirement incentive plan	(24,121,546)	1,089,526	(23,032,020)
Allocated sick leave (note 1)	(165,308)	165,308	
Total educational and general	(301,020)	(6,023,702)	(6,324,722)
Auxiliary enterprises:			
Reserve for subsequent year	507,575	172,664	680,239
Reserve for encumbrances	432,712	(44,511)	388,201
Reserve for unrealized appreciation (depreciation) on investments	(47,758)	(64,224)	(111,982)
Subtotal	892,529	63,929	956,458
Early retirement incentive plan	(765,026)	40,492	(724,534)
Total auxiliary enterprises	127,503	104,421	231,924
Restricted:			
Reserve for unrealized appreciation (depreciation) on investments	(99,495)	(292,289)	(391,784)
Total restricted	(99,495)	(292,289)	(391,784)
Total Akon campus	\$ (273,012)	\$ (6,211,570)	\$ (6,484,582)
<u>Wyne College</u>			
Educational and general:			
Reserve for changing enrollment	\$ 500,000	\$ (225,000)	\$ 275,000
Reserve for contingency	50,000		50,000
Reserve for departmental carryover	338,686	127,235	465,921
Reserve for subsequent year	225,000	(80,000)	145,000
Reserve for encumbrances	146,828	7,809	154,637
Reserve for departmental sales accounts carryover	885	8,164	9,049
Reserve for early retirement incentive plan		375,000	375,000
Subtotal	1,261,399	213,208	1,474,607
Early retirement incentive plan	(632,560)	920	(631,640)
Total educational and general	628,839	214,128	842,967
Total Wyne College	\$ 628,839	\$ 214,128	\$ 842,967

THE UNIVERSITY OF AKRON

EXHIBIT E

Statement of Changes in Auxiliary Enterprises Unrestricted
Unallocated Fund Balances

Year ended June 30, 2000
with comparative totals for year ended June 30, 1999

	Residence	Gardner	Inter-	Parking	Rubber	E.J. Thomas	Telecom-	Dining	Akron	Wayne	Totals	
	Halls	Student Center	collegiate Athletics	Services	Bowl	Performing Arts Hall	munications	Facilities	Campus Subtotal	College Bookstore	2000	1999
Revenues	\$ 5,220,144	\$ 1,339,831	\$ 7,805,753	\$ 3,774,037	\$ 95,119	\$ 2,256,046	\$ 2,934,024	\$ 6,418,965	\$ 29,843,919	\$ 611,665	\$ 30,455,584	\$ 27,456,685
Expenditures	4,186,758	1,583,930	7,968,628	1,862,738	340,165	2,859,197	3,101,060	6,299,973	28,202,449	580,324	28,782,773	27,531,186
Transfers among funds - additions (deductions):												
Mandatory:												
Principal and interest	(1,391,882)			(2,339,834)		(224,057)	(30,734)	(54,791)	(4,041,298)		(4,041,298)	(3,042,493)
Support from current unrestricted educational and general for debt service					35,000				35,000		35,000	255,000
Nonmandatory:												
Current allocated fund balance	65,190	(261,827)	(5,883)	112,831	(1,228)	13,943	(20,364)	33,409	(63,929)		(63,929)	600,617
Support from (to) current unrestricted educational and general	700,000	220,000	177,054		211,274	667,427			1,975,755	(50,000)	1,925,755	1,803,289
Early retirement incentive plan	(155,069)	(25,432)				162,062		(22,053)	(40,492)		(40,492)	521,247
Total transfers	(781,761)	(67,259)	171,171	(2,227,003)	245,046	619,375	(51,098)	(43,435)	(2,134,964)	(50,000)	(2,184,964)	137,660
Net increase (decrease) for the year	251,625	(311,358)	8,296	(315,704)	0	16,224	(218,134)	75,557	(493,494)	(18,659)	(512,153)	63,159
Unallocated fund balance at beginning of year	442,164	399,957	0	838,302	0	94,056	324,056	0	2,098,535	491,303	2,589,838	2,526,679
Unallocated fund balance at end of year	\$ 693,789	\$ 88,599	\$ 8,296	\$ 522,598	\$ 0	\$ 110,280	\$ 105,922	\$ 75,557	\$ 1,605,041	\$ 472,644	\$ 2,077,685	\$ 2,589,838

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

Notes to Financial Statements

June 30, 2000 and 1999

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 principles (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 an initial 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.

