

SINGLE AUDIT REPORT

The University of Akron

Year Ended June 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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We have reviewed the Independent Auditor's Report of the University of Akron, Summit County, prepared by Ernst & Young LLP, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 31, 2002

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The University of Akron

Single Audit Report

Year Ended June 30, 2001

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Report of Independent Auditors

Board of Trustees
The University of Akron

We have audited the accompanying balance sheets of The University of Akron, a component unit of the State of Ohio, as of June 30, 2001 and 2000, and the related statements of changes in unallocated fund balances, current funds revenues, expenditures and other changes, changes in current funds allocated fund balances and changes in auxiliary enterprises unrestricted unallocated fund balances for the year ended June 30, 2001. These financial statements are the responsibility of The University of Akron's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Akron as of June 30, 2001 and 2000 and the changes in its fund balances, and its current funds revenues, expenditures and other changes for the year ended June 30, 2001 in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2001 on our consideration of The University of Akron's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of The University of Akron taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



September 21, 2001

THE UNIVERSITY OF AKRON

Balance Sheets

<u>Assets</u>	<u>June 30</u>	
	<u>2001</u>	<u>2000</u>
CURRENT FUNDS		
Unrestricted:		
Educational and general:		
Cash on hand	\$ 107,378	\$ 70,719
Pooled investments, at fair value (note 3)	16,755,762	36,758,893
Accounts receivable, less allowance for doubtful accounts of \$3,293,098 and \$3,124,302 at June 30, 2001 and 2000, respectively (note 4)	6,239,104	5,549,733
Pledges receivable, net (note 4)	1,808	
Inventories, at cost	914,924	906,245
Prepaid expenses and deferred charges	4,391,103	4,258,441
Due from agency funds	625,389	
Total educational and general	29,035,468	47,544,031
Auxiliary enterprises:		
Pooled investments, at fair value (note 3)	3,478,502	3,530,144
Accounts receivable, less allowance for doubtful accounts of \$241,997 and \$219,807, respectively (note 4)	641,910	571,214
Pledges receivable, net (note 4)	10,091	5,669
Inventories, at cost	278,841	250,992
Prepaid expenses and deferred charges	209,843	178,418
Total auxiliary enterprises	4,619,187	4,536,437
Total unrestricted	33,654,655	52,080,468
Restricted:		
Pooled investments, at fair value (note 3)	15,164,383	12,349,796
Accounts receivable (note 4)	7,339,497	6,814,919
Pledges receivable, net (note 4)	896,678	543,396
Prepaid expenses and deferred charges		459
Total restricted	23,400,558	19,708,570
Total current funds	\$ 57,055,213	\$ 71,789,038

See accompanying notes to financial statements.

Liabilities and Fund Balances	June 30	
	2001	2000
CURRENT FUNDS		
Unrestricted:		
Educational and general:		
Accounts payable	\$ 5,997,604	\$ 3,347,520
Payroll taxes, retirement withheld and payable	949,433	1,833,731
Accrued salaries, wages, and benefits	4,422,776	4,307,981
Accrued payroll taxes and retirement	2,666,916	2,715,100
Other accruals	1,888,279	1,992,469
Accrued early retirement incentive plan		23,663,660
Accrued sick leave (note 1)	2,725,950	2,664,315
Deferred income	13,975,713	11,626,482
Other deferred credits and deposits	73,685	74,588
Fund balance:		
Akron campus:		
Allocated	17,602,476	16,707,238
Allocated early retirement incentive plan		(23,032,020)
Allocated internal financing (note 8)	(23,469,630)	
Unallocated	500,000	500,000
Wayne College:		
Allocated	1,402,266	1,474,607
Allocated early retirement incentive plan		(631,640)
Unallocated	300,000	300,000
Total educational and general	<u>29,035,468</u>	<u>47,544,031</u>
Auxiliary enterprises:		
Accounts payable	649,704	493,702
Accrued salaries, wages, and benefits	474,995	458,665
Accrued retirement	16,014	15,944
Accrued early retirement incentive plan		724,534
Accrued sick leave (note 1)	104,549	109,057
Deferred credits	739,594	419,257
Fund balance:		
Allocated	520,981	956,458
Allocated early retirement incentive plan		(724,534)
Allocated internal financing (note 8)	(720,118)	
Unallocated	2,833,468	2,083,354
Total auxiliary enterprises	<u>4,619,187</u>	<u>4,536,437</u>
Total unrestricted	<u>33,654,655</u>	<u>52,080,468</u>
Restricted:		
Accounts payable	695,854	442,308
Accrued salaries and wages	270,782	32,295
Fund balance:		
Allocated	(199,561)	(391,784)
Unallocated	22,633,483	19,625,751
Total restricted	<u>23,400,558</u>	<u>19,708,570</u>
Total current funds	<u>\$ 57,055,213</u>	<u>\$ 71,789,038</u>

(Continued)

THE UNIVERSITY OF AKRON

Balance Sheets

<u>Assets</u>	June 30	
	2001	2000
<u>LOAN FUNDS</u>		
Pooled cash in bank (note 3)	\$ 18,292	\$ 26,639
Pooled investments, at fair value (note 3)	1,163,494	757,498
Student notes receivable, less allowance for doubtful notes of \$612,887 and \$788,249, respectively	9,939,255	10,025,749
Total loan funds	\$ 11,121,041	\$ 10,809,886
<u>ENDOWMENT AND SIMILAR FUNDS</u>		
Investments:		
Marketable securities, at fair value (note 3)	\$ 54,050,713	\$ 64,959,478
Pooled investments, at fair value (note 3)	261,515	380,951
Cash surrender value of life insurance	108,102	103,858
Real estate	486,948	475,112
Pledges receivable, net (note 4)	4,800,666	
Total endowment and similar funds	\$ 59,707,944	\$ 65,919,399
<u>PLANT FUNDS</u>		
Unexpended:		
Pooled investments, at fair value (note 3)	\$ 1,082,564	\$ 2,811,992
Investments held in trust by others, at fair value (note 3)	82,873,739	110,184,120
Accrued interest receivable		19,900
Accounts receivable	912,010	
Pledges receivable, net (note 4)		64,336
Total unexpended	84,868,313	113,080,348
Retirement of indebtedness:		
Pooled investments, at fair value (note 3)		906,193
Investments held in trust by others, at fair value (note 3)	4,435,618	4,463,578
Accrued interest receivable	2,511	3,917
Prepaid expenses and deferred charges	1,828,197	1,899,357
Total retirement of indebtedness	6,266,326	7,273,045
Investment in plant:		
Land	17,542,266	17,059,865
Improvements other than buildings	38,094,157	37,434,053
Buildings	337,127,678	320,975,463
Movable equipment, furniture, and library books	160,065,511	151,473,085
Construction in progress	36,812,615	5,770,587
Total investment in plant	589,642,227	532,713,053
Total plant funds	\$ 680,776,866	\$ 653,066,446
<u>AGENCY FUNDS</u>		
Pooled investments, at fair value (note 3)		\$ 452,691
Accounts receivable	\$ 1,228,414	108,271
Pledges receivable (note 4)	11,000	
Total agency funds	\$ 1,239,414	\$ 560,962

See accompanying notes to financial statements

Liabilities and Fund Balances	June 30	
	2001	2000
LOAN FUNDS		
Fund balance:		
U.S. Government grants:		
Perkins Student Loan Fund	\$ 9,279,546	\$ 9,026,543
Nursing Student Loan Fund	1,081,427	1,013,243
	10,360,973	10,039,786
University loan funds:		
Allocated	(15,320)	(24,024)
Unallocated	775,388	794,124
Total loan funds	\$ 11,121,041	\$ 10,809,886
ENDOWMENT AND SIMILAR FUNDS		
Fund balance:		
Allocated - Endowment	\$ (149,248)	\$ 17,977,151
- Quasi-endowment, unrestricted	848,743	4,515,737
Unallocated - Endowment	46,937,117	31,868,967
- Quasi-endowment, unrestricted	12,071,332	11,557,544
Total endowment and similar funds	\$ 59,707,944	\$ 65,919,399
PLANT FUNDS		
Unexpended:		
Accounts payable	\$ 2,843,581	\$ 1,520,026
Bonds payable (note 5)	77,936,508	106,243,508
Deferred revenues		6,119
Other accruals	519,263	256,898
Fund balance - allocated	(14,259)	(89,216)
- unallocated	3,583,220	5,143,013
Total unexpended	84,868,313	113,080,348
Retirement of indebtedness:		
Accrued interest expense	4,416,060	4,454,802
Bonds payable (note 5)	1,828,197	2,881,981
Fund balance - allocated		(28,740)
- unallocated	22,069	(34,998)
Total retirement of indebtedness	6,266,326	7,273,045
Investment in plant:		
Note payable (note 5)		30,358
Capitalized lease obligations (note 6)	7,614,342	5,260,193
Bonds payable (note 5)	81,388,387	53,724,021
Net investment in plant	500,639,498	473,698,481
Total investment in plant	589,642,227	532,713,053
Total plant funds	\$ 680,776,866	\$ 653,066,446
AGENCY FUNDS		
Accrued salaries and wages	\$ 10,192	
Due to current funds, unrestricted	625,389	
Deposits held in custody for others - allocated		\$ (14,346)
- unallocated	603,833	575,308
Total agency funds	\$ 1,239,414	\$ 560,962

