The University of Akron

(A component unit of the State of Ohio)

Financial Report

With Supplemental Information

June 30, 2016

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of The University of Akron, Summit County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2015 through June 30, 2016. 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.

Dave Yost

Dave Yost
Auditor of State

December 16, 2016

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The University of Akron

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The University of Akron

Management's Discussion and Analysis (Unaudited)
June 30, 2016

The discussion and analysis of The University of Akron's (The University) annual financial performance provides an overall review of The University's financial activities for the fiscal year ended June 30, 2016. This discussion and analysis views The University's financial performance as a whole; readers should also review the financial statements and related notes to the financial statements to enhance their understanding of The University's financial performance.

Using the Annual Financial Report

The annual report is prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities, and consists of this Management's Discussion and Analysis, three separate but interrelated financial statements, and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

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

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

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as nonoperating revenues; therefore, substantial operating losses are not uncommon for public colleges and universities. For the fiscal years ended June 30, 2016, 2015, and 2014, the State provided approximately $121 million, $109 million, and $101 million, respectively, for operating and capital purposes while The University's operating losses were approximately $140 million, $150 million, and $146 million, respectively, for each of those years.

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

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

The University is considered a discretely presented component unit of the State of Ohio and as such, The University's financial activity is also included within the State of Ohio's Comprehensive Annual Financial Report. The University has two discretely presented component units that are combined and reported in separate columns on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. Since the focus of this discussion is on The University, these component units are not included in the amounts below. These component units are described in greater detail in the financial statements and notes to the financial statements.

Statements of Net Position

This table summarizes The University's Statements of Net Position for the last three fiscal years (in millions):

	2014	2015	2016
Assets:			
Current assets	$ 201.9	$ 203.2	$ 209.5
Noncurrent assets:			
Capital	727.5	736.8	742.9
Other	135.8	99.1	87.1
Total assets	1,065.2	1,039.1	1,039.5
Deferred outflow of resources	18.9	54.5	73.8
Liabilities:			
Current liabilities	81.4	84.3	86.7
Net pension liability	-	339.8	370.9
Other noncurrent liabilities	506.8	499.0	492.8
Total liabilities	588.2	923.1	950.4
Deferred inflow of resources	-	60.4	39.5
Net position:			
Net investment in capital assets	295.0	293.0	311.3
Restricted:			
Nonexpendable	24.1	23.4	22.2
Expendable	74.2	74.0	71.4
Unrestricted	102.6	(280.3)	(281.5)
Total net position	$ 495.9	$ 110.1	$ 123.4

Assets and deferred outflow of resources

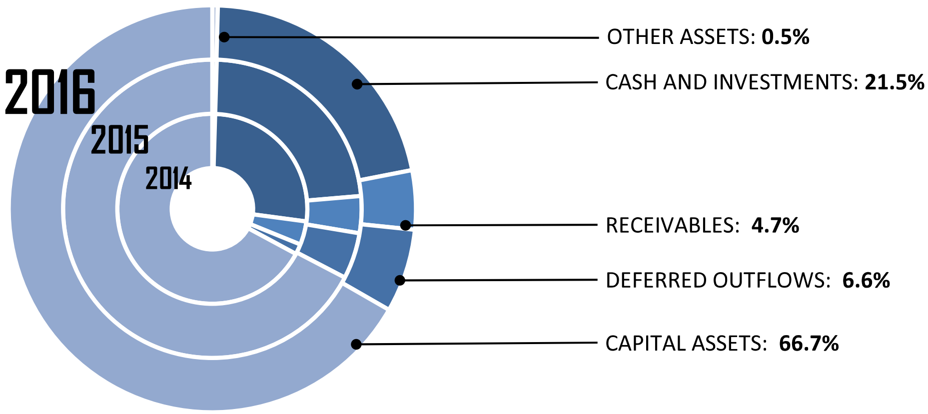
Current assets include those highly liquid assets that are used for current operations such as cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses. For 2016 and 2015, current assets increased $6.3 million and $1.3 million, respectively. There were variations among many of the current asset categories, but the principal causes of the change in 2016 are from an increase of $8.9 million in net accounts receivable and a decrease in cash and cash equivalents of $1.4 million. The principal cause of the change in 2015 is from a $1.0 million increase within all current cash and cash equivalents.

Noncurrent assets consist of endowment and restricted investments, pledges and student notes receivable, long-term prepaid expenses and deferred charges, and capital assets. Noncurrent assets decreased $5.9 million and $27.5 million for 2016 and 2015, respectively. The changes are largely from additional restricted investments for the Campus-Wide Energy Efficiency and Conservation project in 2014 that were spent in 2015 and 2016.

Deferred outflow of resources is defined as the consumption of net assets applicable to a future reporting period. The deferred outflow of resources has a positive effect on net position similar to assets and consists of deferred amounts on The University's bond refunding transactions and the effects of changes in the net pension liability to be included in future pension expense. In 2016, amortization was offset by additional bond refunding amounts added for the Series 2015B and 2016A resulting in a net increase of $8.8 million as well as an increase in future pension expense of $10.5 million. In 2015, amortization on previous amounts was offset by additional bond refunding amounts added for the Series 2014A and 2015A bond issues and $24 million additional future pension expense.

Assets and deferred outflow of resources (continued)

Below is the composition of assets and deferred outflows for each year (with 2016 percentages):



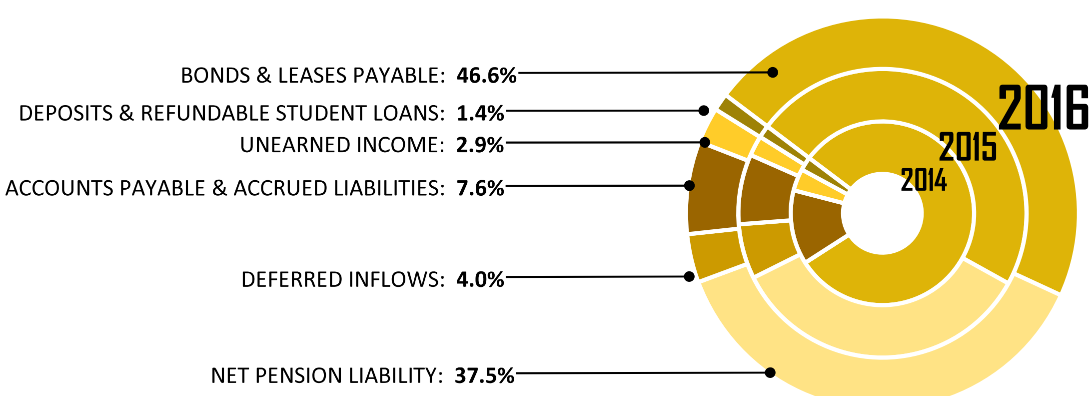
Liabilities and deferred inflow of resources

Current liabilities include all items that mature within one year. The current liabilities include accounts payable, accrued liabilities, accrued interest payable, unearned income, deposits, and the short-term portion of long-term liabilities. Current liabilities increased $2.4 million and $2.9 million for 2016 and 2015, respectively. There were variations among many of the current liability categories, but the principal causes of the change were an increase in deferred revenue of $6.9 million as well as a decrease of $5.0 million in short-term debt during 2016 and a $3.6 million 2015 increase in long-term debt which was due in 2016.

Noncurrent liabilities consist of refundable federal student loans, long-term debt including capital leases and the sick leave and other postemployment benefit liabilities, and net pension liability. All categories of long-term debt were reduced for 2016 with the exception of bond premium for the refinancing of Series 2016A of $15.0 million increase and net pension liability of $31.1 million increase. For 2015, the $332.0 million increase was due to the recognition of the $339.8 million net pension liability as a result of the adoption of GASB 68.

Deferred inflow of resources is the acquisition of net assets applicable to a future reporting period. Deferred inflow of resources has a negative effect on net position similar to liabilities. Fiscal year 2015 was the first year to recognize deferred inflows due to the effects of changes in the net pension liability which will reduce future pension expense. These changes resulted in a $24.6 million decrease from 2015 to 2016 for pensions. Along with an increase in deferred revenues of $3.8 million, deferred inflow of resources decreased a total of $20.9 million from 2015 to 2016.

Below is the composition of liabilities and deferred inflows for each year (with 2016 percentages):



Net position

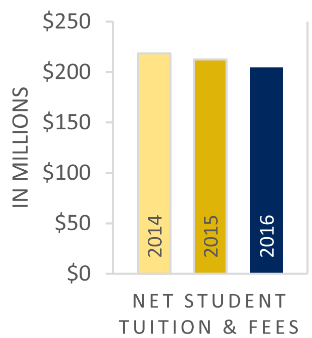
As reflected earlier, *net position* represents the residual balance and, over time, is one indicator of improving or eroding financial health. Net position represents the difference between all other elements in the statements of net position and is displayed in three components: Net investment in capital assets, Restricted, or Unrestricted. Restricted net position includes both expendable and nonexpendable components. For 2016 net position increased 12.1%, or $13.3 million. This was largely due to a $23.8 million decrease in operating expenses including attrition and reduction of staff. Net position decreased 77.8%, or $385.9 million, for 2015 due mostly from the recognition of the net pension liability and increased approximately 1.6%, or $7.7 million, for 2014.

Statements of Revenues, Expenses, and Changes in Net Position

This table summarizes The University's Statements of Revenues, Expenses, and Changes in Net Position for the last three fiscal years (in millions):

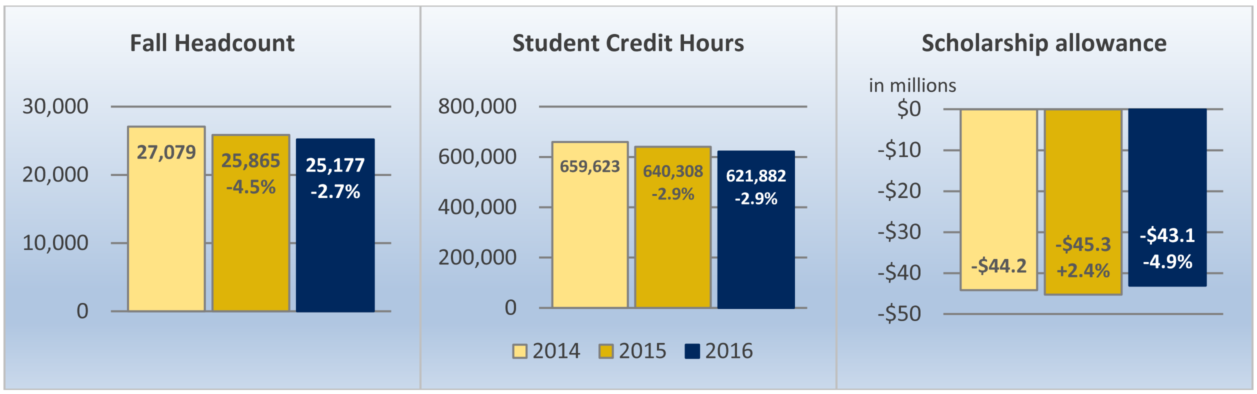
	2014	2015	2016
Operating revenues:			
Tuition and fees (net)	$ 218.4	$ 212.6	$ 204.5
Grants and contracts	39.2	34.0	42.6
Sales and services	8.1	6.8	6.4
Auxiliary enterprises	50.5	50.8	37.2
Other operating revenues	1.3	0.9	0.8
Total operating revenues	317.5	305.1	291.5
Operating expenses:			
Educational and general:			
Instruction and departmental research	166.6	162.2	157.8
Other educational and general	194.2	186.7	182.0
Auxiliary enterprises	63.3	64.5	47.4
Depreciation	39.3	41.4	43.8
Total operating expenses	463.4	454.8	431.0
Operating loss	(145.9)	(149.7)	(139.5)
Nonoperating revenues (expenses):			
State appropriations	97.9	100.2	109.1
Federal grants	34.5	32.2	28.9
Gifts and distributions	19.6	23.1	21.5
Other nonoperating (net)	(2.1)	(20.1)	(19.2)
Net nonoperating revenues	149.9	135.4	140.3
Gain (loss) before other changes	4.0	(14.3)	0.8
Other changes:			
Capital appropriations	3.2	8.4	11.7
Other changes (net)	0.5	1.0	0.8
Total other changes	3.7	9.4	12.5
Increase (decrease) in net position	7.7	(4.9)	13.3
Net position:			
Net position - beginning of year	488.2	495.9	110.1
Change in accounting principle	-	(380.9)	-
Net position - as restated	488.2	115.0	110.1
Net position - end of year	$ 495.9	$ 110.1	$ 123.4

Operating revenues



Student tuition and fees include all tuition and fees assessed for educational purposes, net of refunds and any discounts recognized. Net tuition and fees decreased 3.8% in 2016 and 2.7% in 2015. Changes in net tuition and fees are attributable to the student headcount, student credit hours taken, and fees charged. Tuition and general fees were unchanged for 2016 and were increased 2.0% for the 2015 academic year. In addition, GASB requires the portion of student aid, which is provided in the form of reduced tuition, to be reported as a reduction of this revenue, or scholarship allowance.

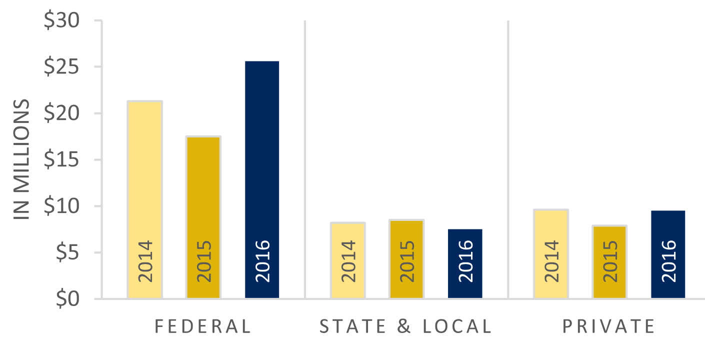
The following charts show changes that would have an effect on the net student tuition and fee revenue:



Grants and contracts include the combined federal, state, local, and private grants and contracts revenue. This represents The University's continued pursuit of federal, state, local, and private funding for research-related activities.

The largest component of these revenues was from federal sources.

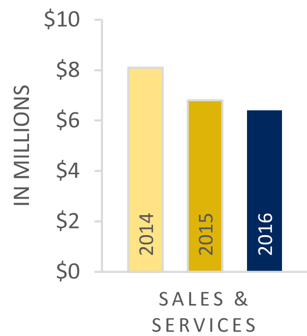
The largest sources of federal revenue were (in millions):

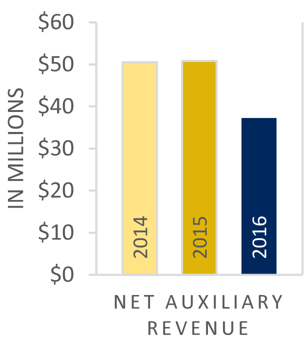


Agency	2014	2015	2016
National Science Foundation	$ 5.1	$ 5.9	$ 6.4
Department of Defense	7.2	3.9	11.0
Department of Education	4.2	3.9	4.0
Department of Health and Human Services	1.7	1.5	1.8
National Aeronautics and Space Administration	0.9	0.4	0.1
Department of Energy	0.5	0.2	-
Other agencies	1.7	1.7	2.3
Total federal revenues	$ 21.3	$ 17.5	$ 25.6

Operating revenues (continued)

Sales and services revenue is from certain operations, which provide services to both students and other departments within The University campus. During 2016 and 2015, the most significant of these operations was the English Language Institute which generated sales totaling $1.2 million and $1.5 million, respectively.

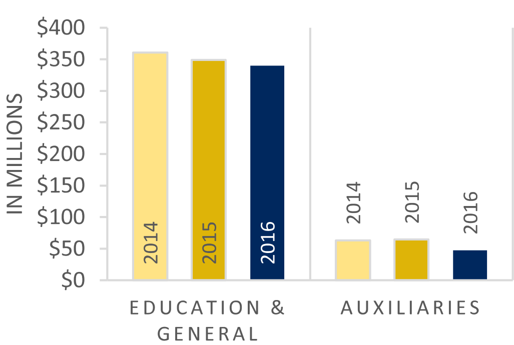




Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing the services. The University's auxiliary services include the residence halls, student unions, intercollegiate athletics and athletic facilities, parking services, E.J. Thomas Performing Arts Hall, and dining. In 2016 The University contracted with Aramark to run all dining services. The predominant revenues within this area are (in millions):

Auxiliary	**2014**	**2015**	**2016**
Residence halls	$ 20.0	$ 20.3	$ 20.7
Athletics	7.3	6.7	7.4
Dining	16.3	16.9	3.7
Parking and transportation services	9.0	9.0	8.5
Other auxiliaries	3.9	4.1	3.2
Scholarship allowance	(6.0)	(6.2)	(6.3)
Total net auxiliary revenue	$ 50.5	$ 50.8	$ 37.2

Operating expenses



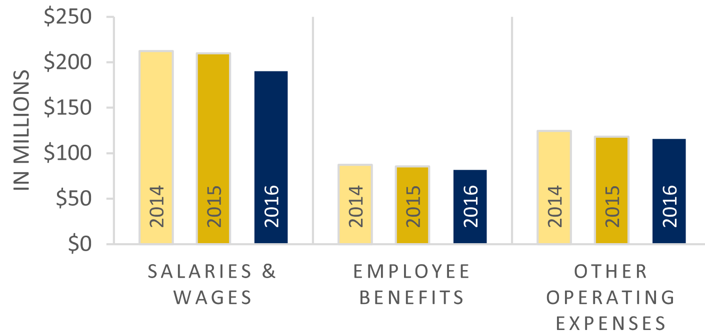
One way to analyze expense is according to the purpose for which the costs are incurred, or their *functional* classification. These classifications tell why an expense was incurred rather than what was purchased.