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 Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its General Receipts Bonds, Series 1999. This statement 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.

The University of Akron

Notes to Financial Statements - Continued

1. Summary of Significant Accounting and Reporting Policies - Continued

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, 2000 and 1999, 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 \$3,476,874 and \$3,007,216, respectively.

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.

At June 30, 2000 and 1999, the total current unrestricted accrued sick leave liability amounted to \$2,773,372 (\$2,664,315 educational and general and \$109,057 auxiliary enterprises) and \$2,779,250 (\$2,686,466 educational and general and \$92,784 auxiliary enterprises), respectively. The University had funded \$2,773,372 and \$2,613,941 of the liability, respectively, at June 30, 2000 and 1999.

Pledges

The University does not report pledges in the financial statements until the gifts are received. The University's records indicate that approximately \$14,985,000 and \$5,200,000 in pledges were outstanding at June 30, 2000 and 1999, 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.

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, 2000 and 1999, the carrying amounts of The University's bank deposits and interest bearing cash equivalents for all funds were \$134,072 and \$56,255 as compared to bank balances of \$2,170,607 and \$961,396, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2000 and 1999 bank balances, \$235,902 and \$282,615, respectively, were covered by federal deposit insurance; \$1,934,705 and \$678,744, 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 in allocated fund balances. 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.

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
Current, loan, endowment, plant, and agency funds:				
Repurchase agreement	\$ 1,555,000	\$ 1,555,000	\$ 1,013,000	\$ 1,013,000
STAR Ohio	1,004,400	1,004,400	306	306
The Commonfund:				
Operating Fund	3,266,727	3,266,727	13,752	13,752
Intermediate Fund	31,067,286	29,636,192	39,642,545	38,183,731
Bond Fund	22,893,119	22,485,839	21,455,215	21,829,859
Global Bond Fund			2,758,591	3,105,726
Total	<u>59,786,532</u>	<u>57,948,158</u>	<u>64,883,409</u>	<u>64,146,374</u>
Endowment and similar funds:				
U.S. Treasury	1,349,084	1,330,964	1,185,197	1,184,001
U.S. agencies	2,808,371	3,519,072	2,622,277	2,622,277
Common stocks	9,123,721	25,733,744	8,797,289	15,862,839
Preferred stocks	241,463	240,271	159,460	156,372
Corporate bonds	1,973,109	1,640,014	2,039,923	1,943,730
The Commonfund:				
Equity Fund	9,606,780	10,610,102	9,511,673	9,806,379
Endowment Realty	412,639	475,112	405,275	453,968
Private & Small Cap. Equity	6,497,437	10,852,773	6,361,946	9,232,084
Bond Fund	10,805,900	10,921,470	9,615,000	10,108,424
Short-Term Fund	111,068	111,068	574,537	574,537
Cash surrender value of life insurance	<u>103,858</u>	<u>103,858</u>	<u>96,792</u>	<u>96,792</u>
Total	<u>43,033,430</u>	<u>65,538,448</u>	<u>41,369,369</u>	<u>52,041,403</u>
Plant Funds:				
U.S. agencies	<u>114,647,698</u>	<u>114,647,698</u>	<u>857,206</u>	<u>857,206</u>
Total investments, all funds	<u>\$ 217,467,660</u>	<u>\$ 238,134,304</u>	<u>\$ 107,109,984</u>	<u>\$ 117,044,983</u>

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 \$122,333,261 and \$7,717,603 at June 30, 2000 and 1999, respectively. The fair value of these investments was \$122,692,752 and \$7,620,214 at June 30, 2000 and 1999, 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 \$9,365,184 and \$8,956,749 at June 30, 2000 and 1999, respectively. The fair value of these investments was \$25,974,015 and \$16,019,211 at June 30, 2000 and 1999, 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, 2000. 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 \$85,665,356 and \$90,338,840 at June 30, 2000 and 1999, respectively. The fair value of these funds was \$89,363,683 and \$93,308,766 at June 30, 2000 and 1999, respectively. The cash surrender value of life insurance also is not classified by risk category and both its book and fair value were \$103,858 and \$96,792 at June 30, 2000 and 1999, respectively.