THE UNIVERSITY OF AKRON
Statement of Changes in Unallocated Fund Balances
Year ended June 30, 2001

EXHIBIT B

	Current Funds						Total Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds		
	Unrestricted			Restricted						Unexpended	Retirement of Indebtedness	Investment in Plant
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted						
Revenues and other additions (reductions):												
Unrestricted current fund revenues	\$ 217,555,617	\$ 33,887,973	\$ 251,443,590			\$ 251,443,590						
State appropriations - restricted				\$ 25,594		\$ 25,594				\$ 14,473,126		
Federal grants and contracts - restricted				20,089,457	\$ 41,594	20,131,051	20,131,051	\$ 368,449				
State grants and contracts - restricted				5,112,904		5,112,904	5,112,904			6,263		
Local grants and contracts - restricted				579,182		579,182	579,182					
Private gifts, grants, and contracts - restricted				20,535,418	591,930	21,127,348	21,127,348	49,852	\$ 17,615,997	1,935,808		\$ 828,850
Endowment income - restricted				638,781	64,142	702,923	702,923	1,340				
Investment income - restricted				9,914		9,914	9,914	12,373		5,425,313	\$ 9,376	
Gain on sale of investments (net)								3,379	1,560,240			
Interest on loans receivable								180,125				
Other								547				
Expended for plant facilities (including \$8,839,446 charged to current funds expenditures)												29,574,258
Retirement of indebtedness											118,851	2,702,278
Rentals charged to current funds										101,694	1,354,970	
Unrealized appreciation (depreciation) on investments				192,223		192,223	192,223	8,704	(21,793,394)	74,957	28,740	
Total revenues and other additions (reductions)	217,555,617	33,887,973	251,443,590	47,183,473	697,666	47,881,139	299,324,729	624,769	(2,617,157)	22,017,161	1,511,937	33,105,386
Expenditures and other deductions:												
Educational and general expenditures	211,259,998		211,259,998	41,914,711		41,914,711	253,174,709					
Auxiliary enterprises expenditures		31,509,344	31,509,344		696,703	696,703	32,206,047					
Indirect costs recovered				3,014,746		3,014,746	3,014,746					
Refunded to grantors				49,274		49,274	49,274	5,998				
Loan cancellations and write-offs								202,581				
Administrative and collection costs								135,290			71,160	
Trustee fees and other expenditures									1,692,140			
Administrative fee									580,828			
Expended for plant facilities (including \$3,527,641 not capitalized)										20,524,104		
Retirement of indebtedness											2,821,129	
Interest on indebtedness											9,146,828	
Disposal and write-offs of plant facilities												6,164,369
Total expenditures and other deductions	211,259,998	31,509,344	242,769,342	44,978,731	696,703	45,675,434	288,444,776	343,869	2,272,968	20,524,104	12,039,117	6,164,369
Transfers among funds - additions (deductions):												
Mandatory:												
Principal and interest	(2,157,024)	(4,217,993)	(6,375,017)	(191,594)		(191,594)	(6,566,611)			(4,018,891)	10,585,502	
Loan fund matching grant	(87,172)		(87,172)				(87,172)	87,172				
Support for auxiliary debt service	(35,000)	35,000										
Nonmandatory:												
Current allocated fund balance - net	(822,897)	435,477	(387,420)	(192,223)		(192,223)	(579,643)	(8,704)	21,793,394	(74,957)	(28,740)	
Support to auxiliary enterprises	(2,123,417)	2,123,417										
Capital improvements	(776,477)		(776,477)				(776,477)			776,477		
Allocated early retirement incentive plan	(23,663,660)	(724,534)	(24,388,194)				(24,388,194)					
Allocated internal financing	23,469,630	720,118	24,189,748				24,189,748					
Unrestricted to endowment (net)	(190,000)		(190,000)				(190,000)		190,000			
Endowment to restricted (net)				4,950		4,950	4,950		(4,950)			
Unrestricted to plant	(115,544)		(115,544)				(115,544)			88,059	27,485	
Restricted to plant					(567,821)	(567,821)	(567,821)			567,821		
Plant to endowment									391,359	(391,359)		
Loans to restricted				60,156		60,156	60,156	(60,156)				
Endowment income to other funds	205,942		205,942	1,688,559		1,688,559	1,894,501	3,239	(1,897,740)			
Total transfers among funds	(6,295,619)	(1,628,515)	(7,924,134)	1,369,848	(567,821)	802,027	(7,122,107)	21,551	20,472,063	(3,052,850)	10,584,247	0
Net increase (decrease) for year	0	750,114	750,114	3,574,590	(566,858)	3,007,732	3,757,846	302,451	15,581,938	(1,559,793)	57,067	26,941,017
Unallocated fund balance at beginning of year	800,000	2,077,685	2,877,685	16,899,192	2,183,163	19,082,355	21,960,040	10,833,910	43,426,511	5,078,677	(34,998)	473,118,345
Adjustments (note 2)		5,669	5,669	543,396		543,396	549,065			64,336		580,136
Adjusted fund balance at beginning of year	800,000	2,083,354	2,883,354	17,442,588	2,183,163	19,625,751	22,509,105	10,833,910	43,426,511	5,143,013	(34,998)	473,698,481
Unallocated fund balance at end of year	\$ 800,000	\$ 2,833,468	\$ 3,633,468	\$ 21,017,178	\$ 1,616,305	\$ 22,633,483	\$ 26,266,951	\$ 11,136,361	\$ 59,008,449	\$ 3,583,220	\$ 22,069	\$ 500,639,498

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON
Statement of Current Funds Revenues, Expenditures and Other Changes
Year ended June 30, 2001
with comparative totals for year ended June 30, 2000

EXHIBIT C

	Unrestricted			Restricted			Total Current Funds	
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted	Unallocated	
							2001	2000
Revenues:								
Tuition, fees, and other student charges	\$ 98,883,719		\$ 98,883,719				\$ 98,883,719	\$ 93,186,751
State appropriations	102,935,307		102,935,307				102,935,307	98,816,564
Federal grants and contracts	1,590,218		1,590,218	\$ 18,922,377	\$ 41,602	\$ 18,963,979	20,554,197	18,469,147
State grants and contracts	141,050		141,050	3,987,690		3,987,690	4,128,740	5,280,638
Local grants and contracts	33,277		33,277	489,382		489,382	522,659	630,723
Private gifts, grants, and contracts	2,508,491		2,508,491	16,508,230	617,237	17,125,467	19,633,958	17,703,951
Endowment income	96,744		96,744	2,198,626	37,864	2,236,490	2,333,234	1,687,045
Sales and services	6,351,963	\$ 33,821,764	40,173,727				40,173,727	36,842,350
Unrealized appreciation (depreciation) on investments	945,582	66,209	1,011,791				1,011,791	(701,924)
Other sources	4,069,266		4,069,266				4,069,266	3,808,385
Total revenues	217,555,617	33,887,973	251,443,590	42,106,305	696,703	42,803,008	294,246,598	275,723,630
Expenditures and mandatory transfers:								
Educational and general:								
Instruction and departmental research	97,462,511		97,462,511	3,628,484		3,628,484	101,090,995	99,046,592
Separately budgeted research	4,281,366		4,281,366	11,911,536		11,911,536	16,192,902	14,316,082
Public service	4,750,558		4,750,558	5,847,109		5,847,109	10,597,667	9,824,645
Academic support	27,668,513		27,668,513	1,495,598		1,495,598	29,164,111	28,527,696
Student services	12,371,605		12,371,605	253,664		253,664	12,625,269	12,064,098
Institutional support	29,557,334		29,557,334	2,416,284		2,416,284	31,973,618	28,880,291
Operation and maintenance of plant	18,669,712		18,669,712	31,663		31,663	18,701,375	18,686,856
Scholarships and fellowships	16,624,588		16,624,588	16,330,373		16,330,373	32,954,961	30,782,383
Early retirement incentive program	(126,189)		(126,189)				(126,189)	5,092,498
Total educational and general expenditures	211,259,998	0	211,259,998	41,914,711	0	41,914,711	253,174,709	247,221,141
Auxiliary Enterprises		31,509,344	31,509,344		696,703	696,703	32,206,047	29,297,236
Mandatory transfers for:								
Principal and interest	2,157,024	4,217,993	6,375,017	191,594		191,594	6,566,611	4,477,152
Loan fund matching grant	87,172		87,172				87,172	88,347
Support for auxiliary debt service	35,000	(35,000)					0	0
Total mandatory transfers	2,279,196	4,182,993	6,462,189	191,594	0	191,594	6,653,783	4,565,499
Total expenditures and mandatory transfers	213,539,194	35,692,337	249,231,531	42,106,305	696,703	42,803,008	292,034,539	281,083,876
Nonmandatory transfers and additions/(deductions):								
Nonmandatory transfers for:								
Current allocated fund balance - net	(822,897)	435,477	(387,420)	(192,223)		(192,223)	(579,643)	7,293,690
Support to auxiliary enterprises	(2,123,417)	2,123,417					0	0
Capital improvements	(776,477)		(776,477)				(776,477)	(850,000)
Allocated early retirement incentive plan	(23,663,660)	(724,534)	(24,388,194)				(24,388,194)	(1,130,939)
Allocated internal financing	23,469,630	720,118	24,189,748				24,189,748	0
Allocated sick leave							0	(165,308)
Unrestricted to endowment (net)	(190,000)		(190,000)				(190,000)	(200,000)
Endowment to restricted (net)				4,950		4,950	4,950	0
Unrestricted to plant	(115,544)		(115,544)				(115,544)	0
Restricted to plant					(567,821)	(567,821)	(567,821)	0
Loans to restricted				60,156		60,156	60,156	0
Endowment income transfer to other funds	205,942		205,942	1,688,559		1,688,559	1,894,501	1,610,864
Excess of restricted receipts over transfers to revenue				5,077,168	963	5,078,131	5,078,131	4,958,422
Indirect costs recovered				(3,014,746)		(3,014,746)	(3,014,746)	(2,427,807)
Refunded to grantors				(49,274)		(49,274)	(49,274)	0
Net increase(decrease) in unallocated fund balance	\$ 0	\$ 750,114	\$ 750,114	\$ 3,574,590	\$ (566,858)	\$ 3,007,732	\$ 3,757,846	\$ 3,728,676