The educational and general expenses category is the single largest category of operating expenses and includes all academic and administrative support costs. Overall, during 2016 and 2015, these expenses decreased 2.6% and 3.3%, respectively.

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses decreased 26.5% during 2016 and increased 1.9% during 2015.

Operating expenses (continued)

Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.



Salaries and wages include expenses for amounts paid and owed to faculty, staff, and student employees including full-time and part-time employees. These expenses decreased 9.4% and 1.2% during 2016 and 2015, respectively, due to a decline in the total number of employees which was offset by contractual wage increases.

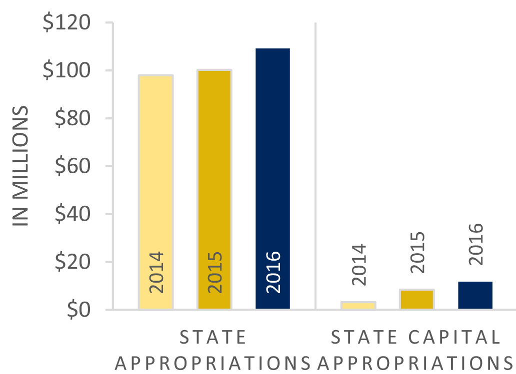
Employee benefits include expenses for all benefits paid to or on behalf of faculty, staff, and student employees. It includes amounts required by law, contractual agreement, or institutional practice. These benefits include The University's portion of payroll taxes, pension, healthcare, and other employee-related benefit programs. During 2016 these expenses decreased 4.6% or $3.9 million.

Other operating expenses include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. These expenses decreased 2.2% and 5.2% during 2016 and 2015, respectively, due to reduced levels of spending in supplies and services.

Generally, *depreciation* expense is predictable from year to year, taking into account items which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Unlike many items that are expensed when purchased, The University capitalizes most long-term assets. The assets are then expensed over estimated useful lives ranging from three years for certain equipment to 40 years for buildings.

Depreciation expense increased $2.4 million and $2.1 million during 2016 and 2015, respectively, due to changing levels of capital asset purchases and losses from the disposal of obsolete capital assets.

Nonoperating revenues and expenses

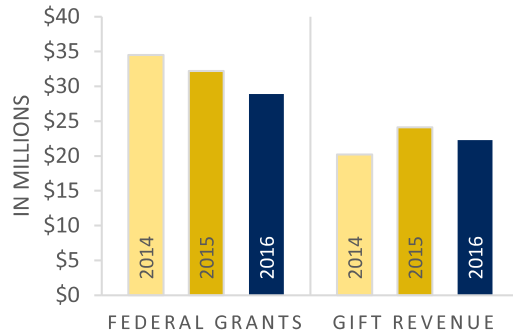


State appropriations represent the most significant nonoperating revenue source for The University. State appropriations funding increased $9.0 million and $2.3 million in 2016 and 2015, respectively.

The State of Ohio also provides *capital appropriations* to The University. Unlike the operating resources reflected previously, these resources are provided to help with The University's capital needs. The funding is provided through the Ohio Department of Higher Education (ODHE), formerly known as the Ohio Board of Regents, and based upon certain formulas and a capital plan provided by The University. Capital appropriation revenues vary from year to year based on spending on the approved capital projects.

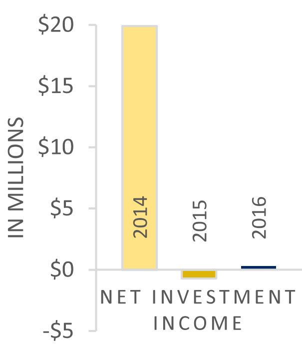
Nonoperating revenues and expenses (continued)

The University records Pell grant awards as nonoperating *federal grant* revenue. Federal grant revenue decreased 10.3% and 6.6% during 2016 and 2015, respectively, due to the decreasing number of awards to students.



The University receives *gifts and distributions* from a wide array of friends including alumni, the business community, and foundations. The University views continued donor support as a vital ingredient to its continued success. Student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. Oftentimes, gifts and awards are accompanied by donor restrictions. In those cases, The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. Gift revenues decreased by $1.8 million during 2016 and increased $3.9 million during 2015.

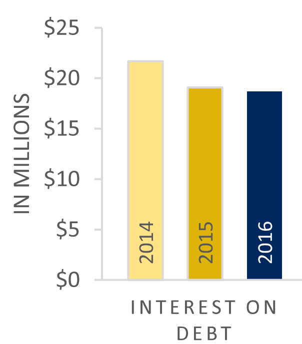
Other net nonoperating revenues and expenses represent the remaining sources and uses of funds that generally do not result from providing educational and instructional services in connection with The University's principal ongoing operations including investment income and interest payments on debt.



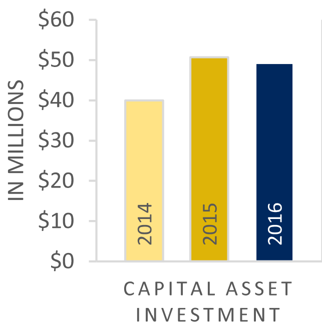
Investment income, net of investment expenses, increased $1.0 million during 2016 and decreased $20.6 million during 2015. The changes are due to overall fluctuations in returns on all investments and realized gains when investments were transferred to a new investment manager in spring 2014.

GASB requires investments be reported at fair value for financial statement reporting purposes. Included in the change in net investment income was a $1.9 million net decrease in 2016 and a $7.0 million net decrease in 2015 within net unrealized appreciation on investments because of market conditions as of fiscal year end. These changes in investments were not redeemed, but were recorded as adjustment to the fair value of the investments.

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense decreased $.4 million to $18.7 in 2016 and $2.6 million to $19.1 million in 2015 due to refinancing of certain debt in both years.

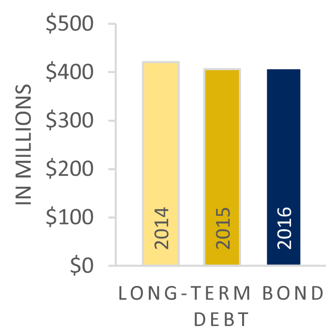


Capital Assets and Long-term Debt Activity



The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. The remainder of the Campus-Wide Energy Efficiency and Conservation project was completed during 2016 as well as the Zook Hall and Auburn Science and Engineering Center renovations. These three projects and implementation of new equipment and software were the majority of the capital asset additions. Most of the increase in 2015 is from spending on the Campus-Wide Energy Efficiency and Conservation project. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled $408.3 million, $406.5 million, and $421.0 million in 2016, 2015, and 2014, respectively. During 2016, The University issued refunding bonds to refinance the remainder of the Series 2008A and 2008B and portions of the Series 2011 bonds to receive lower interest rates. During 2015, The University issued refunding bonds to refinance portions of the Series 2003A, 2004B, 2008A, and 2008B bonds and receive lower interest rates. The University's bond rating was unchanged with these issues and remains at A1, while the outlook changed from stable to negative. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.



Factors Impacting Future Periods

of every revenue dollar comes from tuition or state support

Student tuition and fees and state appropriations are the principal revenue sources which supported The University's annual operations. For both 2016 and 2015, those revenue sources alone represented $313.6 million and $312.8 million, respectively, of The University's total operating and nonoperating revenues. The aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled $152.1 million and $162.7 million, respectively.

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

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Independent Auditor's Report

To the Board of Trustees
University of Akron

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Akron (the "University") and its aggregrate discretely presented component units as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University of Akron's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
University of Akron

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Akron and its discretely presented component units as of June 30, 2016 and 2015, and the changes in its financial position, and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2016, the University adopted the provisions of Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Akron's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the basic financial statements.

To the Board of Trustees
University of Akron

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016 on our consideration of the University of Akron's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University of Akron's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 13, 2016

The University of Akron

Statements of Net Position

June 30, 2016 and 2015

	The University of Akron		Component Units	
ASSETS	**2016**	**2015**	**2016**	**2015**
Current assets:				
Cash and cash equivalents	$ 11,709,777	$ 13,142,547	$ 2,305,649	$ 3,956,612
Pooled investments	149,326,775	150,302,033	6,908,660	6,735,662
Accounts receivable, net	41,195,432	32,279,342	1,395,082	1,671,339
Pledges receivable, net	346,331	303,938	2,179,614	2,912,480
Notes receivable, net	1,564,519	1,490,122	-	-
Accrued interest receivable	472,843	460,068	-	-
Inventories	584,032	783,904	-	-
Prepaid expenses	4,260,994	4,407,281	100,736	81,844
Total current assets	209,460,703	203,169,235	12,889,741	15,357,937
Noncurrent assets:				
Restricted cash and cash equivalents	2,921,565	4,660,217	-	-
Restricted investments	6,977,405	12,051,182	393,204	386,477
Endowment investments	61,985,180	65,313,105	161,199,527	167,910,416
Investments held in trust by others	6,635,135	7,586,191	-	-
Pledges receivable, net	516,908	640,917	14,215,798	8,286,498
Notes receivable, net	8,081,695	8,807,355	-	-
Capital assets, net	742,865,129	736,788,579	17,509,158	17,929,043
Total assets	1,039,443,720	1,039,016,781	206,207,428	209,870,371
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on bond refundings	38,913,766	30,070,403	-	-
Pensions	34,906,287	24,443,491	-	-
Total deferred outflow of resources	73,820,053	54,513,894	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	6,517,317	4,931,583	4,228,628	4,365,163
Accrued liabilities	22,827,751	23,250,472	913,206	678,347
Accrued interest payable	6,623,116	7,321,662	-	-
Unearned income	29,088,137	22,236,571	1,641,128	2,681,661
Deposits	2,028,567	1,979,702	-	-
Current portion of long-term liabilities	19,564,315	24,547,886	4,933,311	4,968,835
Total current liabilities	86,649,203	84,267,876	11,716,273	12,694,006
Noncurrent liabilities:				
Refundable federal student loans	11,994,799	11,842,132	-	-
Actuarial liability for annuity/unitrust agreements	-	-	12,094,922	13,252,020
Net pension liability	370,890,391	339,765,660	-	-
Long-term liabilities	480,829,038	487,155,233	2,499,572	2,571,883
Total liabilities	950,363,431	923,030,901	26,310,767	28,517,909
DEFERRED INFLOW OF RESOURCES				
Pensions	34,786,146	59,540,889	-	-
Other deferred inflows	4,719,730	900,000	-	-
Total deferred inflow of resources	39,505,876	60,440,889	-	-
NET POSITION				
Net investment in capital assets	311,349,302	292,967,203	15,009,586	15,357,160
Restricted:				
Nonexpendable:				
Endowment	22,185,716	23,363,947	111,417,882	102,239,633
Expendable:				
Research and gifts	38,005,372	36,709,910	-	-
Loans	826,151	825,904	-	-
Endowment	29,571,125	31,458,109	51,787,759	60,101,203
Capital projects	2,633,127	4,645,392	-	-
Debt service	366,930	342,257	-	-
Unrestricted (deficit)	(281,543,257)	(280,253,837)	1,681,434	3,654,466
Total net position	$ 123,394,466	$ 110,058,885	$ 179,896,661	$ 181,352,462

See accompanying notes to financial statements

The University of Akron

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2016 and 2015

	The University of Akron		Component Units	
REVENUES	**2016**	**2015**	**2016**	**2015**
Operating revenues:				
Student tuition and fees	$ 247,506,893	$ 257,856,631	$ -	$ -
Scholarship allowance	(43,052,286)	(45,287,087)	-	-
Net student tuition and fees	204,454,607	212,569,544	-	-
Federal grants and contracts	25,603,683	17,541,809	64,528	65,542
State grants and contracts	6,943,858	8,155,110	-	-
Local grants and contracts	547,435	358,218	-	-
Private grants and contracts	9,511,261	8,051,641	4,798,356	9,324,413
Gifts and contributions	-	-	5,921,075	10,279,496
Sales and services	6,416,543	6,769,940	-	-
Auxiliary enterprises	43,514,303	57,030,317	-	-
Scholarship allowance	(6,303,328)	(6,243,746)	-	-
Net auxiliary enterprises	37,210,975	50,786,571	-	-
Pensions	65,824	14,062	-	-
Other sources	748,149	979,186	2,231,661	2,032,458
Total operating revenues	291,502,335	305,226,081	13,015,620	21,701,909
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	157,773,939	162,172,003	-	-
Separately budgeted research	29,200,055	30,496,892	4,122,347	7,531,508
Public service	7,147,315	6,984,579	-	-
Academic support	35,212,800	35,115,408	-	-
Student services	12,374,758	14,138,954	-	-
Institutional support	50,855,952	51,505,090	858,769	1,010,986
Operation and maintenance of plant	22,106,992	23,382,265	-	-
Scholarships and fellowships	25,132,503	25,151,776	-	-
Auxiliary enterprises	47,411,681	64,488,966	-	-
Depreciation	43,835,457	41,408,128	490,154	375,661
Total operating expenses	431,051,452	454,844,061	5,471,270	8,918,155
Operating loss (income)	(139,549,117)	(149,617,980)	7,544,350	12,783,754
NONOPERATING REVENUES (EXPENSES)				
State appropriations	109,183,622	100,217,868	-	-
Federal grants	28,883,394	32,185,530	-	-
Gifts	7,006,374	6,804,003	-	-
Investment income, net	293,479	(657,981)	(4,327,785)	(3,481,022)
Interest on debt	(18,663,178)	(19,050,279)	(166,162)	(98,478)
Distributions to The University	14,464,714	16,185,606	(14,464,714)	(16,185,606)
Distributions on behalf of The University	-	-	(610,200)	(422,147)
Other nonoperating expenses (revenues)	(823,095)	(396,108)	903,230	487,294
Net nonoperating revenues (expenses)	140,345,310	135,288,639	(18,665,631)	(19,699,959)
Income (loss) before other changes	796,193	(14,329,341)	(11,121,281)	(6,916,205)
OTHER CHANGES				
State capital appropriations	11,738,845	8,383,538	-	-
Capital gifts and grants	696,809	606,453	-	-
Additions to permanent endowments	103,734	439,399	9,665,480	2,710,845
Total other changes	12,539,388	9,429,390	9,665,480	2,710,845
Increase (decrease) in net position	13,335,581	(4,899,951)	(1,455,801)	(4,205,360)
NET POSITION				
Net position - beginning of year	110,058,885	495,891,328	181,352,462	185,557,822
Adjustment for change in accounting principle	-	(380,932,492)	-	-
Net position - as restated	110,058,885	114,958,836	181,352,462	185,557,822
Net position - end of year	$ 123,394,466	$ 110,058,885	$ 179,896,661	$ 181,352,462

The University of Akron

Statements of Cash Flows
June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 202,620,467	$ 212,865,306
Grants and contracts	43,144,896	34,750,078
Auxiliary enterprises	37,722,122	49,732,010
Sales and service of educational activities	6,416,543	6,769,940
Payments to suppliers	(89,912,089)	(91,519,605)
Payments for compensation and benefits	(277,929,109)	(299,511,540)
Payments for scholarships and fellowships	(24,582,957)	(24,391,989)
Loans issued to students	(984,989)	(1,585,431)
Collection of loans to students	1,636,252	1,736,884
Other payments	(278,533)	(687,116)
Net cash used in operating activities	(102,147,397)	(111,841,463)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	109,183,622	100,217,868
Gifts, grants, and contracts for other than capital purposes	50,437,386	54,717,095
Private gifts for endowment purposes	152,450	296,523
Other payments	(823,095)	(396,108)
Net cash provided by noncapital financing activites	158,950,363	154,835,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	109,657,411	132,396,244
Repayment of capital debt	(108,900,000)	(131,505,000)
Capital appropriations	11,738,845	8,383,538
Capital grants and gifts received	810,173	406,352
Purchases of capital assets	(52,255,036)	(51,617,472)
Principal paid on capital debt and leases	(19,782,412)	(17,683,257)
Interest paid on capital debt and leases	(18,970,612)	(18,442,566)
Net cash used in capital financing activites	(77,701,631)	(78,062,161)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	248,218,393	238,822,308
Interest on investments	2,205,446	5,520,444
Purchase of investments	(232,696,596)	(206,025,462)
Net cash provided by investing activities	17,727,243	38,317,290
Net decrease (increase) in cash and cash equivalents	(3,171,422)	3,249,044
Cash and cash equivalents - beginning of the year	17,802,764	14,553,720
Cash and cash equivalents - end of the year	$ 14,631,342	$ 17,802,764

(continued)

The University of Akron

Statements of Cash Flows
June 30, 2016 and 2015

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (139,549,117)	$ (149,617,980)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	43,835,457	41,408,128
Changes in assets, and liabilities, and deferred inflows/outflows:		
Accounts receivable, net	(7,937,556)	164,986
Notes receivable, net	651,263	151,453
Inventories	199,872	2,810
Prepaid expenses	146,287	(155,499)
Accounts payable	(455,845)	843,130
Accrued liabilities	(422,721)	1,227,951
Unearned income	6,851,566	(492,353)
Deposits held for others	(51,623)	(181,802)
Sick leave liability	(1,280,118)	215,537
Other postemployment benefit liability	(295,209)	543,493
Net pension liability	31,124,731	(62,422,977)
Deferred inflows / outflows	(35,117,051)	56,401,360
Refundable federal student loans	152,667	70,300
Net cash used in operating activities	$ (102,147,397)	$ (111,841,463)

See accompanying notes to financial statements

1. Summary of Significant Accounting and Reporting Policies

Organization

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

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

The University, together with Kent State University and Youngstown State University, created a consortium to establish and govern Northeastern Educational Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio. This organization is legally separate from The University and has no voting majority from The University. Accordingly, the financial activity is not included within the accompanying financial statements and The University bears no financial benefit or burden for the organization.