The University of Akron

Notes to Financial Statements - Continued

3. Receivables

Receivables at June 30, 2000 and 1999, consisted of the following:

	<u>2000</u>		<u>1999</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 \$745,045 and \$497,267, respectively	\$2,720,228	\$6,814,919	\$2,924,101	\$6,446,211
Student receivables, net of allowance for doubtful accounts of \$2,407,886 and \$2,259,862, respectively	2,378,587		2,145,151	
Other, net of allowance for doubtful accounts of \$191,178 and \$144,331, respectively	1,022,132		904,518	
	<u>\$6,120,947</u>	<u>\$6,814,919</u>	<u>\$5,973,770</u>	<u>\$6,446,211</u>

The University of Akron

Notes to Financial Statements - Continued

4. Debt

Debt at June 30, 2000 and 1999, consisted of the following:

	<u>2000</u>	<u>1999</u>
Note payable:		
Note payable, interest free, due through May 1, 2001	\$ 30,358	\$ 60,715
Total note payable	<u>\$ 30,358</u>	<u>\$ 60,715</u>
Bonds payable:		
General receipts bonds - Series 1997A, 3.65% to 6.0%, due serially through 2022	\$ 31,280,000	\$ 32,895,000
General receipts bonds - Series 1999, 5.895%, due serially through 2029	131,320,000	
Capital improvements, 5.668% to 7%, due through 2003	<u>249,510</u>	<u>337,190</u>
Total bonds payable	<u>\$ 162,849,510</u>	<u>\$ 33,232,190</u>

The general receipts bonds, Series 1997A and Series 1999, 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, 2000 are as follows:

	<u>Note</u>	<u>Bonds</u>
2001	\$ 30,358	\$ 1,696,418
2002		1,696,728
2003		2,896,728
2004		4,064,818
2005		4,254,818
2006 and thereafter		148,240,000
	<u>\$ 30,358</u>	<u>\$ 162,849,510</u>

During fiscal year 1999, The University began construction on several campus-wide projects associated with the General Receipts Bonds, Series 1999. Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. Interest on borrowings was \$6,067,734 and earnings on the construction funds were \$5,867,131 resulting in \$200,603 of capitalized interest. There was no capitalized interest in fiscal year 1998.

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, 2000, \$9,130,000 of bonds and COP's outstanding are considered defeased.

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, 2000 and 1999, amounted to \$2,324,763 and \$2,104,431, respectively. Included in the operating expense were month-to-month rentals amounting to \$2,306,413 and \$2,086,081 in fiscal year 2000 and 1999, 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, 2000 and 1999 are as follows:

	2000	1999
Land	\$ 345,732	\$ 517,065
Building	5,104,746	5,304,584
Movable equipment	2,599,669	7,067,331
	<u>\$ 8,050,147</u>	<u>\$ 12,888,980</u>

Future minimum lease payments as of June 30, 2000 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:	Capital Leases	Operating Lease
2001	\$ 832,163	\$ 18,350
2002	4,181,633	
2003	454,064	
2004	219,428	
2005	47,455	
	<u>\$ 5,734,743</u>	<u>\$ 18,350</u>
Total minimum lease payments		
Less amount representing interest	<u>474,550</u>	
Present value of net minimum capital lease payments	<u>\$ 5,260,193</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 2000 or 1999.

The University also received rental payments of approximately \$240,000 and \$400,000 in 2000 and 1999, respectively, from the rental of various other campus facilities under the terms of operating lease agreements, including contingent rentals of approximately \$19,000 in both 2000 and 1999.

The University of Akron

Notes to Financial Statements - Continued

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.

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.

The University of Akron

Notes to Financial Statements - Continued

6. State Support - Continued

The Capital Component not reflected on the University's balance sheet to be received and recorded when appropriated by the State of Ohio is as follows by fiscal year:

2001	\$ 1,948,259
2002	1,948,259
2003	1,948,259
2004	1,948,259
2005	1,948,259
Thereafter	<u>15,177,743</u>
Total	<u>\$ 24,919,038</u>

The University intends to use this Capital Component toward funding the debt service obligation of the Series 1999 Bond Issue.

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).

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, 2000, 1999, and 1998 were \$9,198,244, \$9,984,006, and \$9,679,382, and \$5,031,535, \$4,777,242, and \$4,597,905, respectively, equal to the required contributions for each year.