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

Statement of Changes in Current Funds Allocated Fund Balances

Year ended June 30, 2001

	Balance July 1, 2000	Transfers from (to) Unallocated Fund Balance	Balance June 30, 2001
Akron Campus			
Educational and general:			
Reserve for changing enrollment	\$ 1,000,000		\$ 1,000,000
Reserve for unemployment compensation	200,000		200,000
Reserve for fire loss	100,000		100,000
Reserve for insurance liability	1,000,000		1,000,000
Campus reserve	1,000,000		1,000,000
Reserve for departmental carryover	11,351,048	\$ (2,597,476)	8,753,572
Reserve for departmental sales accounts carryover	1,258,372	275,807	1,534,179
Reserve for encumbrances	1,963,971	323,006	2,286,977
Reserve for capital component		1,948,259	1,948,259
Reserve for unrealized appreciation (depreciation) on investments	(1,166,093)	945,582	(220,511)
Subtotal	16,707,298	895,178	17,602,476
Early retirement incentive plan	(23,032,020)	23,032,020	
Internal financing		(23,469,630)	(23,469,630)
Total educational and general	(6,324,722)	457,568	(5,867,154)
Auxiliary enterprises:			
Reserve for subsequent year	680,239	(601,440)	78,799
Reserve for encumbrances	388,201	99,754	487,955
Reserve for unrealized appreciation (depreciation) on investments	(111,982)	66,209	(45,773)
Subtotal	956,458	(435,477)	520,981
Early retirement incentive plan	(724,534)	724,534	
Internal financing		(720,118)	(720,118)
Total auxiliary enterprises	231,924	(431,061)	(199,137)
Restricted:			
Reserve for unrealized appreciation (depreciation) on investments	(391,784)	192,223	(199,561)
Total restricted	(391,784)	192,223	(199,561)
Total Akron campus	\$ (6,484,582)	\$ 218,730	\$ (6,265,852)
Wayne College			
Educational and general:			
Reserve for changing enrollment	\$ 275,000	\$ 100,000	\$ 375,000
Reserve for contingency	50,000		50,000
Reserve for departmental carryover	465,921	65,353	531,274
Reserve for subsequent year	145,000		145,000
Reserve for encumbrances	154,637	156,690	311,327
Reserve for departmental sales accounts carryover	9,049	(19,384)	(10,335)
Reserve for early retirement incentive plan	375,000	(375,000)	
Subtotal	1,474,607	(72,341)	1,402,266
Early retirement incentive plan	(631,640)	631,640	
Total educational and general	842,967	559,299	1,402,266
Total Wayne College	\$ 842,967	\$ 559,299	\$ 1,402,266

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

Statement of Changes in Auxiliary Enterprises Unrestricted
Unallocated Fund Balances

Year ended June 30, 2001
with comparative totals for year ended June 30, 2000

	Residence	Gardner	Inter-	Parking	Rubber	E.J. Thomas	Telecom-	Dining	Akron	Wayne	Totals	
	Halls	Student Center	collegiate Athletics	Services	Bowl	Performing Arts Hall	munications	Facilities	Campus Subtotal	College Bookstore	2001	2000
Revenues	\$ 6,069,989	\$ 1,235,483	\$ 7,864,057	\$ 3,786,105	\$ 100,569	\$ 4,353,369	\$ 2,950,496	\$ 6,908,359	\$ 33,268,427	\$ 619,546	\$ 33,887,973	\$ 30,461,253
Expenditures	4,510,819	1,356,757	8,322,630	1,827,759	401,155	4,800,787	2,800,224	6,934,007	30,954,138	555,206	31,509,344	28,782,773
Transfers among funds - additions (deductions):												
Mandatory:												
Principal and interest	(1,695,719)			(2,216,667)		(274,838)	(30,769)		(4,217,993)		(4,217,993)	(4,041,298)
Support from current unrestricted educational and general for debt service					35,000				35,000		35,000	35,000
Nonmandatory:												
Current allocated fund balance	(83,338)	254,847	10,739	168,316	3,466	(24,195)	124,840	(19,198)	435,477		435,477	(63,929)
Support from (to) current unrestricted educational and general	700,000		433,869		262,120	767,428			2,163,417	(40,000)	2,123,417	1,925,755
Early retirement incentive plan	(256,758)	(68,973)				(310,062)		(88,741)	(724,534)		(724,534)	(40,492)
Internal financing	234,595	71,628				318,276		95,619	720,118		720,118	
Total transfers	(1,101,220)	257,502	444,608	(2,048,351)	300,586	476,609	94,071	(12,320)	(1,588,515)	(40,000)	(1,628,515)	(2,184,964)
Net increase (decrease) for the year	457,950	136,228	(13,965)	(90,005)	0	29,191	244,343	(37,968)	725,774	24,340	750,114	(506,484)
Unallocated fund balance at beginning of year	693,789	88,599	8,296	522,598	0	110,280	105,922	75,557	1,605,041	472,644	2,077,685	2,589,838
Prior period adjustments (note 2)			5,669						5,669		5,669	
Adjusted fund balance at beginning of year	693,789	88,599	13,965	522,598	0	110,280	105,922	75,557	1,610,710	472,644	2,083,354	2,589,838
Unallocated fund balance at end of year	\$ 1,151,739	\$ 224,827	\$ 0	\$ 432,593	\$ 0	\$ 139,471	\$ 350,265	\$ 37,589	\$ 2,336,484	\$ 496,984	\$ 2,833,468	\$ 2,083,354

See accompanying notes to financial statements.

THE UNIVERSITY OF AKRON

Notes to Financial Statements

June 30, 2001 and 2000

1. Summary of Significant Accounting and Reporting Policies

Organization

The University of Akron (The University) is a coeducational, degree granting state university and was established by the General Assembly of the State of Ohio in 1967 by statutory act under Chapter 3359 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels. In 1972, the Wayne College branch was established in Orrville, Ohio. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

The University, together with Kent State University and Youngstown State University, created a consortium to establish and govern Northeastern Educational Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio, and Northeastern Ohio Universities College of Medicine (NEOUCOM), Rootstown, Ohio. These organizations are legally separate from The University; accordingly, their financial activity is not included within the accompanying financial statements, and The University bears no financial liability for these organizations.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, The University's financial statements are included, as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report.

