

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

**Financial Report
With Supplemental Information**

June 30, 2013



Dave Yost • Auditor of State

Board of Trustees
The University of Akron
302 Butchel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron, Summit County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 30, 2013

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The University of Akron

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The University of Akron

Management's Discussion and Analysis

June 30, 2013

The discussion and analysis of The University of Akron's (The University) annual financial performance provides an overall review of The University's financial activities for the fiscal year ended June 30, 2013. This discussion and analysis views The University's financial performance as a whole; readers should also review the financial statements and related notes to the financial statements to enhance their understanding of The University's financial performance.

Using the Annual Financial Report

The annual report consists of this Management's Discussion and Analysis, three separate but interrelated financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

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

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

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as Nonoperating revenues; therefore, substantial Operating losses are not uncommon for public colleges and universities. For the fiscal years ended June 30, 2013, 2012, and 2011, the State provided approximately \$100 million, \$105 million, and \$116 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$160 million, \$140 million, and \$141 million, respectively, for each of those years.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized within the activities of *operating, noncapital financing, capital and related financing*, and *investing activities*. Cash flows from *operating* activities generally result from the provision of goods or services in the normal course of doing business and are generally the cash effects of transactions that determine *operating income*. Meanwhile, *noncapital financing activities* typically include borrowing and repaying money for purposes other than acquiring, constructing, or improving capital assets.

Conversely, *Capital and related financing activities* generally include acquiring and disposing of capital assets, borrowing and repaying money for acquiring, constructing, or improving capital assets, and paying for capital assets obtained from vendors on credit. The *investing activities* generally relate to making and collecting loans and acquiring and disposing of debt or equity instruments.

The University is considered a discretely presented component unit of the State of Ohio and as such, The University's financial activity is also included within the State of Ohio's Comprehensive Annual Financial Report.

The University of Akron
 Management's Discussion and Analysis
 June 30, 2013

The University has two discretely presented component units that are combined and reported in separate columns on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. Since the focus of this discussion is on The University, these component units are not included in the amounts below. These component units are described in greater detail in the financial statements and notes to the financial statements.

Table 1 summarizes The University's Statements of Net Position at June 30, 2013, 2012, and 2011.

Table 1
Statements of Net Position (In Thousands)

	2013	2012	2011
Assets:			
Current assets	\$ 172,886	\$ 180,097	\$ 160,329
Restricted assets	50,297	61,250	65,123
Noncurrent assets:			
Capital	710,002	720,823	686,801
Other	73,723	67,394	113,478
Total assets	<u>1,006,908</u>	<u>1,029,564</u>	<u>1,025,731</u>
Liabilities:			
Current liabilities	81,090	79,133	75,976
Noncurrent liabilities	<u>432,377</u>	<u>442,832</u>	<u>453,158</u>
Total liabilities	<u>513,467</u>	<u>521,965</u>	<u>529,134</u>
Net position:			
Net investment in capital assets	308,360	320,624	300,224
Restricted:			
Nonexpendable	26,856	25,824	21,835
Expendable	61,283	52,122	63,748
Unrestricted	<u>96,942</u>	<u>109,029</u>	<u>110,790</u>
Total net position	<u>\$ 493,441</u>	<u>\$ 507,599</u>	<u>\$ 496,597</u>

The University of Akron

Management's Discussion and Analysis

June 30, 2013

Current assets include those highly liquid assets such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses and deferred charges. Current assets decreased \$7.2 million during 2013 and increased \$19.8 million during 2012. There were variations among many of the current asset categories, but the principal causes of the change are from a \$9.2 million decrease within all current cash and investments which was offset by a \$1.9 million increase in accounts receivable during 2013 and a \$14.1 million increase within all current cash and investments during 2012.

Restricted assets consist of cash, cash equivalents, and investments, which resulted from gifts from friends of The University or from other sources that required that the funds be used for some particular purpose. Restricted assets decreased \$11.0 million and \$3.9 million during 2013 and 2012, respectively. The changes are largely attributable to the near-term payment demands of separately-invested bond proceeds.

Noncurrent assets consist of endowment and restricted other investments; pledges and student notes receivable; long-term prepaid expenses and deferred charges; and capital assets. Noncurrent assets decreased \$4.5 million and \$12.1 million during 2013 and 2012, respectively. During 2013, the changes are largely attributable to \$5.6 million increase in endowment investment market value which was offset by a \$10.8 million net decrease in capital asset values. During 2012, the changes are largely from the use of other investments for the South Residence Hall project.

Current liabilities include all items that mature within one year. The current liabilities include accounts payable; accrued liabilities; accrued interest payable; unearned income; deposits; and the short-term portion of long-term liabilities. Current liabilities increased \$2.0 million and \$3.2 million during 2013 and 2012, respectively. There were variations among many of the current liability categories, but the principal cause of the 2013 increase was a \$3.1 million increase in accounts payable which offset reductions in other liabilities. The principal cause of the 2012 increase was a \$10.2 million increase in accrued bond issue interest which offset reductions in other liabilities.

Noncurrent liabilities consist of refundable federal student loans; long-term debt including capital leases and the sick leave and other postemployment benefit liabilities; and long-term unearned income. The most notable change occurred within the long-term liabilities. During 2013 and 2012, respectively, the \$10.5 million and \$10.3 million decreases were due primarily to payments made on The University's long-term debt.

As reflected earlier, net position represents the difference between assets and liabilities and over time are one indicator of improving or eroding financial health. Net position is categorized as Net investment in capital assets; Restricted; or Unrestricted. Restricted net position includes both expendable and nonexpendable components. Net position decreased approximately 2.8%, or \$14.2 million, during 2013 and increased 2.2%, or \$11.0 million, during 2012.

The University of Akron
 Management's Discussion and Analysis
 June 30, 2013

Table 2 summarizes The University's Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2013, 2012, and 2011.

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

	2013	2012	2011
Operating revenues:			
Tuition and fees	\$ 222,811	\$ 228,828	\$ 222,703
Grants and contracts	38,230	39,048	35,114
Sales and services	13,583	14,789	14,572
Auxiliary enterprises	51,452	52,983	50,435
Other operating revenues	519	569	816
Total operating revenues	<u>326,595</u>	<u>336,217</u>	<u>323,640</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	167,595	164,777	160,761
Other educational and general	208,938	205,107	201,353
Auxiliary enterprises	68,037	66,965	64,009
Depreciation	41,572	38,909	38,475
Total operating expenses	<u>486,142</u>	<u>475,758</u>	<u>464,598</u>
Operating loss	<u>(159,547)</u>	<u>(139,541)</u>	<u>(140,958)</u>
Nonoperating revenues (expenses):			
State appropriations	97,020	96,759	95,959
Federal fiscal stabilization funds	-	-	15,664
Federal grants	38,945	42,298	43,035
Gifts and distributions	19,565	19,804	23,249
Other (net)	(12,965)	(17,613)	(10,067)
Net nonoperating revenues	<u>142,565</u>	<u>141,248</u>	<u>167,840</u>
(Loss) gain before other changes	<u>(16,982)</u>	<u>1,707</u>	<u>26,882</u>
Other changes:			
Capital appropriations	2,478	8,082	4,215
Other changes (net)	346	1,213	1,902
Total other changes	<u>2,824</u>	<u>9,295</u>	<u>6,117</u>
(Decrease) increase in net position	<u>(14,158)</u>	<u>11,002</u>	<u>32,999</u>
Net position:			
Net position - beginning of year	<u>507,599</u>	<u>496,597</u>	<u>463,598</u>
Net position - end of year	<u>\$ 493,441</u>	<u>\$ 507,599</u>	<u>\$ 496,597</u>

The University of Akron

Management's Discussion and Analysis

June 30, 2013

The student tuition and fees decreased \$6.0 million or 2.6% during 2013 and increased \$6.1 million or 2.8% during 2012. The changes in tuition and fees are attributed to the student headcount, student credit hours taken, and fees charged. The University's total student headcount decreased approximately 3% in the Fall 2012 census and increased approximately 1% in the Fall 2011 census. Along with headcount, the total student credit hours (or actual courses taken) decreased 3% in 2013 and increased 1% in 2012. Tuition and general fees were increased 3.5% for both the 2013 and 2012 academic years.

In addition to the fees collected, GASB requires the portion of student aid which is provided in the form of reduced tuition to be reported as a reduction of revenue. This reduction, or scholarship allowance, for student tuition increased \$2.7 million to \$45.2 million in 2013 and increased \$0.9 million to \$42.5 million in 2012.

The combined federal, state, local, and private grants and contracts revenue levels represent The University's continued pursuit of federal, state, local, and private funding for research-related activities. The largest component of these revenues was from federal sources. The largest sources of federal revenue were (in millions):

Agency	2013	2012	2011
Department of Defense	\$ 6.39	\$ 6.96	\$ 2.97
National Science Foundation	4.48	3.84	3.85
Department of Education	4.32	5.08	7.33
National Aeronautics and Space Administration	1.82	1.42	1.44
Department of Health and Human Services	1.61	1.07	1.49
Department of Energy	1.04	2.46	1.65
Others	2.30	1.25	1.19
Total federal revenues	<u>\$ 21.96</u>	<u>\$ 22.08</u>	<u>\$ 19.92</u>

Sales and services revenue are from certain operations, which provide services to both students and other departments within The University campus. The most significant of these operations was The Computer Store, which generated sales totaling \$2.7 million for 2013 and \$3.3 million for 2012.

Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing the services. The University's auxiliary services include the residence halls, student unions, intercollegiate athletics and athletic facilities, parking services, E.J. Thomas Performing Arts Hall, telecommunications, and dining facilities. Auxiliary enterprises revenue decreased \$1.5 million during 2013 and increased \$2.5 million during 2012. The predominant revenues within this area are from (in millions):

Auxiliary	2013	2012	2011
Residence halls	\$ 19.40	\$ 18.90	\$ 19.10
Dining facilities	16.50	17.41	16.40
Parking and transportation services	9.30	9.50	9.60

In addition to the auxiliary enterprises revenue, the portion of student aid which is reported as a reduction of auxiliary revenue, or scholarship allowance, increased \$0.4 million to \$6.1 million in 2013 and decreased slightly to \$5.7 million in 2012.

The educational and general expenses category is the single largest category of expenses and includes all academic and administrative support salary and benefit-related costs. Overall, these expenses increased 1.8% and 2.2% during 2013 and 2012, respectively.

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Management's Discussion and Analysis

June 30, 2013

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses increased \$1.1 million or 1.6% and \$3.0 million or 4.6% in 2013 and 2012, respectively.

Unlike many items that are expensed when purchased, The University capitalizes most long-term assets. The assets are then expensed over estimated useful lives ranging from 3 years for certain equipment to 40 years for buildings. Generally, depreciation expense is predictable from year to year, taking into account items which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Depreciation expense increased \$2.7 million and \$0.5 million in 2013 and 2012, respectively, due to changing levels of capital asset purchases and losses from the disposal of obsolete capital assets.

The state appropriations represent the most significant nonoperating revenue source for The University. In 2011, state appropriations were enhanced with fiscal stabilization funding from the federal government to the State of Ohio. Together, the state appropriations, fiscal stabilization funding, and student tuition and fees are the predominant resources used to fund The University's daily operations. The state appropriations increased \$0.3 million in 2013 and the combined funding decreased \$14.9 million in 2012 due to the end of fiscal stabilization funding.

The State of Ohio also provides capital appropriations to The University. Unlike the operating resources reflected previously, these resources are provided to help with The University's capital needs. The funding is provided through the Ohio Board of Regents (OBR) based upon certain formulas and a capital plan provided by The University. The capital appropriations decreased \$5.6 million and \$12.8 million in 2013 and 2012, respectively.

The University also records Pell grant awards as nonoperating federal grant revenue. Pell grant revenue decreased \$3.4 million or 7.9% during 2013 and decreased \$0.7 million or 1.7% during 2012.

The University views continued donor support as a vital ingredient to its continued success. Many student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. The University receives gifts from a wide array of friends including alumni, the business community, and foundations. Oftentimes, gifts and awards are accompanied by donor restrictions. In those cases, The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. For 2013 and 2012, gifts and grants for these purposes and additions to permanent endowments totaled \$19.9 million and \$21.0 million, respectively.

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

Investment income, including the unrealized change in fair value of investments, totaled \$7.6 million and \$1.8 million during 2013 and 2012, respectively. Investment income, net of investment expenses, increased \$4.9 million in 2013 and decreased \$4.6 million in 2012. The changes are due to overall fluctuations in returns on all investments. Those investments were not redeemed; nevertheless, GASB Statement No. 31 requires those investments be reported at fair value for financial statement reporting purposes. Meanwhile, the \$0.9 million net increase and \$5.7 million net decrease in 2013 and 2012, respectively, within net unrealized appreciation on investments occurred because of market conditions as of fiscal year end and the fair value of the investments changing substantially. Once again, those investments were not redeemed, but were adjusted to fair value for financial statement reporting purposes. The University reviewed its investment policies over the past two years and modified its strategies to reduce the portfolio's vulnerability to significant market fluctuations while maintaining certain returns.