The University of Akron

Notes to Financial Statements - Continued

7. Employee Benefit Plans - Continued

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 \$56,110,568 (\$54,506,514 to the current unrestricted fund and \$1,604,054 to the auxiliary enterprises fund). The University's annual budget process includes a systematic salary savings set-aside to fund the principal plus interest payments at 7.75% due on June 30 of each year. Through June 30, 2000, \$31,722,374 of principal and \$5,880,208 of interest have been paid. The aggregate minimum annual principal payments required for fiscal years subsequent to June 30, 2000 are as follows:

Fiscal Year:	Current Unrestricted	Auxiliary Enterprises	Total
2001	\$ 8,077,070	\$ 194,926	\$ 8,271,996
2002	6,191,807	174,012	6,365,819
2003	4,430,321	156,065	4,586,386
2004	3,340,747	115,459	3,456,206
2005	1,623,715	84,072	1,707,787
Total minimum principal payments	<u>\$ 23,663,660</u>	<u>\$ 724,534</u>	<u>\$ 24,388,194</u>

In order to provide funds to pay the appropriate retirement system for purchased service credit; a) the program requires that STRS positions remain vacant for one year (SERS positions can be filled immediately where justified); b) for the 1994 and 1996 windows 50% of the positions were returned to the college/administrative unit of the retiree, while 50% were held by the President. For the 1998 and 2000 windows, 100% of positions of retirees are allocated to the responsible vice president; and c) STRS (after the year of vacancy) and SERS positions are subsequently funded at 67% and 80%, respectively, of the retiree's salary at retirement, leaving 33% and 20% as an additional funding source for payment to the appropriate retirement system. Revising the allocation to return 100% of the retiree positions to the appropriate vice president provides greater flexibility and allows for the strategic reallocation of position funding to the campus.

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 2000 and 1999, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled \$835,229 and \$850,765, respectively.

7. Employee Benefit Plans - Continued

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 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 8% of covered payroll to a Health Care Reserve Fund from which health care benefits are paid. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999. For the year ended June 30, 1999, the net health care costs paid by STRS were \$249,929,000 and there were 95,796 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, 1999, the most recent data available, the allocation rate is 6.30%. 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 1999, 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 150% of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

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 ARPs formed as Section 401(a) defined contribution plans. The legislation required employees to contribute at the same rates as stated above, while the employer continued to contribute 6% to the State funds and 7.5% to the ARPs. The University holds one-half of the one percent for administrative expenses. The employer contribution rate is based on independent actuarial studies. Near fiscal year end, the actuarial commission completed its first study and recommended changes in the employer rate. By resolution of the University's Board of Trustees, the change in benefit rates are passed to the ARP members.

7. Employee Benefit Plans - Continued

The adjusted rates for contributions to the state funds are 5.76% to STRS and 3.10% to SERS. The rates for contributions to the ARPs are 7.74% for STRS members and 10.40% for SERS members. All adjustments are retroactive to July 1, 1999. ARP participant earnings for the year ending June 30, 2000 were \$10,246,689 for STRS members and \$1,704,278 for SERS members. The ARPs 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 potential losses from certain 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 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.

The University has been appropriated approximately \$31,000,000 of funds from the State of Ohio for building and renovation, of which approximately \$5,200,000 has been expended as of June 30, 2000. In addition, several University-funded construction projects will cost an estimated \$110,265,000 to complete as of June 30, 2000.

The University of Akron

Notes to Financial Statements - Continued

9. Related Party Transactions

The University of Akron Foundation (the 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 2000 and 1999. The Foundation's financial activity is not included in The University's financial statements. During the years ended June 30, 2000 and 1999, the Foundation distributed approximately \$6,806,618 and \$5,579,055, respectively, to The University, and the balance of earnings was reinvested for future development of The University.

The University had assets under capital lease agreements with the Foundation aggregating \$853,112 and \$1,224,283 at June 30, 2000 and 1999, with remaining lease obligations of \$172,710 and \$259,085, respectively. Rental payments by The University to the Foundation under the terms of operating lease agreements for both fiscal years 2000 and 1999 were \$18,350 (see Note 5).

At June 30, 2000 and 1999, The University had receivables representing scholarships and other fund transfers of \$124,877 and \$28,259, respectively, from the Foundation.