In accordance with Government Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Comprehensive Annual Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to state retirement programs for certain university employees.

Furthermore, in accordance with GASB Statement No. 61, two discretely presented component units are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to The University in support of its programs. The Research Foundation promotes, encourages, and provides assistance to the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 10.

Basis of Accounting

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

Measurement Focus and Financial Statement Presentation

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

1. Summary of Significant Accounting and Reporting Policies – continued

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

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

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with an initial maturity of three months or less when purchased. Cash and cash equivalents for bond issue proceeds are separately managed and recorded on the Statements of Net Position as restricted cash and cash equivalents in noncurrent assets.

Investments

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

Accounts Receivable

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

Pledges Receivable

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

Inventories

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

Deferred Outflow of Resources

Deferred outflow of resources is the consumption of net assets applicable to a future reporting period. Deferred outflow of resources has a positive effect on net position similar to assets.

1. Summary of Significant Accounting and Reporting Policies – continued

Capital Assets

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

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

Capitalization of Interest

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

Unearned Income

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of state retirement plans that The University is a member and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the retirement plans. The plans use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflow of Resources

Deferred inflow of resources is the acquisition of net assets applicable to a future reporting period. Deferred inflow of resources has a negative effect on net position similar to liabilities.

1. Summary of Significant Accounting and Reporting Policies – continued

Compensated Absences

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

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

Net Position

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

Scholarship Allowances and Student Aid

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

Endowment and Quasi-Endowments

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

Service Organization

The University processes certain Lorain County Community College (LCCC) data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data is also stored on university equipment. The data processing functions are performed and managed by university employees. As such, The University is a service organization as prescribed by Statement on Standards for Attestation Engagements (SSAE) No. 16, while LCCC is a user organization. Revenue from this agreement is recorded as sales and services revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

1. Summary of Significant Accounting and Reporting Policies – continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

As of June 30, 2016, The University retrospectively applied GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Effective with the fiscal year ended June 30, 2015, The University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB Statement No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. These statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). As a result of these statements, The University has reported the $380.9 million impact as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014.

Accounting Standards

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions,* for pension plans and pensions that are within their respective scopes. The requirements of this statement for The University's pensions that are within the scope of Statement No. 68 are effective for fiscal year 2017. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The requirements of this statement are effective for fiscal year 2018. The University is currently evaluating the impact this standard will have on the financial statements when adopted.

2. Cash and Investments

Cash

At June 30, 2016 and 2015, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were $14,631,342 and $17,802,764, respectively, as compared to bank balances of $15,411,242 and $14,801,244, respectively. The differences between carrying amounts and bank balances were caused by items in transit. Of the June 30, 2016 and 2015 bank balances, $14,646,048 and $14,419,863, respectively, was uninsured but collateralized with securities held by the depository banks in The University's name.

Investments

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

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

The University's investments, at fair value, at June 30, 2016 and 2015 are summarized as follows:

	2016 Fair Value	2015 Fair Value
Pooled investments:		
Money Market	$ 2,404,615	$ 2,617,820
U.S. agencies	20,279,198	14,102,111
U.S. Treasury	23,187,044	22,301,261
U.S. and corporate bonds	15,623,454	15,730,151
Corporate notes	39,327,903	44,478,838
Municipal issues	-	500,995
Equities	22,874,336	24,690,777
PIMCO AAAA	-	1,449,963
Negotiable certificates of deposit	11,794,835	9,492,587
Mutual funds - alternative investments	5,344,835	4,273,319
PFM: Prime Series	8,490,555	10,664,211
Total pooled investments	149,326,775	150,302,033

continued

2. Cash and Investments - continued

Investments - continued

		continued
Endowment investments:		
Marketable securities:		
Money Market	532,497	2,457,636
U.S. agencies	139,745	163,756
U.S. Treasury	1,525,955	1,084,953
Equities	49,756,712	48,798,080
Managed Fixed Income	9,410,482	12,198,223
U.S. and corporate bonds	105,378	70,975
Corporate notes	513,806	538,748
The Commonfund: Private Equity	-	130
Cash surrender value of life insurance	605	604
Total endowment investments	61,985,180	65,313,105
Investments held in trust by others:		
Money Market	791,723	1,146,709
U.S. Treasury	5,494,378	5,567,901
Commercial paper sweep	349,034	871,581
Total investments held in trust by others	6,635,135	7,586,191
Restricted investments:		
U.S. agencies	-	4,128,138
U.S. Treasury	6,977,405	7,923,044
Total restricted investments	6,977,405	12,051,182
Total investments	$ 224,924,495	$ 235,252,511

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

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2016 and 2015, The University did not have more than 5% of its fixed-income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2016 and 2015, The University did not have investments that are subject to foreign currency risk. To limit exposure to these risks, The University’s investment policies set guidelines for maturities based on investment type (short-term, intermediate, or long-term), limits percentage exposure to a single issuer or market, and requires that a majority of the holdings consist of domestic (U.S.) securities of investment grade (at least rated BBB or BAA) as rated by a nationally recognized statistical rating organization.

The 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.

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2016 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
PFM: Prime/Government Series	AAA	$ 8,490,555	$ -	$ -	$ -	$ 8,490,555
U.S. agencies	AAA	464,583	8,138,326	5,613,360	6,202,674	20,418,943
U.S. Treasury	AA	6,250,586	23,917,719	7,016,475	-	37,184,780
Municipal issues	AAA	-	-	-	-	-
Negotiable CDs	AA	3,123,749	4,861,557	-	-	7,985,306
	A	2,853,411	956,118	-	-	3,809,529
Total negotiable CDs		5,977,160	5,817,675	-	-	11,794,835
Corporate notes	AAA	-	3,576,521	534,907	-	4,111,428
	AA	507,690	13,603,450	1,062,465	-	15,173,605
	A	4,629,917	15,207,610	619,387	39,769	20,496,683
	BBB	-	34,201	25,791	-	59,992
Total corporate notes		5,137,607	32,421,782	2,242,550	39,769	39,841,708
U.S. and corporate bonds	AAA	2,511,733	-	-	97,922	2,609,655
	AA	1,306,400	-	-	-	1,306,400
	A	1,378,620	-	-	-	1,378,620
	BBB	1,971,448	-	-	-	1,971,448
	BB	1,008,539	-	-	-	1,008,539
	B	679,419	-	-	-	679,419
	Below B	243,353	-	-	-	243,353
Total U.S. and corporate bonds		9,099,512	-	-	97,922	9,197,434
Totals		$ 35,420,003	$ 70,295,502	$ 14,872,385	$ 6,340,365	$126,928,255

2. Cash and Investments - continued

Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2015 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
PFM: Prime/Government Series	AAA	$ 10,664,211	$ -	$ -	$ -	$ 10,664,211
U.S. agencies	AAA	4,153,150	4,994,530	1,537,365	7,708,960	18,394,005
U.S. Treasury	AA	10,145,090	22,425,063	4,307,006	-	36,877,159
Municipal issues	AAA	500,995	-	-	-	500,995
Negotiable CDs	AA	925,564	1,895,896	-	-	2,821,460
	A	924,852	5,746,275	-	-	6,671,127
Total negotiable CDs		1,850,416	7,642,171	-	-	9,492,587
Corporate notes	AAA	-	949,231	-	-	949,231
	AA	691,912	13,378,237	1,750,572	-	15,820,721
	A	3,083,334	24,499,107	551,016	35,838	28,169,295
	BBB	35,361	26,134	16,844	-	78,339
Total corporate notes		3,810,607	38,852,709	2,318,432	35,838	45,017,586
U.S. and corporate bonds	AAA	2,670,638	-	-	63,608	2,734,246
	AA	1,269,205	-	-	-	1,269,205
	A	1,484,995	-	-	-	1,484,995
	BBB	1,691,247	-	-	-	1,691,247
	BB	887,150	-	-	-	887,150
	B	787,950	-	-	-	787,950
	Below B	188,871	-	-	-	188,871
Total U.S. and corporate bonds		8,980,056	-	-	63,608	9,043,664
Totals		$ 40,104,525	$ 73,914,473	$ 8,162,803	$ 7,808,406	$129,990,207

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

2. Cash and Investments - continued

Investments - continued

The University has the following recurring fair value measurements as of June 30, 2016:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. agencies	$ 20,418,943	$ -	$ 20,418,943	$ -
U.S. Treasury	31,690,403	31,220,033	470,370	-
U.S. and corporate bonds	15,728,833	15,630,911	97,922	-
Corporate notes	39,841,709	-	39,841,709	-
Equities	72,631,048	72,631,048	-	-
Managed fixed income	9,410,482	9,410,482	-	-
Negotiable certificates of deposit	11,794,835	-	11,794,835	-
Mutual funds - alternative investments	5,344,835	5,344,835	-	-
Total investments by fair value level	$ 206,861,088	$ 134,237,309	$ 72,623,779	$ -

The University has the following recurring fair value measurements as of June 30, 2015:

Assets and Liabilities Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using		
	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. agencies	$ 18,394,004	$ -	$ 18,394,004	$ -
U.S. Treasury	31,309,259	30,924,936	384,323	-
U.S. and corporate bonds	15,801,126	15,737,518	63,608	-
Corporate notes	45,017,587	-	45,017,587	-
Municipal issues	500,995	-	500,995	-
Equities	73,488,857	73,488,857	-	-
Managed fixed income	12,198,222	11,712,129	486,093	-
PIMCO AAAA	1,449,963	1,449,963	-	-
Negotiable certificates of deposit	9,492,587	-	9,492,587	-
Mutual funds - alternative investments	4,273,319	4,273,319	-	-
Common Fund	130	130	-	-
Total investments by fair value level	$ 211,926,049	$ 137,586,852	$ 74,339,197	$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. agencies, U.S. Treasury, and Corporate notes and bonds and negotiable certificates of deposits at June 30, 2016 and 2015 was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Investments reported at cost totaling $18,063,408 and $23,326,463 for years ending June 30, 2016 and 2015, respectively, are not included in the tables above. These investments include cash in prime series and money market accounts, cash surrender value of life insurance, and bond proceeds held in trust.

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Accounts receivable, net:		
Federal, state, and local governments, foundations, and companies, net of allowance for doubtful accounts of $0 and $695,875, respectively	$ 22,918,073	$ 15,656,799
Student receivables, net of allowance for doubtful accounts of $32,607,755 and $31,795,069, respectively	16,967,724	14,995,227
Other, net of allowance for doubtful accounts of $52,235 and $48,209, respectively	1,309,634	1,627,316
Total accounts receivable, net	41,195,431	32,279,342
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of $1,901,918 and $1,000,745, respectively	9,646,214	10,297,477
Accounts and notes receivable, net	$ 50,841,645	$ 42,576,819

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2016 and 2015 were as follows:

	2016		2015	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	$ 887,733	$ 349,664	$1,013,975	$ 318,085
Less: amount estimated to be uncollectible	(8,308)	(3,333)	(43,979)	(14,147)
Less: unamortized discount	(16,186)	-	(25,141)	-
Pledges receivable, net	863,239	$ 346,331	944,855	$ 303,938
Less: current portion	(346,331)		(303,938)	
Pledges receivable, noncurrent portion	$ 516,908		$ 640,917	

As of June 30, 2016 and 2015, The University has approximately $4,197,000 and $4,433,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

5. Capital Assets

Changes in capital assets during fiscal years 2016 and 2015 were as follows:

	Balance July 1, 2015	Additions	Reductions	Transfers	Balance June 30, 2016
Nondepreciable capital assets:					
Land	$ 39,661,058	$ -	$ -	$ -	$ 39,661,058
Historical collections	4,586,517	39,200	-	-	4,625,717
Construction in progress	10,820,838	31,539,209	-	(33,257,123)	9,102,924
Total nondepreciable capital assets	55,068,413	31,578,409	-	(33,257,123)	53,389,699
Depreciable capital assets:					
Land improvements	47,716,090	-	(1,858,428)	20,725	45,878,387
Buildings	933,898,026	-	(1,914,775)	25,690,231	957,673,482
Infrastructure	75,227,376	-	-	7,546,167	82,773,543
Equipment, furniture, and books	120,066,679	18,333,597	(5,321,670)	-	133,078,606
Total depreciable capital assets	1,176,908,171	18,333,597	(9,094,873)	33,257,123	1,219,404,018
Total capital assets	1,231,976,584	49,912,006	(9,094,873)	-	1,272,793,717
Less accumulated depreciation:					
Land improvements	29,051,731	1,794,257	(1,858,428)	-	28,987,560
Buildings	368,359,024	25,631,718	(1,914,775)	-	392,075,967
Infrastructure	13,768,206	4,764,392	-	-	18,532,598
Equipment, furniture, and books	84,009,044	11,525,410	(5,201,991)	-	90,332,463
Total accumulated depreciation	495,188,005	43,715,777	(8,975,194)	-	529,928,588
Capital assets, net	$ 736,788,579	$ 6,196,229	$ (119,679)	$ -	$ 742,865,129

	Balance July 1, 2014	Additions	Reductions	Transfers	Balance June 30, 2015
Nondepreciable capital assets:					
Land	$ 39,661,058	$ -	$ -	$ -	$ 39,661,058
Historical collections	4,586,517	-	-	-	4,586,517
Construction in progress	3,584,041	42,392,701	-	(35,155,904)	10,820,838
Total nondepreciable capital assets	47,831,616	42,392,701	-	(35,155,904)	55,068,413
Depreciable capital assets:					
Land improvements	49,480,156	-	(2,192,205)	428,139	47,716,090
Buildings	927,985,313	-	-	5,912,713	933,898,026
Infrastructure	46,414,969	-	(2,645)	28,815,052	75,227,376
Equipment, furniture, and books	118,980,664	8,343,312	(7,257,297)	-	120,066,679
Total depreciable capital assets	1,142,861,102	8,343,312	(9,452,147)	35,155,904	1,176,908,171
Total capital assets	1,190,692,718	50,736,013	(9,452,147)	-	1,231,976,584
Less accumulated depreciation:					
Land improvements	29,381,024	1,862,912	(2,192,205)	-	29,051,731
Buildings	343,067,809	25,291,215	-	-	368,359,024
Infrastructure	10,105,610	3,665,241	(2,645)	-	13,768,206
Equipment, furniture, and books	80,677,581	10,494,832	(7,163,369)	-	84,009,044
Total accumulated depreciation	463,232,024	41,314,200	(9,358,219)	-	495,188,005
Capital assets, net	$ 727,460,694	$ 9,421,813	$ (93,928)	$ -	$ 736,788,579

For the years ended June 30, 2016 and 2015, respectively, included in depreciation expense of $43,835,457 and $41,408,128 is a loss of $119,679 and $93,928 from the disposal of obsolete capital assets.

6. Long-term Liabilities

In May 2016, The University issued $93.9 million of General Receipts Refunding Bonds, Series 2016A with an average coupon rate of 4.75% with payments through 2042. The proceeds of the Series 2016A Bonds were used to refund $28.3 million, $51.8 million and $18.6 million of The University's outstanding General Receipts Bonds, Series 2008A, 2008B and Lease Revenue Bonds, Series 2011, respectively, to pay issuance costs and generate interest savings of $11.4 million over the life of the bonds.

In December 2015, The University issued $10.5 million of General Receipts Refunding Bonds, Series 2015B with a coupon rate of 1.73% with payments through 2022. The proceeds of the Series 2015B Bonds were used to refund $10.2 million of The University's outstanding General Receipts Bonds, Series 2005, to pay issuance costs and generate interest savings of $734,000 over the life of the bonds.

In May 2015, The University issued $99.1 million of General Receipts Refunding Bonds, Series 2015A with an average coupon rate of 4.76% with payments through 2032 and generating a net premium of $14.9 million. The proceeds of the Series 2015A bonds were used to refund $48.7 million and $51.4 million of The University's outstanding General Receipts Bonds, Series 2008A & 2008B, respectively, to pay issuance costs and generate interest savings of $7.2 million over the life of the bonds.

In August 2014, The University issued $29.6 million of General Receipts Refunding Bonds, Series 2014A with an average coupon rate of 4.57% with payments through 2035 and generating a net premium of $2.3 million. The proceeds of the Series 2014A Bonds were used to refund $14.9 million and $16.5 million of The University's outstanding General Receipts Bonds, Series 2003A & 2004B, respectively, to pay issuance costs and generate interest savings of $2.3 million over the life of the bonds.

In September 2013, The University entered into a loan agreement with the Ohio Air Quality Development Authority (OAQDA) to fund the Campus-Wide Energy Efficiency and Conservation Project which will perform conservation measures on many of The University's buildings. OAQDA issued $44.6 million of Tax Exempt Revenue Bonds, Series 2013A and $15.0 million of federally taxable Tax Credit Revenue Bonds, Series 2013B. The Series 2013A bonds will have annual principal payments until final maturity on January 1, 2026, with an interest rate of 2.48%. The Series 2013B bonds will have semiannual interest payments, with an interest rate of 4.99%, and the principal will be due at maturity on January 1, 2029.