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Management's Discussion and Analysis

June 30, 2013

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense increased \$1.3 million to \$20.5 million in 2013 and decreased by \$0.4 million to \$19.2 million in 2012.

Capital Assets and Long-term Debt Activity

The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2013 and 2012, additions to capital assets approximated \$84.2 million and \$38.4 million, respectively, net of construction in progress additions. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled \$372.6 million, \$383.3 million and \$394.2 million in 2013, 2012 and 2011, respectively. During 2013, The University issued \$31.8 million of General Receipts Refunding Bonds, Series 2012A. The proceeds of the Series 2012 Bonds were used to refund \$19.0 million and \$11.6 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, to pay issuance costs. No additional long-term debt was issued during 2012. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.

Factors Impacting Future Periods

The student tuition and fees and state appropriations are the principal revenue sources which supported The University's annual operations. For both 2013 and 2012, those revenue sources alone represented \$321.2 million and \$325.6 million, respectively, of The University's total operating and nonoperating revenues while the aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled \$172.0 million and \$180.7 million, respectively.

The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by these major revenue sources. To reverse the enrollment decline experienced from 2012 to 2013, the University has begun strategic initiatives to improve retention and stabilize enrollment. The University is also pursuing opportunities to diversify its revenue sources. In addition, the University is budgeting to better align with its revenue fluctuations and to control expenses.

Independent Auditor's Report

To the Board of Trustees
University of Akron

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Akron (the "University") and its discretely presented component units as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise The University of Akron's basic financial statements as listed in the table of contents. These basic financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
University of Akron

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Akron and its discretely presented component units as of June 30, 2013 and 2012 and the changes in its financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2012, the University adopted new accounting guidance under GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. Our opinion is not modified in respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified on pages 1 through 7, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The University of Akron's financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

To the Board of Trustees
University of Akron

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of The University of Akron's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2013. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The University of Akron's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2013

The University of Akron

Statements of Net Position

June 30, 2013 and 2012

	The University of Akron		Component Units	
	2013	2012	2013	2012
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,744,089	\$ 11,363,493	\$ 1,578,634	\$ 1,610,531
Pooled investments	119,689,350	129,249,066	-	-
Accounts receivable, net	34,085,363	32,143,750	2,587,870	2,081,387
Pledges receivable, net	92,460	153,624	1,780,493	2,300,480
Notes receivable, net	1,566,450	1,773,470	-	-
Accrued interest receivable	755,174	631,463	-	-
Inventories	767,941	986,501	-	-
Prepaid expenses and deferred charges	4,185,645	3,795,902	69,500	36,771
Total current assets	172,886,472	180,097,269	6,016,497	6,029,169
Restricted assets:				
Cash and cash equivalents	3,103,323	6,210,946	1,450,904	1,734,935
Pooled investments	37,621,130	32,716,746	4,875,177	4,126,553
Investments held in trust by others	9,572,805	10,485,857	-	-
Other investments	-	11,836,741	2,479,641	2,681,897
Total restricted assets	50,297,258	61,250,290	8,805,722	8,543,385
Noncurrent assets:				
Endowment investments	58,691,663	53,114,856	148,230,306	135,250,994
Restricted other investments	1,499,124	-	250,735	380,120
Pledges receivable, net	86,117	159,458	7,810,938	9,634,638
Notes receivable, net	8,426,000	8,899,698	-	-
Prepaid expenses and deferred charges	5,019,979	5,218,963	-	-
Capital assets, net	710,001,884	720,823,070	20,325,602	14,203,964
Total assets	1,006,908,497	1,029,563,604	191,439,800	174,042,270
LIABILITIES				
Current liabilities:				
Accounts payable	7,854,169	4,769,893	3,051,695	2,938,025
Accrued liabilities	22,613,202	23,269,114	713,181	1,053,829
Accrued interest payable	9,564,406	10,477,469	-	-
Unearned income	24,161,266	23,743,762	2,714,637	2,302,676
Deposits	1,811,260	1,862,338	2,479,641	2,681,897
Current portion of long-term liabilities	15,086,062	15,010,414	5,250,702	56,010
Total current liabilities	81,090,365	79,132,990	14,209,856	9,032,437
Noncurrent liabilities:				
Refundable federal student loans	11,755,896	11,670,533	-	-
Actuarial liability for annuity/unitrust agreements	-	-	14,251,586	14,446,728
Long-term liabilities	420,621,105	431,161,548	2,703,660	2,763,056
Total liabilities	513,467,366	521,965,071	31,165,102	26,242,221
NET POSITION				
Net investment in capital assets	308,360,220	320,624,242	17,621,942	11,440,908
Restricted:				
Nonexpendable:				
Endowment	26,855,695	25,823,630	97,968,190	95,502,067
Expendable:				
Research and gifts	30,624,469	31,047,860	-	-
Loans	788,844	756,904	-	-
Endowment	21,637,570	18,107,529	51,132,358	46,575,793
Capital projects	8,205,075	2,182,438	-	-
Debt service	27,572	27,511	-	-
Unrestricted	96,941,686	109,028,419	(6,447,792)	(5,718,719)
Total net position	<u>\$ 493,441,131</u>	<u>\$ 507,598,533</u>	<u>\$ 160,274,698</u>	<u>\$ 147,800,049</u>

The University of Akron
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended June 30, 2013 and 2012

	The University of Akron		Component Units	
	2013	2012	2013	2012
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowance of \$45,159,084 and \$42,518,816)	\$ 222,810,654	\$ 228,828,084	\$ -	\$ -
Federal grants and contracts	21,960,318	22,079,230	232,353	139,439
State grants and contracts	7,105,409	6,329,138	-	-
Local grants and contracts	655,639	496,251	-	-
Private grants and contracts	8,508,472	10,143,882	8,221,649	8,394,184
Gifts and contributions	-	-	6,776,971	5,400,750
Sales and services	13,583,252	14,788,851	-	-
Auxiliary enterprises (net of scholarship allowance of \$6,084,681 and \$5,717,769)	51,451,885	52,982,703	-	-
Other sources	519,021	569,243	2,200,021	1,614,348
Total operating revenues	<u>326,594,650</u>	<u>336,217,382</u>	<u>17,430,994</u>	<u>15,548,721</u>
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	167,594,873	164,776,618	-	-
Separately budgeted research	35,131,969	30,042,569	5,413,290	5,435,522
Public service	13,911,269	15,323,350	-	-
Academic support	38,665,056	35,118,579	-	-
Student services	14,506,496	14,491,727	-	-
Institutional support	53,002,898	53,246,405	793,551	740,305
Operation and maintenance of plant	25,639,046	25,533,253	-	-
Scholarships and fellowships	28,081,294	31,351,733	-	-
Auxiliary enterprises	68,036,479	66,964,660	-	-
Depreciation	41,572,495	38,908,921	452,962	382,350
Total operating expenses	<u>486,141,875</u>	<u>475,757,815</u>	<u>6,659,803</u>	<u>6,558,177</u>
Operating (loss) income	<u>(159,547,225)</u>	<u>(139,540,433)</u>	<u>10,771,191</u>	<u>8,990,544</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	97,019,826	96,758,584	-	-
Federal grants	38,945,268	42,297,946	-	-
Gifts	6,355,327	7,869,560	-	-
Investment income, net	7,628,241	1,794,478	13,046,919	(4,482,224)
Interest on debt	(20,487,785)	(19,193,761)	47,356	(373,532)
Distributions to The University	13,210,172	11,934,031	(13,210,172)	(11,934,031)
Distributions on behalf of The University	-	-	(645,062)	(1,002,772)
Other nonoperating (expenses) revenues	(105,621)	(213,156)	520,482	422,378
Net nonoperating revenues (expenses)	<u>142,565,428</u>	<u>141,247,682</u>	<u>(240,477)</u>	<u>(17,370,181)</u>
(Loss) income before other changes	<u>(16,981,797)</u>	<u>1,707,249</u>	<u>10,530,714</u>	<u>(8,379,637)</u>
OTHER CHANGES				
State capital appropriations	2,477,674	8,081,596	-	-
Capital gifts and grants	207,705	954,400	-	-
Additions to permanent endowments	139,016	258,444	1,943,935	7,016,670
Total other changes	<u>2,824,395</u>	<u>9,294,440</u>	<u>1,943,935</u>	<u>7,016,670</u>
(Decrease) increase in net position	<u>(14,157,402)</u>	<u>11,001,689</u>	<u>12,474,649</u>	<u>(1,362,967)</u>
NET POSITION				
Net position - beginning of year	<u>507,598,533</u>	<u>496,596,844</u>	<u>147,800,049</u>	<u>149,163,016</u>
Net position - end of year	<u>\$ 493,441,131</u>	<u>\$ 507,598,533</u>	<u>\$ 160,274,698</u>	<u>\$ 147,800,049</u>

The University of Akron

Statements of Cash Flows

June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 224,221,253	\$ 228,603,352
Grants and contracts	36,891,104	32,049,957
Auxiliary enterprises	50,036,787	52,871,124
Sales and service of educational activities	13,583,252	14,788,851
Payments to suppliers	(105,821,109)	(99,366,198)
Payments for compensation and benefits	(306,530,384)	(301,846,763)
Payments for scholarships and fellowships	(29,020,919)	(31,754,850)
Loans issued to students	(1,011,912)	(698,466)
Collection of loans to students	1,528,088	1,560,455
Other payments	(531,282)	(778,343)
Net cash used in operating activities	(116,655,122)	(104,570,881)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	97,019,826	96,758,584
Gifts, grants and contracts for other than capital purposes	58,654,841	62,311,140
Private gifts for endowment purposes	139,016	258,444
Other payments	(105,621)	(213,156)
Net cash provided by noncapital financing activites	155,708,062	159,115,012
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	31,815,000	-
Repayment of capital debt	(30,510,000)	-
Capital appropriations	2,477,674	8,081,596
Capital grants and gifts received	893,048	1,258,926
Purchases of capital assets	(34,107,998)	(72,460,512)
Principal paid on capital debt and leases	(13,840,476)	(18,490,921)
Interest paid on capital debt and leases	(20,518,216)	(30,650,437)
Collection of loans issued for capital purposes	164,542	139,566
Net cash used in capital financing activites	(63,626,426)	(112,121,782)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	257,541,515	198,005,965
Interest on investments	6,937,002	1,846,581
Purchase of investments	(242,632,058)	(174,721,087)
Net cash provided by investing activities	21,846,459	25,131,459
Net decrease in cash and cash equivalents	(2,727,027)	(32,446,192)
Cash and cash equivalents - beginning of the year	17,574,439	50,020,631
Cash and cash equivalents - end of the year	\$ 14,847,412	\$ 17,574,439

(continued)

The University of Akron

Statements of Cash Flows

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (159,547,225)	\$ (139,540,433)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	41,572,495	38,908,921
Changes in assets and liabilities:		
Accounts receivable, net	(1,781,151)	(5,250,910)
Notes receivable, net	516,176	861,989
Inventories	218,560	(47,475)
Prepaid expenses and deferred charges	(241,753)	(414,252)
Accounts payable	753,047	719,103
Accrued liabilities	(655,912)	(350,649)
Unearned income	417,504	(2,123,002)
Deposits held for others	(51,078)	344,254
Sick leave liability	363,168	822,193
OPEB liability	1,695,684	1,494,130
Refundable federal student loans	85,363	5,250
Net cash used in operating activities	<u>\$ (116,655,122)</u>	<u>\$ (104,570,881)</u>

The University of Akron
Notes to Financial Statements
June 30, 2013 and 2012

1. Summary of Significant Accounting and Reporting Policies

Organization

The University of Akron (The University) is a coeducational, degree granting state university which was established by the General Assembly of the State of Ohio (the State) in 1967 by statutory act under Chapter 3359 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In addition to the main campus, The University operates one branch campus, Wayne College in Orrville, Ohio; and at additional locations: the Medina County University Center in Medina, Ohio, the Holmes Campus of Wayne College in Millersburg, Ohio, UA Lakewood in Lakewood, Ohio, and the Midpoint Campus Center in Brunswick, Ohio. The Midpoint Campus Center is a partnership with Lorain County Community College (LCCC).

The University, together with Kent State University and Youngstown State University, created a consortium to establish and govern Northeastern Educational Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio. The University, along with several partners, formed the Austen BioInnovation Institute in Akron (ABIA) to develop biomaterial and medical research, education, clinical services and commercialization. The University, along with several governmental and private partners in Akron, created the University Park Alliance (UPA) to implement a comprehensive urban reinvestment development plan in the University Park neighborhood which adjoins The University. 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. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Comprehensive Annual Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to the State retirement programs for certain University employees.

Furthermore, in accordance with GASB Statement No. 61, two discretely presented component units are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to The University in support of its programs. The Research Foundation promotes, encourages, and provides assistance to the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 11.