Accrual and Fund Accounting

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

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

The University of Akron

Notes to Financial Statements - Continued

1. Summary of Significant Accounting and Reporting Policies - Continued

- **Endowment and Similar Funds** include resources invested with only the investment income available for purposes established by the donor or, in the case of funds functioning as endowment, by The University. These purposes include loans, scholarships, and departmental support. All realized gains and losses on sales of investments in this fund group are treated as principal transactions.
- **Plant Funds** include unexpended funds which are to be used for the acquisition of properties, funds restricted or designated for retirement of indebtedness incurred in connection with the acquisition of properties, reserves for repairs and replacements, and The University's investment in institutional properties and related indebtedness.
- **Agency Funds** include amounts held in custody for University-related organizations and others.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based on quoted market prices. The University does not invest in derivatives. The University records its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses on investments are recorded in the statement of changes in allocated fund balances. The University has established allocated fund balances in which these unrealized gains and losses are recorded in order to segregate balances subject to market fluctuation.

Inventories

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

Interfund Activity

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

1. Summary of Significant Accounting and Reporting Policies - Continued

Capitalization of Interest

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The University applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its General Receipts Bonds, Series 1999. This statement requires capitalization of interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

Compensated Absences

Staff employees earn vacation at rates specified under State of Ohio law and upon termination are entitled to a maximum payout of the amount earned in the last three years. Full-time administrators and twelve-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 44 days with the maximum payable upon termination of employment of 22 days. At June 30, 2001 and 2000, The University had accrued a vacation liability equal to the number of days accrued by each eligible employee (up to the maximum allowed by the respective employee group) of \$3,539,025 and \$3,476,874, respectively.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave with a maximum of 240 hours. At June 30, 2001 and 2000, the total current unrestricted accrued sick leave liability amounted to \$2,830,499 (\$2,725,950 educational and general and \$104,549 auxiliary enterprises) and \$2,773,372 (\$2,664,315 educational and general and \$109,057 auxiliary enterprises), respectively.

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 received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

The University of Akron

Notes to Financial Statements - Continued

1. Summary of Significant Accounting and Reporting Policies - Continued

Investments in Plant Assets

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

Deferred Income

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

Accounting Standards

The GASB has issued Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. GASB Statement No. 35 establishes comprehensive financial reporting standards including the basis financial statements and required supplementary information for public colleges and universities within the financial reporting guideline of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Application of this standard is required for fiscal 2002. GASB Statement No. 35 is expected to have a significant impact on financial reporting but no impact on the results or historical financial position of The University. The impact on future operating results as a result of adopting GASB Statement No. 35 has not been determined.

2. Adjustments

The University adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which establishes accounting and financial standards for nonexchange transactions involving financial or capital resources and clarifies when these transactions should be recognized. The implementation of this Statement, recorded as a retroactive restatement, increased the July 1, 2000 unallocated fund balances of certain fund groups, as previously reported, by \$1,193,538 as follows:

Unrestricted current funds, auxiliary enterprises	\$	5,669
Restricted current funds		543,396
Plant funds, unexpended		64,336
Plant funds, investment in plant		<u>580,136</u>
Total	\$	<u>1,193,538</u>

The impact of adoption of GASB Statement No. 33 in fiscal years prior to 2000 was considered immaterial.

The University of Akron

Notes to Financial Statements - Continued

3. Cash and Investments

Cash

At June 30, 2001 and 2000, the carrying amounts of The University's bank deposits and interest bearing cash equivalents for all funds were \$18,234 and \$26,639 as compared to bank balances of \$959,426 and \$2,170,607, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2001 and 2000 bank balances, \$286,046 and \$235,902, respectively, were covered by federal deposit insurance; \$673,380 and \$1,934,705, respectively, were uninsured but collateralized with securities held by the Federal Reserve Bank of Cleveland in the depository bank's and The University's name.

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

Investments

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

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

	2001		2000	
	Cost	Fair Value	Cost	Fair Value
Current, loan, endowment, plant, and agency funds:				
Repurchase agreement	\$ 2,787,000	\$ 2,787,000	\$ 1,555,000	\$ 1,555,000
STAR Ohio	1,800,900	1,800,900	1,004,400	1,004,400
The Commonfund:				
Operating Fund	1,824,511	1,824,511	3,266,727	3,266,727
Intermediate Fund	17,735,941	17,305,237	31,067,286	29,636,192
Bond Fund	14,256,719	14,188,572	22,893,119	22,485,839
Total	38,405,071	37,906,220	59,786,532	57,948,158

The University of Akron

Notes to Financial Statements - Continued

3. Cash and Investments - Continued

	Cost	Fair Value	Cost	Fair Value
Endowment and similar funds:				
U.S. Treasury	\$ 1,421,948	\$ 1,450,597	\$ 1,349,084	\$ 1,330,964
U.S. agencies	2,292,521	2,331,537	2,808,371	3,519,072
Common stocks	20,394,882	17,047,512	9,123,721	25,733,744
Preferred stocks	356,817	252,858	241,463	240,271
Corporate bonds	1,765,640	1,642,426	1,973,109	1,640,014
The Commonfund:				
Equity Fund	8,894,886	8,632,055	9,606,780	10,610,102
Endowment Realty	397,755	486,948	412,639	475,112
Private & Small Cap. Equity	6,591,955	10,718,805	6,497,437	10,852,773
Bond Fund	11,503,387	11,759,977	10,805,900	10,921,470
Short-Term Fund	214,946	214,946	111,068	111,068
Cash surrender value of life insurance	108,102	108,102	103,858	103,858
Total	53,942,839	54,645,763	43,033,430	65,538,448
Plant funds:				
U.S. agencies	87,309,357	87,309,357	114,647,698	114,647,698
Total investments, all funds	\$ 179,657,267	\$ 179,861,340	\$ 217,467,660	\$ 238,134,304

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

The U. S. Treasury and agencies securities and corporate bonds were invested through banks that keep the securities in their names in safekeeping accounts at the Federal Reserve Bank and are therefore Category 3 investments. The Government Securities Act of 1986 requires banks to segregate these securities from the bank assets and keep them free of any lien, charge or claim of any third party. The book value of these investments was \$95,576,466 and \$122,333,261 at June 30, 2001 and 2000, respectively. The fair value of these investments was \$95,520,917 and \$122,692,752 at June 30, 2001 and 2000, respectively. The preferred and common stocks were handled by investment managers, and were held in The University's safe deposit box and are, therefore, Category 1 investments. The book value of these investments was \$20,751,699 and \$9,365,184 at June 30, 2001 and 2000, respectively. The fair value of these investments was \$17,300,370 and \$25,974,015 at June 30, 2001 and 2000, respectively.

The University of Akron

Notes to Financial Statements - Continued

3. Cash and Investments - Continued

The Commonfund (The Fund) is a nonprofit membership corporation which provides investment management services for its Member colleges, universities and independent schools and offers a series of pooled investment funds. The Fund invests in funds with off balance sheet risk strategies. The University does not have available information to determine their exposure to credit, market or legal risk. State Treasurer Asset Reserve Fund (STAR Ohio) is an investment pool created pursuant to Ohio Statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001. The deposits held in The Commonfund and STAR Ohio are not classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The book value of these funds was \$63,221,000 and \$85,665,356 at June 30, 2001 and 2000, respectively. The fair value of these funds was \$66,931,951 and \$89,363,683 at June 30, 2001 and 2000, respectively. The cash surrender value of life insurance also is not classified by risk category and both its book and fair value were \$108,102 and \$103,858 at June 30, 2001 and 2000, respectively.

4. Receivables

Accounts Receivable at June 30, 2001 and 2000, consisted of the following:

	2001		2000	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
Current funds:				
Federal, state, local and other governments, foundations and companies, net of allowance for unrestricted doubtful accounts of \$804,309 and \$745,045, respectively	\$2,713,736	\$7,339,497	\$2,720,228	\$6,814,919
Student receivables, net of Allowance for doubtful accounts of \$2,521,378 and \$2,407,886, respectively	3,458,440		2,378,587	
Other, net of allowance for doubtful accounts of \$209,408 and \$191,178, respectively	708,838		1,022,132	
Plant funds, unexpended	912,010			
Agency funds	1,228,414			
Total	<u>\$9,021,438</u>	<u>\$7,339,497</u>	<u>\$6,120,947</u>	<u>\$6,814,919</u>

The University of Akron

Notes to Financial Statements - Continued

4. Receivables - Continued

Unconditional promises to give recorded as pledges receivable at June 30, 2001 and 2000 were as follows:

	<u>2001</u>	<u>2000</u>
Unrestricted current funds:		
Educational and general	\$ 1,808	
Auxiliary enterprises	11,830	\$ 6,652
Restricted current funds	1,164,092	630,166
Endowment and similar funds	5,000,000	
Plant funds, unexpended		75,000
Agency funds	<u>11,000</u>	
	6,188,730	711,818
Less—amount estimated to be uncollectible	97,676	68,155
Less—unamortized discount	<u>370,811</u>	<u>30,262</u>
Total pledges receivable, net	<u>\$ 5,720,243</u>	<u>\$ 613,401</u>

As of June 30, 2001, the University has approximately \$2,347,000 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these pledges or the period over which they might be collected.