Summary financial information of the Foundation at June 30, 2000 is as follows:

	Net Assets	Revenues	Expenditures Exclusive of Distributions
	<u> </u>	<u> </u>	<u> </u>
Unrestricted	\$ 8,650,778	\$ 9,271,113	\$ 1,163,829
Temporarily restricted	90,495,817	32,627,847	132,687
Permanently restricted	63,628,216	11,200,021	(132,687)
	<u>\$ 162,774,811</u>	<u>\$ 53,098,981</u>	<u>\$ 1,163,829</u>

The Foundation's investments had a book value of \$98,951,557 and a market value of \$168,237,611 at June 30, 2000.

The University of Akron

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2000

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		\$ 10,743,286
Federal Supplemental Educational Opportunity Grant	84.007		620,506
Federal College Work-Study	84.033		875,775
Federal Perkins Loans (Note 2)	84.038		141,820
Federal Family Education Loan Program (Note 4)	84.032		
Total Department of Education			12,381,387
Department of Health and Human Services:			
Direct programs:			
Nursing Student Loans (Note 3)	93.364		
Total Student Financial Aid-Cluster			12,381,387
Research and Development—Cluster			
Department of Agriculture:			
Direct program:			
USDA 99-35504-7823-CAKMAK	10.206		(1,390)
Pass-through program:			
University of Arizona*	10.001		910
Total Department of Agriculture			(480)
Department of Commerce:			
Direct program:			
Measurement and Engineering Research and Standards	11.609		20,459
Pass-through program:			
Ohio State University*	11.417		4,459
Total Department of Commerce			24,918
United States Army:			
Direct program:			
Military Medical Research and Development	12.420		23,134
United States Army—Basic Scientific Research	12.431		97,828
Total direct programs			120,962
Pass-through program:			
North Carolina State University	12.431	DAAH04-96-1-0018	322,115
Total United States Army			443,077

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	(261)
Molecular Optoelectronics*	12.800		379
Universal Technology Corporation	12.800	F33615-97-D-5009 F33615-94-C-5800	22,501
Tech Management*	12.800		3,441
McDonnell Douglas, Inc.	12.800	F33615-94-C-3400	33,884
Total United States Air Force			59,944
Defense Advanced Research Programs Agency:			
Pass-through program:			
S.F.S.T.*	12.910		620
Department of the Interior:			
Pass-through program:			
Ohio University*	15.808		13,551
Department of Justice:			
Direct program:			
U.S. Department of Justice	16.303		46,597
Pass-through program:			
A.B.T. Associates*	16.560		191,174
Total Department of Justice			237,771
Federal Aviation Administration:			
Pass through program:			
Case Western Reserve University	20.108	95-G-016	7,080

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
National Aeronautics and Space Administration—Glen:			
Direct program:			
Technology Transfer	43.002		1,234,140
Pass-through program:			
Maverick Corporation	43.002	NAS3-98024	7,743
National Aeronautics and Space Administration—Langley:			
Direct program:			
Technology Transfer	43.002		16,677
Total National Aeronautics and Space Administration			1,258,560
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Humanities	45.160		447
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		714,294
Mathematical and Physical Sciences	47.049		1,021,573
Geosciences	47.050		54,823
Biological Sciences	47.074		73,506
Social, Behavioral, and Economic Sciences	47.075		22,023
Academic Research Facilities and Instrumentation	47.077		270,081
Total direct programs			2,156,300
Pass-through programs:			
Cleveland State University	47.041	CTS-9725256	28,284
University of Nebraska	47.041	DMI-9523022	60,430
Michigan State University*	47.041		3,815
State University of New York	47.041	CTS-9711135	46,764
Total 47.041			139,293
University of Nebraska	47.049	DMI-9523022	(4,312)
Texas A&M*	47.050		6,437
Kent State University	47.067	DMR-8920147	
		DMR-9714254	253,926
Case Western Reserve University	47.073	ECD-9108700	2,879
Cleveland State University*	47.074		808
Total pass-through programs			399,031
Total National Science Foundation			2,555,331

