



**(A component unit of the State of Ohio)**

# **Financial Report**

**With Supplemental Information**

**June 30, 2018**





# 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 Crowe LLP, for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 19, 2018

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# The University of Akron

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# The University of Akron

## Management's Discussion and Analysis (Unaudited)

June 30, 2018

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, 2018. This discussion and analysis views The University's financial performance as a whole; readers should also review the basic financial statements and related notes to the basic 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, 2018, 2017, and 2016, the State provided approximately \$119 million, \$127 million, and \$121 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$36 million, \$153 million, and \$140 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 a separate column on The University's financial statements to emphasize that each 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 following numbers. These component units are described in greater detail in the financial statements and notes to the financial statements.

**The University of Akron**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

**Statements of Net Position**

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

	<b>2016</b>	<b>2017</b>	<b>2018</b>
Assets:			
Current assets	\$ 209.5	\$ 214.6	\$ 222.8
Noncurrent assets:			
Capital	742.9	734.2	716.1
Other	87.1	87.5	91.2
Total assets	<u>1,039.5</u>	<u>1,036.3</u>	<u>1,030.1</u>
Deferred outflow of resources	73.8	113.5	119.1
Liabilities:			
Current liabilities	86.7	76.7	76.5
Net pension liability	370.9	418.5	298.0
Net OPEB liability	-	-	136.2
Other noncurrent liabilities	492.8	477.3	434.9
Total liabilities	<u>950.4</u>	<u>972.5</u>	<u>945.6</u>
Deferred inflow of resources	39.5	39.0	68.4
Net position:			
Net investment in capital assets	311.3	310.3	304.3
Restricted:			
Nonexpendable	22.2	21.8	25.7
Expendable	71.4	73.2	73.6
Unrestricted	<u>(281.5)</u>	<u>(267.0)</u>	<u>(268.4)</u>
Total net position	<u>\$ 123.4</u>	<u>\$ 138.3</u>	<u>\$ 135.2</u>

**Assets and deferred outflows 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 2018 and 2017, current assets increased \$8.2 million and \$5.1 million, respectively. There were variations among many of the current asset categories, but the principal causes of the change in 2018 are from an increase in pooled investments of \$9.3 million and a \$1.1 million decrease in prepaid expenses. The principal causes of the change in 2017 are from an increase of pooled investments of \$20.7 million and a decrease of \$14.7 million in net accounts receivable of which \$12.7 million is attributable to payments received on completed grants.

*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 \$14.4 million and \$8.3 million for 2018 and 2017, respectively. The changes in 2018 and 2017 are largely due to a decrease in capitalization of equipment.

*Deferred outflows of resources* is defined as the consumption of net assets applicable to a future reporting period. The deferred outflows 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 2018, deferred outflows increased by \$5.6 million. The increases were attributed to future pension and other postemployment benefits (OPEB) expense. In 2017, a \$42.1 million increase in future pension expense was offset by \$2.4 million amortization of the deferred amount on bond refunding resulting in a net increase of \$39.7 million.



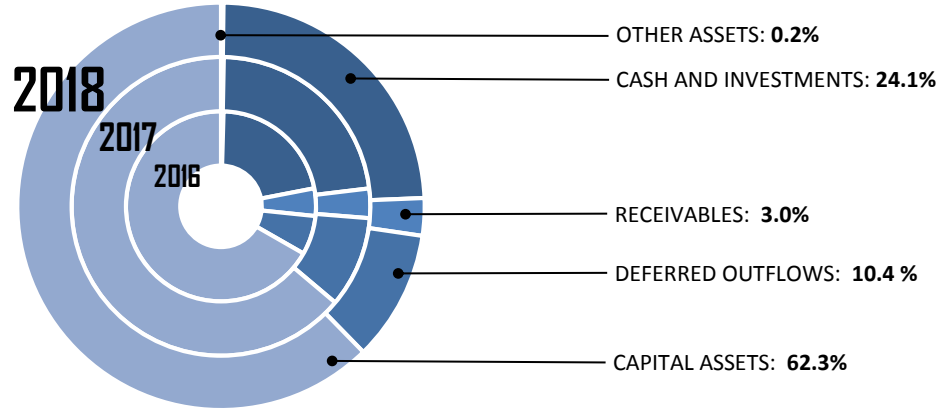
# The University of Akron

## Management's Discussion and Analysis (Unaudited)

### June 30, 2018

#### Assets and deferred outflows of resources (continued)

Below is the composition of assets and deferred outflows for each year (with 2018 percentages):