Basis of Accounting

The financial statements of The University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Measurement Focus and Financial Statement Presentation

The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities (an amendment of GASB No. 34)*. The presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net position, revenues, expenses, and changes in net position and cash flows.

The University of Akron
Notes to Financial Statements
June 30, 2013 and 2012

1. Summary of Significant Accounting and Reporting Policies - continued

Operating revenues and expenses generally result from providing educational and instructional services in connection with The University's principal ongoing operations. The principal operating revenues include student tuition. The University also recognizes as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition, including State share of instruction, are reported as nonoperating revenues and expenses.

The Foundation and the Research Foundation are not-for-profit organizations that report under FASB reporting standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's or the Research Foundation's financial information in The University's financial report for these differences.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The University does not invest in derivatives. Unrealized gains and losses on investments are recorded as a nonoperating revenue or expense on the Statement of Revenues, Expenses, and Changes in Net Position. Investments for bond issue proceeds and the income earned on those investments are separately managed and recorded on the Statements of Net Position as restricted other investments in noncurrent assets.

Inventories

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

Accounts Receivable

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

Pledges Receivable

The University records pledges and unconditional promises to give as receivables and revenue in the year the pledge is made. Those that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are made. Amortization of the discounts is included in gift revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Unearned Income

Unearned income includes tuition and fees relating to summer sessions that are conducted in July and August. Unearned income also includes amounts received in advance from grant and contract sponsors that have yet to be earned under the terms of the agreements. The amounts which are unearned are recognized as revenue in the following fiscal year or when earned.

Endowment and Quasi Endowments

The University's Board of Trustees established an investment policy with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of The University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 5%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

The University of Akron
Notes to Financial Statements
June 30, 2013 and 2012

1. Summary of Significant Accounting and Reporting Policies - continued

Capital Assets

Capital assets are recorded at cost or, if acquired by gift, at an appraised value at the date of gift. The University's capitalization threshold is \$100,000 for building renovations and \$5,000 for other capitalized items. Infrastructure assets are included in the financial statements and are depreciated. Expenditures for construction in progress are capitalized as incurred and depreciated when put into service. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts and any gain or loss on disposal is recognized. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed. The estimated useful lives are as follows:

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

Capitalization of Interest

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. Capitalization of interest cost of the borrowings is reduced by interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

Compensated Absences

Staff employees earn vacation at rates specified under State law and upon termination are entitled to a maximum payout of the amount earned in the last three years. Full-time administrators and 12-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 44 days with the maximum payable upon termination of employment of 22 days. The University accrued a vacation liability equal to the number of days accrued by each eligible employee up to the maximum allowed by the respective employee group.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave with a maximum of 240 hours.

Service Organization

The University processes certain Lorain County Community College (LCCC) data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data is also stored on University equipment. The data processing functions are performed and managed by University employees. As such, The University is a service organization as prescribed by Statement on Standards for Attestation Engagements (SSAE) No. 16 while LCCC is a user organization.

Change in Accounting Principle

Effective with the fiscal year ended June 30, 2013, The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard renames "net assets" as "net position" and provides financial reporting guidance for deferred inflows and outflows of resources and defines those elements as consumption of net position by the University that is applicable to a future reporting period, and an acquisition of net position by the University that is applicable to a future reporting period, respectively.

The University of Akron
Notes to Financial Statements
June 30, 2013 and 2012

1. Summary of Significant Accounting and Reporting Policies - continued

Scholarship Allowances and Student Aid

Financial aid to students is reported under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by The University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, on the ratio of using aid not considered to be third-party aid to total aid.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net position is gifts that have been received for endowment purposes. The resources are invested with only the investment income available for purposes established by the donor or, in the case of funds functioning as endowment, by The University. These purposes include loans, scholarships, and departmental support. Expendable restricted net position represents funds that have been awarded or gifted for specific purposes, funds used for capital projects and debt service, and funds held in federal loan programs.

Accounting Standards

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for fiscal years beginning after December 15, 2012. The University has not yet determined the impact that implementation of this statement will have on The University's financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known; however, if we approximate the liability based on the actuarial accrued liability and allocated based on covered payroll, this computes to a liability of approximately \$490 million. The requirements of this Statement are effective for fiscal years beginning after June 15, 2014.

2. Cash and Investments

Cash

At June 30, 2013 and 2012, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$14,847,412 and \$17,574,439 as compared to bank balances of \$19,583,593 and \$20,053,816, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2013 and 2012 bank balances, \$18,990,216 and \$18,438,479, respectively, was uninsured but collateralized with securities held by the depository banks in The University's name.

Investments

In accordance with the *Policies of the Board of Trustees of The University*, the types of investments which may be purchased include United States government securities, federal agency securities, common and preferred stocks, obligations of commercial banks including certificates of deposit, repurchase agreements, notes, debentures, banker's acceptances and commercial paper, obligations of corporations, municipal notes and bonds, and investment programs offered by The Commonfund.

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

2. Cash and Investments - continued

Investments - continued

University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument. The fair value of investments represents published market quotations.

	2013	2012
	Fair Value	Fair Value
Pooled investments:		
U.S. agencies	\$ 40,906,954	\$ 48,683,515
U.S. Treasury	36,570,956	29,898,218
Corporate notes	60,690,710	51,859,326
Municipal issues	1,809,525	-
PFM: Prime Series	17,332,335	31,524,753
Total pooled investments	157,310,480	161,965,812
Endowment investments:		
Marketable securities:		
U.S. Treasury	985,733	1,401,900
U.S. agencies	3,285,272	3,910,746
Common stocks	36,558,455	32,212,921
Managed Fixed Income	1,569,432	341,729
U.S. and corporate bonds	10,316,628	10,288,591
PFM: Government Series	346,452	85,145
PIMCO AAAA	5,618,427	4,856,939
The Commonfund: Private Equity	10,660	15,855
Cash surrender value of life insurance	604	1,030
Total endowment investments	58,691,663	53,114,856
Investments held in trust by others:		
U.S. agencies	9,572,805	10,485,857
Other restricted investments:		
U.S. Treasury	-	3,918,846
Commercial paper sweep	24	5,485,868
Commercial paper	1,499,100	2,432,027
Total other investments	1,499,124	11,836,741
Total investments	\$ 227,074,072	\$ 237,403,266

The GASB requires certain disclosures related to interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2013, The University did not have more than 5% of its fixed-income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2013, The University did not have investments that are subject to foreign currency risk.

To limit exposure to these risks, The University's investment policies set guidelines for maturities based on investment type (short-term or intermediate), limits percentage exposure to a single issuer or market, and requires that a majority of the holdings consist of domestic (U.S.) securities of investment grade (at least rated BBB or BAA) as rated by a nationally recognized statistical rating organization.

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

2. Cash and Investments - continued

Investments - continued

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

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2013 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)					Totals
		Less than 1	1 to 5	6 to 10	More than 10		
PFM: Prime/Government Series	AAA	\$ 17,678,787	\$ -	\$ -	\$ -	\$ -	\$ 17,678,787
U.S. agencies	AA	380,253	26,569,235	4,275,760	9,908,159		41,133,407
Commercial paper sweep	AAA	24	-	-	-		24
Municipal issues	AA	-	1,809,525	-	-		1,809,525
U.S. and corporate notes	AAA	-	1,844,599	-	-		1,844,599
	AA	1,600,000	27,306,369	-	-		28,906,369
	A	2,949,583	26,990,159	-	-		29,939,742
Total U.S. and corporate notes		4,549,583	56,141,127	-	-		60,690,710
U.S. and corporate bonds	AAA	2,355,325	-	-	-		2,355,325
	AA	3,705,435	-	-	-		3,705,435
	A	1,034,232	-	-	-		1,034,232
	BBB	1,207,534	-	-	-		1,207,534
	BB	527,908	-	-	-		527,908
	B	440,602	-	-	-		440,602
	Below B	336,388	-	-	-		336,388
Total U.S. and corporate bonds		9,607,424	-	-	-		9,607,424
Totals		<u>\$ 32,216,071</u>	<u>\$ 84,519,887</u>	<u>\$ 4,275,760</u>	<u>\$ 9,908,159</u>		<u>\$ 130,919,877</u>

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2012 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)					Totals
		Less than 1	1 to 5	6 to 10	More than 10		
PFM: Prime/Government Series	AAA	\$ 31,609,899	\$ -	\$ -	\$ -	\$ -	\$ 31,609,899
U.S. agencies	AAA	1,204,332	37,066,126	5,118,398	5,501,588		48,890,444
Commercial paper sweep	AAA	2,432,027	-	-	-		2,432,027
U.S. and corporate notes	AAA	-	3,580,585	-	-		3,580,585
	AA	2,701,122	19,234,991	-	-		21,936,113
	A	4,891,358	21,451,270	-	-		26,342,628
Total U.S. and corporate notes		7,592,480	44,266,846	-	-		51,859,326
U.S. and corporate bonds	AAA	5,037,960	-	-	-		5,037,960
	AA	650,224	-	-	-		650,224
	A	1,414,624	-	-	-		1,414,624
	BBB	1,340,790	-	-	-		1,340,790
	BB	697,995	-	-	-		697,995
	B	489,638	-	-	-		489,638
	Below B	494,834	-	-	-		494,834
Total U.S. and corporate bonds		10,126,065	-	-	-		10,126,065
Totals		<u>\$ 52,964,803</u>	<u>\$ 81,332,972</u>	<u>\$ 5,118,398</u>	<u>\$ 5,501,588</u>		<u>\$ 144,917,761</u>

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Accounts receivable, net:		
Federal, state, local governments, foundations, and companies	\$ 12,681,353	\$ 12,306,017
Student receivables, net of allowance for doubtful accounts of \$25,973,878 and \$23,149,704, respectively	19,743,331	18,583,269
Other, net of allowance for doubtful accounts of \$44,859 and \$42,468, respectively	<u>1,660,679</u>	<u>1,254,464</u>
Total accounts receivable, net	34,085,363	32,143,750
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$1,245,675 and \$764,298, respectively	9,992,450	10,508,626
Other notes receivable	<u>-</u>	<u>164,542</u>
Total notes receivable, net	<u>9,992,450</u>	<u>10,673,168</u>
Accounts and notes receivable, net	<u><u>\$ 44,077,813</u></u>	<u><u>\$ 42,816,918</u></u>

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2013 and 2012 were as follows:

	2013		2012	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	\$ 234,312	\$ 97,059	\$ 333,953	\$ 161,990
Less: amount estimated to be uncollectible	(8,883)	(4,599)	(17,049)	(8,366)
Less: unamortized discount	<u>(46,852)</u>	<u>-</u>	<u>(3,822)</u>	<u>-</u>
Pledges receivable, net	<u>178,577</u>	<u>\$ 92,460</u>	<u>313,082</u>	<u>\$ 153,624</u>
Less: current portion	<u>(92,460)</u>		<u>(153,624)</u>	
Pledges receivable, noncurrent portion	<u><u>\$ 86,117</u></u>		<u><u>\$ 159,458</u></u>	

As of June 30, 2013 and 2012, The University has approximately \$4,933,000 and \$4,848,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

5. Capital Assets

Changes in capital assets during fiscal 2013 and 2012 were as follows:

	Balance July 1, 2012	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2013
Nondepreciable capital assets:				
Land	\$ 39,661,058	\$ -	\$ -	\$ 39,661,058
Historical collections	4,430,595	127,450	-	4,558,045
Construction in progress	59,234,079	21,305,709	74,768,756	5,771,032
Total nondepreciable capital assets	103,325,732	21,433,159	74,768,756	49,990,135
Depreciable capital assets:				
Land improvements	48,091,095	963,367	605,938	48,448,524
Buildings	834,849,164	72,674,003	4,564,585	902,958,582
Infrastructure	22,096,863	1,131,386	-	23,228,249
Equipment, furniture and books	130,744,729	9,318,149	14,753,253	125,309,625
Total depreciable capital assets	1,035,781,851	84,086,905	19,923,776	1,099,944,980
Total capital assets	1,139,107,583	105,520,064	94,692,532	1,149,935,115
Less accumulated depreciation:				
Land improvements	26,911,673	1,898,476	605,938	28,204,211
Buildings	299,076,081	24,082,414	4,564,585	318,593,910
Infrastructure	8,550,396	1,086,673	-	9,637,069
Equipment, furniture and books	83,746,363	11,298,716	11,547,038	83,498,041
Total accumulated depreciation	418,284,513	38,366,279	16,717,561	439,933,231
Capital assets, net	\$ 720,823,070	\$ 67,153,785	\$ 77,974,971	\$ 710,001,884
	Balance July 1, 2011	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2012
Nondepreciable capital assets:				
Land	\$ 39,107,622	\$ 553,436	\$ -	\$ 39,661,058
Historical collections	4,297,013	133,582	-	4,430,595
Construction in progress	24,712,442	52,819,615	18,297,978	59,234,079
Total nondepreciable capital assets	68,117,077	53,506,633	18,297,978	103,325,732
Depreciable capital assets:				
Land improvements	46,537,198	1,759,886	205,989	48,091,095
Buildings	816,874,228	17,974,936	-	834,849,164
Infrastructure	20,695,022	1,401,841	-	22,096,863
Equipment, furniture and books	122,873,294	16,586,084	8,714,649	130,744,729
Total depreciable capital assets	1,006,979,742	37,722,747	8,920,638	1,035,781,851
Total capital assets	1,075,096,819	91,229,380	27,218,616	1,139,107,583
Less accumulated depreciation:				
Land improvements	25,241,335	1,876,327	205,989	26,911,673
Buildings	276,611,403	22,464,678	-	299,076,081
Infrastructure	7,480,599	1,069,797	-	8,550,396
Equipment, furniture and books	78,962,854	13,308,180	8,524,671	83,746,363
Total accumulated depreciation	388,296,191	38,718,982	8,730,660	418,284,513
Capital assets, net	\$ 686,800,628	\$ 52,510,398	\$ 18,487,956	\$ 720,823,070

For the years ended June 30, 2013 and 2012, respectively, included in depreciation expense of \$41,572,495 and \$38,908,921 is a loss of \$3,206,216 and \$189,939 from the disposal of obsolete capital assets.