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
Environmental Protection Agency:			
Direct program:			
Air pollution Control Research	66.501		393
Pass-through Programs:			
Great Lakes Program	66.469	R-826596-01-0	27,029
Kent State University*	66.606		4,154
Total pass-through programs			31,183
Total Environmental Protection Agency			31,576
Department of Energy:			
Direct program:			
Department of Energy	81.000		300,821
Pass-through program:			
Ohio State University*	81.114		41,284
Total Environmental Protection Agency			342,105
Department of Health and Human Services:			
Direct programs:			
HHS	93.000		201,507
Nurse Anesthetist Traineeships	93.124		7,695
Mental Health Research Grants	93.242		15,720
Drug Abuse Scientist Development	93.277		106,650
Professional Nurse Traineeships	93.358		52,048
Nurse Training Improvement—Special Projects	93.359		84,396
Academic Research Enhancement Award	93.390		32,274
Heart and Vascular Diseases Research	93.837		15,459
Lung Diseases Research	93.838		17,740
Microbiology and Infectious Disease	93.856		26,047
Aging Research	93.866		21,577
Minority Access to Research Careers	93.880		14,094
Scholarships for Health Profession Students	93.925		66,455
Total direct programs			661,662

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 programs:			
Summit County (State of Ohio) Human Services*	93.000		149,586
Target Cities*	93.196		801,404
Missouri Institute of Mental Health*	93.196		160,017
Software Support for CIAI*	93.196		57,341
P.E.T.S.*	93.196		313,287
WESTAT*	93.196		106,636
Total 93.196			1,438,685
SUMMA Health Systems*	93.225		28,570
Case Western Reserve University*	93.886		32,506
O.D.A.D.A.S.*	93.959		183,734
Total pass-through programs			1,833,081
Total Department of Health and Human Services			2,494,743
Total Research and Development-Cluster			7,469,243
 Child Nutrition-Cluster			
Department of Agriculture			
Direct program:			
Summer Food Service Program for Children	10.559		5,168
Pass-through programs:			
Office of Education*	10.559		9,716
Firestone Endowment*	10.559		1,329
Total pass-through programs			11,045
Total Child Nutrition-Cluster			16,213
 Special Education-Cluster			
Department of Education			
Pass-through program:			
Barberton Decker Center*	84.173		100,673

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
TRIO-Cluster			
Department of Education			
Direct programs:			
Talent Search	84.044		368,000
Upward Bound	84.047		401,369
Upward Bound Math/Science	84.047		200,501
Total 84.047			601,870
Total TRIO-Cluster			969,870
Other Programs			
Instruction			
Department of Labor:			
Pass-through program:			
Ohio State University*	17.249		8,726
Department of Education:			
Direct programs:			
Graduate Assistance in Areas of National Need	84.200		109,454
McNair Post-Baccalaureate Achievement	82.217		46,726
Total direct programs			156,180
Total Instruction			164,906
Public Service			
Pass-through program:			
Center for Child Development*	10.558		19,460
Department of Defense:			
Direct program:			
Air Force ROTC Uniform	12.000		15,819
Defense Logistics Agency:			
Pass-through program:			
Procurement Technical Assistance for Business Firms*	12.002		6,152
U.S. Department of Housing and Urban Development:			
Pass-through programs:			
City of Akron/Knight Family Education*	14.000		969

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
Department of Labor:			
Pass-through programs:			
School to Work*	17.200		22,984
Employment and Training Assistance-Dislocated Workers*	17.246		(6,957)
Total Department of Labor			16,027
National Science Foundation:			
Direct programs:			
Geosciences	47.050		23,096
Education and Human Resources	47.076		164,888
Total National Science Foundation			187,984
Small Business Administration:			
Direct Program:			
Center for Small Business	59.005		1,020
Pass-through program:			
Akron Regional Development Board*	59.037		57,603
Total Small Business Administration			58,623
Department of Education:			
Direct program:			
Gear Up	84.334		45,145
Pass-through programs:			
Vocational Education Basic Grants to States*	84.048		53,694
University of Illinois	84.133	H133B30069	32,373
OBR Eisenhower*	84.168		36,437
Ohio Department of Education—Self Even Start*	84.213		175,017
Ohio Department of Education—Tech Prep*	84.243		270,815
OBR Teacher Quality Enhancements*	84.336		1,434
Total pass-through programs			569,770
Total Department of Education			614,915
Department of Health and Human Services:			
Direct programs:			
Nursing Education Opportunities for Individuals from Disadvantaged Backgrounds	93.178		128,042
Community Food and Nutrition	93.571		11,430
Total direct programs			139,472