5. Debt

Debt at June 30, 2001 and 2000, consisted of the following:

	<u>2001</u>	<u>2000</u>
Note payable:		
Note payable, interest free, due through May 1, 2001		<u>\$ 30,358</u>
Bonds payable:		
General receipts bonds - Series 1997A, 3.65% to 6.0%, due serially through 2022	\$ 30,005,000	\$ 31,280,000
General receipts bonds - Series 1999, 5.895%, due serially through 2029	130,985,000	131,320,000
Capital improvements, 5.668% to 7%, due through 2003	<u>163,092</u>	<u>249,510</u>
Total bonds payable	<u>\$ 161,153,092</u>	<u>\$ 162,849,510</u>

The general receipts bonds, Series 1997A and Series 1999, will be payable from and secured by a first pledge and lien on the general receipts of The University, excluding state appropriations.

The University of Akron

Notes to Financial Statements - Continued

5. Debt - Continued

The aggregate annual principal maturities for fiscal years subsequent to June 30, 2001 are as follows:

Fiscal year:	<u>Bonds</u>
2002	\$ 1,696,728
2003	2,896,728
2004	4,064,818
2005	4,254,818
2006	4,465,000
2007 and thereafter	<u>143,775,000</u>
	<u>\$ 161,153,092</u>

During fiscal year 1999, The University began construction on several campus-wide projects associated with the General Receipts Bonds, Series 1999. Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2001 and 2000, interest on borrowings was \$7,274,414 and \$6,067,734, respectively and earnings on the construction funds were \$5,574,587 and \$5,867,131, respectively resulting in of capitalized interest of \$1,699,827 and \$200,603, respectively.

During fiscal year 1997, The University defeased certain bonds and Certificates of Participation (COP's) by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in The University's financial statements. On June 30, 2001, \$8,530,000 of bonds and COP's outstanding are considered defeased.

6. Leases

The University leases certain office facilities and computer and duplicating equipment under operating leases (see Note 9). Total rental expense under operating leases during the years ended June 30, 2001 and 2000, amounted to \$1,288,878 and \$2,324,763, respectively. Included in the operating expense were month-to-month rentals amounting to \$1,288,878 and \$2,306,413 in fiscal year 2001 and 2000, respectively.

The University's capital leased assets consist of dormitory and educational facilities and computer, duplicating, telecommunications, and other equipment (see Note 10). Capital leased assets by major classes at June 30, 2001 and 2000 are as follows:

	<u>2001</u>	<u>2000</u>
Land	\$ 207,620	\$ 345,732
Building	4,079,746	5,104,746
Movable equipment	<u>6,468,296</u>	<u>2,599,669</u>
	<u>\$ 10,755,662</u>	<u>\$ 8,050,147</u>

The University of Akron

Notes to Financial Statements - Continued

6. Leases - Continued

Future minimum lease payments as of June 30, 2001 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:

Fiscal Year:	Capital Leases
2002	\$ 5,401,174
2003	1,678,691
2004	904,598
2005	99,576
2006	25,385
Total minimum lease payments	\$ 8,109,424
Less amount representing interest	495,082
Present value of net minimum capital lease payments	\$ 7,614,342

The University is lessor under an agreement whereby its bookstore facilities and operations have been leased to an outside bookstore operator through December 2002. The lease provides for annual rentals ranging from \$600,000 to \$700,000 and contingent rentals based upon gross sales. There were no such contingent rentals earned in 2001 or 2000.

The University also received rental payments of approximately \$242,000 and \$240,000 in 2001 and 2000, respectively, from the rental of various other campus facilities under the terms of operating lease agreements, including contingent rentals of approximately \$19,000 in both 2001 and 2000.

7. State Support

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

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

The University of Akron

Notes to Financial Statements - Continued

7. State Support - Continued

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

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

The Ohio Board of Regents adopts a two-year operating budget that includes line items to fund infrastructure investments for higher education. The Capital Component program is an appropriation line item in the Ohio Board of Regents operating budget. The program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. The Capital Component constitutes a reform of capital funding for higher education as part of the capital funding policy adopted in 1997. This new capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget. The formula is driven by considering existing space shortages on campus, student enrollments, and other campus activities (i.e. non-credit activities, community service functions and research). Thus, if the formula allocation exceeds the amount requested, 10% of the difference is paid to the institution for 15 years in the form of Excess Capital Component Allocation.

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

Fiscal Year:	Capital Component
2002	\$ 1,948,259
2003	1,948,259
2004	1,948,259
2005	1,948,259
2006	1,948,259
2007 and thereafter	<u>13,229,484</u>
Total	<u>\$ 22,970,779</u>

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

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) and the School Employees Retirement System (SERS). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS and SERS provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code (ORC).

Both STRS and SERS issue stand-alone financial reports. The STRS' Comprehensive Annual Financial Report may be obtained by writing to State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3371 and the SERS' Comprehensive Annual Financial Report may be obtained by writing to School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215. The ORC provides statutory authority for employee and employer contributions. The employee contribution rates for STRS and SERS are 9.3% and 9%, respectively, of covered payroll and The University is required to contribute 14% of covered payroll for both programs. The University's contributions to STRS and SERS for the years ending June 30, 2001, 2000, and 1999 were \$8,733,237, \$9,198,244, and \$9,984,006, and \$5,345,395, \$5,031,535, and \$4,777,242, respectively, equal to the required contributions for each year.

Early Retirement Incentive Plan

On December 2, 1992, the Board of Trustees approved an Early Retirement Incentive Program to be effective July 1, 1993, which permits The University to purchase up to five years of additional service credit toward retirement for faculty and staff who meet certain state eligibility requirements. Additional flexibility allowed for three open enrollment periods during fiscal years 1993-94, 1995-96, and 1997-98. On September 25, 1996, a fourth open enrollment period was approved for fiscal year 1999-2001. This plan is available for both STRS and SERS members. The University's total costs associated with this plan amounted to \$55,960,295 (\$54,380,325 to the current unrestricted fund and \$1,579,970 to the auxiliary enterprises fund).

During fiscal year 2001, The University's Board of Trustees approved a payoff of the outstanding liability from available current fund cash management reserves to realize interest savings. Along with this payoff, the Board of Trustees established an internal commitment to systematical repay these funds over the next ten years. At June 30, 2001, the total Early Retirement Incentive Program payoff balance, subject to the internal commitment, was \$24,189,748 (\$23,469,630 to the current unrestricted fund and \$720,118 to the auxiliary enterprises fund). The University has established allocated fund balances in which these commitments are recorded in order to segregate these amounts.

The University of Akron

Notes to Financial Statements - Continued

8. Employee Benefit Plans - Continued

The aggregate minimum annual payments required to retire the internal commitment for fiscal years subsequent to June 30, 2001 are as follows:

Fiscal Year:	Current Unrestricted	Auxiliary Enterprises	Total
2002	\$ 2,851,423	\$ 87,490	\$ 2,938,913
2003	2,851,423	87,490	2,938,913
2004	2,851,423	87,490	2,938,913
2005	2,851,423	87,490	2,938,913
2006	2,851,423	87,490	2,938,913
2007 and thereafter	14,257,116	437,451	14,694,567
Total minimum payments	28,514,231	874,901	29,389,132
Less amount representing interest	5,044,601	154,783	5,199,384
Total minimum principal payments	<u>\$ 23,469,630</u>	<u>\$ 720,118</u>	<u>\$ 24,189,748</u>

Other Postretirement Employee Benefits

The University also provides certain health care benefits for dependents of retired employees and life insurance benefits for retired employees. Substantially all of The University's employees hired prior to 1992 may become eligible for those benefits if they reach normal retirement age while working for The University. For 2001 and 2000, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled \$903,977 and \$835,229, respectively.

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, The State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions equal to 4.5% of covered payroll to a Health Care Reserve Fund from which health care benefits are paid. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000 and there were 99,011 eligible benefit recipients.

8. Employee Benefit Plans - Continued

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees, with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 2000, the most recent data available, the allocation rate is 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees and those with less than five years of service to opt out of STRS and SERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. The legislation required employees to contribute at the same rates as stated above, while the employer continued to contribute 5.76% to STRS and 3.10% to SERS. Contributions to the ARPs are 7.74% for STRS ARP members and 10.40% for SERS ARP members. The University holds one-half of one percent for administrative expenses. The employer contribution rate is based on independent actuarial studies. ARP participant earnings for the year ending June 30, 2001 were \$10,351,960. 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 all pending litigation will not have a material adverse effect on the financial statements of The University.

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

The University of Akron

Notes to Financial Statements - Continued

9. Litigation, Commitments, and Contingencies - Continued

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

The University has been appropriated approximately \$23,600,000 of funds from the State of Ohio for building and renovation, of which approximately \$9,100,000 has been expended as of June 30, 2001. In addition, several University-funded construction projects will cost an estimated \$81,485,000 to complete as of June 30, 2001. These projects will be funded by using previously borrowed funds and gifts from outside donors.