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

6. Long-term Liabilities

Changes in long-term liabilities during fiscal 2013 were as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
Bonds payable:					
General receipts bonds -					
Series 2003A, 1.5% to 5.0%, due serially through 2033	\$ 35,710,000	\$ -	\$ 19,860,000	\$ 15,850,000	\$ 975,000
General receipts bonds -					
Series 2004B, 2.00% to 5.00%, due serially through 2035	29,615,000	-	12,325,000	17,290,000	795,000
General receipts refunding bonds -					
Series 2005, 3.50% to 5.00%, due serially through 2022	14,050,000	-	1,290,000	12,760,000	1,340,000
Deferred amount on refunding -					
Series 2005 refunding bonds	(510,559)	-	(53,743)	(456,816)	(53,743)
General receipts bonds -					
Series 2008A&B, 3.0% to 5.0%, due serially through 2038	197,370,000	-	4,055,000	193,315,000	4,195,000
Deferred amount on refunding -					
Series 2008A&B bonds	(3,329,230)	-	(129,710)	(3,199,520)	(129,710)
General receipts refunding bonds -					
Series 2010A, 2.00% to 5.00%, due serially through 2029	126,665,000	-	4,785,000	121,880,000	4,840,000
Deferred amount on refunding -					
Series 2010A refunding bonds	(16,277,512)	-	(971,791)	(15,305,721)	(971,792)
General receipts refunding bonds -					
Series 2012A, 2.4%, due serially through 2027	-	31,815,000	210,000	31,605,000	285,000
Deferred amount on refunding -					
Series 2012A refunding bonds	-	(1,216,784)	(81,119)	(1,135,665)	(81,119)
Total bonds payable	<u>383,292,699</u>	<u>30,598,216</u>	<u>41,288,637</u>	<u>372,602,278</u>	<u>11,193,636</u>
Summit County Port Authority Lease	33,770,000	-	555,000	33,215,000	580,000
Capitalized lease obligations	3,384,113	-	1,278,226	2,105,887	582,476
Sick leave liability	7,732,814	363,168	-	8,095,982	2,729,950
OPEB liability	17,992,336	1,695,684	-	19,688,020	-
Totals	<u>\$ 446,171,962</u>	<u>\$ 32,657,068</u>	<u>\$ 43,121,863</u>	<u>\$ 435,707,167</u>	<u>\$ 15,086,062</u>
Less: current portion				(15,086,062)	
Long-term liabilities				<u>\$ 420,621,105</u>	

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

In August 2012, The University issued \$31.8 million of General Receipts Refunding Bonds, Series 2012A with a coupon rate of 2.4% with payments through 2027. The proceeds of the Series 2012 Bonds were used to refund \$19.0 million and \$11.6 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, to pay issuance costs, and generate interest savings of \$6.6 million over the life of the bonds.

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal 2012 were as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Note payable:					
The University of Akron Foundation, 0.64%	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -	\$ -
Total note payable	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>
Bonds payable:					
General receipts bonds -					
Series 2003A, 1.5% to 5.0%, due serially through 2033	36,550,000	-	840,000	35,710,000	910,000
General receipts bonds -					
Series 2004B, 2.00% to 5.00%, due serially through 2035	30,355,000	-	740,000	29,615,000	765,000
General receipts refunding bonds -					
Series 2005, 3.50% to 5.00%, due serially through 2022	15,890,000	-	1,840,000	14,050,000	1,290,000
Deferred amount on refunding -					
Series 2005 refunding bonds	(564,302)	-	(53,743)	(510,559)	(53,743)
General receipts bonds -					
Series 2008A&B, 3.0% to 5.0%, due serially through 2038	201,290,000	-	3,920,000	197,370,000	4,055,000
Deferred amount on refunding -					
Series 2008A&B bonds	(3,458,941)	-	(129,711)	(3,329,230)	(129,710)
General receipts refunding bonds -					
Series 2010A, 2.00% to 5.00%, due serially through 2029	131,410,000	-	4,745,000	126,665,000	4,785,000
Deferred amount on refunding -					
Series 2010A refunding bonds	(17,249,305)	-	(971,793)	(16,277,512)	(971,792)
Total bonds payable	<u>394,222,452</u>	<u>-</u>	<u>10,929,753</u>	<u>383,292,699</u>	<u>10,649,755</u>
Summit County Port Authority Lease	33,770,000	-	-	33,770,000	555,000
Capitalized lease obligations	4,661,628	128,405	1,405,920	3,384,113	1,278,226
Sick leave liability	6,910,621	822,193	-	7,732,814	2,527,433
OPEB liability	16,498,206	1,494,130	-	17,992,336	-
Totals	<u>\$ 461,062,907</u>	<u>\$ 2,444,728</u>	<u>\$ 17,335,673</u>	<u>\$ 446,171,962</u>	<u>\$ 15,010,414</u>
Less: current portion				(15,010,414)	
Long-term liabilities				<u>\$ 431,161,548</u>	

In February and March 2008, respectively, The University issued \$90.9 million of General Receipts Bonds, Series 2008A and \$114.2 million of General Receipts Bonds, Series 2008B. A portion of the proceeds was used to defease the General Receipts Rental Notes, Series 2003A and Series 2003B which guaranteed The University's obligation to pay rent under a master lease to Akron Student Housing Associates, LLC (ASHA). The University defeased the rental notes by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds issued by ASHA. Accordingly, the trust account assets and the liability for the defeased notes are not included in The University's financial statements. On June 30, 2013 and 2012, respectively, \$30.2 and \$31.9 million of outstanding ASHA bonds and the related notes are considered defeased.

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

6. Long-term Liabilities - continued

During 2007, the Foundation obtained a \$5.0 million revolving line of credit with PNC Bank (formerly National City Bank). The proceeds from the line of credit were transferred to The University during that year to provide funding for real estate acquisitions. The line of credit was repaid to the Foundation in March 2012.

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2013 and 2012, interest on borrowings for the Series 2008A&B bonds was \$9,765,814 and \$9,906,828, respectively, and earnings on the proceeds were \$10,592 and \$28,599, respectively. Substantial completion on outstanding projects was determined to be 90.3% and 87.3% in 2013 and 2012, resulting in net capitalized interest of \$943,494 and \$1,259,302, respectively.

The aggregate annual principal maturities for the general receipt bonds and general receipt refunding bonds for fiscal years subsequent to June 30, 2013 are as follows:

Fiscal Year:	Principal	Interest	Total
2014	\$ 11,193,636	\$ 19,099,620	\$ 30,293,256
2015	12,058,636	18,590,836	30,649,472
2016	13,078,636	18,049,136	31,127,772
2017	14,073,636	17,447,402	31,521,038
2018	14,223,636	16,775,212	30,998,848
2019-2023	79,488,794	72,834,964	152,323,758
2024-2028	90,108,014	52,136,739	142,244,753
2029-2033	75,447,605	25,795,501	101,243,106
2034-2038	62,929,685	8,542,440	71,472,125
	<u>\$ 372,602,278</u>	<u>\$ 249,271,850</u>	<u>\$ 621,874,128</u>

The University's bookstore facilities and operations and certain food operations are leased to outside operators. These leases provide for annual rental receipts of approximately \$584,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal 2013 and 2012 totaled approximately \$354,000 and \$379,000, respectively. During fiscal 2013 and 2012, The University also received rental receipts approximating \$601,000 and \$750,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

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

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2013 and 2012 amounted to approximately \$455,000 and \$518,000, respectively.

The University has entered into a six-year lease to house UA Lakewood in the Bailey Building in Lakewood, Ohio through 2018. This lease has an option to renew the lease for an additional five years near the end of the original lease agreement. Future minimum payments for this operating lease as of June 30, 2013 are as follows:

Fiscal Year	2014	\$ 164,444
	2015	169,403
	2016	174,421
	2017	175,675
	2018	43,919
		<u>\$ 727,862</u>

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

6. Long-term Liabilities - continued

The University's other capital leased assets consist of a chilled water tank, property, and duplicating or other equipment. Future minimum lease payments as of June 30, 2013 under all capital leases with an initial or remaining noncancelable lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows by major class:

Fiscal Year:	Port				Total
	Authority	Building	Land	Equipment	
2014	\$ 2,349,712	\$ 574,194	\$ 62,481	\$ 9,108	\$ 2,995,495
2015	2,347,088	574,194	27,047	-	2,948,329
2016	2,348,937	574,194	27,047	-	2,950,178
2017	2,345,263	382,797	9,016	-	2,737,076
2018	2,345,250	-	-	-	2,345,250
2019-2023	11,699,894	-	-	-	11,699,894
2024-2028	11,665,787	-	-	-	11,665,787
2029-2033	11,607,075	-	-	-	11,607,075
2034-2038	11,541,600	-	-	-	11,541,600
2039-2042	9,174,600	-	-	-	9,174,600
Total minimum lease payments	67,425,206	2,105,379	125,591	9,108	69,665,284
Less amount representing interest	(34,210,206)	(128,576)	(3,793)	(1,822)	(34,344,397)
Present value of net minimum capital lease payments	<u>\$ 33,215,000</u>	<u>\$ 1,976,803</u>	<u>\$ 121,798</u>	<u>\$ 7,286</u>	<u>\$ 35,320,887</u>

7. State Support

The University is a State-assisted institution of higher education, which receives a student-based State share of instruction (appropriation) from the State. This State share of instruction is determined annually based upon a formula devised by the State. In addition to the State share of instruction, the State also provides certain capital funding and assistance for major academic facilities. The capital funding is provided through the Ohio Board of Regents (OBR) from revenue bond proceeds issued by the Ohio Public Facilities Commission (OPFC). The capital assets are transferred from the OBR to The University upon completion. Costs incurred during construction are included in construction in progress.

In accordance with the requirements of Ohio Revised Code Section 124.21(D) and (E), university facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of The Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State. As a result of the above described financial assistance provided by the State to The University, outstanding debt issued by OPFC is not included within The University's financial statements. In addition, appropriations by the State's General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by The University, and the related debt service payments are not recorded in The University's accounts.

The Capital Component program is an appropriation line item in the Ohio Board of Regents operating budget to fund infrastructure investments for higher education. This program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. This capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget. The University intends to use this Capital Component toward funding the debt service obligation of the Series 2003A and 2004B Bond Issues.

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8. Employee Benefit Plans

Retirement Plans

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the law enforcement division of the Ohio Public Employees Retirement System (OPERS-LE). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS, SERS, and OPERS-LE provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3307 of the Ohio Revised Code (ORC).

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

State Teachers Retirement System 275 E. Broad Street Columbus, Ohio 43215-3371 (888) 227-7877 www.strsoh.org	School Employees Retirement System 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746 (800) 878-5853 www.ohsers.org	Ohio Public Employees Retirement System 277 East Town Street Columbus, Ohio 43215-4642 (800) 222-7377 www.opers.org
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The ORC provides statutory authority for employee and employer contributions. The contribution rates on covered payroll and The University's contributions to each system are:

	Employee Contribution Rate	Employer Contribution Rate	The University's contributions For the years ended 6/30		
			2013	2012	2011
STRS	10.0%	14.00%	\$ 12,827,555	\$ 12,386,930	\$ 11,954,443
SERS	10.0%	14.00%	8,986,356	9,193,008	8,616,498
OPERS-LE	12.0%	18.10%	554,734	535,868	497,903
			\$ 22,368,645	\$ 22,115,806	\$ 21,068,844

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

Other Postretirement Employee Benefits

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2013, benefits are funded on a pay-as-you-go basis through an allocation of employer contributions equal to 1% of covered payroll to a Health Care Stabilization Fund from which health care benefits are paid. The amount of STRS employer contributions used to fund OPEB for the years ended June 30, 2013, 2012, and 2011 were \$916,254, \$884,781, and \$853,889, respectively.