The Series 2013B Bonds are Qualified Energy Conservation Bonds eligible for a 70 percent federal rebate based on the Qualified Tax Credit Rate as of the bond sale date (4.99 percent). The benefit of the rebate has been assigned to The University. The rebates received for the years ended June 30, 2016 and 2015 were $261,287 and $779,653, respectively. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

6. Long-term Liabilities – continued

Changes in long-term liabilities during fiscal year 2016 were as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Bonds payable:					
General receipts refunding bonds - Series 2005, 3.5% to 5.0%, due serially through 2022	$ 10,200,000	$ -	$ (10,200,000)	$ -	$ -
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	84,640,000	-	(84,640,000)	-	-
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	112,035,000	-	(6,245,000)	105,790,000	6,435,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	30,470,000	-	(1,445,000)	29,025,000	1,990,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	27,760,000	-	(710,000)	27,050,000	735,000
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	99,135,000	-	(1,600,000)	97,535,000	-
General receipts refunding bonds - Series 2015B, 1.73%, due serially through 2022	-	10,500,000	(780,000)	9,720,000	1,545,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	-	93,905,000	-	93,905,000	500,000
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	41,336,681	-	(3,314,706)	38,021,975	3,396,910
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	420,576,681	104,405,000	(108,934,706)	416,046,975	14,601,910
Bond premiums:					
Series 2014A	2,145,326	-	(107,266)	2,038,060	107,266
Series 2015A	13,807,824	-	(824,348)	12,983,476	824,348
Series 2016A	-	16,003,589		16,003,589	615,523
Total bond premiums	15,953,150	16,003,589	(931,614)	31,025,125	1,547,137
Development Finance Authority lease	32,040,000	-	(19,170,000)	12,870,000	-
Innovation Generation Scholarships	12,664,677	-	(529,003)	12,135,674	530,000
Capitalized lease obligations	964,644	-	(577,706)	386,938	386,938
Sick leave liability	8,931,619	638,152	(1,918,269)	7,651,502	2,498,330
Other postemployment benefits	20,572,348	(295,209)	-	20,277,139	-
Totals	$ 511,703,119	$ 120,751,532	$(132,061,298)	$ 500,393,353	$ 19,564,315
Less: current portion				(19,564,315)	
Long-term liabilities				$ 480,829,038	

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal year 2015 were as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Bonds payable:					
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	$ 14,875,000	$ -	$ (14,875,000)	$ -	$ -
General receipts bonds - Series 2004B, 2.0% to 5.0%, due serially through 2035	16,495,000	-	(16,495,000)	-	-
General receipts refunding bonds - Series 2005, 3.5% to 5.0%, due serially through 2022	11,420,000	-	(1,220,000)	10,200,000	1,275,000
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	189,120,000	-	(104,480,000)	84,640,000	4,495,000
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	117,040,000	-	(5,005,000)	112,035,000	6,245,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	31,320,000	-	(850,000)	30,470,000	1,445,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	-	29,635,000	(1,875,000)	27,760,000	710,000
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	-	99,135,000	-	99,135,000	1,600,000
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	44,571,171	-	(3,234,490)	41,336,681	3,314,706
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	439,841,171	128,770,000	(148,034,490)	420,576,681	19,084,706
Bond premiums:					
Series 2014A	-	2,252,592	(107,266)	2,145,326	107,266
Series 2015A	-	14,013,911	(206,087)	13,807,824	824,348
Total bond premiums	-	16,266,503	(313,353)	15,953,150	931,614
Development Finance Authority lease	32,635,000	-	(595,000)	32,040,000	615,000
Innovation Generation Scholarships	13,102,210	-	(437,533)	12,664,677	600,000
Capitalized lease obligations	1,523,411	-	(558,767)	964,644	577,706
Sick leave liability	8,716,082	1,489,130	(1,273,593)	8,931,619	2,738,860
Other postemployment benefits	20,028,855	543,493	-	20,572,348	-
Totals	$ 515,846,729	$ 147,069,126	$ (151,212,736)	$ 511,703,119	$ 24,547,886
Less: current portion				(24,547,886)	
Long-term liabilities				$ 487,155,233	

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

6. Long-term Liabilities - continued

The University has defeased certain debt by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liabilities for the defeased debt are not included in The University's financial statements. The defeased debt is as follows:

	Amount Defeased	Amount Outstanding at June 30, 2016	Amount Outstanding at June 30, 2015
General Receipts Rental Note:			
Series 2003A	$ 33,412,270	$ 24,312,944	$ 25,383,453
General Receipts Bonds:			
Refunded in 2015			
Series 2008A	48,765,000	48,765,000	48,765,000
Series 2008B	51,370,000	51,370,000	51,370,000
Remainder Refunded in 2016			
Series 2008A	28,320,000	28,320,000	-
Series 2008B	51,825,000	51,825,000	-
Lease Revenue Bonds:			
Series 2011	18,555,000	18,555,000	-
Totals	$ 232,247,270	$ 223,147,944	$ 125,518,453

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2016 are as follows:

Fiscal Year:	Principal	Interest	Total
2017	$ 16,149,047	$ 16,388,009	$ 32,537,056
2018	18,508,290	15,643,994	34,152,284
2019	21,334,623	14,978,181	36,312,804
2020	22,018,097	14,209,679	36,227,776
2021	22,768,765	13,460,530	36,229,295
2022-2026	122,044,520	54,164,773	176,209,293
2027-2031	113,830,683	28,024,083	141,854,766
2032-2036	72,104,939	11,635,467	83,740,406
2037-2041	35,417,613	(704,176)	34,713,437
2042	2,895,523	(579,898)	2,315,625
Totals	$ 447,072,100	$ 167,220,642	$ 614,292,742

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2016 and 2015, interest on borrowings for the Series 2008A&B bonds was $2,128,868 and $6,901,879, respectively, and earnings on the proceeds were $153 and $289, respectively. Substantial completion on outstanding projects was determined to be 99.9% and 98.3% in 2016 and 2015, resulting in net capitalized interest of $1,370 and $120,365, respectively. At June 30, 2016 and 2015, interest on borrowings for the Series 2013A&B bonds was $984,047 and $1,073,931, respectively, and earnings on the proceeds were $4,778 and $42,949, respectively. Substantial completion on outstanding projects was determined to be 97.1% and 86.0% in 2016 and 2015, respectively, resulting in net capitalized interest of $28,409 and $144,121, respectively.

In September 2013, The University finalized an agreement with Akron Public Schools (APS) to transfer a decommissioned high school to The University in return for the equivalent in-kind services to the district in accordance with state law. The fair market value of the high school, known as Central Hower High School, was determined to be $13.5 million. The University agreed to provide annual, renewable APS Innovation Generation Scholarships to qualified current and future APS students up to the fair market value of Central Hower. The remaining scholarship balance as of June 30, 2016 and 2015 was $12,135,674 and $12,664,677, respectively.

6. Long-term Liabilities - continued

The University's bookstore facilities and operations and certain food operations are leased to outside operators. These leases provide for annual rental receipts of approximately $2,508,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal years 2016 and 2015 totaled approximately $373,000 and $120,000 respectively. During fiscal years 2016 and 2015, The University also received rental receipts approximating $300,000 and $443,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2016 and 2015 amounted to approximately $590,000 and $655,000, respectively.

The University has entered into a six-year lease to house UA Lakewood in the Bailey Building in Lakewood, Ohio through 2018. This lease has an option to renew the lease for an additional five years near the end of the original lease agreement. Future minimum payments for this operating lease as of June 30, 2016 are as follows:

Fiscal Year	2017	$ 175,675
	2018	43,919
		$ 219,594

In May 2011, The University entered into a Facilities Lease Agreement with the Development Finance Authority of Summit County (DFA), formerly known as the Summit County Port Authority, to finance and construct the South Residence Hall facility. This agreement provided for the DFA to issue $33.8 million Lease Revenue Bonds to finance the project and for the housing facility to be leased to The University. The University is required to pay semiannual rental payments to the DFA for the life of the revenue bonds. Proceeds of $18.6 million of the General Receipts Bonds, Series 2016A issued by The University in May 2016 were used to refund principal for the fiscal years ending June 30, 2017, 2018, 2023-2028, 2031-2033, and 2039-2042. The agreement allows for The University to purchase the housing facility with a bargain purchase option at the end of the agreement.

The University's other capital leased assets consist of a chilled water tank and property. Future minimum lease payments as of June 30, 2016 under all capital leases with an initial or remaining noncancelable lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows by major class:

Fiscal Year:	**DFA**	**Building**	**Land**	**Total**
2017	$ 698,038	$ 382,796	$ 9,016	$ 1,089,850
2018	698,038	-	-	698,038
2019	1,368,037	-	-	1,368,037
2020	1,369,587	-	-	1,369,587
2021	1,368,525	-	-	1,368,525
2022-2026	3,691,125	-	-	3,691,125
2027-2031	4,915,000	-	-	4,915,000
2032-2036	6,541,800	-	-	6,541,800
2037-2041	3,730,800	-	-	3,730,800
Total minimum lease payments	24,380,950	382,796	9,016	24,772,762
Less amount representing interest	(11,510,950)	(4,835)	(39)	(11,515,824)
Present value of net minimum capital lease payments	$ 12,870,000	$ 377,961	$ 8,977	$ 13,256,938

7. State Support

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

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

The Capital Component program is an appropriation line item in the ODHE operating budget to fund infrastructure investments for higher education. This program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. This capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget.

8. Employee Benefit Plans

Retirement Plans

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

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

State Teachers Retirement System	School Employees Retirement System	Ohio Public Employees Retirement System
275 E. Broad Street	300 East Broad Street, Suite 100	277 East Town Street
Columbus, Ohio 43215-3371	Columbus, Ohio 43215-3746	Columbus, Ohio 43215-4642
(888) 227-7877	(800) 878-5853	(800) 222-7377
www.strsoh.org	www.ohsers.org	www.opers.org

8. Employee Benefit Plans – continued

Contributions

The ORC provides statutory authority for employee and employer contributions. The employee contribution rates on covered payroll for the last three years are:

	Employee contributions		
	2016	2015	2014
STRS	13.00%	12.00%	11.00%
SERS	10.00%	10.00%	10.00%
OPERS-LE	13.00%	13.00%	13.00%

The statutory STRS employee contribution rate increases one percent each year until it reaches 14%.

The employer contribution rates on covered payroll for the last three years are:

	Employer contributions								
	2016			2015			2014		
	Pension	Healthcare	Total	Pension	Healthcare	Total	Pension	Healthcare	Total
STRS	14.00%	0.00%	14.00%	14.00%	0.00%	14.00%	13.00%	1.00%	14.00%
SERS	13.26%	0.74%	14.00%	12.44%	1.56%	14.00%	13.10%	0.90%	14.00%
OPERS-LE	16.10%	2.00%	18.10%	16.10%	2.00%	18.10%	16.10%	2.00%	18.10%

The University's annual required and actual contributions to each system are:

	2016	2015	2014
STRS	$ 11,257,611	$ 12,098,895	$ 12,322,156
SERS	7,357,364	8,374,258	8,495,147
OPERS-LE	494,374	558,723	549,163
	$ 19,109,349	$ 21,031,876	$ 21,366,466

Benefits Provided

State Teachers Retirement System

Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, gives the retirement board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the schedules of employer allocations and pension amounts by employer.

8. Employee Benefit Plans – continued

***State Teachers Retirement System* continued**

As of August 1, 2015 any member may retire who has (1) five years of service credit and attained age 65, (2) 26 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. On August 1, 2017, eligibility requirements for an unreduced benefit will change. The maximum annual retirement allowance, payable for life considers years of credited service, final average salary (three-five years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to $2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

School Employees Retirement System

Plan benefits are established under Chapter 3309 of the ORC, as amended by Substitute Senate Bill 341 in 2012. New age and service requirements for retirement became effective with the passage of Senate Bill 341. For members who retire on or after August 1, 2017, the member must be age 67 with 10 years of service credit or age 57 with 30 years of service credit to retire with full benefits. The member can be age 62 with 10 years of service credit or age 60 with 25 years of service credit to retire early with actuarially-reduced benefits.

To protect the benefits of longtime members, SERS included a grandfather provision and a buy-up option that give members the opportunity to retire under the previous age and service credit requirements after August 1, 2017. The grandfather provision allows members, who reach 25 years of service on or before August 1, 2017, to retire under the previous age and service credit eligibility requirements. These age and service requirements are at any age with 30 years of service credit to retire with full benefits, or age 60 with five years of service credit, or age 55 with 25 years of service credit to retire with actuarially reduced benefits. The buy-up option allows members who will have fewer than 25 years of service credit as of August 1, 2017, to retire under previous retirement eligibility requirements if they pay the actuarial difference between the benefit they would have received under the new requirements and the benefit they may receive under the previous requirements. Members who want to buy-up must complete their payments on or before August 1, 2017.

If a member has been employed in a job covered by STRS or OPERS as well as in a job covered by SERS, at retirement the member may receive a retirement benefit independently from each of the systems, if eligible, or may combine the service credit and accounts in all the systems to receive one benefit. The system with the greatest service credit will be the system that will calculate and pay the benefit. While the salaries in one year will be added together, if the member has service credit in each system for the same year, the member cannot be credited with more than one year of service credit.

All non-teaching employees of The University are required to be members unless their position permits exemption from membership or the position is excluded from membership. Coverage is required for any employee who:

- Is employed in a position for which the person is not required to have a certificate or license issued pursuant to sections 3319.22 to 3319.31 of the Revised Code
- Performs a service common to the normal daily operation of an educational unit even though the person is employed and paid by one who has contracted with the school to perform the service

8. Employee Benefit Plans – continued

School Employees Retirement System continued

The following individuals may choose exemption from coverage by filing a written application with the employer within the first month after being employed:

- A student who is not a member at the time of the student's employment and who is employed by The University and the student is enrolled and regularly attending classes
- An emergency employee serving on a temporary basis in case of fire, snow, earthquake, flood, or other similar emergency
- An individual employed in a program established under the Federal Job Training Partnership Act

The following employees are excluded from SERS coverage:

- Any person having a license issued by the Ohio Department of Education (ODE) and employed in a public school in this state in an educational position, as determined by the ODE, under programs under federal law and financed in whole or in part from federal funds, but for which no licensure requirements for the position can be made under the provisions of such federal law
- University of Akron police officers who are covered by OPERS.

A member is entitled to a benefit under one of two disability plans. A member who became a member before July 29, 1992 is covered by the old disability plan unless they exercised a one-time election to switch to the new plan. Members after that date are covered by the new plan. Under both plans, a member is eligible for disability benefits if the member:

- Has at least five (5) years of total service credit
- Files an application no later than two (2) years from the date that the contributing service stopped
- Is permanently disabled, either physically or mentally, for work in a SERS-covered position as determined by a physician appointed by SERS
- Became disabled after becoming a SERS member
- Did not receive a refund of the member's contributions
- Does not receive a service retirement benefit

Under the old disability plan, a member also must apply before turning 60 years old. Under the new disability plan, a member may apply at any age. All disability recipients are required to apply for Social Security disability benefits, if eligible.

One year after an effective benefit date, a benefit recipient is entitled to a three percent (3%) cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

At death, after retirement or receipt of a disability benefit, the retiree's beneficiary or disability benefit recipient's beneficiary is entitled to a one-time lump sum payment of $1,000. If a member dies while working, before the member begins receiving a monthly service retirement benefit, or while receiving a disability benefit, the member's qualified survivors are entitled to certain benefits.

Ohio Public Employees Retirement System (Law Enforcement)

Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. In that legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013 comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

8. Employee Benefit Plans – continued

***Ohio Public Employees Retirement System (Law Enforcement)* continued**

OPERS Law Enforcement program is divided into two separate divisions: Law Enforcement and Public Safety. Both divisions of members are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined plans. Law Enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service for Group A. Law Enforcement Group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law Enforcement Group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

A death benefit of $500 - $2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement personnel who are eligible immediately upon employment.

Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.

OPERS administers two disability plans for participants in the Traditional Pension plan. Members in the plan as of July 29, 1992 could elect coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Law enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury.

Alternative Retirement Plan

Chapter 3305 of the ORC establishes an Alternative Retirement Plan (ARP) for the purpose of providing to eligible employees an alternative to participating in a state retirement system. Each ARP offered under this program is a defined contribution plan qualified under section 401(a) of the Internal Revenue Code. In 1997, the State approved the ARP for full-time academic and administrative employees. In 2005, this legislation was amended to include all full-time college employees as of August 2005.

Eligible employees have 120 days from their first day of full-time employment to enroll in the ARP. The Ohio Department of Insurance has identified ARPs that Ohio public colleges and universities are required to offer. Employers and employees are required to contribute to the ARPs at the same rates as previously stated for state retirement system contributions. The law also provides that The University sends a portion of each ARP participant's employer contribution to the retirement system to be used for unfunded accrued liabilities. The employer contribution rates are based on independent actuarial studies. The balance of the employer contribution and the entire employee contribution is sent directly to the ARP elected by the employee. Employees are immediately vested in their own contributions and earnings on those contributions and become 50% vested in university contributions and earnings on university contributions after completion of two years of service with The University and 100% vested after completion of five years. Nonvested contributions are forfeited upon termination of employment. The ARPs do not provide postretirement benefits other than pension and death benefits.

8. Employee Benefit Plans – continued

Alternative Retirement Plan continued

For STRS, the employer contributes 4.50% of its 14.00% employer contribution in 2016 and 2015 to STRS. For SERS, no funding is contributed to SERS if the employee was hired before August 2005. If the employee was hired on or after August 2005, the employer contributes 6.00% of the 14.00% employer contribution to SERS. The University's contributions for ARP employees for the years ended June 30, 2016, 2015, and 2014 were $4,740,668, $5,019,069, and $5,061,708, respectively, equal to the required contributions for each year.