10. Related Party Transactions

The University of Akron Foundation (the Foundation) is a legally separate nonprofit organization, exempt from federal income tax, formed in 1967 to assist in developing and increasing the facilities of The University. The Foundation maintains a self-appointing board of trustees. Management has determined that the Foundation is not a component unit of The University as defined by GASB Statement No. 14. Certain services were performed by The University for the Foundation for which an administrative fee of \$500,000 was charged in both fiscal years 2001 and 2000. The Foundation's financial activity is not included in The University's financial statements. During the years ended June 30, 2001 and 2000, the Foundation distributed \$8,982,054 and \$6,806,618, respectively, to The University, and the balance of earnings was reinvested for future development of The University.

The University had assets under capital lease agreements with the Foundation aggregating \$715,000 and \$853,112 at June 30, 2001 and 2000, with remaining lease obligations of \$94,929 and \$172,710, respectively. Rental payments by The University to the Foundation under the terms of an operating lease agreement for fiscal years 2001 and 2000 were \$0 and \$18,350, respectively (see Note 6).

At June 30, 2001 and 2000, The University had receivables representing scholarships and other fund transfers of \$443,253 and \$124,877, respectively, from the Foundation.

The University of Akron

Notes to Financial Statements - Continued

10. Related Party Transactions - Continued

Summary financial information of the Foundation at June 30, 2001 is as follows:

	Net Assets	Revenues, net	Expenditures Exclusive of Distributions
Unrestricted	\$ 8,608,200	\$ 10,072,154	\$ 1,132,678
Temporarily restricted	54,964,324	(35,420,474)	111,019
Permanently restricted	60,481,523	(3,257,712)	(111,019)
	<u>\$ 124,054,047</u>	<u>\$ (28,606,032)</u>	<u>\$ 1,132,678</u>

The Foundation's investments had a book value of \$122,643,952 and a market value of \$127,793,265 at June 30, 2001. Due to unrealized losses on the Foundation's investments, revenues are reported as a negative amount in the audited statements.

11. Subsequent Event (unaudited)

As of September 21, 2001, the book value of The University's investments are \$197.8 million and the fair value of these investments are \$188.4 million. The University has the ability and intent to hold investment assets and continues to evaluate whether unrealized losses are temporary. Decline in investment values considered to be other than temporary will be accounted for in the same manner as realized losses.

The University of Akron

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2001

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Student Financial Aid—Cluster			
Department of Education:			
Direct programs:			
Federal Pell Grant Program	84.063		\$ 11,491,562
Federal Supplemental Educational Opportunity Grant	84.007		643,194
Federal College Work-Study	84.033		838,964
Federal Perkins Loans (Note 2)	84.038		328,113
Federal Family Education Loan Program (Note 4)	84.032		—
Total Department of Education			<u>13,301,833</u>
Department of Health and Human Services:			
Direct programs:			
Nursing Student Loans (Note 3)	93.364		<u>40,336</u>
Total Student Financial Aid-Cluster			<u>13,342,169</u>
Research and Development—Cluster			
Department of Agriculture:			
Direct program:			
USDA	10.206		37,687
Pass-through program:			
University of Arizona*	10.001		<u>1,274</u>
Total Department of Agriculture			<u>38,961</u>
Department of Commerce:			
Direct program:			
U.S. Department of Commerce - Nelson	11.303		5,994
Measurement and Engineering Research and Standards	11.609		<u>25,695</u>
Total Direct Programs			<u>31,689</u>
Pass-through program:			
Ohio State University	11.417	NA86RG0053	<u>475</u>
Total Department of Commerce			<u>32,164</u>

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Office of Naval Research:			
Direct program:			
ONR N00014-01-1-0856 – Newkome	12.300		766
United States Army:			
Direct program:			
United States Army—Basic Scientific Research	12.431		206,359
Pass-through program:			
Battelle	12.431	DAAH04-96-C0086	56,618
North Carolina State University	12.431	DAAH04-96-1-0018	356,026
Total United States Army			619,003
United States Air Force:			
Pass-through programs:			
Veda Corporation	12.800	F33601-94-D- J018/5004	2,097
Universal Technology Corporation	12.800	F33615-97-D-5009	
		F33615-94-C-5800	5,619
McDonnell Douglas, Inc.	12.800	F33615-94-C-3400	19,057
Foster-Miller, Inc.*	12.800		7,240
University of Dayton	12.800	F33615-00-D-5008	8,098
Total United States Air Force			42,111
Defense Advanced Research Programs Agency:			
Pass-through program:			
Santa Fe Science and Technonolgy	12.910	MDA972-99-C0004	58,326
Department of the Interior:			
Pass-through program:			
Ohio State University	15.805	01-HQGR0110	1,545
Ohio State University*	15.805		17,245
			18,790
Ohio University	15.808	00-CRAG0031	31,497
Total Department of the Interior			50,287
Department of Justice:			
Pass-through program:			
A.B.T. Associates*	16.560		217,488

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Aeronautics and Space Administration—Glenn:			
Direct program:			
Technology Transfer	43.002		1,966,524
Pass-through program:			
University of New Mexico	43.002	NAG3-2322	24,158
National Aeronautics and Space Administration—Langley:			
Direct program:			
Technology Transfer	43.002		12,223
Total National Aeronautics and Space Administration			2,002,905
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Humanities	45.160		35,640
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		827,086
Mathematical and Physical Sciences	47.049		1,157,256
Geosciences	47.050		97,777
Biological Sciences	47.074		95,974
Social, Behavioral, and Economic Sciences	47.075		43,069
Education and Human Resources	47.076		(127,647)
Academic Research Facilities and Instrumentation	47.077		90,745
Total direct programs			2,184,260

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Pass-through programs:			
Cleveland State University	47.041	CTS-9725256	27,296
University of Nebraska	47.041	DMI-9523022	16,830
Michigan State University	47.041	EEC-9980325	30,156
State University of New York	47.041	CTS-9711135	23,368
University of Kentucky	47.041	CTS-9911181	61,330
Cleveland Clinic Foundation	47.041	EEC-9820538	4,474
			<u>163,454</u>
University of Nebraska	47.049	DMI-9523022	4,881
Wayne State University	47.049	CHE-9817919	23,505
			<u>28,386</u>
Texas A&M	47.050	OCE-9320477	8,165
Kent State University	47.067	DMR-8920147	
		DMR-9714254	239,196
Case Western Reserve University	47.073	ECD-9108700	838
Cleveland State University	47.074	DBI-9907585	7,803
West Virginia University	47.076	EHR-0090472	(13,333)
Total pass-through programs			<u>434,509</u>
Total National Science Foundation			2,618,769
Environmental Protection Agency:			
Pass-through Programs:			
Ohio EPA	66.460	C999500900-0	28,266
Great Lakes Program	66.469	R-826596-01-0	16,137
Total Environmental Protection Agency			<u>44,403</u>
Department of Energy:			
Direct program:			
Department of Energy	81.000		453,524
Pass-through program:			
University of Pittsburgh	81.089	FC26-98FT40143	12,474
LMITCO	81.105	AC07-94ID13223	13,506
Ohio State University	81.114	FG07-99ID13777	34,164
Total pass-through programs			<u>60,144</u>
Total Department of Energy			513,668
Office of Education:			
Pass-through program:			
Summit County*	84.303		23,856

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct programs:			
HHS	93.000		7,054
Nurse Anesthetist Traineeships	93.124		272
Advanced Education Nursing Grant Program	93.247		80,829
Drug Abuse Scientist Development	93.277		78,402
Nurse Training Improvement—Special Projects	93.359		5,438
Block Grants for Prevention and Treatment of Substance Abuse	93.359A		61,232
Academic Research Enhancement Award	93.390		57,777
Community Services Block Grant Discretionary Awards, Community Food, and Nutrition	93.571		2,412
Heart and Vascular Diseases Research	93.837		42,027
Lung Diseases Research	93.838		21,086
Digestive Diseases and Nutrition Research	93.848		38,954
Microbiology and Infectious Disease	93.856		35,341
Aging Research	93.866		77,566
Vision Research	93.867		16,004
Minority Access to Research Careers	93.880		19,254
Scholarships for Health Profession Students	93.925		30,285
Total direct programs			573,933
Pass-through programs:			
Summit County (State of Ohio) Human Services*	93.000		4,882
Summa Health Systems*	93.225		13,413
Case Western Reserve University	93.886	P50AG 08012-12	28,362
Case Western Reserve University*	93.886		17,091
			45,453
O.D.A.D.A.S.*	93.959		1,835,345
Total pass-through programs			1,899,093
Total Department of Health and Human Services			2,473,026
Total Research and Development—Cluster			8,771,373