The University of Akron
Notes to Financial Statements
June 30, 2013 and 2012

8. Employee Benefit Plans - continued

Other Postretirement Employee Benefits - continued

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their beneficiaries. Coverage is made available to service retirees, with ten or more years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2013, the allocation rate is 0.16%. The amount of the SERS employer contributions used to fund health care for the years ended June 30, 2013, 2012, and 2011 was \$102,701, \$492,483, and \$880,115, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge amount paid to SERS for the years ended June 30, 2013, 2012, and 2011 was \$973,856, \$914,422, and \$934,081, respectively. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was .74%. The amount of the SERS employer contributions used to fund Medicare B for the years ended June 30, 2013, 2012, and 2011 were \$474,993, \$361,154, and \$467,755, respectively.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer OPERS contribution is set aside to fund the health care benefits. The portion of employer contributions for all employers allocated to health care ranged between 4.0% and 6.05% based on the type of plan. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The amount of the OPERS-LE employer contributions used to fund OPEB for the years ended June 30, 2013, 2012, and 2011 were \$122,596, \$118,427, and \$177,801, respectively.

The University also provides certain health care benefits for dependents of retired employees and life insurance benefits for retired employees. Substantially all of The University's employees hired prior to 1992 may become eligible for those benefits if they reach normal retirement age while working for The University. This is a single employer defined benefit plan administered by The University.

The University has no obligation to make contributions in advance of when the premiums are due for payment, therefore this plan is financed on a "pay-as-you-go" basis. As of January 1, 2010, the plan was changed to include a 15% contribution for retiree dependent coverage. During fiscal 2013, 2012, and 2011, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled approximately \$1,725,000, \$1,406,000 and \$800,000, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The University of Akron
Notes to Financial Statements
June 30, 2013 and 2012

8. Employee Benefit Plans - continued

Other Postretirement Employee Benefits - continued

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University has estimated the cost of providing retiree health care benefits through an actuarial valuation as of August 3, 2012. In this actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual healthcare cost trend rate of 8.0 percent initially, reduced by 0.5 percent decrements per year to an ultimate rate of 5.0 percent after FY 2018, and a 2.0 percent salary increase. The amortization of the unfunded actuarial accrued liability (UAAL) of \$77.6 million is based on a 30-year open level dollar amortization method. The remaining amortization period at June 30, 2013 was 24 years. Pursuant to this actuarial valuation, The University recorded \$19,688,020, \$17,992,336 and \$16,498,206 for future OPEB obligation as a liability due in more than one year during fiscal years 2013, 2012 and 2011, respectively.

Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees to opt out of STRS and SERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. In 2005, this legislation was amended to include all full-time college employees as of August 2005. The legislation, as amended, requires employees to contribute to the ARPs at the same rates as previously stated for STRS and SERS employee contributions. The employer contributes 3.50% of its 14.00% STRS employer contribution to STRS. For SERS, no funding is contributed to SERS if hired before August 2005, and 6.00% of their 14.00% is contributed to SERS if hired on or after August 2005. The employer contribution rate is based on independent actuarial studies. The University's contributions for ARP employees for the years ended June 30, 2013, 2012, and 2011 were \$5,110,742, \$4,814,424, and \$4,488,083, respectively, equal to the required contributions for each year. The ARPs do not provide postretirement benefits other than pension and death benefits.

9. Litigation, Commitments, and Contingencies

The University has been named as a defendant in a number of suits alleging various matters. It is the opinion of The University's management that disposition of the pending matters will not have a material adverse effect on the financial statements.

In addition to purchasing insurance to cover potential losses from certain litigation, The University participates in two risk pools, along with other State universities, for commercial property coverage and commercial casualty coverage. Each university contributes on a basis equal to their percentage of the total insurable value of the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of \$100,000 for each pool. For commercial property coverage, the next \$250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate limit of \$700,000. The commercial property insurer is liable for the amount of any claim in excess of \$350,000, or \$100,000 in the event the pool has reached its annual aggregate. For commercial casualty coverage, the next \$900,000 of any one claim is the responsibility of the pool. The University purchases a \$4,000,000 liability insurance policy that sits over top of the pool.

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

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

9. Litigation, Commitments, and Contingencies - continued

A claims liability of \$2,608,950 and \$2,542,000, included with accrued liabilities as of June 30, 2013 and 2012, respectively, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	2013	2012
Liability at beginning of year	\$ 2,542,000	\$ 2,675,900
Claims incurred and changes in estimates	27,992,071	28,067,050
Claim payments	(27,925,121)	(28,200,950)
Liability at end of year	<u>\$ 2,608,950</u>	<u>\$ 2,542,000</u>

To reduce potential loss exposure, The University has established a reserve for health insurance stabilization of \$3.7 and \$8.7 million as of June 30, 2013 and 2012, respectively.

The University receives grants and contracts from certain federal and state agencies to fund research and other activities. The federal grants are audited annually in accordance with Office of Management and Budget Circular A-133. Federal agencies also may conduct additional audits under federal law or regulations or may arrange for funding the cost of such additional audits by independent auditing firms. The state grants are subject to review and audit by the grantor agencies or their designee. Such federal or state audits could lead to a request for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant. No significant costs have been questioned to date, and management believes that any disallowance or adjustment of such costs would not have a material adverse effect on the financial statements.

The University has been appropriated \$3.1 million from the State for buildings and renovations, of which \$1.8 million has been expended as of June 30, 2013. In addition, as of June 30, 2013, University construction projects will cost an estimated \$9.3 million to complete with 39.2%, or \$3.7 million, funded from bond proceeds.

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

10. Subsequent Events

In September 2013, The University finalized an agreement with Akron Public Schools (APS) to transfer a decommissioned high school to The University in return for the equivalent in-kind services to the district in accordance with state law. The fair market value of the high school, known as Central Hower High School, was determined to be \$13.5 million. The University agreed to provide annual, renewable APS Innovation Generation Scholarships to qualified current and future APS students up to the fair market value of Central Hower.

In September 2013, The University issued \$44.6 million of Tax Exempt Revenue Bonds, Series 2013A and \$15.0 million of federally taxable Tax Credit Revenue Bonds, Series 2013B through the Ohio Air Quality Development Authority. The Series 2013A bonds will have annual principal payments until final maturity on January 1, 2026, with an interest rate of 2.48%. The Series 2013B bonds will have semi-annual interest payments, with an interest rate of 4.99%, and the principal will be due at maturity on January 1, 2029. Proceeds from these bonds will be used to fund the Campus-Wide Energy Efficiency and Conservation Project.

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

11. Component units

Details of the component units' net position at June 30, 2013 and 2012 are as follows:

	2013			2012		
	Research		Totals	Research		Totals
	Foundation	Foundation		Foundation	Foundation	
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,578,634	\$ -	\$ 1,578,634	\$ 1,610,531	\$ -	\$ 1,610,531
Accounts receivable, net	321,048	2,266,822	2,587,870	928,003	1,153,384	2,081,387
Pledges receivable, net	69,975	-	69,975	2,300,480	-	2,300,480
Notes receivable	-	-	-	-	-	-
Prepaid expenses and deferred charges	-	69,500	69,500	-	36,771	36,771
Total current assets	1,969,657	2,336,322	4,305,979	4,839,014	1,190,155	6,029,169
Restricted assets:						
Cash and cash equivalents	-	1,450,904	1,450,904	-	1,734,935	1,734,935
Pooled investments	-	4,875,177	4,875,177	-	4,126,553	4,126,553
Other investments	2,479,641	-	2,479,641	2,681,897	-	2,681,897
Total restricted assets	2,479,641	6,326,081	8,805,722	2,681,897	5,861,488	8,543,385
Noncurrent assets:						
Endowment investments	148,230,306	-	148,230,306	135,250,994	-	135,250,994
Restricted other investments	-	250,735	250,735	-	380,120	380,120
Pledges receivable, net	9,521,456	-	9,521,456	9,634,638	-	9,634,638
Capital assets, net	13,869,606	6,455,996	20,325,602	8,403,102	5,800,862	14,203,964
Total assets	176,070,666	15,369,134	191,439,800	160,809,645	13,232,625	174,042,270
Liabilities						
Current liabilities:						
Accounts payable	200,138	2,851,557	3,051,695	774,041	2,163,984	2,938,025
Accrued liabilities	-	713,181	713,181	84,942	968,887	1,053,829
Unearned income	31,595	2,683,042	2,714,637	34,377	2,268,299	2,302,676
Deposits	2,479,641	-	2,479,641	2,681,897	-	2,681,897
Current portion of long-term liabilities	5,191,000	59,702	5,250,702	-	56,010	56,010
Total current liabilities	7,902,374	6,307,482	14,209,856	3,575,257	5,457,180	9,032,437
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	14,251,586	-	14,251,586	14,446,728	-	14,446,728
Long-term liabilities	-	2,703,660	2,703,660	-	2,763,056	2,763,056
Total liabilities	22,153,960	9,011,142	31,165,102	18,021,985	8,220,236	26,242,221
Net position						
Net investment in capital assets	13,869,606	3,752,336	17,621,942	8,403,102	3,037,806	11,440,908
Restricted:						
Nonexpendable	97,968,190	-	97,968,190	95,502,067	-	95,502,067
Expendable	51,132,358	-	51,132,358	46,575,793	-	46,575,793
Unrestricted	(9,053,448)	2,605,656	(6,447,792)	(7,693,302)	1,974,583	(5,718,719)
Total net position	\$ 153,916,706	\$ 6,357,992	\$ 160,274,698	\$ 142,787,660	\$ 5,012,389	\$ 147,800,049

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

11. Component units - continued

Details of the component units' revenues, expenses, and changes in net position at June 30, 2013 and 2012 are as follows:

	2013			2012		
	Research		Totals	Research		Totals
	Foundation	Foundation		Foundation	Foundation	
Revenues						
Operating revenues:						
Federal grants and contracts	\$ -	\$ 232,353	\$ 232,353	\$ -	\$ 139,439	\$ 139,439
Private grants and contracts	-	8,221,649	8,221,649	-	8,394,184	8,394,184
Gifts and contributions	6,776,971	-	6,776,971	5,400,750	-	5,400,750
Other sources	-	2,200,021	2,200,021	-	1,614,348	1,614,348
Total operating revenues	6,776,971	10,654,023	17,430,994	5,400,750	10,147,971	15,548,721
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	5,413,290	5,413,290	-	5,435,522	5,435,522
Institutional support	793,551	-	793,551	740,305	-	740,305
Depreciation	-	452,962	452,962	-	382,350	382,350
Total operating expenses	793,551	5,866,252	6,659,803	740,305	5,817,872	6,558,177
Operating income	5,983,420	4,787,771	10,771,191	4,660,445	4,330,099	8,990,544
Nonoperating revenues (expenses)						
Investment income (loss), net	12,723,315	323,604	13,046,919	(4,460,968)	(21,256)	(4,482,224)
Interest on debt	-	47,356	47,356	-	(373,532)	(373,532)
Distributions to The University	(9,110,937)	(4,099,235)	(13,210,172)	(7,894,774)	(4,039,257)	(11,934,031)
Distributions on behalf of The University	(645,062)	-	(645,062)	(1,002,772)	-	(1,002,772)
Other nonoperating revenues	234,375	286,107	520,482	84,299	338,079	422,378
Net nonoperating revenues (expenses)	3,201,691	(3,442,168)	(240,477)	(13,274,215)	(4,095,966)	(17,370,181)
Gain (loss) before other changes	9,185,111	1,345,603	10,530,714	(8,613,770)	234,133	(8,379,637)
Other changes						
Additions to permanent endowments	1,943,935	-	1,943,935	7,016,670	-	7,016,670
Increase (decrease) in net position	11,129,046	1,345,603	12,474,649	(1,597,100)	234,133	(1,362,967)
Net position - beginning of year	142,787,660	5,012,389	147,800,049	144,384,760	4,778,256	149,163,016
Net position - end of year	\$ 153,916,706	\$ 6,357,992	\$ 160,274,698	\$ 142,787,660	\$ 5,012,389	\$ 147,800,049

The University of Akron
 Notes to Financial Statements
 June 30, 2013 and 2012

11. Component units - continued

Details of the component units' fair value of investments at June 30, 2013 and 2012 are as follows:

	2013			2012		
	Research		Totals	Research		Totals
	Foundation	Foundation		Foundation	Foundation	
Assets						
Restricted assets:						
Pooled investments:						
Money market funds	\$	-	\$	\$	451,015	\$ 451,015
Mutual funds	-		4,875,177	4,875,177	-	3,675,538
Total pooled investments	-		4,875,177	4,875,177	-	4,126,553
Other investments:						
Mutual funds	2,479,641		-	2,479,641	2,681,897	-
Noncurrent assets:						
Endowment investments:						
Pooled investment funds	125,690,340		-	125,690,340	115,430,201	-
Bonds	8,685,347		-	8,685,347	6,320,529	-
Common stocks	1,906,616		-	1,906,616	1,868,331	-
Floaters	3,007,500		-	3,007,500	2,045,000	-
Cash surrender value of insurance policies	280,453		-	280,453	280,453	-
Money market funds	2,899,707		-	2,899,707	4,301,443	-
Mutual funds	4,811,937		-	4,811,937	3,872,881	-
U.S. Treasury obligations	505,375		-	505,375	679,945	-
Exchange traded funds	17,867		-	17,867	-	-
Direct financing lease	90,164		-	90,164	117,211	-
Beneficial interest in real estate	335,000		-	335,000	335,000	-
Total endowment investments	148,230,306		-	148,230,306	135,250,994	-
Restricted other investments	-	250,735		250,735	-	380,120
Total fair value of investments	\$ 150,709,947	\$ 5,125,912	\$ 155,835,859	\$ 137,932,891	\$ 4,506,673	\$ 142,439,564

Details of the component units' capital assets at June 30, 2013 and 2012 are as follows:

	2013			2012		
	Research		Totals	Research		Totals
	Foundation	Foundation		Foundation	Foundation	
Capital assets:						
Land	\$ 13,788,718	\$ 406,925	\$ 14,195,643	\$ 8,322,213	\$ 406,925	\$ 8,729,138
Buildings	82,540	5,099,361	5,181,901	242,966	5,041,694	5,284,660
Equipment	-	2,629,800	2,629,800	-	1,588,131	1,588,131
Total capital assets	13,871,258	8,136,086	22,007,344	8,565,179	7,036,750	15,601,929
Less accumulated depreciation:						
Buildings	1,652	989,574	991,226	162,077	563,063	725,140
Equipment	-	690,516	690,516	-	672,825	672,825
Total accumulated depreciation	1,652	1,680,090	1,681,742	162,077	1,235,888	1,397,965
Capital assets, net	\$ 13,869,606	\$ 6,455,996	\$ 20,325,602	\$ 8,403,102	\$ 5,800,862	\$ 14,203,964

Supplemental Information

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

Independent Auditor's Report

To Management and the Board of Trustees
The University of Akron

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Akron (the "University") and its discretely presented component units as of and for the year ended June 30, 2013 and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The University of Akron's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2013-1, that we consider to be a significant deficiency.

To Management and the Board of Trustees
The University of Akron

Compliance and Other Matters

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

The University of Akron's Response to Finding

The University of Akron's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University of Akron's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Columbus, Ohio
October 14, 2013

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
The University of Akron

Report on Compliance for Each Major Federal Program

We have audited The University of Akron's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The University of Akron's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The University of Akron's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University of Akron's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The University of Akron's compliance.

To the Board of Trustees
The University of Akron

Opinion on Each Major Federal Program

In our opinion, The University of Akron complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of The University of Akron is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The University of Akron's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Columbus, Ohio
October 14, 2013

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid Cluster			
Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 1,028,735
Federal College Work-Study	84.033		932,790
Federal Perkins Loan Program	84.038		8,841,435
Federal Pell Grant Program	84.063		38,945,268
Federal Direct Student Loans	84.268		159,569,722
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		311,247
Total Department of Education			209,629,197
Department of Health and Human Services:			
Direct program:			
Nursing Student Loans	93.364		916,835
Total Student Financial Aid Cluster			210,546,032
Research and Development Cluster			
Department of Agriculture:			
Direct program:			
Scientific Cooperation and Research	10.961		6,708
Pass-through program:			
Ohio Department of Education-Team Nutrition Grants	10.574		1,867
Total Department of Agriculture			8,575
Department of Commerce:			
Pass-through program:			
Kent Displays Inc. - Technology Innovation Program (TIP)	11.616	70NANB11H005	156,229
Total Department of Commerce			156,229
Department of Defense:			
Direct programs:			
Office of Naval Research-Basic and Applied Scientific Research	12.300		234,878
United States Army-Basic Scientific Research	12.431		3,725,303
Basic, Applied, and Advanced Research in Science and Engineering	12.630		1,343,732
Air Force Defense Research Sciences Program	12.800		1,140,767
Pass-through programs:			
HRL Laboratories LLC	12.000		49,136
University of Connecticut-Basic and Applied Scientific Research	12.300	N00014-10-0944	230,340
Babcock & Wilcox-Basic and Applied Scientific Research	12.300		412
Materials Research & Design, Inc.-Basic and Applied Scientific Research	12.300	N68335-09-C-0491	38,336
University of Akron Research Foundation (UARF)-Basic Scientific Research	12.431	S690000034	90,291
Case Western Reserve University-Air Force Defense Research Sciences Prog	12.800	FA9550-11-1-0022	16,397
Centro de Investigacion en Materiales Avanzados, S.C.-Air Force Defense Research Sciences Program	12.800	FA9550-10-1-0236	58,771

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Research and Development Cluster (continued)			
Department of Defense (continued):			
Pass-through programs (continued):			
AFRL/Dayton Area Graduate Studies Institute-Air Force Defense Research Sciences Program	12.800		\$ 14,015
AFRL/Dayton Area Graduate Studies Institute-Air Force Defense Research Sciences Program	12.800	FA8650-12-2-7248	3,858
Deformation Control Technology, Inc-Air Force Defense Research Sciences Program	12.800	N68335-11-C-0420	22,665
Howard University-Air Force Defense Research Sciences Program	12.800	FA9550-12-01-0306	42,127
Mandaree Enterprise-Air Force Defense Research Sciences Program	12.800	FA8501-06-D-0001	19,438
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	STTR FA9550-10-C-011	32,615
SORAA Inc.-Air Force Defense Research Sciences Program	12.800	FA8650-11-M-1164	9,076
Universal Energy Systems Inc-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5037 DO	102,661
University of Dayton-Air Force Defense Research Sciences Program	12.800	FA8650-09-D-5223/0003	14,683
University of Nebraska-Air Force Defense Research Sciences Program	12.800	FA9550-11-1-0204	105,323
University of Illinois-Research and Technology Development	12.910	HR0011-10-1-0077	36,129
Total Department of Defense			7,330,953
Department of the Interior:			
Direct programs:			
Cultural Resource Management	15.224		9,668
Endangered Species Conservation - Recovery Implementation Funds	15.657		100,709
Pass-through program:			
The Ohio State University-Assistance to State Water Resources Research Institutes	15.805	G11AP20099	5,620
Total Department of the Interior			115,997
Department of State:			
Direct program:			
Public Diplomacy Programs for Afghanistan and Pakistan	19.501		13,230
Total Department of State			13,230
Department of Transportation:			
Direct program:			
University Transportation Centers Program	20.701		446,654
Total Department of Transportation			446,654
National Aeronautics and Space Administration:			
Direct programs:			
Aerospace Education Services Program	43.001		26,942
Technology transfer	43.002		1,801,182
Pass-through programs:			
Ohio Space Grant Consortium-Technology Transfer	43.002		10,961
University of Wisconsin-Technology Transfer	43.002	NNA08CN86A	78,750
Total National Aeronautics and Space Administration			1,917,835

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Research and Development Cluster (continued)			
National Endowment for the Arts:			
Direct program:			
Promotion of the Arts-Grants to Organizations and Individuals	45.024		\$ 15,297
Total National Endowment for the Arts			<u>15,297</u>
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		1,489,395
Mathematical and Physical Sciences	47.049		1,738,906
Geosciences	47.050		382,653
Computer and Information Science and Engineering	47.070		22,623
Biological Sciences	47.074		295,021
Social, Behavioral, and Economic Sciences	47.075		18,191
Educational and Human Resources	47.076		153,107
ARRA-Trans-NSF Recovery Act Research Support	47.082		150,368
Pass-through programs:			
UARF/Akron Air Materials-Engineering Grants	47.041	IIP-1113370	3,872
Arbomatrix LLC-Engineering Grants	47.041	CMMI-0928539	48,497
Premix, Inc.-Engineering Grants	47.041	IIP-1142327	337
Premix, Inc.-Engineering Grants	47.041	IIP-1256123	17,853
Tennessee Technological University-Engineering Grants	47.041	CMMI-0928539	57,044
Carleton College-Educational and Human Resources	47.076		12,742
Duquesne University-Educational and Human Resources	47.076	DUE-1226175	9,356
University of Alabama-Educational and Human Resources	47.076	HRD-1136266	9,904
University of Virginia-Educational and Human Resources	47.076	DUE-0717820	14,681
ARRA-Southern Illinois University-Trans-NSF Recovery Act Research Support	47.082	DMR-0847580	77,436
ARRA-University of Wisconsin-Trans-NSF Recovery Act Research Support	47.082	DMR-0906817	190,605
Total National Science Foundation			<u>4,692,591</u>
Department of Veterans Affairs:			
Direct program:			
Veterans Prosthetic Appliances	64.013		53,715
Total Department of Veterans Affairs			<u>53,715</u>
Department of Energy:			
Direct programs:			
Office of Science Financial Assistance Program	81.049		310,840
ARRA-Conservation Research and Development	81.086		325,153
Renewable Energy Research and Development	81.087		256,272
Fossil Energy Research and Development	81.089		166,244
ARRA-Geologic Sequestration Training and Research Grant Program	81.133		66,327

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Research and Development Cluster (continued)			
Department of Energy (continued):			
Pass-through programs:			
Bechtel Marine Propulsion Corp.	81.000		\$ 24,456
Case Western Reserve University	81.000		4,882
North Carolina State University	81.000		10,296
Aspen Aerogels Inc.-Office of Science Financial Assistance Program	81.049		75,902
Clean Fuels Ohio-Conservation Research and Development	81.086		49,915
Battelle Memorial Institute-Advanced Research and Projects Agency - Energy Financial Assistance Program	81.135		12,376
Total Department of Energy			<hr/> 1,302,663
Department of Education:			
Pass-through programs:			
Argonne National Laboratory	84.000	DE-AC02-06CH11357	9,206
Ohio Department of Education	84.000		2,498
Total Department of Education			<hr/> 11,704
Department of Health and Human Services:			
Direct programs:			
Oral Diseases and Disorders Research	93.121		139,286
Mental Health Research Grants	93.242		261,061
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		47,378
Nursing Research	93.361		113,707
Academic Research Enhancement Award	93.390		129,009
Cancer Detection and Diagnosis Research	93.394		22,033
Cardiovascular Diseases Research	93.837		309,651
Diabetes, Endocrinology and Metabolism Research	93.847		111,408
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		113,455
Biomedical Research and Research Training	93.859		284,684
Pass-through programs:			
University of California San Francisco-Oral Diseases and Disorders Research	93.121	R01DE022032	33,527
NEOMED-Project of Regional and National Significance	93.243		4,297
Michigan State University-Drug Abuse and Addiction Research Programs	93.279	5R25DA030310-03	3,488
Rutgers, The State University of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	5P41EB001046-09	1,473
Rutgers, The State University of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	5-P41EB001046	23,199
Duke University-Cancer Detection and Diagnosis Research	93.394	5R21CA162747-02	19,599
Austen BioInnovation Institute in Akron-Patient Protection and Affordable Care Act of 2010	93.531	1U58DP003523-01	12,445
Ohio Department of Job and Family Services-Foster Care Title IV-E	93.658		17,054
Walsh University-Cardiovascular Diseases Research	93.837	1R15HL097343	53,077

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Research and Development Cluster (continued)			
Department of Health and Human Services (continued):			
Pass-through programs (continued):			
Bertec-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R44DK084844	\$ 808
Washington University in St Louis-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK082546	45,357
H-Cubed, Inc-Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	2R44NS052939	24,562
Ohio Dept. of Alcohol & Drug Addiction Services-Block Grants for Prevention and Treatment of Substance Abuse	93.959		4,904
Total Department of Health and Human Services			<u>1,775,462</u>
Total Research and Development Cluster			<u>17,840,905</u>
Child Nutrition Cluster			
Department of Agriculture:			
Pass-through programs:			
Ohio Department of Education-Summer Food Service Program for Children	10.559		17,160
Firestone Endowment-Summer Food Service Program for Children	10.559		4,015
Total Child Nutrition Cluster			<u>21,175</u>
Highway Planning and Construction Cluster			
Department of Transportation:			
Pass-through programs:			
Montana State University-Highway Planning and Construction	20.205		19,675
Ohio Department of Transportation-Highway Planning and Construction	20.205		1,358,732
Ohio Department of Transportation-Highway Planning and Construction	20.205	E081157	110,956
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110181	33,454
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110431	465
Ohio Department of Transportation-Highway Planning and Construction	20.205	E110578	5,493
Ohio Department of Transportation-Highway Planning and Construction	20.205	E120086	221,507
Ohio University-Highway Planning and Construction	20.205		3,419
Total Highway Planning and Construction Cluster			<u>1,753,701</u>
Highway Safety Cluster			
Department of Transportation:			
Pass-through program:			
Ohio Department of Public Safety-State and Community Highway Safety	20.600		47,868