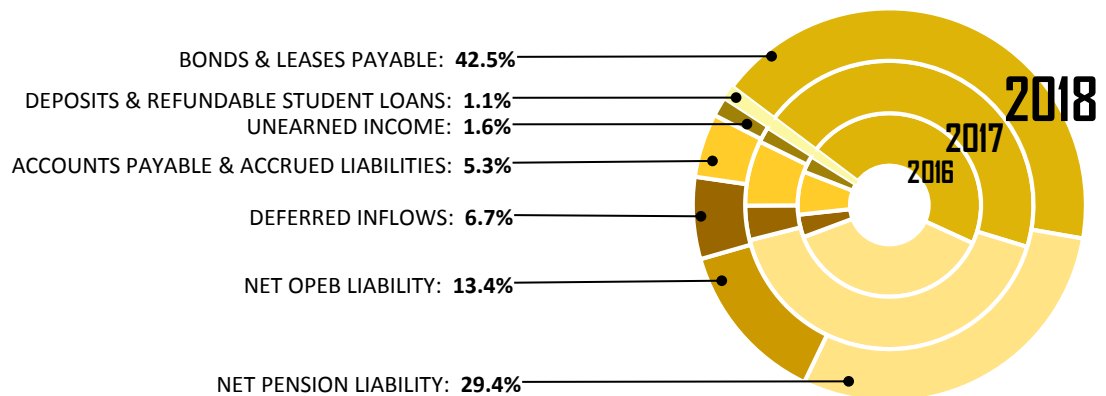
#### Liabilities and deferred inflows of resources

*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 decreased \$.2 million and \$10.0 million for 2018 and 2017, respectively. There were variations among many of the current liability categories including an increase to the current portion of long-term liabilities of \$4.7 million. All other current liabilities decreased for 2018 which included a \$2.0 million decrease in accrued liabilities and a \$1.8 million decrease in unearned income. The principal cause of the change was a decrease in unearned income of \$11.2 million for 2017.

*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. For 2018, noncurrent liabilities decreased by \$26.7 million, of which \$17.0 million is attributable to payment of bond principal. Also for 2018, the net pension liability was reduced by \$120.0 million and the net OPEB liability increased by \$115.0 as a result of the adoption of GASB 75. There was an increase in 2017 of \$32.1 million primarily due to an increase in net pension liability of \$47.6 million offset by bond principal payments of \$14.6 million.

*Deferred inflows of resources* is the acquisition of net assets applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position similar to liabilities. Deferred inflows of resources increased \$29.4 million in 2018. The increase consists of \$14.4 million in pensions, \$10.9 million in OPEB and \$4.2 million in unearned income. Deferred inflows decreased by \$.5 million in 2017 because of a \$.9 million decrease in pensions and a \$.4 million increase in unearned income.

Below is the composition of liabilities and deferred inflows for each year (with 2018 percentages):



**The University of Akron**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2018

**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 2018 net position decreased 2.2% or \$3.1 million. This was due to the implementation of GASB 75 which resulted in a reduction of net position as of July 1, 2017 of \$128.6 million for OPEB which was offset by pension and OPEB income of \$115.7 million recognized during the year as well as investment income of \$8.0 million. For 2017 net position increased 12.1% or \$14.9 million. This was largely due to unrealized gain of investments of \$8.7 million and a decrease in operating expenses of \$11.8 million which included a decrease in healthcare claims of \$7.6 million and a decrease in salaries of \$4.3 million.