Net Pension Liability, Deferrals, and Pension Expense

For the years ended June 30, 2016 and 2015, The University reported a liability for its proportionate share of the net pension liability of the retirement systems. For June 30, 2016 the net pension liability was measured as of July 1, 2015 for the STRS plan, June 30, 2015 for the SERS plan and December 31, 2015 for the OPERS plan. For June 30, 2015 the net pension liability was measured as of July 1, 2014 for the STRS plan, June 30, 2014 for the SERS plan and December 31, 2014 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net pension liability		Proportionate share		Percent
	date	2016	2015	2016	2015	change
STRS	July 1	$ 252,360,353	$ 231,277,151	0.913123%	0.950840%	-0.037717%
SERS	June 30	113,499,597	104,527,403	1.989093%	2.065374%	-0.076281%
OPERS-LE	December 31	5,030,441	3,961,106	0.029042%	0.032842%	-0.003800%
Total		$ 370,890,391	$ 339,765,660			

For the years ended June 30, 2016 and 2015, The University recognized pension expense of $15,912,125 and $15,327,461, respectively. At June 30, 2016, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred outflow of resources	Deferred inflow of resources	Deferred outflow of resources	Deferred inflow of resources
Difference between expected and actual experience	$ 13,356,560	$ 101,535	$ 3,046,596	$ -
Net difference between projected and actual earnings on pension plan investments	1,496,976	22,380,020	-	59,540,889
Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions	-	12,304,591	-	-
University contributions subsequent to the measurement date	20,052,751	-	21,396,895	-
Totals	$ 34,906,287	$ 34,786,146	$ 24,443,491	$ 59,540,889

8. Employee Benefit Plans – continued

Net Pension Liability, Deferrals, and Pension Expense continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year:	
2017	$ (8,462,045)
2018	(8,435,309)
2019	(8,289,144)
2020	5,253,887
Total	$ (19,932,611)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year.

Actuarial Assumptions

The total pension liability is based on the results of an actuarial valuations and were determined using the following actuarial assumptions, for both 2014 and 2015, applied to all periods included in the measurement on June 30, 2016 and 2015:

	STRS
Valuation date	July 1
Actuarial cost method	Entry age normal
Cost of living	2.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent
Inflation	2.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022–Scale AA)

	SERS
Valuation date	June 30
Actuarial cost method	Entry age normal
Cost of living	3.0 percent
Salary increases, including inflation	4.0 percent - 22.0 percent
Inflation	3.25 percent
Investment rate of return	7.75 percent, net of investment expense, including inflation
Experience study date	Period of 5 years ended June 30, 2010
Mortality basis	1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

	OPERS
Valuation date	December 31
Actuarial cost method	Individual entry age
Cost of living	3.0 percent
Salary increases, including inflation	4.25 percent - 10.05 percent
Inflation	3.00 percent
Investment rate of return	8.00 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended December 31, 2010
Mortality basis	RP-2000 mortality tableprojected 20 years using Projection Scale AA

8. Employee Benefit Plans – continued

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent, 7.75 percent, and 8.0 percent, for STRS, SERS, and OPERS, respectively, for years ended June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

STRS as of July 1, 2015

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%
International Equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed Income	18.00%	3.75%
Real Estate	10.00%	6.75%
Liquidity Reserves	1.00%	3.00%
Total	100.00%	

SERS as of June 30, 2015

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. Stocks	22.50%	5.00%
Non-U.S. Stocks	22.50%	5.50%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	10.00%
Real Estate	10.00%	5.00%
Hedge Funds	15.00%	7.50%
Total	100.00%	

OPERS as of December 31, 2015

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equity	18.30%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	

STRS as of July 1, 2014

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	5.25%
International Equity	26.00%	5.10%
Alternatives	14.00%	5.25%
Fixed Income	18.00%	1.00%
Real Estate	10.00%	4.00%
Liquidity Reserves	1.00%	0.25%
Total	100.00%	

SERS as of June 30, 2014

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. Stocks	22.50%	5.00%
Non-U.S. Stocks	22.50%	5.50%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	10.00%
Real Estate	10.00%	5.00%
Hedge Funds	15.00%	7.50%
Total	100.00%	

OPERS as of December 31, 2014

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equity	19.10%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	

8. Employee Benefit Plans – continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of The University, calculated using the discount rate listed below, as well as what The University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate.

For fiscal year ended June 30, 2016:

	1.00 percent decrease		Current discount rate		1.00 percent increase	
STRS	6.75%	$ 350,547,567	7.75%	$ 252,360,353	8.75%	$ 169,328,425
SERS	6.75%	157,383,156	7.75%	113,499,597	8.75%	76,546,023
OPERS-LE	7.00%	8,014,721	8.00%	5,030,441	9.00%	2,513,295
		$ 515,945,444		$ 370,890,391		$ 248,387,743

For fiscal year ended June 30, 2015:

	1.00 percent decrease		Current discount rate		1.00 percent increase	
STRS	6.75%	$ 331,098,456	7.75%	$ 231,277,151	8.75%	$ 146,861,917
SERS	6.75%	149,129,545	7.75%	104,527,403	8.75%	67,013,145
OPERS-LE	7.00%	7,287,311	8.00%	3,961,106	9.00%	1,159,651
		$ 487,515,312		$ 339,765,660		$ 215,034,713

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued retirement system financial reports.

Payable to the Pension Plan

For the years ended June 30, 2016 and 2015 The University recorded an accrued liability for the outstanding amount of contributions to the pension plan of $1,194,936 and $1,176,631 respectively.

Nonemployer Contributing Entity

The University uses contractors to perform certain services on campus common to the normal daily operation. Employees of these contractors are required to contribute to SERS at the same rates as previously stated. These contributions are included in The University's proportionate share of the SERS net pension liability, deferrals, and pension expense. Pension revenue of $65,824 and $14,062 was recognized in 2016 and 2015, respectively, for SERS contributions made on behalf of The University by the contractors.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits (OPEB)

State Teachers Retirement System

Plan description – Ohio law authorizes STRS to offer a cost-sharing, multiple-employer healthcare plan. STRS provides access to health care coverage to eligible retirees who participate in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All health care plan enrollees, for the most recent year, are required to pay a portion of the health care cost in the form of a monthly premium.

Funding policy – Under Ohio law, funding for postemployment healthcare may be deducted from employer contributions. For the years ended June 30, 2016 and 2015, there was no allocation of the 14% employer contribution rate to postemployment healthcare (1% was allocated in 2014). The amount of STRS employer contributions used to fund OPEB for the year ended June 30, 2014 was $880,154.

School Employees Retirement System

Plan description - SERS administers two postemployment benefit plans:

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium.

Health Care Plan - SERS offers health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

Funding policy – The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the retirement board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2016 there was no allocation of the 14% employer contribution rate to postemployment health care. For the years ended June 30, 2015 and 2014, the health care allocation was .82% and .14%, respectively. The amount of the SERS employer contributions used to fund health care for the years ended June 30, 2015 and 2014 was $492,480 and $84,951, respectively.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

The retirement board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2016 and 2015, the actuarially required allocation is .74%. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. None of the 14% employer contribution was allocated to the Health Care Fund in fiscal year 2016. The employer surcharge due as of June 30, 2016 was the only portion used to fund health care. The amount of the SERS employer contributions used to fund the Medicare B fund for the years ended June 30, 2016, 2015 and 2014 was $397,285, $444,433 and $461,165, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at $23,000. The surcharge amount paid to SERS for the years ended June 30, 2016, 2015, and 2014 was $1,037,857, $1,055,770, and $1,104,507, respectively.

Ohio Public Employees Retirement System

Plan description - The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS maintains a cost-sharing, multiple employer, defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment healthcare coverage.

In order to qualify for postemployment healthcare coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums.

Funding policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care coverage.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment healthcare benefits. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The amount of the OPERS-LE employer contributions used to fund OPEB for the years ended June 30, 2016, 2015, and 2014 were $54,628, $62,074, and $30,314, respectively.

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

University-provided benefits

The University has a single-employer defined benefit plan that provides certain health care and life insurance benefits for retired employees. Participant data as of the last census date is summarized below:

Census Date	1/1/2016
Participating Employees:	
Employees eligible for dependent medical coverage	273
Employees also eligible for retiree life insurance	10
Average age	60.41
Average credited service	29.45
Retirees:	
Retirees with life insurance coverage	987
Average age for retirees	75.24
Dependents with medical coverage	453
Average age for dependents	72.27

Plan description - The University provides healthcare benefits for dependents of 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. In addition, The University provides life insurance benefits for all retired employees hired prior to August 31, 1977 or to other retired employees who were hired after that date but retired prior to January 1, 2011. For both benefits, the eligible employee must elect a state pension plan upon retirement to be eligible for the additional postemployment benefit.

Funding policy - The University has no obligation to make contributions in advance of when the premiums are due for payment, therefore this plan is financed on a "pay-as-you-go" basis. Active members are not required to contribute to the plan. The plan charges retirees a 15% contribution for retiree dependent health coverage.

Annual OPEB cost and net OPEB obligation - The University's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of The University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in The University's OPEB obligation:

	2016	**2015**	**2014**
Annual required contribution	$ 3,435,160	$ 3,450,181	$ 3,475,853
Interest on net OPEB obligation	771,421	776,119	762,486
Adjustment to annual required contribution	(1,072,610)	(1,079,142)	(1,060,186)
Annual OPEB cost (expense)	3,133,971	3,147,158	3,178,153
Employer contributions	(2,142,355)	(2,603,665)	(2,837,318)
Actuarial change in estimated obligation	(1,286,825)	-	-
Change in net OPEB obligation	(295,209)	543,493	340,835
Net OPEB obligation - beginning of year	20,572,348	20,028,855	19,688,020
Net OPEB obligation - end of year	$ 20,277,139	$ 20,572,348	$ 20,028,855
Percentage of annual OPEB cost contributed	68.4%	82.7%	89.3%

8. Employee Benefit Plans – continued

Other Postretirement Employee Benefits - continued

Funded status and funding progress – The University has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2016. As of actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability (AAL) for benefits was $59.3 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $59.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $22.7 million and the ratio of all UAAL to covered payroll was 38.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial methods and assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual health care cost trend rate of 7.5 percent through 2016, then reduced by 0.5 percent decrements per year to an ultimate rate of 5.0 percent in 2021, a 2.0 percent salary increase and the RP-2014 headcount weighted mortality table for employees and annuitants with generational mortality improvement projected from base year 2006 using Scale MP-2015. The amortization of the UAAL is based on a 30-year open level dollar amortization method. The remaining amortization period at June 30, 2016 was 21 years.

Since the OPEB obligation is calculated using estimates and assumptions, there is a difference based on actual data between the census dates of 1/1/2014 and 1/1/2016 from changes in length of life for retirees and dependents. This difference resulted in a decrease in actuarial change in estimated obligation of $1,286,825 for June 30, 2016.

9. Litigation, Commitments, and Contingencies

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

In addition to purchasing insurance to cover potential losses from certain litigation, The University participates in two risk pools, along with other state universities, for commercial property coverage and commercial casualty coverage. Each university contributes on a basis equal to their percentage of the total insurable value of the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of $100,000 for each pool. For commercial property coverage, the next $250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate limit of $700,000. The commercial property insurer is liable for the amount of any claim in excess of $350,000, or $100,000 in the event the pool has reached its annual aggregate. For commercial casualty coverage, the next $900,000 of any one claim is the responsibility of the pool. The University, through the Inter-University Council Insurance Consortium (IUC-IC), purchases $49,000,000 in liability insurance limits that sits over top of the casualty pool.

9. Litigation, Commitments, and Contingencies - continued

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

A claims liability of $2,764,842 and $2,983,000, included with accrued liabilities as of June 30, 2016 and 2015, respectively, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Services*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The change in the total liability for actual and estimated claims is summarized below:

	2016	2015	2014
Liability at beginning of year	$ 2,983,000	$ 2,775,000	$ 2,608,950
Claims incurred and changes in estimates	35,896,191	35,663,087	29,437,565
Claim payments	(36,114,349)	(35,455,087)	(29,271,515)
Liability at end of year	$ 2,764,842	$ 2,983,000	$ 2,775,000

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Federal agencies also may conduct additional audits under federal law or regulations or may arrange for funding the cost of such additional audits by independent auditing firms. The state grants are subject to review and audit by the grantor agencies or their designee. Such federal or state audits could lead to a request for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant. No significant costs have been questioned to date, and management believes that any disallowance or adjustment of such costs would not have a material adverse effect on the financial statements.

The University has been appropriated $14.6 million from the State for buildings and renovations, of which $2.8 million has been expended as of June 30, 2016. In addition, as of June 30, 2016, university construction projects will cost an estimated $4.6 million to complete with 39.6%, or $1.8 million, funded from bond proceeds.

In May 2012, the Foundation obtained a $10.0 million revolving line of credit with Fifth Third Bank. Interest on the revolver is at a fluctuating rate of the one-month LIBOR plus 0.65 percent per annum. At June 30, 2016 and 2015, the interest rate on the revolver was 1.15 and 0.90 percent, respectively. Certain proceeds from the line of credit were used to purchase real estate adjacent to The University during fiscal year 2013. The University has made a commitment to reimburse the Foundation for payments of principal, interest, loan fees, and any other costs associated with the line of credit as long as the property acquired with these proceeds is owned by the Foundation or The University and not leased by the Foundation to a private person. The outstanding amount of this commitment as of June 30, 2016 and 2015, which includes the amount of the transfer plus accrued interest due to the bank, is $4.9 million for both years.

The Federal Perkins Loan Program is scheduled to expire on September 30, 2017. As of June 30, 2016, The University has made $2,391,720 in institutional capital contributions, which are reflected as part of The University's net position. Under current guidance issued by the Department of Education, at the time The University liquidates the loan portfolio and assigns the student loans to the Department of Education, The University will be forgoing its institutional capital not yet received back through loan collections.

10. Component units

Details of the component units' net position at June 30, 2016 and 2015 are as follows:

	2016			2015		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	$ 587,651	$ 1,717,998	$ 2,305,649	$ 1,318,666	$ 2,637,946	$ 3,956,612
Pooled investments	-	6,908,660	6,908,660	-	6,735,662	6,735,662
Accounts receivable, net	359,603	1,035,479	1,395,082	186,390	1,484,949	1,671,339
Pledges receivable, net	2,179,614	-	2,179,614	2,912,480	-	2,912,480
Prepaid expenses	-	100,736	100,736	-	81,844	81,844
Total current assets	3,126,868	9,762,873	12,889,741	4,417,536	10,940,401	15,357,937
Noncurrent assets:						
Restricted investments	-	393,204	393,204	-	386,477	386,477
Endowment investments	161,199,527	-	161,199,527	167,910,416	-	167,910,416
Pledges receivable, net	14,215,798	-	14,215,798	8,286,498	-	8,286,498
Capital assets, net	12,157,242	5,351,916	17,509,158	12,335,525	5,593,518	17,929,043
Total assets	190,699,435	15,507,993	206,207,428	192,949,975	16,920,396	209,870,371
Liabilities						
Current liabilities:						
Accounts payable	538,832	3,689,796	4,228,628	762,175	3,602,988	4,365,163
Accrued liabilities	-	913,206	913,206	-	678,347	678,347
Unearned income	28,627	1,612,501	1,641,128	29,085	2,652,576	2,681,661
Current portion of long-term liabilities	4,861,000	72,311	4,933,311	4,901,000	67,835	4,968,835
Total current liabilities	5,428,459	6,287,814	11,716,273	5,692,260	7,001,746	12,694,006
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	12,094,922	-	12,094,922	13,252,020	-	13,252,020
Long-term liabilities	-	2,499,572	2,499,572	-	2,571,883	2,571,883
Total liabilities	17,523,381	8,787,386	26,310,767	18,944,280	9,573,629	28,517,909
Net position						
Net investment in capital assets	12,157,242	2,852,344	15,009,586	12,335,525	3,021,635	15,357,160
Restricted:						
Nonexpendable	111,417,882	-	111,417,882	102,239,633	-	102,239,633
Expendable	51,787,759	-	51,787,759	60,101,203	-	60,101,203
Unrestricted (deficit)	(2,186,829)	3,868,263	1,681,434	(670,666)	4,325,132	3,654,466
Total net position	$ 173,176,054	$ 6,720,607	$ 179,896,661	$ 174,005,695	$ 7,346,767	$ 181,352,462

10. Component units - continued

Details of the component units' revenues, expenses, and changes in net position at June 30, 2016 and 2015 are as follows:

	2016			2015		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	$ -	$ 64,528	$ 64,528	$ -	$ 65,542	$ 65,542
Private grants and contracts	-	4,798,356	4,798,356	-	9,324,413	9,324,413
Gifts and contributions	5,921,075	-	5,921,075	10,279,496	-	10,279,496
Other sources	-	2,231,661	2,231,661	-	2,032,458	2,032,458
Total operating revenues	5,921,075	7,094,545	13,015,620	10,279,496	11,422,413	21,701,909
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	4,122,347	4,122,347	-	7,531,508	7,531,508
Institutional support	858,769	-	858,769	1,010,986	-	1,010,986
Depreciation	-	490,154	490,154	-	375,661	375,661
Total operating expenses	858,769	4,612,501	5,471,270	1,010,986	7,907,169	8,918,155
Operating income	5,062,306	2,482,044	7,544,350	9,268,510	3,515,244	12,783,754
Nonoperating expenses (revenues)						
Investment loss (income), net	(4,082,496)	(245,289)	(4,327,785)	(3,694,478)	213,456	(3,481,022)
Interest on debt	-	(166,162)	(166,162)	-	(98,478)	(98,478)
Distributions to The University	(11,370,127)	(3,094,587)	(14,464,714)	(12,522,181)	(3,663,425)	(16,185,606)
Distributions on behalf of The University	(610,200)	-	(610,200)	(422,147)	-	(422,147)
Other nonoperating revenues	505,396	397,834	903,230	85,299	401,995	487,294
Net nonoperating expenses	(15,557,427)	(3,108,204)	(18,665,631)	(16,553,507)	(3,146,452)	(19,699,959)
Loss (gain) before other changes	(10,495,121)	(626,160)	(11,121,281)	(7,284,997)	368,792	(6,916,205)
Other changes						
Additions to permanent endowments	9,665,480	-	9,665,480	2,710,845	-	2,710,845
Decrease (increase) in net position	(829,641)	(626,160)	(1,455,801)	(4,574,152)	368,792	(4,205,360)
Net position – beginning of year	174,005,695	7,346,767	181,352,462	178,579,847	6,977,975	185,557,822
Net position – end of year	$ 173,176,054	$ 6,720,607	$ 179,896,661	$ 174,005,695	$ 7,346,767	$ 181,352,462