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
TRIO Cluster			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		\$ 387,816
TRIO Upward Bound	84.047A		437,541
TRIO Upward Bound Math/Science	84.047M		316,051
TRIO McNair Post Baccalaureate Achievement	84.217A		113,273
Total TRIO Cluster			1,254,681
School Improvement Grants Cluster			
Department of Education:			
Pass-through program:			
Akron Public Schools-School Improvement Grants	84.377A		29,701
Medicaid Cluster			
Department of Health and Human Services:			
Pass-through program:			
NEOMED-Medical Assistance Program	93.778		100,956
Other Programs			
Instruction			
Department of Defense:			
Direct program:			
Air Force Defense Research Sciences Program	12.800		474,331
Department of Labor:			
Pass-through program:			
Ohio Board of Regents - H-1B Job Training Grants	17.268		41,039
National Aeronautics and Space Administration:			
Pass-through program:			
Ohio Space Grant Consortium-Technology Transfer	43.002		836
Department of Education:			
Direct programs:			
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		60,309
English Language Acquisition Grants	84.365		327,586
Pass-through program:			
College Now Greater Cleveland-College Access Challenge Grant Program	84.378A		9,518
Total Department of Education			397,413

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
<i>Other Programs (continued)</i>			
Instruction (continued)			
Department of Health and Human Services:			
Direct program:			
Nurse Anesthetist Traineeships	93.124		\$ 26,886
Pass-through programs:			
Northeast Ohio Medical University-Model State-Supported Area Health Education Centers	93.107	U77HP03029	(604)
Northeast Ohio Medical University-Model State-Supported Area Health Education Centers	93.107	U77HP23072	72,058
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		75,741
Total Department of Health and Human Services			<u>174,081</u>
Total Instruction			<u>1,087,700</u>
Public Service			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		25,547
Department of Justice:			
Direct program:			
Public Safety Partnership and Community Policing Grants	16.710		220,129
Department of State:			
Direct program:			
Academic Exchange Programs - Teachers	19.408		27,344
National Endowment for the Arts			
Direct programs:			
Promotion of the Arts-Grants to Organizations and Individuals	45.024		10,000
Promotion of the Humanities-Division of Preservation and Access	45.149		5,493
Pass-through program:			
Arts Midwest-Promotion of the Arts Partnership Agreements	45.025		2,688
Total National Foundation of Arts and the Humanities			<u>18,181</u>
Department of Education:			
Direct programs:			
U.S. Department of Education	84.000		2,991
Fund for the Improvement of Education	84.215K		70,234
Early Reading First	84.359		335,734
Pass-through programs:			
Ohio Board of Regents	84.000		(713)
Ohio Department of Education-Vocational Education Basic Grants to States	84.048		6,967
Ohio Board of Regents-Career and Technical Education - National Programs	84.051		411
Millcreek Children's Center-Fund for the Improvement of Education	84.215		12,737

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
<i>Other Programs (continued)</i>			
Public Service (continued)			
Department of Education (continued):			
Pass-through programs (continued):			
Summit Co. Educational Service Center-Fund for the Improvement of Education	84.215	U215X080287	\$ 136,219
Stark County Educational Service Center-Fund for the Improvement of Education	84.215X	U215X100034	76,757
Ohio Board Regents-Improving Teacher Quality State Grants	84.367		39,934
ARRA-Ohio Department of Education-State Fiscal Stabilization Fund (SFSF)-Race-to-the-Top Incentive Grants	84.395		102,055
Total Department of Education			<u>783,326</u>
Department of Health and Human Services:			
Direct program:			
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		8,450
Pass-through program:			
Summit County Child Support Enforcement-Child Support Enforcement Demonstrations and Special Projects	93.601	90FI0109	(3,205)
Total Department of Health and Human Services			<u>5,245</u>
Total Public Service			<u>1,079,772</u>
Total Other Programs			<u>2,167,472</u>
Total Expenditures of Federal Awards			<u>\$ 233,762,491</u>

The University of Akron

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The University of Akron (the "University") under programs of the federal government for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of The University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of The University. Pass-through entity identifying numbers are presented where available.

Facilities and Administrative Costs

The University recovers facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 50% for on-campus research, 35% for other on-campus sponsored activities and 26% for off-campus research through June 30, 2015.

Note 2 - Loans Outstanding

The following schedule represents total loans advanced to students by The University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2013:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	\$ 845,712	\$ 8,841,435
Nursing Student Loan Program	93.364	193,082	916,835

The University of Akron
 Notes to Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Note 3 - Subrecipient Awards

Certain funds are passed through to subgrantee organizations by The University. Expenditures incurred by the subgrantees and reimbursed by The University are presented in the Schedule. During the year ended June 30, 2013, the funds disbursed by The University to subrecipients are as follows:

CFDA	CFDA Description	Amount
12.431	Basic Scientific Research	\$ 2,648,428
12.800	Air Force Defense Research Sciences Program	408,750
20.205	Highway Planning and Construction	92,482
20.701	University Transportation Centers Program	20,503
43.002	NASA Technology Transfer	569,980
45.024	Promotion of the Arts - Grants to Organizations and Individuals	2,838
45.149	Promotion of the Humanities - Division of Preservation and Access	576
47.075	Social, Behavioral, and Economic Sciences	5,280
81.049	Office of Science Financial Assistance Program	109,531
84.215K	Fund for the Improvement of Education	12,780
84.325K	Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	1,801
84.359	Early Reading First	10,987
84.365	English Language Acquisition Grants	23,072
93.121	Oral Diseases and Disorders Research	71,970
93.242	Mental Health Research Grants	108,877
93.361	Nursing Research	28,814
93.394	Cancer Detection and Diagnosis Research	7,118
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	60,624
93.859	Biomedical Research and Research Training	71,191
93.959	Block Grants for Prevention and Treatment of Substance Abuse	1,000
Total subrecipients		\$ 4,256,602

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

The University of Akron
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Note 4 - Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the Statement of Revenues, Expenses and Changes in Net Assets (the Statement), which is included as part of The University's financial statements:

Expenditures per the Schedule	\$ 233,762,491
Pell grants	(38,945,268)
Federal direct loans	(159,569,722)
Federal Perkins loan program	(8,841,435)
Nursing student loan program	(916,835)
Federal grants passed through state entities	(2,069,225)
Federal grants passed through local entities	(209,772)
Private grants	(2,298,746)
Sales	(25,547)
Federal purchased service contracts	320,564
Indirect costs excluded from federal grants on Statement	67,921
Change in deferred revenue from federal grants	<u>685,892</u>
Federal grants and contracts as shown on the Statement	<u>\$ 21,960,318</u>

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

Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred \$179,000 of Federal Work Study (FWS) Program (84.033) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007). The University carried forward and spent none of the 2011-2012 SEOG award to the 2012-2013 award year.

In addition, the University carried forward \$110,228 and \$98,545 of the 2012-2013 FWS and SEOG awards, respectively, to the 2013-2014 award year. The University spent \$54,280 of carried forward FWS funds from the 2011-2012 award year during the 2012-2013 award year.

The University of Akron
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes <input type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.268, 84.033, 84.038, 84.063, 84.379, 93.364	Student Financial Aid Cluster
Various	Research & Development Cluster
84.044A, 84.047A, 84.047M, 84.217A	TRIO Cluster
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$696,494
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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The University of Akron
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Reference Number	Findings
2013-1	<p>Finding Type - Significant Deficiency</p> <p>Criteria - Under Generally Accepted Accounting Principles, an independent review of account reconciliations, journal entries, and supporting schedules should be performed.</p> <p>Condition - There currently is not an independent review process of the unearned tuition revenue calculation and the related adjusting journal entry.</p> <p>Context - During the testing of the unearned tuition revenue calculation as of June 30, 2013, we identified an error and determined that an independent review of the calculation was not performed.</p> <p>Cause - No review of the calculation and related adjusting journal entry was performed.</p> <p>Effect - We identified the error and the University recorded an adjustment of \$1.4 million to reduce tuition revenue and increase unearned tuition revenue.</p> <p>Recommendation - The University should add an independent review process of the calculation and related adjusting journal entry to ensure the amount recorded is correct. We suggest the University review the processes and procedures for all other year-end account reconciliations and adjusting journal entries to ensure such a review is in place.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University does conduct reviews of most of the significant year-end account reconciliations and adjusting journal entries. We will add this account to the year-end list for review, and we will check the list for other accounts that should be added.</p>

The University of Akron
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section III - Federal Program Audit Findings

<u>Reference Number</u>	<u>Findings</u>
Current Year	None

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

**Agreed-upon Procedures Report
Related to NCAA Constitution 3.2.4.16
June 30, 2013**

The University of Akron

National Collegiate Athletics Association

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Independent Accountant's Report on
the Application of Agreed-upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by you as the president of The University of Akron (the "University"), solely to assist you in evaluating whether the accompanying intercollegiate athletics program statement of revenue and expenses of The University of Akron is in compliance with the National Collegiate Athletics Association (NCAA), Constitution 3.2.4.16 for the year ended June 30, 2013. The University of Akron's management is responsible for the statement of revenue and expenses (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

Internal Control Structure

- A. In preparation for our procedures related to the University's internal control structure, we spoke with the associate athletic director and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment; we obtained and inspected the audited financial statements for the year ended June 30, 2013 and additional reports regarding internal controls and corrective action taken in response to comments concerning the internal control structure; and we obtained and inspected any documentation of the accounting systems and procedures unique to the intercollegiate athletics department. We noted the control environment and accounting systems for cash disbursements, payroll, and general cash receipts are not unique to intercollegiate athletics and are addressed in connection with the audit of the University's financial statements and we did not perform additional procedures related to these areas. We then performed the following procedure:

Dr. Luis M. Proenza
President
The University of Akron

Procedure: We selected three games and traced ticket collections per the receiving process for such games to the reconciliation and documentation of the related cash deposit amount with the bank. The following games were selected: football game against Northern Illinois University on October 20, 2012, football game against University of Massachusetts on November 10, 2012, and men's basketball game against Bowling Green State University on February 16, 2013.

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

We obtained audited financial statements of The University of Akron and noted that there was one financial statement finding where tuition revenue was recognized sooner than earned for summer sessions. University management developed a plan to mitigate a future reoccurrence.

Capital Expenditure Survey and Related Debt

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

(1) **Procedure:** As of August 15, 2013, the Capital Expenditure Survey has been removed from the submission to the NCAA, and instead fields for athletics and institutional debt service and debt balance have been added to the miscellaneous information screen. Since the University completed the survey for fiscal year 2013, we agreed the data provided to the University's general ledger, including additions, deletions, and book values as disclosed in the report.

Result: We noted no exceptions. Additions, deletions, and book values are herein disclosed in Note I.

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

Dr. Luis M. Proenza
President
The University of Akron

Result: We recalculated the annual maturities and agreed to repayment schedules, noting no exceptions. Annual maturities are herein disclosed in Note 2.

Intercollegiate Athletics Restricted and Endowment and Plant Funds

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

Result: There were no additions exceeding 10 percent to restricted funds related to intercollegiate athletics or any changes exceeding 10 percent to endowment and plant funds related to intercollegiate athletics.

Statement of Revenue and Expenses

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

Result: We noted no exceptions. We obtained the intercollegiate athletics program statement of revenue and expenses for the year ended June 30, 2013 as prepared by management. We recalculated the amounts on the statement, compared the amounts on the statement to management's worksheets supporting the preparation of the statement, and agreed the amounts on such worksheets to the University's general ledger and found them to be in agreement.

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

Result: The following variations between actual revenue and expenses in 2013 and actual revenues and expenses in 2012 were identified by the associate athletics director:

- We noted an increase of approximately \$106,000 for basketball ticket sales as well as a decrease of approximately \$481,000 for football ticket sales. It was noted by management that the changes in the current year revenue are attributed to a winning men's basketball season that included more home games. The football team played Kent State University and Ohio University away in 2013, which are high ticket-selling games. Football ticket sales also decreased because the University did not have to make the NCAA paid attendance requirement in 2013 as it did in 2012.
- We noted an increase of approximately \$127,000 for royalties, advertising, and sponsorship revenue. It was noted by management that the increase is attributed to more royalty payments and increased revenue from the Team Shop in 2013.