**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):

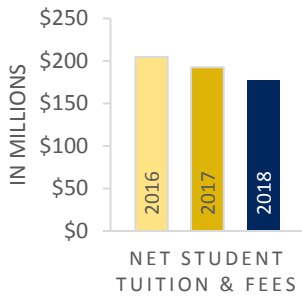
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating revenues:			
Tuition and fees (net)	\$ 204.5	\$ 192.6	\$ 176.8
Grants and contracts	42.6	31.7	28.7
Sales and services	6.4	6.3	6.0
Auxiliary enterprises	37.2	34.6	35.2
Other operating revenues	0.8	1.3	2.3
Total operating revenues	<u>291.5</u>	<u>266.5</u>	<u>249.0</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	157.8	162.8	66.2
Other educational and general	182.0	166.5	128.3
Auxiliary enterprises	47.4	45.0	43.1
Depreciation	43.8	45.0	47.4
Total operating expenses	<u>431.0</u>	<u>419.3</u>	<u>285.0</u>
Operating loss	(139.5)	(152.8)	(36.0)
Nonoperating revenues (expenses):			
State appropriations	109.1	111.2	106.3
Federal grants	28.9	25.9	27.3
Gifts and distributions	21.5	19.2	14.4
Other nonoperating (net)	(19.2)	(5.0)	(2.5)
Net nonoperating revenues	<u>140.3</u>	<u>151.3</u>	<u>145.5</u>
Gain (loss) before other changes	0.8	(1.5)	109.5
Other changes:			
Capital appropriations	11.7	15.9	12.8
Other changes (net)	0.8	0.5	3.2
Total other changes	<u>12.5</u>	<u>16.4</u>	<u>16.0</u>
Increase (decrease) in net position	<u>13.3</u>	<u>14.9</u>	<u>125.5</u>
Net position:			
Net position - beginning of year	110.1	123.4	138.3
Change in accounting principle	-	-	(128.6)
Net position - as restated	<u>110.1</u>	<u>123.4</u>	<u>9.7</u>
Net position - end of year	<u>\$ 123.4</u>	<u>\$ 138.3</u>	<u>\$ 135.2</u>

# The University of Akron

## Management's Discussion and Analysis (Unaudited)

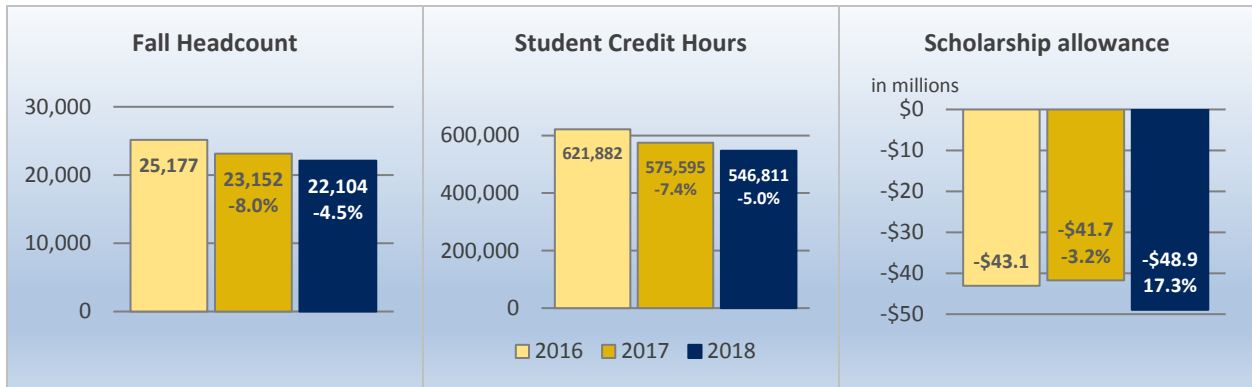
### June 30, 2018

#### Operating revenues



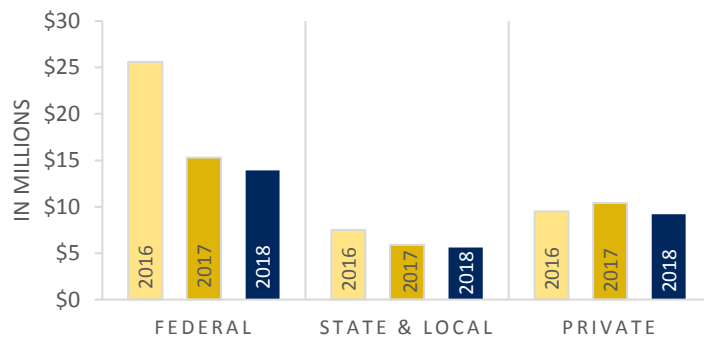
*Student tuition and fees* include all tuition and fees assessed for educational purposes, net of refunds and any discounts recognized. Net tuition and fees decreased 8.2% in 2018 and 5.8% in 2017. Changes in net tuition and fees are attributable to the student headcount, student credit hours taken, and fees charged. Beginning in the fall 2018, new enrollees to The University participate in the Tuition Guarantee Program which provides fixed tuition, select fees, and room and board rates for each incoming cohort. Tuition and general fees were unchanged for the 2017 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 have an effect on the net student tuition and fee revenue:



Sources: The University of Akron Department of Institutional Research and The University of Akron Office of the Controller.