10. Component units - continued

The following tables present information about the component units' assets and liabilities measured at fair value on a recurring basis at June 30, 2016 and 2015 and the valuation techniques used to determine those fair values:

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Pooled investments funds managed for the Foundation	$ 114,519,667	$ -	$ -	$ -	$ 114,519,667
Bonds	12,309,749	-	12,309,749	-	-
Commercial paper	2,500,000	-	2,500,000	-	-
Common stocks	1,760,723	1,760,723	-	-	-
Exchange traded funds	134,173	134,173	-	-	-
Floaters	2,030,000	-	2,030,000	-	-
Money market funds	4,433,097	4,433,097	-	-	-
Mutual funds	21,799,985	21,799,985	-	-	-
Preferred stocks	68,530	68,530	-	-	-
U.S. Treasury obligations	1,255,223	-	1,255,223	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(12,094,922)	-	-	(12,094,922)	-

Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2015

	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Investments					
Pooled investments funds managed for the Foundation	$ 121,349,682	$ -	$ -	$ -	$ 121,349,682
Bonds	9,845,015	-	9,845,015	-	-
Commercial paper	2,499,759	-	2,499,759	-	-
Common stocks	1,858,172	1,858,172	-	-	-
Exchange traded funds	108,418	108,418	-	-	-
Floaters	4,560,000	-	4,560,000	-	-
Money market funds	3,764,305	3,764,305	-	-	-
Mutual funds	23,137,539	23,137,539	-	-	-
Preferred stocks	80,638	80,638	-	-	-
U.S. Treasury obligations	254,804	-	254,804	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
Liabilities					
Annuity/unitrust agreements and refundable advances	(13,252,020)	-	-	(13,252,020)	-

10. Component units – continued

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Short-term investments					
Fixed income	$ 1,740,566	$ 1,740,566	$ -	$ -	$ -
Large growth	796,502	796,502	-	-	-
Large value	839,321	839,321	-	-	-
Small- and mid-cap growth	764,065	764,065	-	-	-
Alternatives	1,257,488	1,257,488	-	-	-
Internationals	1,510,718	1,510,718	-	-	-
Liabilities					
Interest rate swap	(409,782)	-	(409,782)	-	-

Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2015

	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets - Short-term investments					
Fixed income	$ 1,948,290	$ 1,948,290	$ -	$ -	$ -
Large growth	677,461	677,461	-	-	-
Large value	686,475	686,475	-	-	-
Small- and mid-cap growth	659,925	659,925	-	-	-
Alternatives	1,386,159	1,386,159	-	-	-
Internationals	1,377,352	1,377,352	-	-	-
Liabilities					
Interest rate swap	(374,244)	-	(374,244)	-	-

Details of the component units' capital assets at June 30, 2016 and 2015 are as follows:

	2016			**2015**		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	$ 11,952,524	$ 406,925	$ 12,359,449	$ 12,236,267	$ 406,925	$ 12,643,192
Buildings	240,033	5,425,808	5,665,841	131,290	5,184,373	5,315,663
Equipment	-	2,567,870	2,567,870	-	2,636,716	2,636,716
Total capital assets	12,192,557	8,400,603	20,593,160	12,367,557	8,228,014	20,595,571
Less: accumulated depreciation	(35,315)	(3,048,687)	(3,084,002)	(32,032)	(2,634,496)	(2,666,528)
Capital assets, net	$ 12,157,242	$ 5,351,916	$ 17,509,158	$ 12,335,525	$ 5,593,518	$ 17,929,043

Required Supplementary Information

The University of Akron

Schedule of University Pension Contributions
Fiscal Years Ended June 30, 2007 to 2016

Fiscal Year	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	University's covered employee payroll	Contributions as a percentage of covered employee payroll
State Teachers Retirement System (STRS)					
2016	$ 12,487,105	$ 12,487,105	$ -	$ 107,800,627	11.58%
2015	13,373,987	13,373,987	-	114,757,851	11.65%
2014	12,737,577	12,737,577	-	116,805,956	10.90%
2013	12,914,330	12,914,330	-	120,281,485	10.74%
2012	12,430,036	12,430,036	-	115,012,148	10.81%
2011	11,954,019	11,954,019	-	109,837,711	10.88%
2010	11,597,845	11,597,845	-	106,287,425	10.91%
2009	11,354,418	11,354,418	-	102,951,158	11.03%
2008	10,725,670	10,725,670	-	96,396,033	11.13%
2007	10,109,045	10,109,045	-	91,170,435	11.09%
State Employees Retirement System (SERS)					
2016	$ 7,265,453	$ 7,265,453	$ -	$ 57,391,681	12.66%
2015	7,742,505	7,742,505	-	65,124,508	11.89%
2014	8,318,099	8,318,099	-	66,821,498	12.45%
2013	8,806,834	8,806,834	-	70,827,657	12.43%
2012	8,739,522	8,739,522	-	72,334,287	12.08%
2011	7,658,830	7,658,830	-	68,043,954	11.26%
2010	8,374,677	8,374,677	-	69,248,704	12.09%
2009	5,941,416	5,941,416	-	67,481,760	8.80%
2008	5,556,999	5,556,999	-	62,467,249	8.90%
2007	5,934,594	5,934,594	-	58,079,257	10.22%
Ohio Public Employees Retirement System (OPERS)					
2016	$ 438,640	$ 438,640	$ -	$ 2,724,473	16.10%
2015	496,000	496,000	-	3,080,746	16.10%
2014	488,482	488,482	-	3,034,050	16.10%
2013	524,085	524,085	-	3,064,824	17.10%
2012	417,444	417,444	-	2,960,596	14.10%
2011	375,216	375,216	-	2,750,850	13.64%
2010	300,793	300,793	-	2,479,744	12.13%
2009	166,937	166,937	-	2,384,815	7.00%
2008	244,604	244,604	-	2,009,893	12.17%
2007	221,780	221,780	-	1,784,232	12.43%

The University of Akron

Schedule of University's Proportionate Share of the Net Pension Liability
Plan Years Ended 2013 to 2015

Plan Year	University's proportion of the net pension liability	University's proportionate share of the net pension liability	University's covered employee payroll	University's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
State Teachers Retirement System (STRS)					
2015	0.913123%	$ 252,360,353	$ 114,757,851	219.91%	72.10%
2014	0.950840%	231,277,151	116,805,956	198.00%	74.70%
2013	0.950840%	275,495,829	120,281,485	229.04%	69.30%
State Employees Retirement System (SERS)					
2015	1.989093%	$ 113,499,597	$ 65,124,508	174.28%	69.16%
2014	2.065374%	104,527,403	66,821,498	156.43%	71.70%
2013	2.065374%	122,821,163	70,827,657	173.41%	65.52%
Ohio Public Employees Retirement System (OPERS)					
2015	0.029042%	$ 5,030,441	$ 3,080,746	163.29%	81.08%
2014	0.032842%	3,961,106	3,034,050	130.56%	86.45%
2013	0.032842%	3,871,645	3,064,824	126.33%	86.36%

This is a ten-year schedule — however, the information is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

The plan year ends on June 30 for STRS and SERS; December 31 for OPERS.

Supplemental Information

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

Independent Auditor's Report

To Management and the Board of Trustees
The University of Akron

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Akron (the "University"), a component unit of the State of Ohio, and its discretely presented component units as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 13, 2016.

Internal Control Over Financial Reporting

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

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

To Management and the Board of Trustees
The University of Akron

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

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

October 13, 2016

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

Independent Auditor's Report

To the Board of Trustees
The University of Akron

Report on Compliance for Each Major Federal Program

We have audited The University of Akron's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The University of Akron's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University of Akron's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees
The University of Akron

Opinion on Each Major Federal Program

In our opinion, The University of Akron complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Plante & Moran, PLLC

October 13, 2016

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Student Financial Aid Cluster				
Department of Education				
Direct				
Federal Supplemental Educational Opportunity Grants	84.007		$ -	$ 994,732
Federal Work-Study Program	84.033		-	836,994
Federal Perkins Loan Program_Federal Capital Contributions	84.038		-	14,023,500
Federal Pell Grant Program	84.063		-	28,883,394
Federal Direct Student Loans	84.268		-	124,687,173
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		-	117,864
Total Department of Education			-	169,543,657
Department of Health and Human Services				
Direct				
Nursing Student Loans	93.364		-	1,693,021
Total Department of Health and Human Services			-	1,693,021
Total Student Financial Aid Cluster			-	**171,236,678**
Research and Development Cluster				
Department of Commerce				
Direct				
Education Quality Award Ambassadorship	11.013		-	21,014
Measurement and Engineering Research and Standards	11.609		-	43,429
Science, Technology, Business and/or Education Outreach	11.620		-	5,000
Pass Through				
The University of Oklahoma-Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	11.432		-	13,238
Total Department of Commerce			-	82,681
Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300		-	197,724
Basic Scientific Research	12.431		247,923	1,045,921
Basic, Applied, and Advanced Research in Science and Engineering	12.630		-	9,971,205
Air Force Defense Research Sciences Program	12.800		372,241	1,198,032
Mathematical Sciences Grants Program	12.901		-	32,470
Research and Technology Development	12.910		-	19,505
Pass Through				
Babcock & Wilcox-Basic and Applied Scientific Research	12.300		-	416
Northwestern University-Basic and Applied Scientific Research	12.300	N00014-14-1-0675	-	21,236
University of Connecticut-Basic and Applied Scientific Research	12.300	N00014-10-1-0944	-	75,614
Houston Methodist Hospital-Military Medical Research and Development	12.420	W81XWH-15-1-0718	-	406,785
Dayton Area Graduate Studies Institute-Basic, Applied, and Advanced Research in Science and Engineering	12.630		-	12,986
Georgia Institute of Technology-Air Force Defense Research Sciences Program	12.800	FA9550-14-1-0194	-	2,337
Howard University-Air Force Defense Research Sciences Program	12.800	FA9550-12-01-0306	-	2,027
Universal Energy Systems, Incorporated-Air Force Defense Research Sciences Program	12.800	FA8650-09-D5037 0019	-	3,969
Total Department of Defense			620,164	12,990,227
Department of the Interior				
Direct				
Endangered Species Conservation - Recovery Implementation Funds	15.657		-	20,917
National Center for Preservation Technology and Training	15.923		-	20,424
Total Department of Interior			-	41,341

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Research and Development Cluster - continued				
Department of State				
Direct				
Public Diplomacy Programs	19.040		$ 44,800	$ 112,505
Total Department of State			44,800	112,505
Department of Transportation				
Pass Through				
Regents of the University of Minnesota-University Transportation Centers Program	20.701	DTRT13-G-UTC35	-	23,646
Total Department of Transportation			-	23,646
National Aeronautics and Space Administration				
Direct				
Technology Transfer	43.002		49,270	49,482
Cross Agency Support	43.009		-	68,077
Pass Through				
Universities Space Research Association-Technology Transfer	43.002		-	558,884
Total National Aeronautics and Space Administration			49,270	676,443
National Science Foundation				
Direct				
Engineering Grants	47.041		6,757	2,335,698
Mathematical and Physical Sciences	47.049		59,429	2,822,957
Geosciences	47.050		-	373,967
Computer and Information Science and Engineering	47.070		14,096	448,829
Biological Sciences	47.074		-	209,956
Education and Human Resources	47.076		-	195,137
TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	47.082		-	(6,365)
Pass Through				
Akron Ascent Innovations, LLC-Engineering Grants	47.041	1456266	-	45,046
Kalion Inc-Engineering Grants	47.041	IPP-1521172	-	128,167
PolyInsight LLC-Engineering Grants	47.041	IIP-1353531	-	19,979
University of Arkansas-Engineering Grants	47.041	CBET-1511896	-	55,336
Georgia Institute of Technology-Mathematical and Physical Sciences	47.049	DMR-1505105	-	7,949
Texas A&M University-Geosciences	47.050	EAR-1321882	-	152,317
University of Southern California-Geosciences	47.050	OCE-0939564	-	4,137
Duquesne University-Education and Human Resources	47.076	DUE-1226175	-	18,858
Total National Science Foundation			80,282	6,811,968
Department of Veterans Affairs				
Pass Through				
Ohio Willow Wood Company-Veterans Prosthetic Appliances	64.013		-	118,652
Total Department of Veterans Affairs			-	118,652
Department of Energy				
Direct				
Office of Science Financial Assistance Program	81.049		-	7,771
Pass Through				
Case Western Reserve University-Department of Energy	81.000		-	22,404
pH Matter LLC-Office of Science Financial Assistance Program	81.049	DE-SC0013831	-	46,609
University of Notre Dame-Office of Science Financial Assistance Program	81.049	DE-SC0001089	-	114,070
United Technologies Research Center-Conservation Research and Development	81.086	DEEE0005775	-	107,907
Aspen Aerogels Inc.-Fossil Energy Research and Development	81.089		-	207,357
Total Department of Energy			-	506,118

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Research and Development Cluster - continued				
Department of Health and Human Services				
Direct				
Oral Diseases and Disorders Research	93.121		$ 7,003	$ 43,342
Mental Health Research Grants	93.242		162,694	431,559
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		-	75,171
Nursing Research	93.361		7,121	7,122
Cancer Detection and Diagnosis Research	93.394		70,251	194,596
Cancer Treatment Research	93.395		-	23,425
Cardiovascular Diseases Research	93.837		16,770	156,978
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		-	68,659
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		-	308
Biomedical Research and Research Training	93.859		32,729	561,809
Vision Research	93.867		-	183,728
Pass Through				
Program	93.262	R03OH010112	-	2,865
Women & Infants Hospital of Rhode Island-Drug Abuse and Addiction Research Programs	93.279	R34DA038770	-	5,263
Rutgers, The State Univ of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	5P41EB001046-13	-	66,063
Rutgers, The State Univ of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	P41EB001046	-	(230)
Requisite Biomedical, LLC-Cardiovascular Diseases Research	93.837	1R41HL123334-01	-	(1,476)
Walsh University-Cardiovascular Diseases Research	93.837	1R15HL097343	-	5,756
Washington University in St Louis-Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK082546	-	2,010
Kent State University-Biomedical Research and Research Training	93.859	R15GM116110	-	79
Miami University-Child Health and Human Development Extramural Research	93.865	1R15HD075222	-	(498)
Total Department of Health and Human Services			296,568	1,826,529
Total Research and Development Cluster			**1,091,084**	**23,190,110**
Highway Planning and Construction Cluster				
Department of Transportation				
Pass Through				
Ohio Department of Transportation-Highway Planning and Construction	20.205		-	14,029
Ohio Department of Transportation-Highway Planning and Construction	20.205	E130298	-	228,888
Ohio Department of Transportation-Highway Planning and Construction	20.205	E131343	-	21,125
Ohio Department of Transportation-Highway Planning and Construction	20.205	E131344	19,268	106,583
Ohio Department of Transportation-Highway Planning and Construction	20.205	E131490	29,472	127,856
Ohio Department of Transportation-Highway Planning and Construction	20.205	E134994	-	11,397
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140060	-	102,573
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140626	-	4,380
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140627	-	57,576
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140628	-	64,363
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140629	-	29,765
Ohio Department of Transportation-Highway Planning and Construction	20.205	E140636	-	18,199
Ohio Department of Transportation-Highway Planning and Construction	20.205	E141048	-	70,481
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150856	-	69,831
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150859	-	116,585
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150983	-	111,946
Ohio Department of Transportation-Highway Planning and Construction	20.205	E151025	-	46,392
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 19157	-	325,048
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 2504	-	62,809
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 25176B	114,000	163,608
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 26609	43,524	65,810
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 26626	-	19,449
Ohio Department of Transportation-Highway Planning and Construction	20.205	ODOT 26677	-	(3,142)

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Highway Planning and Construction Cluster - continued				
Department of Transportation - continued				
Ohio University-Highway Planning and Construction	20.205	E150988	$ -	$ 5,658
Texas A&M University-Highway Planning and Construction	20.205	E150313	-	4,592
Total Department of Transportation			206,264	1,845,801
Total Highway Planning and Construction Cluster			**206,264**	**1,845,801**
TRIO Cluster				
Department of Education				
Direct				
TRIO_Talent Search	84.044		-	477,486
TRIO_Upward Bound	84.047		-	754,078
Total Department of Education			-	1,231,564
Total TRIO Cluster			**-**	**1,231,564**
Special Education Cluster				
Department of Education				
Pass Through				
University of Dayton Research Institute-Special Education_Grants to States	84.027	H027A140111	-	39,987
Total Department of Education			-	39,987
Total Special Education Cluster			**-**	**39,987**
TANF Cluster				
Department of Health and Human Services				
Pass Through				
Summit County Dept of Job and Family Srv-Temporary Assistance for Needy Families	93.558	DHHS - CFDA #93.558	-	16,102
Summit County Dept of Job and Family Srv-Temporary Assistance for Needy Families	93.558	H027A140111	-	4,768
Total Department of Health and Human Services			-	20,870
Total TANF Cluster			**-**	**20,870**
Medicaid Cluster				
Department of Health and Human Services				
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Medical Assistance Program	93.778	G-1617-05-0003	-	40,106
Ohio State University-Medical Assistance Program	93.778	G-1617-05-0003	-	36,020
Ohio State University-Medical Assistance Program	93.778	H027A140111	-	6,415
Total Department of Health and Human Services			-	82,541
Total Medicaid Cluster			**-**	**82,541**
Other Programs				
Instruction				
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008		-	28,403
Total National Aeronautics and Space Administration			-	28,403
Department of Education				
Direct				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325K		96,408	232,025
English Language Acquisition Grants	84.365		17,176	525,044
Pass Through				
Ohio Department of Higher Education-Improving Teacher Quality State Grants	84.367		-	131,984
Total Department of Education			113,584	889,053

The University of Akron
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
Department of Health and Human Services				
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Model State-Supported Area Health Education Centers	93.107	U77HP23072	$ -	$ 71,838
Ohio Department of Job and Family Servic-Foster Care_Title IV-E	93.658		-	50,294
Ohio Department of Job and Family Servic-Foster Care_Title IV-E	93.658		-	13,153
Total Department of Health and Human Services			-	135,285
Total Instruction			113,584	1,052,741
Public Service				
Department of Agriculture				
Pass Through				
Center for Child Development-Child and Adult Care Food Program	10.558		-	20,185
Total Department of Agriculture			-	20,185
Department of Defense				
Pass Through				
Tennessee State University-Basic and Applied Scientific Research	12.300		-	159,875
Total Department of Defense			-	159,875
National Endowment for the Arts				
Direct				
Museums for America	45.301		-	3,434
Total National Endowment for the Arts			-	3,434
Department of Education				
Pass Through				
Ohio Department of Education-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395		-	129
Total Department of Education			-	129
Department of Health and Human Services				
Pass Through				
Summa Health System-Nurse Education, Practice and Retention Grants	93.359	1UD7HP28539		3,510
Summit County Dept of Job and Family Srv-Social Services Block Grant	93.667			8,360
Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF)	93.757	07710014PO0115		55,274
Summa Health System-Geriatric Education Centers	93.969	U1QHP28707		100,427
Total Department of Health and Human Services			-	167,571
Total Public Service			-	351,194
Total Other Programs			**113,584**	**1,403,935**
Grand Total			**$ 1,410,932**	**$ 199,051,486**

The University of Akron

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The University of Akron (The University) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of The University, it is not intended to and does not present the financial position, changes in net position or cash flows of The University.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The University recovers facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 52% for on-campus research, 35% for other on-campus sponsored activities and 26% for off-campus research through June 30, 2016. The University has not elected to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 – Loans Outstanding

The following schedule represents total loans advanced to students by The University and balances outstanding for the Perkins and Nursing Student Loan Programs for the year ended June 30, 2016:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	$ 816,576	$ 8,405,581
Nursing Student Loan Program	93.364	179,000	1,063,365

Note 4 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred $173,284 of Federal Work Study (FWS) Program (84.033) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007). The University carried-forward and spent $87,200 of the 2014-2015 SEOG award to the 2015-2016 award year.