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Child Nutrition-Cluster			
Department of Agriculture			
Pass-through programs:			
Center for Child Development*	10.558		21,711
Office of Education*	10.559		13,903
Firestone Endowment*	10.559		2,409
NCAA Youth Sports*	10.588		8,869
Total Department of Agriculture			46,892
Special Education-Cluster			
Department of Education:			
Pass-through program:			
Barberton Decker Center*	84.173		109,025
TRIO-Cluster			
Department of Education:			
Direct programs:			
Talent Search	84.044		314,447
Upward Bound	84.047		358,598
Upward Bound Math/Science	84.047		277,977
			636,575
McNair Post Baccalaureate to Achievement	84.217		247,487
Total TRIO-Cluster			1,198,509

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>Other Programs</i>			
Instruction			
Department of Labor:			
Pass-through programs:			
Ohio State University	17.261		5,291
Department of Education:			
Direct programs:			
Graduate Assistance in Areas of National Need	84.200		55,183
Graduate Assistance in Areas of National Need	84.200A		53,254
Office of Education	84.021A		15,825
Gear up	84.334		191,792
Total direct programs			<u>316,054</u>
Pass-through program:			
McConnell Steel*	84.336		7,899
Total Department of Education			<u>323,944</u>
Total Instruction			<u>329,244</u>
Public Service			
Department of Defense:			
Direct program:			
Air Force ROTC Uniform	12.000		8,357
Defense Logistics Agency:			
Pass-through program:			
Procurement Technical Assistance for Business Firms*	12.002		59,449
U.S. Department of Housing and Urban Development:			
Pass-through programs:			
City of Akron/Knight Family Education*	14.000		1,305
Medina County Human Services*	14.512		35,800
Total U.S. Department of Housing and Urban Development			<u>37,105</u>
Department of Labor:			
Direct programs:			
DOL-CLEM	17.260		6,077

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
National Science Foundation:			
Direct programs:			
Geosciences	47.050		73,667
Education and Human Resources	47.076		42,592
Total National Science Foundation			116,259
Small Business Administration:			
Direct program:			
Center for Small Business	59.005		5,780
Pass-through program:			
Akron Regional Development Board*	59.037		45,145
Total Small Business Administration			50,925
Department of Education:			
Pass-through programs:			
Vocational Education Basic Grants to States*	84.048		50,557
University of Illinois	84.133	H133B30069	30,984
OBR Eisenhower*	84.168		50,682
Ohio Department of Education—Self Even Start*	84.213		81,114
Ohio Department of Education—Tech Prep*	84.243		288,726
OBR Teacher Quality Enhancements*	84.336		8,325
Total Department of Education			510,388
Department of Health and Human Services:			
Direct programs:			
Nursing Education Opportunities for Individuals from Disadvantaged Backgrounds	93.178		197,317
Community Food and Nutrition	93.571		35,937
Total direct programs			233,254

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Pass-through programs:			
Summit County Healthy 2000*	93.194		13,462
CWRU-Alemagno	93.273	5R01-AA-10847-02	761
SPAHEN*	93.359		35,784
Trumbull County Private*	93.558		1,113
NCAA Youth Sport*	93.570		60,815
Barberton Decker Center*	93.593		230,326
OBR/CSCC Job Prep.*	93.593		16,973
Summit County DHHS - Advancing Up*	93.593		67,555
OBR Work Study*	93.593		240
			<hr/>
			315,094
Barberton Decker Center*	93.667		350,246
NOVA Southeastern University*	93.984A		15,524
			<hr/>
Total pass-through programs			792,799
Total Department of Health and Human Services			<hr/>
			1,026,053
Corporation for National and Community Service:			
Pass-through programs:			
Center for Healthy Communities*	94.005		159
			<hr/>
Total Public Service			1,814,772
Total Other Programs			1,683,670
			<hr/>
Total Expenditures of Federal Awards			<hr/> <hr/>
			\$ 25,611,984

* Pass-through entity identifying number not available.

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
Department of Justice:		
Pass-through programs:		
City of Cleveland	16.560	\$ 15,179
National Science Foundation:		
Pass-through programs:		
US Dept. of Energy – Oak Ridge National Laboratory	47.041	25,000
University of Michigan	47.049	11,860
Kent State University	47.074	17,155
		54,015
Environmental Protection Agency:		
Pass-through programs:		
Ottawa River Coalition	66.460	4,000
Department of Energy:		
Pass-through programs:		
Illinois Institute of Technology	81.000	115,729
Department of Education:		
Pass-through programs:		
Six District Education	84.213	30,199
Summit County Educational Service Center	84.213	45,835
Wadsworth City Schools	84.243	5,000
Medina Co. Career	84.243	10,150
Four Cities Educational Compact	84.243	32,603
Portage lakes Career Center	84.243	1,500
Ravenna High School	84.243	750
Kent Roosevelt High School	84.243	750
Akron Public Schools	84.243	2,000
Wayne Co. Career	84.243	1,500
		130,287

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
Department of Health and Human Services:		
Pass-through programs:		
Children's Hospital	93.571	2,996
Summa Health	93.571	7,357
Cleveland State University	93.866	27,259
Summit County Community Partnership	93.959	22,211
Cleveland Treatment Center	93.959	55,998
Prosocial Neighbors, Inc.	93.959	71,875
Sharon Hunt, LICSW	93.959	19,168
CDM Group Inc.	93.959	271,000
Wright State University	93.959	5
Public Health Institute	93.959	24,872
Treatment Alternative for Safe Communities	93.959	7,327
University of California Los Angeles	93.959	40,479
Research Triangle Park	93.959	7,322
Johnson Bassin	93.959	31,019
		588,888
Total pass-through dollars provided to subrecipients		\$ 908,098

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

1. Summary of Significant Accounting Policies:

Basis of Presentation

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

2. The University administers the following federal loan program:

	<u>CFDA Number</u>	<u>Outstanding Balance at June 30, 2001</u>
Federal Perkins Loan Program	84.038	\$ 10,577,609

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

	<u>CFDA Number</u>	<u>Disbursements</u>
Federal Perkins Loan Program	84.038	\$ 1,232,326

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

The University of Akron

Schedule of Expenditures of Federal Awards (continued)

3. The University administers the following federal loan program:

	<u>CFDA Number</u>	<u>Outstanding Balance at June 30, 2001</u>
Nursing Student Loan Program	93.364	\$ 928,881

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

	<u>CFDA Number</u>	<u>Disbursements</u>
Nursing Student Loan Program	93.364	\$ 99,713

4. During the fiscal year ending June 30, 2001, The University processed the following amount of new loans under the Federal Family Education Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate Students):

	<u>CFDA Number</u>	<u>Amount Processed</u>
Federal Family Education Loans Program	84.032	\$ 48,205,689

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

Board of Trustees
The University of Akron

We have audited the financial statements of The University of Akron (the University) as of and for the year ended June 30, 2001, and have issued our report thereon dated September 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the University in a separate letter dated September 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the University in a separate letter dated September 21, 2001.

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

Ernst + Young LLP

September 21, 2001

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

Board of Trustees
The University of Akron

Compliance

We have audited the compliance of The University of Akron (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The University's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



September 21, 2001

The University of Akron

Schedule of Findings and Questioned Costs

Year Ended June 30, 2001

Part I—Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Reportable condition(s) identified not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards Section

Dollar threshold used to determine Type A programs: \$768,360

Auditee qualified as low-risk auditee? X yes no

Type of auditor’s report on compliance for major programs: Unqualified Opinion

Internal Control over compliance:

Material weakness(es) identified? yes X no

The University of Akron

Schedule of Findings and Questioned Costs (continued)

Part I—Summary of Auditor’s Results (continued)

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

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

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.007, 84.033	Student Financial Aid—Cluster
84.038, 84.032, 93.364	

The University of Akron

Schedule of Findings and Questioned Costs (continued)

Part II—Schedule of Financial Statement Findings

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

None.

Part III—Schedule of Federal Award Findings and Questioned Costs

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

None.

THE UNIVERSITY OF AKRON

**Report of Independent Auditors on the Application of Agreed-Upon
Procedures to the Records of The University of Akron
and to its System of Internal Control to Assist The University in
Complying with NCAA Bylaw 6.2.3.1**

Year ended June 30, 2001

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

Dear Dr. Proenza:

We have audited the financial statements of The University of Akron (The University) as of and for the year ended June 30, 2001, and have issued our unqualified report thereon under date of September 21, 2001. At your request, we also have applied certain agreed-upon procedures, as discussed below, to the accounting records and system of internal accounting control of The University, as of June 30, 2001, solely to assist The University in complying with NCAA Bylaw 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by NCAA Bylaws. The sufficiency of these procedures is solely the responsibility of the Board of Trustees and management of The University. 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.