*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	2016	2017	2018
National Science Foundation	\$ 6.4	\$ 6.5	\$ 5.8
Department of Defense	11.0	1.2	1.5
Department of Education	4.0	3.7	3.4
Department of Health and Human Services	1.8	1.4	0.9
National Aeronautics and Space Administration	0.1	0.2	0.2
Other agencies	2.3	2.3	2.1
<b>Total federal revenues</b>	<b>\$ 25.6</b>	<b>\$ 15.3</b>	<b>\$ 13.9</b>

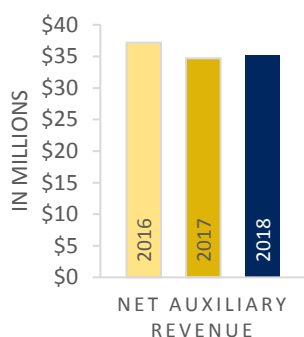
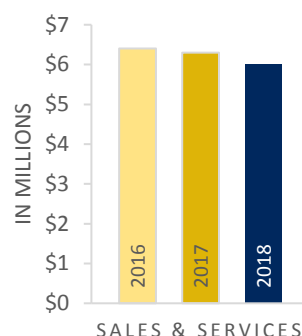
# The University of Akron

## Management's Discussion and Analysis (Unaudited)

### June 30, 2018

#### 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 2018 the most significant of these operations was the New Student Orientation Program, the English Language Institute and UA Business Solutions, which generated sales totaling \$.6, \$.5 and \$.4 million, respectively. During 2017 these operations generated \$.6 million sales each.

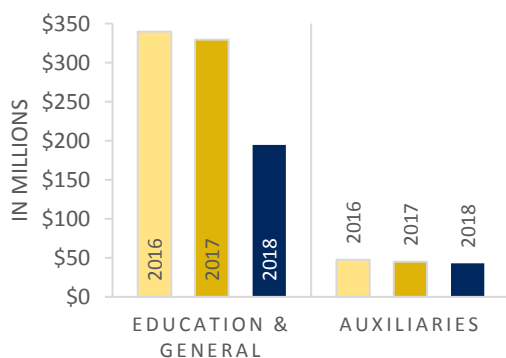


*Auxiliary enterprises* revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing 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. The predominant revenues within this area are (in millions):

<b>Auxiliary</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Residence halls	\$ 20.7	\$ 18.8	\$ 20.6
Athletics	7.4	7.9	7.4
Dining	3.7	2.6	3.4
Parking and transportation services	8.5	8.0	7.4
Other auxiliaries	3.2	3.2	4.1
Scholarship allowance	(6.3)	(5.8)	(7.7)
<b>Total net auxiliary revenue</b>	<b>\$ 37.2</b>	<b>\$ 34.7</b>	<b>\$ 35.2</b>

#### 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 2018 and 2017, these expenses decreased 40.9% and 3.1%, respectively. Of the 40.9% reduction of operating expenses for 2018, 6.2% was due to cost saving measures of University. The remaining 34.7% was attributable to changes in the actuarial assumptions for pensions and OPEB.

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 4.1% and 5.2% during 2018 and 2017, respectively.

# The University of Akron

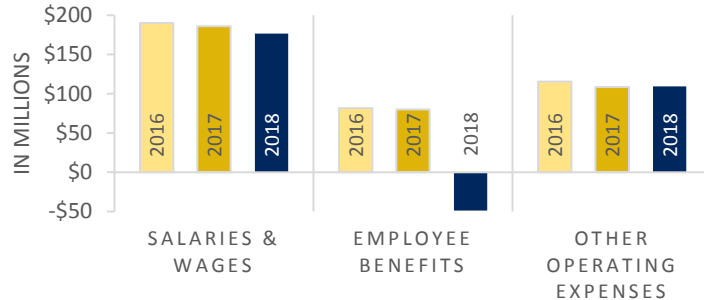
## Management's Discussion and Analysis (Unaudited)

### June 30, 2018

#### Operating expenses (continued)

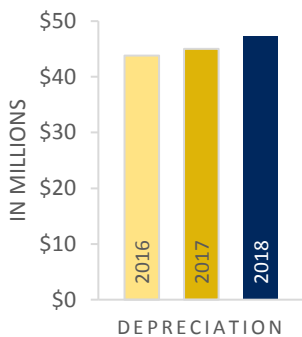
Another way to review expenses is according to the type of costs that are incurred, or their *natural* classification. These classifications tell what was purchased rather than why an expense was incurred.