In addition, the University carried forward $102,139 and $82,649 of the 2015-2016 FWS and SEOG awards, respectively, to the 2016-2017 award year. The University spent $109,186 of the carried forward FWS funds from the 2014-2015 award year during the 2015-2016 award year.

Note 5 - Reconciliation

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

Expenditures per the Schedule	$ 199,051,486
Pell grants	(28,883,394)
Federal direct loans	(124,687,173)
Federal Perkins loan program	(14,023,500)
Nursing student loan program	(1,693,020)
Federal grants passed through state entities	(2,031,110)
Federal grants passed through local entities	(84,504)
Private grants	(2,718,188)
Sales	(20,185)
Federal purchased service contracts	(950,102)
Indirect costs excluded from federal grants on Statement	193,944
Change in deferred revenue from federal grants	1,449,429
Federal grants and contracts as shown on the Statement	$ 25,603,683

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

The University of Akron

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____	Yes	X	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?	____	Yes	X	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.364	Student Financial Aid Cluster
Various	Research and Development Cluster
20.205	Highway Planning and Construction Cluster
84.044, 84.047	TRIO Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $834,444

Auditee qualified as low-risk auditee?	X	Yes	____	No

The University of Akron

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Section II - Financial Statement Findings

Reference Number	Findings
Current Year	None

The University of Akron

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section III – Federal Program Audit Findings

Reference Number	Findings
Current Year	None

The University of Akron

Summary Schedule of Prior Findings
For the Year Ended June 30, 2016

Prior year Finding Number	Fiscal year in which the finding initially occurred	Federal Program, CFDA Number and Name	Original Finding Description	Status/Partial corrective action (as applicable)	Planned Corrective Action (if finding not corrected)
2005-001	2015	Student Financial Aid Cluster Pell - 84.063, Federal Direct Loans - 84.268	The University submitted a graduated status to the NSC for a group of students; however, the status was not reported to the National Student Loan Data System (NSLDS). Out of the 25 students tested, one student did not have his or her status updated within the 30-day time frame upon graduation because The University did not have a process in place to appropriately verify that graduated status for certain students was submitted to NSLDS within the required time frame.	The University has adjusted the transmissions schedules to ensure that the graduated status is received by the NSC, processed and sent to the NSLDS prior to the reporting of our subsequent enrollment files. In addition, dates of processing, posting and re-transmission through the NSC website are being monitored to prevent overlap in file reporting.	N/A

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The University of Akron
National Collegiate Athletics Association

Agreed-upon Procedures Report
Related to NCAA Constitution 3.2.4.15
June 30, 2016

The University of Akron
National Collegiate Athletics Assocaition Report

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

Mr. Matthew Wilson, President
Mr. Nathan Mortimer, VP Finance and
Administration/Chief Financial Officer
The University of Akron
Akron, Ohio 44325

We have performed the procedures enumerated below, which were agreed to by The University of Akron (the "Institution"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program statement of revenue and expenses (the "Statement") of The University of Akron is in compliance with the National Collegiate Athletics Association (NCAA), Constitution 3.2.4.15 for the year ended June 30, 2016. The University of Akron's management is responsible for the statement of revenue and expenses and the Statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

<u>Internal Control Structure</u>

A. In preparation for our procedures related to the Institution's internal control structure:

   1) We met with the Associate Director of Intercollegiate Athletics and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the Institution, the competence of personnel, and the protection of records and equipment.

   2) We obtained the audited financial statements for the year ended June 30, 2016 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure.

   3) We obtained any documentation of the accounting systems and procedures unique to the Intercollegiate Athletics Department.

Mr. Matthew Wilson, President
Mr. Nathan Mortimer, VP Finance and
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The University of Akron

4) We then performed the following procedure:

Procedure: We concluded that the Intercollegiate Athletics Department's internal control structure was the same as the Institution's internal control for the cash disbursement, general cash receipt, and employee pay processes. Therefore, the only procedure listed that is unique to intercollegiate athletics is the ticket collection receipt process. We selected a game and traced ticket collections per the receipting process for the game to the reconciliation and documentation of the related cash deposit amount with the bank.

Results: We selected the following ticket receipt transaction for testing purposes:

Event Date	Sporting Event	Ticket Sales Amount	Deposit Amount	Deposit Date
9/19/2015	Football vs. Savannah St.	$ 4,570	$ 4,744	9/24/2015

We agreed the gate sales for the above game and date to deposit slips of the related cash deposit amount with the bank. We noted no differences between the event audit report and the Institution's records. The total deposit amount listed above includes amounts not related to the game tested.

NCAA Reporting

B. **Procedure:** The Financial Report Submission to the NCAA is now due on January 17, 2017. We obtained the financial data detailing operating revenue, expenses, and capital related to the Institution's intercollegiate athletics program that will be submitted to the NCAA and agreed the amounts to the Intercollegiate Athletics Program statement of revenue and expenses included in the agreed-upon procedures for the reporting period.

Results: We noted no discrepancies.

C. **Procedure:** We agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the Institution. The NCAA Membership Financial Reporting System populates the sports from the NCAA Membership Database as they are reported by the Institution.

Results: We noted no discrepancies in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists.

D. **Procedure:** We obtained the Institution's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports reported by the Institution meet the minimum requirements set forth in NCAA Bylaw 20.9.6.3. We agreed the sports reported as countable for revenue distribution purposes to the NCAA Membership Financial Reporting System.

Results: We noted no exceptions.

Notes and Disclosures

E. **Procedure**: We obtained and described the Institution's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets in Note 2. We agreed the schedule to the Institution's general ledger. We obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the Institution during the reporting period. We recalculated annual maturities (consisting of principal and interest) provided in the schedules obtained and agreed the total annual maturities to supporting documentation and the Institution's general ledger, as applicable. The repayment schedule is disclosed in Note 3.

Results: We noted no exceptions.

F. **Procedure**: We noted that changes in loan, endowment, or plant funds related to intercollegiate athletics were not to be included in the Statement.

1) We obtained and disclosed significant additions to restricted funds related to intercollegiate athletics, as well as significant changes to endowment and plant funds. Significant is defined as exceeding 10 percent of total revenue or expense in the Statement.
2) We obtained and disclosed the value of endowments at the fiscal year end that are dedicated to the sole support of athletics.
3) We obtained and disclosed the value of all pledges at the fiscal year end that support athletics.
4) We obtained and disclosed the athletics department fiscal year-end fund balance.

Results: We disclosed all items in Note 4.

Statement of Revenue and Expenses

G. **Procedure:** We obtained the Intercollegiate Athletics Program statement of revenue and expenses for the reporting period, prepared by management, and agreed all amounts back to the Institution's general ledger.

Results: We noted no exceptions, except for those noted below in ticket sales.

H. **Procedure:** We compared each major revenue and expense account over 10 percent of the total revenue or expenses to prior period amounts and budget estimates. We obtained and documented an understanding of any variations over the lesser of $1 million or 10 percent of total revenue or expenses.

Results: The budget to actual statement comparison was not performed on the same level of detail as the actual to actual comparison due to limitation of the Institution's internal reporting structure for the budgeting process. See Appendix A for variance explanations provided by management.

I. **Procedure:** We performed additional procedures on the following revenue and expense categories unless the specific reporting category is less than 0.5 percent of total revenue or expenses.

Results: See procedures below.

<u>Revenue</u>

J. **Procedure:** We agreed each revenue reported in the Statement during the reporting period to supporting schedules provided by the Institution. We agreed a sample of 15 operating revenue receipts obtained from the supporting schedules to supporting documentation as described in the procedures below.

Results: The supporting schedules provided by the Institution agreed to the statement without exception.

1) <u>Ticket Sales</u>

Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the Institution in the Statement and related attendance figures and recalculated totals.

Results: We noted no exceptions when agreeing tickets sold, complimentary tickets, and unsold tickets to supporting event audit reports for football and men's basketball games. When agreeing the related revenue amounts per the supporting event audit reports to the general ledger, we noted that football revenue recorded in the general ledger was $1,771 less than the revenue per the event audit reports. When agreeing the related revenue amounts per the supporting event audit reports to the general ledger, we noted that basketball revenue recorded in the general ledger was $2,110 less than the revenue per the event audit reports. We noted no other exceptions.

2) Direct Institutional Support

Procedure: We agreed the direct institutional support recorded by the Institution during the reporting period with institutional authorizations and other corroborative supporting documentation and recalculated totals.

Results: We obtained and reviewed the calculation for direct institutional support, recalculated it, and tied out components of the calculation to the general ledger. We noted no exceptions.

3) Guarantees

Procedure: We selected a sample of two settlement reports for away games during the reporting period and agreed each selection to the Institution's general ledger. We selected a sample of two contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and agreed each selection to the Institution's general ledger. We also recalculated totals. The guarantee agreements we selected for testing were as follows:

Event Date	Sporting Event	Contract Amount	Date of Check/Transfer
9/5/2015	Football v. University of Oklahoma	$ 1,000,000	10/20/2015
9/26/2015	Football v. University of Louisiana at Lafayette	125,000	10/27/2015

Results: We obtained the related contracts, which were signed by both parties, for the agreements listed above. We agreed the amounts outlined in the contract to the amount recorded on the general ledger. As agreed-upon amounts were stated in each contract, no recalculation was necessary. We noted no exceptions.

4) Contributions

Procedure: We obtained supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We disclosed the source and dollar value of these contributions in the report. The contributions we selected for testing were as follows:

Source of Funds, Goods, and Services	Value
An individual donor	$ 865,000

Results: We completed the procedure steps without exception, including agreeing the contribution listed above to a copy of the funds transfer request from The University of Akron Foundation to the Institution. See Note 1 for contributions over 10 percent.

5) In-kind

Procedure: This revenue category was less than 0.5 percent of total revenue so additional procedures were not performed.

6) NCAA Distributions

Procedure: We agreed the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculated totals. The transactions selected for testing were as follows:

Journal Date	Journal Description	Revenue Recorded	Support Amount
5/26/2016	NCAA grants-in-aid 2015-16	$ 640,000	$ 638,080
6/27/2016	MAC	272,085	272,085

Results: We traced the amount of the revenue recorded to the related ACH bank deposit, as noted above. We noted a difference of $1,920 between the amount recorded and the amount received which was due to the original amount being booked as an estimated receivable. There were no expenses recorded on the statement related to NCAA distributions.

7) Conference Distributions

Procedure: We obtained and inspected all agreements related to the Institution's conference distributions and participation in revenue from tournaments during the reporting period to gain an understanding of the relevant terms and conditions. We selected a sample of revenue receipts to agree corroborative supporting documents to the Institution's general ledger. The transactions selected for testing were as follows:

Journal Date	Journal Description	Revenue Recorded	Support Amount
6/16/2016	Mac 2015-2016 year end distribution	$ 1,200,000	$ 1,200,000

Results: We traced the amount of the revenue recorded to the related ACH bank deposit, as noted above. We noted no exceptions.

8) Program Sales, Concessions, Novelty Sales, and Parking

Procedure: This revenue category was less than 0.5 percent of total revenue so additional procedures were not performed.

9) Royalties, Licensing, Advertisements, and Sponsorships

Procedure: We obtained and inspected all agreements related to the Institution's participation in revenue from royalties, advertisements, and sponsorships during the reporting period. We agreed the related revenue for two agreements to the Institution's general ledger. The agreement selected for this test was the agreement between IMG and the Institution and the agreement between Coca Cola and the Institution. The Institution recorded revenue in the amount of $439,358 related to the IMG agreement in the 2016 fiscal year. The Institution recorded revenue in the amount of $380,000 related to the Coca Cola agreement in the 2016 fiscal year. For the revenue transactions collected, we also recalculated totals.

Results: We agreed the revenue recorded in the general ledger for these agreements to the copy of the related invoice and check stub. We noted no exceptions.

10) Sports Camp Revenue

Procedure: We requested all sports camp contracts between the Institution and persons conducting the Institution sports camps or clinics during the reporting period. We obtained schedules of camp participants. We selected a sample of one individual camp participant cash receipt from the schedule of sports camp participants and agreed the selection to the Institution's general ledger, and recalculated totals.

Results: Per discussion with management, there are no sports camp contracts with coaches. We selected one individual participant of the Institution's July 2015 soccer camp with a payment of $1,200 on April 17, 2015. We agreed all July 2015 soccer sports camp revenue per the general ledger to the related deposit report, CashNet report, and bank statement but were not able to obtain the detail to ensure the specific payment selected was included.

Mr. Matthew Wilson, President
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11) Athletics Restricted Endowment and Investment Income

Procedure: We obtained and inspected three endowment agreements. For a sample of three endowment agreements, we agreed the classification and use of endowment and investment income reported in the Statement during the reporting period to the uses of income defined within the related endowment agreement. We also recalculated totals. The agreements and related transactions selected for testing were as follows:

Sample	Revenue Amount	Expense Amount
1	$ 8,323	$ 6,701
2	4,943	4,944
3	7,843	7,843

Results: We noted no exceptions for sample 2. For sample 1, we noted that the agreement indicated the scholarships are for undergraduate student athletes enrolled in the Colleges of Business, Education, or Nursing. However, the agreement allows final review by members of the donating family. The scholarship was awarded to a student team manager and the Intercollegiate Athletics Department and management represented that they obtained verbal confirmation from the donor for that use of the income in fiscal year 2016. The endowment selected for sample 3 was an operating endowment and no contract was available to review.

12) Bowl Revenue

Procedure: We obtained and inspected agreements related to the Institution's revenue from post-season bowl participation, including communication for the Mid-American Conference. We agreed the related revenue to the Institution's Statement, and recalculated totals.

Results: We noted no exceptions.

13) Other

Procedure: We agreed other revenue to the Institution's general ledger and recalculated totals.

Results: We noted no exceptions.

Expenses

K. **Procedure:** We agreed each expense reported in the Statement during the reporting period to supporting schedules provided by the Institution.

Results: The supporting schedules provided by the Institution agreed to the Statement without exception.

We performed the following procedures for the indicated expense category:

1) Athletic Student Aid

Procedure: We selected a sample of 72 students from the listing of institutional student aid recipients during the reporting period. We inquired of management as to whether they use the NCAA's Compliance Assistant software to prepare athletic aid detail. As management represented that they did not use the software, the sample size selected was not less than 20 percent of student athletes. We obtained individual student-account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account and recalculated totals.

a. We performed a check of each student selected to ensure that his or her information was entered directly into the NCAA Membership Financial Reporting System using the following criteria:

   i. The equivalency value for each student athlete in all sports, including head-count sports, needs to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the squad list as the numerator and the full grant amount which is the total cost for tuition, fees, books, room, and board for an academic year as the denominator. If using the NCAA Compliance Assistant software, this equivalency value should already be calculated on that squad list labeled "Rev. Dist. Equivalent Award."
   ii. A student athlete can only be included in one sport. NCAA Compliance Assistant software will place an asterisk by the student athlete within the sport that is not countable towards grants-in-aid revenue distribution per sport hierarchy listed in the Division I manual.
   iii. All equivalency calculations should be rounded to two decimal places. The NCAA Compliance Assistant software and the online summary form will automatically round to two decimal places.
   iv. The full grant amount should be the full cost of tuition for an academic year, not semester. The "Period of Award" column on the NCAA Compliance Assistance squad list can identify those student athletes receiving aid for a particular semester.

v. If a sport is discontinued and the grant(s) are still being honored by the Institution, the grant(s) are included in the student athlete aid for revenue distribution purposes.
vi. Student athletes receiving athletic aid who have exhausted their athletic eligibility or are inactive due to medical reasons should be included in the student athlete aid total and correctly noted on the squad list.
vii. Only athletic aid awarded in sports in which the NCAA conducts championship competitions, emerging sports for women, and football should be included in the calculations.

b. We recalculated totals for each sport and overall.