Our procedures and findings are as follows:

Statement of Revenues and Expenditures—Agreed-Upon Substantive Procedures

- (a) We obtained the Statement of Revenues and Expenditures for Intercollegiate Athletics Programs for the year ended June 30, 2001, as prepared by management and shown as Appendix I to this letter. We recalculated the addition of the amounts on the statement, traced the amounts on the statement to management's worksheets, and agreed the amounts on management's worksheets to The University's general ledger. We noted no differences between the amounts on the general ledger and the amounts on the worksheets.
- (b) We compared the Statement of Revenues and Expenditures for Intercollegiate Athletics Programs for the year ended June 30, 2001 to the Statement of Revenues and Expenditures for Intercollegiate Athletics Programs for the year ended June 30, 2000. We calculated the fluctuations and obtained from management explanations for the changes exceeding \$64,000 and 10 percent.
- (c) We obtained documentation from management of gifts received during fiscal 2001. We reviewed the list for any single gift from an "outside organization," with such organization defined by NCAA Bylaws as a booster club or affiliated foundation, that constituted more than 10 percent of all gifts donated to the Intercollegiate Athletics Program and vouched those exceeding the threshold.

- (d) We obtained from management the football and men's basketball athletic ticket office reports for each home game and agreed the ticket sales amounts to the athletic business office cash reports provided by management. We noted immaterial differences between such amounts on the athletic ticket office reports and the amounts on the athletic business office cash reports.
- (e) Athletic Department management represented verbally that The University of Akron Foundation was the only "outside organization" which had expenditures for or on behalf of The University's Intercollegiate Athletic Program. Based on our performance of procedures described in this report, we noted no other such "outside organization." We have included a Schedule of Financial Activities of the Zip Athletic Club and Varsity "A" Association confirmed by the Treasurer of The University of Akron Foundation on Appendix II. We noted that none of these expenditures have been recorded on Appendix I or The University's financial statements. We confirmed with The University of Akron Foundation that all activities of the Zip Athletic Club and Varsity "A" Association are recorded on The University of Akron Foundation's books. We obtained and read the audited financial statements of The University of Akron Foundation.

Because the above procedures "(a)" through "(e)" do not constitute an audit made in accordance with auditing standards generally accepted in the United States, we do not express an opinion on any of the accounts or items referred to above. However, our findings did not give us any reason to believe that the accounts or items referred to above required adjustment. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Program of The University in accordance with auditing standards generally accepted in the United States, other matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above and does not extend to the financial statements of The University or its Intercollegiate Athletics Program taken as a whole.

Internal Control: Policies and Procedures Related to Intercollegiate Athletics—Agreed-Upon Procedures

The management of The University is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States.

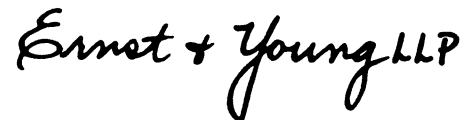
Because of inherent limitations in internal accounting control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our procedures and findings are as follows:

- (f) We identified and reviewed aspects of The University's internal control unique to the Intercollegiate Athletics Program. This review included a review of the general control environment and internal control procedures unique to intercollegiate athletics in order to ensure that recorded revenues are complete and expenditures are properly authorized. We obtained an understanding of specific components of the control environment and accounting system that are unique to intercollegiate athletics that were not reviewed in connection with the audit of the financial statements.
- (g) Management informed us of The University's procedures for gathering information on the nature and extent of booster group activity for or on behalf of The University's Intercollegiate Athletics Program.

Agreed-upon procedures "(f)" and "(g)" applied to certain aspects of The University's internal accounting control were more limited than would be necessary to express an opinion on internal accounting control taken as a whole. Because our study and evaluation was limited to applying agreed-upon procedures "(f)" and "(g)" to certain aspects of internal accounting control, we do not express an opinion on whether the system of internal accounting control of The University in effect for the year ended June 30, 2001, taken as a whole, was sufficient to meet the objectives stated above.

This report is intended solely for the information and use of the management and the NCAA and is not intended to be and should not be referred to or distributed, or otherwise, used by anyone other than those specified parties.



December 13, 2001

The University of Akron
Statement of Revenues and Expenditures
for Intercollegiate Athletics Programs

Year ended June 30, 2001

	Football	Basketball	Other Sports	Non-Program Specific	Total
Operating revenue					
Ticket sales	\$ 131,535	\$ 218,237	\$ 16,674		\$ 366,446
Game guarantees	125,000	60,000	22,150		207,150
Conference revenue			2,160	\$ 431,277	433,437
Student general fee	2,492,396	450,083	2,817,229	645,904	6,405,612
Program sales				6,357	6,357
Radio and TV rights				78,966	78,966
Gifts:					
Unrestricted	31,565	10,076	50,869	103,358	195,868
Restricted	56,542	67,110	333,580	1,947	459,179
Restricted sports camp	12,564	56,411	89,083		158,058
Endowment income:					
Restricted	37,864				37,864
Federal grant:					
Restricted	1,213			9,393	10,606
Other income	12,365	4,168	28,859	124,828	170,220
Total operating revenue	2,901,044	866,085	3,360,604	1,402,030	8,529,763
Operating expenditures					
Coaches' salaries	529,347	200,108	688,055		1,417,510
Other salaries	86,132	55,799	196,893	780,083	1,118,907
Travel:					
Team	207,038	69,696	412,571		689,305
Recruiting	56,005	58,655	109,867	36,464	260,991
Financial aid	1,092,810	161,509	1,223,842	139,206	2,617,367
Game guarantees	150,000	7,000	1,800		158,800
Maintenance and general administration	618,708	271,757	623,921	749,580	2,263,966
Equipment purchases	6,379		10,478	3,588	20,445
Publicity		1,271	517	45,115	46,903
Insurance	8,007	1,317	18,967	129	28,420
Telephone	35,182	24,368	43,089	53,313	155,952
Entertainment/meals	113,855	14,613	31,684	49,619	209,771
Total operating expenditures	2,903,463	866,093	3,361,684	1,857,097	8,988,337
Nonmandatory transfers in from current allocated fund balance	2,419	8	1,080	7,232	10,739
Support from current unrestricted fund education and general	-	-	-	433,870	433,870
Excess of revenue over expenditures	-	-	-	(13,965)	(13,965)
Unallocated fund balance at beginning of year	-	-	-	8,296	8,296
Other	-	-	-	5,669	5,669
Adjusted unallocated fund balance at beginning of year				13,965	13,965
Unallocated fund balance at end of year	\$ -	\$ -	\$ -	\$ -	\$ -

Appendix II

The University Of Akron Schedule of Financial Activities

Year ended June 30, 2001

The University of Akron Foundation confirmed that the financial activities of the Zip Athletic Club and Varsity "A" Association were recorded on the books of The University of Akron Foundation and are not included in either the Statement of Revenues and Expenditures for Intercollegiate Athletics (Appendix I) or the books of The University.

Zip Athletic Club

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Office Furniture and Equipment for Athletic Director	\$ 5,829
Trophy Cases for Jar Arena	2,548
Computer supplies	550
Athletic Director Candidate Receptions	144
Varsity A Reverse Raffle Ticket	125
Men's Basketball Lockerrooms	7,740
Fairlawn Country Club-Basketball Coach	584
Men's Assistant Basketball Coach Candidate Dinner	161
Washer & Dryer for Buchtel Field House	11,263
Digicom University Wireless Communication System	10,862
Football Scoreboard Electronics	3,110
Gilman 'Sak Machine'	1,270
Food and Catering Charges with Golf Invitational	25,034
Custom Flags for Golf Invitational	770
Award Plaques for Golf Invitational	500
Photography for Golf Invitational	460
Celebrity Golf & Waiters Auction	90
Meals at Invitational/Soccer Coach	89
Daktronics Soccer Scoreboard	15,698
Soccer Training Goals and Nets	1,673
	<hr/>
	\$ 88,500
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Varsity "A" Association

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Equipment for Athletic Trainer	\$ 4,045
Summit County Hall of Fame Dinner	250
Rubber Bowl Repairs for Varsity A Room	150
Plates & Engraving-Sports Hall of Fame	11
Pre Basketball Game Meal for Varsity A & Hall of Fame Members	558
Food for A-Men's Basketball Cookout	157
MVP Lockers	7,818
Football Kickoff Banquet	5,370
Anniversary Cups for Football Kickoff Banquet	640
Stamps for Football Kickoff Dinner	165
Food-Spring Football Game	68
Printing Expenses for 500 Kickoff Dinner Tickets	60
Beverages & Cups/Spring Football Game	42
Flowers for Football Kickoff	27
Fall Ball Blast Meal Expense	560
Equipment Rental for Fall Ball Blast	217
	<hr/>
	\$ 20,138
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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

UNIVERSITY OF AKRON

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2002**