*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 4.9% and 2.3% during 2018 and 2017, 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 2018 these expenses decreased 160.7% or \$128.7 million. Changes in actuarial assumptions to the pension and OPEB state plans attributed to \$115.7 million of the decrease in 2018. Pension and OPEB calculations were made according to GASB 68 and 75, respectively.

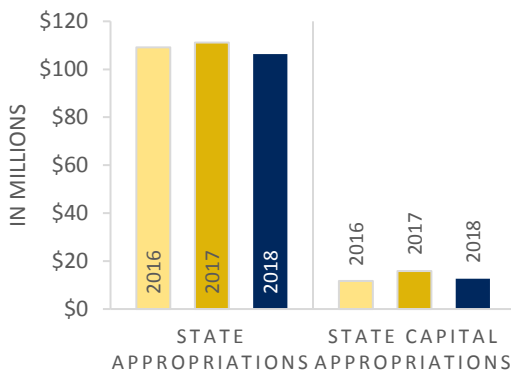
*Other operating expenses* include items such as supplies, utilities, scholarships and fellowships, travel and other contractual services. These expenses increased 1% during 2018 mainly due to an increase in supplies and services. These expenses decreased 6.2% during 2017, due to reduced spending in supplies and services and a reduction in healthcare claims.



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 \$1.1 million during 2018 and 2017, 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 decreased \$4.9 million in 2018 and increased \$2.0 million in 2017.

The State of Ohio also provides *capital appropriations* to The University. Unlike the operating resources reflected previously, these resources are provided to assist 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. The capital appropriation, once allocated, is fixed but the revenues vary from year to year based upon The University's actual expenditures.

# The University of Akron

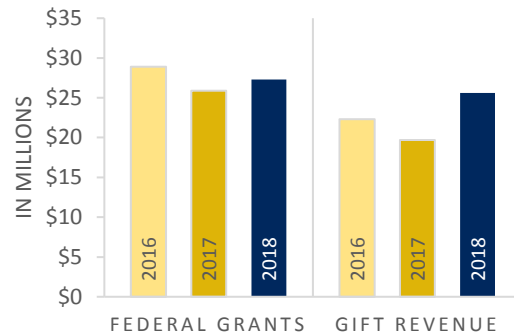
## Management's Discussion and Analysis (Unaudited)

### June 30, 2018

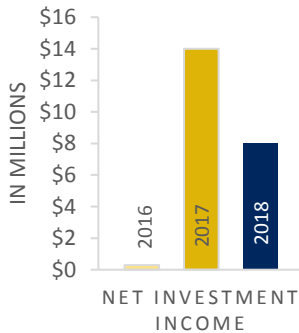
#### Nonoperating revenues and expenses (continued)

The University records Pell grant awards as nonoperating *federal grant* revenue. Federal grant revenue increased 5.4% during 2018 and decreased 10.4% during 2017.

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. The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. Gift revenues increased by \$5.9 million during 2018 and decreased by \$2.6 million during 2017.



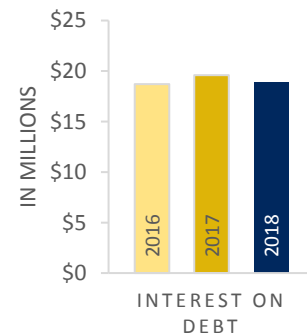
*Other net nonoperating revenues and expenses* represent the remaining sources and uses of funds that generally do not result from providing educational and instructional services in connection with The University's principal ongoing operations including investment income and interest payments on debt.



Investment income, net of investment expenses, decreased \$6.0 million during 2018 and increased \$13.7 million during 2017. The changes are due to overall fluctuations in returns on all investments.

GASB requires investments be reported at fair value for financial statement reporting purposes. Included in the change in net investment income was a net increase of \$.4 and \$8.7 million in 2018 and 2017, respectively, 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 \$.6 million to \$18.9 million in 2018 and increased \$.9 million to \$19.6 million in 2017.