Results: Of the sample of 72 students selected from the squad lists, two of the students did not receive athletic aid; therefore, procedures were not performed on them. These two students are notated with asterisks in the table below. For the remaining sample of 70, we agreed each student's account detail to the student's award letter. The identified differences are included in the table below. Management represents that the differences presented were a result of approved changes made to aid after the original grant-in-aid award letter was issued or difference between the student's aid awarded for an estimated course load and the actual course load.

Mr. Matthew Wilson, President
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Administration/Chief Financial Officer
The University of Akron

The students' accounts tested are summarized below:

Student Tested	Amount per Award Letter	Amount per Student Account	Difference	Student Tested	Amount per Award Letter	Amount per Student Account	Difference
1	$ 15,333	$ 16,235	$ 902	37	$ -	$ 4,360	$ 4,360
2	30,666	16,242	(14,424)	38	11,654	15,764	4,110
3	17,370	16,474	(896)	39*	-	-	-
4	22,134	24,402	2,268	40	12,268	14,345	2,077
5	30,666	33,058	2,392	41	22,636	31,576	8,940
6	30,666	32,394	1,728	42	5,800	5,000	(800)
7	22,134	24,500	2,366	43	31,942	22,917	(9,025)
8	30,666	16,227	(14,439)	44	22,134	24,788	2,654
9	11,737	32,362	20,625	45	13,020	12,637	(383)
10	30,666	26,848	(3,818)	46	22,134	23,370	1,236
11	22,134	23,777	1,643	47	25,869	24,995	(874)
12	30,666	27,327	(3,339)	48	7,023	3,429	(3,594)
13	30,666	33,156	2,490	49	15,216	7,693	(7,523)
14	32,191	32,893	702	50	9,962	9,611	(351)
15	12,620	11,613	(1,007)	51	23,410	22,727	(683)
16	11,067	11,950	883	52	15,333	15,296	(37)
17	22,134	20,524	(1,610)	53	7,668	8,248	580
18	22,134	24,303	2,169	54	8,854	16,751	7,897
19	22,134	24,121	1,987	55	23,236	23,680	444
20	31,942	25,466	(6,476)	56	23,410	22,764	(646)
21	15,640	15,031	(609)	57	30,666	32,780	2,114
22	5,270	7,892	2,622	58	24,534	29,569	5,035
23	6,948	-	(6,948)	59	31,942	34,170	2,228
24	20,406	11,336	(9,070)	60	30,666	33,541	2,875
25	-	5,092	5,092	61	30,666	31,978	1,312
26	30,666	31,987	1,321	62	10,000	10,000	-
27*	-	-	-	63	6,800	6,002	(798)
28	2,800	2,800	-	64	29,308	28,708	(600)
29	1,800	1,000	(800)	65	34,887	35,397	510
30	13,300	12,528	(772)	66	10,800	10,000	(800)
31	10,800	13,128	2,328	67	31,942	33,853	1,911
32	2,800	2,000	(800)	68	12,800	12,239	(561)
33	1,800	1,000	(800)	69	31,942	30,739	(1,203)
34	23,300	19,497	(3,803)	70	30,666	14,840	(15,826)
35	800	6,500	5,700	71	-	18,934	18,934
36	-	23,158	23,158	72	-	22,413	22,413

2) Guarantees

Procedure: We obtained and inspected three home-game settlement reports received by the Institution during the reporting period and agreed related expenses to the Institution's general ledger. We obtained and inspected all contractual agreements pertaining to expenses recorded by the Institution from guaranteed contests during the reporting period. We agreed related amounts expensed by the Institution during the reporting period to the Institution's general ledger. We also recalculated totals. The guarantee agreements we selected for testing were as follows:

Event Date	Sporting Event		Contract Amount	Date of Check/Transfer
9/12/2015	Football v. Pittsburgh	$	125,000	9/11/2015
9/19/2015	Football v. Savannah State		315,000	9/17/2015
12/2/2015	Men's basketball v. Coppin State University		87,000	12/1/2015

Results: We obtained the related contracts, which were signed by both parties, for the agreements listed above. We agreed the amounts outlined in the contract to the amount recorded on the general ledger. As agreed-upon amounts were stated in each contract, no recalculation was necessary. We noted no exceptions.

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

Procedure: We obtained and inspected a listing of coaches employed by the Institution and related entities during the reporting period. We selected a sample of nine coaches' contracts that includes football and men's and women's basketball from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the Institution and related entities in the Statement during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related coaching salaries, benefits, and bonuses paid by the Institution and related entities expense recorded by the Institution in the Statement during the reporting period, and recalculated totals. We compared and agreed the totals recorded to any employment contracts executed for the sample selected.

Results: We noted no exceptions. The coaches selected for testing are summarized below:

Coach	Sport Selected
1	Football (head coach)
2	Football (defensive coordinator)
3	Football (special teams coordinator)
4	Men's soccer
5	Men's basketball
6	Women's basketball
7	Men's track
8	Volleyball
9	Softball

4) Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the Institution and Related Entities

Procedure: We selected a sample of five support staff/administrative personnel employed by the Institution and related entities during the reporting period. We obtained and inspected payroll summary registers for each selection. We agreed related payroll summary registers to the related support staff/administrative salaries, benefits, and bonuses paid by the Institution and related entities expense recorded by the Institution in the Statement during the reporting period. We also recalculated totals.

Results: We noted no exceptions. The staff selected for testing are summarized below:

Staff	Position Selected
1	Director of Athletics
2	Director of Student Athlete Support Services
3	Associate Athletics Director for Student - Athlete Academic Services
4	Director of Ticket Operations
5	Associate Athletics Director for Facilities and Operations

5) Recruiting

Procedure: We obtained the Institution's recruiting expense policies. We agreed to existing institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Results: We noted no exceptions.

6) Team Travel

Procedure: We obtained the Institution's team travel policies. We agreed to existing institutional- and NCAA-related policies. We obtained general ledger detail and agreed to the total expenses reported.

Results: We noted no exceptions.

7) Equipment, Uniforms, and Supplies

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We agreed total expenses reported to a detail list of equipment, uniform, and supplies expenses. We selected one sample, a purchase of cleats for $38,791 on August 19, 2015 (check date), and agreed to the supporting invoice and check information. We noted no exceptions.

8) Game Expenses

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We agreed total expenses reported to a detail list of game expenses. We selected one sample, a purchase for $1,900 on November 11, 2015 (check date), and agreed to the supporting invoice and check information. We noted no exceptions.

9) Fundraising, Marketing, and Promotion

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We obtained a detail listing of fundraising, marketing, and promotion and agreed to the total expenses reported. We selected one sample, a purchase of promotional bobble heads for $41,025 on June 16, 2016 (check date), and agreed to the supporting invoice and check information. We noted no exceptions.

10) Sports Camp Expenses

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We obtained a detail listing of sports camp expenses and agreed to the total expenses reported. We selected one sample, a payment of $27,830 related to a men's soccer camp on October 30, 2015 (check date), and agreed to the related internal transfer request and invoice. We noted no exceptions.

11) Spirit Groups

Procedure: This expense category was less than 0.5 percent of total revenue so additional procedures were not performed.

12) Athletic Facility Debt Service, Leases, and Rental Fees

Procedure: We obtained a listing of debt service schedules, lease payments, and rental fees for athletic facilities for the reporting year. We agreed a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements). We agreed amounts recorded to amounts listed in the general ledger detail and recalculated totals. The two payments selected for testing were in the amounts of $1,088,317 and $362,772 on October 5, 2015 and October 26, 2015, respectively. These were the two highest payments made, per review of the general ledger detail.

Results: Management represents that all "payment" amounts due from the athletics department for debt service are transferred from the athletics fund to the general fund. They are not paid directly to the lender. The transfer amounts listed above were agreed to the applicable debt service schedule. We noted no exceptions.

13) Direct Overhead and Administrative Support

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We obtained a detail listing of direct overhead and administrative support expenses and agreed to the total expenses reported. We selected one sample, a charge for $45,000 on June 27, 2016 (check date), and agreed it to the related journal entry and invoice. We noted no exceptions.

14) Medical Expenses and Medical Insurance

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We obtained a detail listing of medical expenses and medical insurance expenses and agreed to the total expenses reported. We selected one sample, a purchase for $76,436 on July 2, 2015 (check date), and agreed it to supporting invoice and check information. We noted no exceptions.

15) Memberships and Dues

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We obtained a detail listing of membership and dues expenses and agreed to the total expenses reported. We selected one sample, a purchase for $100,000 on July 15, 2015 (check date), and agreed it to supporting invoice and check information. We noted no exceptions.

16) Student Athletic Meals (non-travel)

Procedure: This expense category was less than 0.5 percent of total revenue so additional procedures were not performed.

17) Bowl Expenses

Procedure: We obtained general ledger detail and agreed to the total expenses reported. We agreed a sample of one transaction and agreed to supporting documentation. We recalculated totals.

Results: We selected one sample, a charge for a charter flight for $368,000 on December 17, 2015 (wire transfer date), and agreed to the supporting agreement and direct banking form. We noted no exceptions.

18) Other Operating Expenses

Procedure: We agreed other expenses to the Institution's general ledger and recalculated totals.

Results: We noted no exceptions.

Affiliated and Outside Organizations

L. In preparation for our procedures related to the Institution's affiliated and outside organizations we performed the following:

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

   i. Booster organizations established by or on behalf of an intercollegiate athletics program

   ii. Independent or affiliated foundations or other organizations that have, as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments or other monies, goods, or services to be used entirely or in part by the intercollegiate athletics program

   iii. Alumni organizations that have, as one of its principal purposes the generating of monies, goods, or services for or on behalf of an intercollegiate athletics program and that contribute monies, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted

   Results: Based on inquiries with management, management identified the Varsity "A" Association as meeting the above criteria. The accounting for this organization is performed by The University of Akron Foundation. No additional procedures were performed.

2) **Procedure:** We also obtained documentation on the Institution's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the Institution's Intercollegiate Athletic Program.

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

Mr. Matthew Wilson, President
Mr. Nathan Mortimer, VP Finance and
Administration/Chief Financial Officer
The University of Akron

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

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

M. **Procedure:** For expenses on or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the Institution's accounting control, we requested those organization's financial statements for the reporting period.

   Results: Management represented that there were no affiliated or outside organizations not under the Institution's accounting control; therefore, no additional procedures were performed.

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

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

Plante & Moran, PLLC

December 7, 2016

The University of Akron
National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenue and Expenses
For the Year Ended June 30, 2016

Operating Revenue	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Non-program Specific	Total
Ticket sales	$ 1,061,584	$ 370,226	$ 14,704	$ 123,073	$ 101,217	$ 1,670,804
Direct institutional support	-	-	-	-	23,813,277	23,813,277
Guarantees	1,125,000	150,000	-	12,000	-	1,287,000
Contributions	53,005	105,197	32,945	145,006	1,527,337	1,863,490
In-kind	51,602	6,975	6,975	44,160	7,944	117,656
NCAA distributions	-	-	-	-	1,472,085	1,472,085
Conference distributions (non-media or bowl)	-	-	-	-	1,244,203	1,244,203
Program sales, concessions, novelty sales, and parking	-	-	-	-	79,021	79,021
Royalties, licensing, advertisements, and sponsorships	-	-	-	-	905,402	905,402
Sports camp revenue	17,995	55,218	19,338	554,922	59,745	707,218
Athletic restricted endowment and investment income	28,597	24,079	2,210	38,268	144,917	238,071
Other operating revenue	6,039	18,562	300	110,331	503,694	638,926
Bowl revenue	550,000	-	-	-	-	550,000
Total operating revenue	2,893,822	730,257	76,472	1,027,760	29,858,842	34,587,153
Operating Expenses						
Athletic student aid	2,739,501	494,830	431,073	3,421,922	160,849	7,248,175
Guarantees	440,000	343,000	13,651	15,000	6,500	818,151
Coaching salaries, benefits, and bonuses paid by the Institution and related entities	1,903,500	1,391,232	572,408	2,241,180	-	6,108,320
Support staff/Administrative salaries, benefits, and bonuses paid by the Institution and related entities	310,349	128,736	58,566	228,423	3,651,358	4,377,432
Recruiting	169,725	87,926	59,917	136,014	10,939	464,521
Team travel	898,815	438,585	201,754	792,536	219,494	2,551,184
Equipment, uniforms, and supplies	450,520	55,159	51,366	393,596	189,616	1,140,257
Game expenses	359,681	168,021	92,555	140,910	-	761,167
Fundraising, marketing, and promotion	3,764	1,777	3,609	8,453	510,173	527,776
Sports camp expenses	9,256	8,912	6,469	227,802	57,796	310,235
Spirit groups	-	-	-	-	61,062	61,062
Athletic facility debt service, leases, and rental fees	3,770,164	-	-	19,822	1,194,899	4,984,885
Direct overhead and administrative support	60,324	20,239	8,617	42,480	2,721,208	2,852,868
Medical expenses and medical insurance	1,038	1,679	107	1,288	455,000	459,112
Memberships and dues	3,460	5,792	2,915	4,852	249,896	266,915
Bowl expenses	768,786	-	-	-	-	768,786
Other operating expenses	313,295	130,512	63,784	250,215	920,232	1,678,038
Total operating expenses	12,202,178	3,276,400	1,566,791	7,924,493	10,409,022	35,378,884
Excess of revenue (under) over expenses	**$ (9,308,356)**	**$ (2,546,143)**	**$ (1,490,319)**	**$ (6,896,733)**	**$ 19,449,820**	**$ (791,731)**

**Notes to Intercollegiate Athletics Program
Statement of Revenue and Expenses
For the Year Ended June 30, 2016**

Note 1 - Contributions

Individual contributions of monies, goods, or services received directly by the Institution's intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2016 are as follows:

Source of Funds, Goods, and Services	Value
An individual donor	$ 865,000

Note 2 - Intercollegiate Athletics-related Assets

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

The current year capitalized additions and deletions to facilities during the year ended June 30, 2016 are as follows:

	Current Year Additions	Current Year Deletions
Basketball athletics facilities	$ 135,937	-
Total athletics facilities	$ 135,937	$ -
Other institutional facilities	$ 33,121,186	$ 3,773,203

The total estimated book values of property, plant, and equipment, net of depreciation, of the Institution as of the year ended June 30, 2016 are as follows:

	Book Value
Athletically related property, plant, and equipment balance	$ 120,752,995
Institution's total property, plant, and equipment balances	742,865,129

Note 3 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the Institution as of the year ended June 30, 2016 is as follows:

	Annual Debt Service	Debt Outstanding
Athletically related facilities	$ 4,965,062	$ 66,371,835
Institution's total	35,010,310	460,329,038

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the Institution during the year ended June 30, 2016 is as follows:

Years Ended June 30	Principal	Interest
2017	$ 1,819,021	$ 3,160,102
2018	1,887,361	3,081,228
2019	1,974,501	2,989,866
2020	2,072,185	2,889,488
2021	2,176,981	2,781,696
Thereafter	56,441,786	24,990,708
Total	$ 66,371,835	$ 39,893,088

Note 4 - Restricted and Endowment and Plant Funds

During the year, the Institution had the following significant changes in loan, endowment, or plant funds related to intercollegiate athletics that were not reported in the Statement:

Restricted/Endowment/Plant Funds	Value
Edward Bittle Scholarship	$ 105,825
DiDonato Family Scholarship	14,000

The above endowments are held by The University of Akron Foundation.

In addition, at June 30, 2016, the Institution had $667,180 of endowments. At June 30, 2016, The University of Akron Foundation held $2,651,358 of endowments and $8,700,000 in pledges receivable dedicated to the sole support of athletics not reported in the Statement. The athletics department's fund balance is $(791,731) at June 30, 2016.

Appendix A

	2015-2016 Actual Total	2014-2015 Actual Total	$ Change	% Change	Explanation of Variance per Associate Athletic Director
Actual versus Actual Variance Explanations					
Operating Revenue					
Direct institutional support	$23,813,277	$ 22,904,855	$ 908,422	4%	This difference is a result of additional funding provided by the Institution to the athletics department. The amount reported in current year revenue does not reflect $2,743,802 that was transferred to satisfy accumulated fund balance deficits.
Operating Expenses					
Direct overhead and administrative expenses	2,852,868	1,707,874	1,144,994	67%	This difference is primarily a result of a $685,000 expense for renovations for television production room that occurred in 2016 and did not occur in 2015.

	2015-2016 Actual Total	2015-2016 Budget Total	$ Change	% Change	Explanation of Variance per Associate Athletic Director
Actual versus Budget Variance Explanations					
Operating Expenses					
Other operating*	$ 7,233,008	$ 3,560,997	$ 3,672,011	103%	This difference is a result of three primary reasons: $685,000 expense for renovations for television production room that occurred in 2016 which was not budgeted for; basketball and football equipment, uniform expense, game guarantees, and production video equipment exceeded the budgeted amount by approximately a total of $645,000; and restricted expenses that are not included in the budget.

*As explained in Procedure H, the budget to actual statement comparison was not performed on the same level of detail as the actual to actual comparison. Included in these amounts are direct overhead and administrative expense, equipment uniform and supplies, medical expenses, recruiting, and other operating expense.

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Dave Yost • Auditor of State

UNIVERSITY OF AKRON

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 29, 2016

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