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 programs:			
IWOSAN*	93.000		12,414
Summit County Healthy 2000*	93.194		33,748
CWRU-Alemagno	93.273	5R01-AA-10847-02	4,989
SPAHEN*	93.359		31,314
NCAA Youth Sport*	93.570		65,068
Barberton Decker Center*	93.593		212,681
OBR/CSCC Job Prep.*	93.593		87,581
Summit County DHHS - Advancing Up*	93.593		85,798
OBR Work Study*	93.593		(2,150)
Total 93.593			531,443
Barberton Decker Center*	93.667		323,415
Total pass-through programs			854,858
Total Department of Health and Human Services			994,330
Corporation for National and Community Service:			
Pass-through programs:			
Center for Healthy Communities*	94.005		1,469
Total Public Service			1,915,748
Total Other Programs			2,080,654
Total Expenditures of Federal Awards			\$ 23,018,040

* 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	\$ 11,265
Department of Justice:		
Pass-through programs:		
Cleveland State University	16.560	4,641
City of Cleveland	16.560	4,934
		<u>9,575</u>
National Science Foundation:		
Pass-through programs:		
Inventure Place Inc.	47.076	38,808
Department of Energy:		
Pass-through programs:		
Illinois Institute of Technology	81.000	44,712
Department of Education:		
Pass-through programs:		
Summit County Educational	84.213	130,602
Six District Education	84.213	21,148
		<u>151,750</u>
Medina Co. Career	84.243	10,000
Wayne Co. Career	84.243	19,499
East High	84.243	9,185
		<u>38,684</u>

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
Department of Health and Human Services:		
Pass-through programs:		
Cleveland Treatment Center	93.196	20,790
University of California Los Angeles	93.196	38,362
Bryn-Mawr College	93.196	22,408
Sharon Hunt, LICSW	93.196	13,333
Multnomah County Oregon	93.196	38,193
State of Washington Department of Social and Health Services	93.196	40,000
Treatment Alternative for Safe Communities	93.196	128,606
State of Washington Department of Social and Health Services	93.196	10,061
University of California Los Angeles	93.196	14,691
Cleveland Treatment Center	93.196	276,433
Treatment Alternative for Safe Communities	93.196	6,062
Public Health Institute	93.196	6,849
University of California Los Angeles	93.196	7,751
State of Washington Department of Social and Health Services	93.196	28,691
Total Department of Health and Human Services		652,230
 Myers Research Institution	 93.242	 13,182
 DFR Group	 93.277	 16,387
DFR Group	93.277	10,613
		27,000
 Access Inc.	 93.359	 10,000
Alpha Phi Alpha Homes	93.359	10,000
Akron Health Department	93.359	150
North American Indian	93.359	10,000
		30,150
 Summa Health	 93.571	 845
 Research Triangle Institute	 93.959	 21,451
Wright State	93.959	8,566
Total pass-through dollars provided to subrecipients		\$ 1,048,219

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:

	<u>CFDA Number</u>	<u>Outstanding Balance at June 30, 2000</u>
Federal Perkins Loan Program	84.038	\$ 10,529,580

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

	<u>CFDA Number</u>	<u>Disbursements</u>
Federal Perkins Loan Program	84.038	\$ 1,242,448

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:

	<u>CFDA Number</u>	<u>Outstanding Balance at June 30, 2000</u>
Nursing Student Loan Program	93.364	\$ 941,454

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

	<u>CFDA Number</u>	<u>Disbursements</u>
Nursing Student Loan Program	93.364	\$ 106,275

4: During the fiscal year ending June 30, 2000, 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):

	<u>CFDA Number</u>	<u>Amount Processed</u>
Federal Family Education Loans Program	84.032	\$ 49,531,165



Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements 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, 2000, and have issued our report thereon dated September 22, 2000. 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 22, 2000.

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 22, 2000.

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 22, 2000



Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and on 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 each of its major federal programs for the year ended June 30, 2000. 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, 2000.



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 22, 2000

The University of Akron

Schedule of Findings and Questioned Costs

Year Ended June 30, 2000

Part I—Summary of Auditor’s Results

Financial Statement Section

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

Federal Awards Section

Dollar threshold used to determine Type A programs:	<u>\$690,541</u>		
Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no	
Type of auditor’s report on compliance for major programs:	<u>Unqualified Opinion</u>		
Internal Control over compliance:			
Material weakness(es) identified?	<u> </u> 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>
84.063, 84.007, 84.033 84.038, 84.032, 93.364	Student Financial Aid—Cluster
84.044, 84.047	Trio—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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2000**