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President
The University of Akron

- We noted a decrease of approximately \$280,000 for other operating expenses, not related to a specific team. It was noted by management that the decrease in the current year other operating expenses is attributed to nonrecurring expenses that were incurred in 2012, such as moving expenses and consultant and search fees related to hiring new football staff and debt service payments that ended in 2012.
- We noted an increase of approximately \$195,000 for team travel related to football. It was noted by management that the increase in current year expense was a result of two charter flights taken in 2013 as compared to no charter flights taken in 2012 due to differences in the away game schedule from year to year.
- We noted a decrease of approximately \$121,000 for medical expenses. It was noted by management that the decrease is attributed to fewer surgeries in 2013 as well as the use of Ohio Health Choice to re-price medical claims to reduce costs and the use of a new pharmacy to discount medications in the current year.
- We noted a decrease of \$350,000 for football guarantees revenue. It was noted by management that the decrease in current year revenue is attributed to playing games that provided lower guarantee payments.
- We noted an increase of approximately \$428,000 for student aid for football. It was noted by management that the increase in current year expense is attributed to the fact that more scholarships were awarded and that there were more summer school and out-of-state student athletes that received awards.
- We noted an increase of approximately \$167,000 for equipment, uniforms, and supplies expense related to football. It was noted by management that the increase in expense was due to the fact that new uniforms were purchased in 2013 due to a new coaching staff and the uniforms ordered for 2014 were received before June 30, 2013.
- We noted an increase of \$100,000 for game guarantee expense related to football. It was noted by management that the increase in guarantee contract amounts was due to different football opponents for 2013.
- We noted an increase of approximately \$158,000 and \$120,000 for coaching and administrative salaries for basketball and soccer salaries, respectively. It was noted by management that the increase in basketball salaries was a result of performance bonuses paid to the coaching staff, per their contracts, for a successful season. There was also an increase in administrative salary for men's soccer as a result of the salary and fringe benefit expense for employees who facilitated the soccer camp. In the previous year, these were booked through accounts payable as a direct payment.
- We noted a decrease of approximately \$259,000 for coaching and administrative salaries for football. It was noted by management that the decrease was a result of the University paying two football coaching staffs in 2012 because the head coach was changed in 2012.

Dr. Luis M. Proenza
President
The University of Akron

The following variations between actual revenue and expenses in 2013 and budgeted revenue and expenses in 2013 were identified:

- We noted an increase of approximately \$222,000 athletic administration revenue. It was noted by management that the increase in the actual revenue was primarily a result of a surplus check from the Mid-American Conference as well as supplemental checks from the NCAA, neither of which were included in the budget.
- We noted an increase of approximately \$182,000 for post-season expense. It was noted by management that the increase in actual expense is attributable to the fact that performance bonuses were paid to select coaches and staff per their employment contracts that were not accounted for in the budget.
- We noted an increase of approximately \$653,000 for football expense. It was noted by management that the increase in the actual expense was due to scholarships awarded, vacation payouts, equipment, supplies and services, travel, and student assistant expenses that all exceeded the budget.
- We noted an increase of approximately \$191,000 for men's basketball expense. It was noted by management that the increase in actual expense is attributable to game guarantees paid, scholarships awarded for summer school, travel expenses for the Puerto Rico Tournament, equipment, and supplies and services, which were all higher than the budget.
- We noted a decrease of approximately \$138,000 for soccer expense. It was noted by management that the decrease in actual expense is attributable to a new head coach hired in the middle of the current year, whose salary is less than the previous head coach.

Revenue

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

(I) Ticket Sales

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals for football and men's basketball. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed three revenue receipts obtained from the above revenue supporting schedules to supporting documentation. The following deposit dates were selected related to the games listed: football game against Northern Illinois University on October 24, 2012, football game against University of Massachusetts on November 16, 2012, and men's basketball game against Bowling Green State University on February 19, 2013.

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Result: We agreed the ticket reconciliation to the cash amount deposited with the bank. We compared and agreed revenue receipts to bank deposit slips. We noted no exceptions.

(2) Guarantees

Procedure: We selected three settlement reports for away games during the reporting period and agreed each selection to the University's general ledger. We selected three contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger. We also recalculated totals. For the two aforementioned selections, we selected the following games: football against the University of Tennessee on September 22, 2012, football against Florida International University on September 8, 2012, and men's basketball against Coastal Carolina University on November 9, 2012. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed one revenue receipt, the University of Tennessee football game, obtained from the above revenue supporting schedules to supporting documentation.

Result: We compared and agreed the revenue receipts to bank deposit slips. We noted no exceptions.

(3) Contributions

Procedure: We requested supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods, if any, to disclose the source and dollar value of these contributions in the report. We agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We agreed one revenue receipt obtained from the above revenue supporting schedules to supporting documentation.

Result: There were no contributions from any affiliated or outside organization, agency, or group of individuals that constituted 10 percent or more of all contributions received for intercollegiate athletics during the reporting period. The revenue receipt tested was endowment income transferred in March 2013 related to the Pepsi Beverage Agreement. We agreed the revenue amount recorded to the fund statement listing the quarterly distributions. We noted no exceptions in the testing performed.

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(4) Other

Procedure: We agreed the related revenue to the University's general ledger and recalculated totals.

Result: We noted no exceptions.

Expenses

G. **Procedure:** We agreed each expense category reported in the statement during the reporting period to supporting schedules provided by the University.

We performed the following procedures for the indicated expense category:

(I) Athletic Student Aid

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

Result: We obtained documentation for any changes that occurred after the original award and recalculated totals. We noted no exceptions. The students' accounts tested are summarized below:

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Student	Amount Disbursed
1	\$ 36,931
2	6,700
3	23,884
4	29,932
5	13,500
6	800
7	31,205
8	32,720
9	9,400
10	30,826
11	24,764
12	17,741
13	25,770
14	19,930
15	30,137
16	25,897
17	2,450
18	13,247
19	29,681
20	23,190
21	10,796
22	5,642
23	32,090
24	23,479
25	6,980

(2) Guarantees

Procedure: We selected three settlement reports for home games during the reporting period and agreed each selection to the University's general ledger. We selected three contractual agreements pertaining to expenses recorded by the University related to guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and recalculated totals. For the two aforementioned selections, we selected the following games: football against Morgan State University on September 15, 2012, men's basketball against Texas Southern on December 27, 2012, and men's basketball against the University of Arkansas-Pine Bluff on December 18, 2012. We agreed one expense, for Morgan State University, obtained from the above expense supporting schedules to supporting documentation.

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Result: We compared and agreed the expense to a copy of the check paid out. We noted no exceptions.

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

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

Result: We noted no exceptions. The coaches tested are summarized below:

Coach	Sport Selected
1	Men's basketball
2	Football
3	Women's basketball
4	Baseball
5	Softball
6	M&W track
7	Men's golf
8	Women's golf
9	Men's soccer
10	Rifle COED

(4) Team Travel

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

Result: We obtained the University's team travel policies. We compared and agreed to existing University- and NCAA-related policies. We noted no exceptions.

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(5) Other Operating Expenses

Procedure: We agreed three disbursements obtained from the above operating expense supporting schedules to supporting documentation. For this testing we selected the following disbursements: dated July 19, 2012 for \$6,745.95, dated October 29, 2012 for \$1,800.00, and dated March 31, 2013 for \$3,138.07.

Result: We compared three disbursements listed above to the related invoices. We noted no exceptions.

Affiliated and Outside Organizations Not Under the University's Accounting Control

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

(1) Procedure: We inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:

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

Result: Based on inquiries with management, management identified Zip Athletic Club and the Varsity "A" Association as meeting the above criteria. The accounting for these organizations is performed by The University of Akron Foundation.

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

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

- (3) **Procedure:** We obtained audited financial statements of the organization and additional reports regarding internal controls and corrective action taken in response to comments concerning the control environment that were provided to us by management, if applicable.

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

- I. **Procedure:** If there were expenses on or on behalf of the intercollegiate athletic program by affiliated and outside organizations not under the University's accounting control, we would obtain those organizations' statements for the reporting period and compare the amounts reported to the organization's general ledger or confirm the revenue and expenses directly with the responsible official of the organization.

Result: As noted in procedure H, management identified no affiliated or outside organizations that are not under the University's accounting control. No supplemental procedures were performed.

In addition to the procedures outlined above, we also obtained the financial data detailing operating revenue, expenses, and capital related to the University's intercollegiate athletics program that is submitted to the NCAA, referred to as "EADA reporting," and compared the amounts to the intercollegiate athletics program statement of revenue and expenses for the fiscal year ended June 30, 2013. We noted differences in the total revenue and total expense amounts from the EADA data provided compared to the total revenue and total expense reported in the statement of revenue and expenses included in this report as follows.

	Statement of Revenue and Expenses			Difference
		Expenses	EADA Reporting	
Total revenue	\$ 27,954,164	\$ 26,479,926	\$ 1,474,238	
Total expenses	28,407,737	26,479,926	1,927,811	

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

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

Plante & Moran, PLLC

November 1, 2013

The University of Akron
National Collegiate Athletics Association

Intercollegiate Athletics Program Statement of Revenue and Expenses
Year Ended June 30, 2013

	Men's Basketball	Men's Football	Women's Basketball	Other Sports	Nonprogram Specific	Total
Operating Revenue						
Ticket sales	\$ 419,677	\$ 525,586	\$ 12,259	\$ 145,879	\$ 73,726	\$ 1,177,127
Student fees	-	-	-	-	19,109,155	19,109,155
Guarantees	50,000	950,000	-	26,000	-	1,026,000
Contributions	101,649	188,897	13,038	128,023	695,346	1,126,953
Direct institutional support	-	-	-	-	1,660,331	1,660,331
NCAA/Conference distributions and all tournament revenue	-	-	-	-	1,471,783	1,471,783
Program sales, concessions, novelty sales, and parking	-	-	-	-	125,171	125,171
Royalties, advertisements, and sponsorships	-	-	-	-	765,898	765,898
Sports camps	55,436	22,276	15,754	689,253	8,821	791,540
Endowment and investment income	21,615	25,299	2,036	24,284	122,173	195,407
Spirit groups	-	-	-	-	5,520	5,520
Other	49,803	19,708	685	56,325	372,758	499,279
Total operating revenue	698,180	1,731,766	43,772	1,069,764	24,410,682	27,954,164
Operating Expenses						
Athletic student aid	413,696	2,517,273	406,929	3,212,611	225,559	6,776,068
Guarantees	226,000	500,000	15,000	19,500	-	760,500
Coaching salaries	1,053,751	1,701,869	492,574	2,486,667	-	5,734,861
Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	222,003	327,142	83,673	380,556	3,764,447	4,777,821
Recruiting	84,293	173,904	56,568	156,503	8,920	480,188
Team travel	176,636	619,613	137,756	803,832	32,782	1,770,619
Equipment, uniforms, and supplies	63,905	403,888	76,733	459,336	267,504	1,271,366
Game expenses	241,405	175,835	79,352	179,787	800	677,179
Fundraising, marketing, and promotion	3,024	7,313	3,236	4,481	557,122	575,176
Sports camps	10,269	14,859	8,203	246,942	7,650	287,923
Direct facilities, maintenance, and rental	2,491	470,474	1,140	34,378	1,914,417	2,422,900
Spirit groups	-	-	-	-	68,131	68,131
Medical expenses and medical insurance	2,980	683	4,049	948	397,568	406,228
Memberships and dues	1,330	1,635	1,537	11,630	266,453	282,585
Other operating expenses	180,881	264,337	81,631	226,863	1,362,480	2,116,192
Total operating expenses	2,682,664	7,178,825	1,448,381	8,224,034	8,873,833	28,407,737
Excess of Revenue (Under) Over Expenses	\$ (1,984,484)	\$ (5,447,059)	\$ (1,404,609)	\$ (7,154,270)	\$ 15,536,849	\$ (453,573)

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

The University of Akron

National Collegiate Athletics Association

Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses Year Ended June 30, 2013

Note I - Intercollegiate Athletics-related Assets

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

The current year capitalized additions and deletions to facilities during the year ended June 30, 2013 are as follows:

	<u>Current Year Additions</u>	<u>Current Year Deletions</u>
Football athletics facilities	\$ -	\$ -
Basketball athletics facilities	47,077	-
Other athletics facilities	<u>628,333</u>	-
Total athletics facilities	<u>\$ 675,410</u>	\$ -
Other University facilities	<u>\$ 64,744,266</u>	<u>\$ 936,904</u>

The total estimated book values of property, plant, and equipment, net of depreciation, of the University as of the year ended June 30, 2013 are as follows:

	<u>Book Value</u>
Athletics-related property, plant, and equipment balance	<u>\$ 128,194,868</u>
University's total property, plant, and equipment balance	<u>\$ 710,001,884</u>

The University of Akron

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Notes to Intercollegiate Athletics Program Statement of Revenue and Expenses Year Ended June 30, 2013

Note 2 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University for the year ended June 30, 2013 are as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	\$ 5,177,252	\$ 73,371,134
University's total	30,212,547	407,923,165

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2013 is as follows:

Years Ending		Principal	Interest
June 30			
2014		\$ 1,671,546	\$ 3,523,717
2015		1,745,000	3,466,749
2016		1,823,454	3,402,806
2017		1,909,021	3,331,174
2018		1,980,361	3,248,605
Thereafter		64,241,752	35,561,306
Total		<u>\$ 73,371,134</u>	<u>\$ 52,534,357</u>

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Dave Yost • Auditor of State

UNIVERSITY OF AKRON

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JANUARY 9, 2014