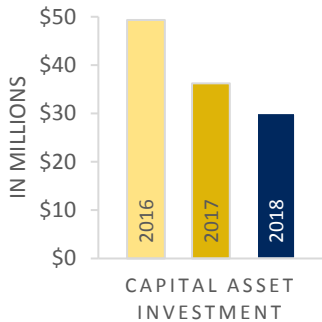


# The University of Akron

## Management's Discussion and Analysis (Unaudited)

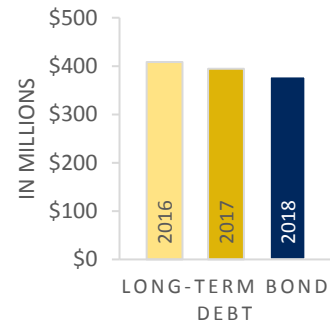
### June 30, 2018

#### 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 largest project during 2018 was renovations to the Cummings Center for the History of Psychology that included a roof replacement, space for the Institute for Human Science and Culture as well as exhibits for the National Museum of Psychology. The final phase of the McDowell Law Center renovation was the largest project during 2017. 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 \$378.3 million, \$394.4 million, and \$408.3 million in 2018, 2017, and 2016, respectively. The University's bond rating given by Moody's Investors Service was unchanged and remains at A1 while the outlook improved from negative to stable. Fitch Ratings, Inc. downgraded its rating of The University from AA+ with a negative outlook to A- with a stable outlook, which aligns with Moody's rating. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.



#### Factors Impacting Future Periods



66% 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 2018 and 2017, those revenue sources alone represented \$283.2 million and \$303.8 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 \$145.3 million and \$140.6 million in 2018 and 2017, respectively.

The University's ability to focus on academic programs in key areas of demand, strength, and opportunity and to pursue other initiatives will directly impact these major revenue sources. To reverse the enrollment decline experienced in recent years, The University has begun initiatives to improve retention and stabilize enrollment. In addition, the University is budgeting to align with its revenue fluctuations and to control expenditures.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The University of Akron

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the University of Akron (the "University"), a component unit of the State of Ohio, and aggregate discretely presented component units as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

#### ***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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University, as of June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note 1 to the financial statements, Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the University's fiscal year ending June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to postretirement benefits other than pensions. As a result, net position was restated by \$128,571,513 as of July 1, 2017, for the cumulative effect of the application of this pronouncement. 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 and Analysis (MD&A), Schedules of University's Proportionate Share of the Net Pension Liability and Net OPEB Liability, Schedules of University Pension and OPEB Contributions, and Schedule of Changes in the University's Net OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental 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.

#### *Supplementary Information*

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

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.

#### *Predecessor Auditor*

The basic financial statements of the University as of June 30, 2017, were audited by other auditors whose report dated October 12, 2017, expressed unmodified opinions on those statements.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the University'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Crowe LLP

Columbus, Ohio  
October 15, 2018

# The University of Akron

## Statements of Net Position

June 30, 2018 and 2017

ASSETS	The University of Akron		Component Units	
	2018	2017	2018	2017
Current assets:				
Cash and cash equivalents	\$ 15,078,945	\$ 12,262,781	\$ 2,035,726	\$ 2,265,213
Pooled investments	179,261,228	170,007,651	7,055,765	7,465,082
Accounts receivable, net	23,720,964	26,504,510	1,313,041	850,749
Pledges receivable, net	428,939	234,158	14,844,983	6,662,046
Notes receivable, net	1,453,987	1,555,657	192,000	4,904,714
Accrued interest receivable	563,838	501,047	-	-
Inventories	516,196	574,272	-	-
Prepaid expenses	1,829,634	2,959,770	184,991	162,733
Total current assets	222,853,731	214,599,846	25,626,506	22,310,537
Noncurrent assets:				
Restricted cash and cash equivalents	312,578	245,300	-	-
Restricted investments	5,713,938	4,974,077	452,031	383,732
Endowment investments	68,720,492	65,677,610	185,671,384	171,455,028
Investments held in trust by others	8,437,088	8,704,863	-	-
Pledges receivable, net	749,951	365,412	12,358,653	13,271,895
Notes receivable, net	7,236,391	7,515,097	5,300,000	-
Capital assets, net	716,058,070	734,229,131	7,055,974	10,863,273
Total assets	1,030,082,239	1,036,311,336	236,464,548	218,284,465
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred amount on bond refundings	34,099,420	36,506,593	-	-
Deferred outflows related to pensions	81,086,778	77,008,856	-	-
Deferred outflows related to OPEB	3,968,553	-	-	-
Total deferred outflow of resources	119,154,751	113,515,449	-	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	3,500,640	4,110,907	4,608,282	4,576,568
Accrued liabilities	20,416,271	22,411,601	613,500	578,833
Accrued interest payable	8,434,703	8,692,745	-	-
Unearned income	16,079,877	17,891,784	719,880	1,078,584
Deposits	1,897,955	2,048,421	143,533	-
Current portion of long-term liabilities	26,215,662	21,534,221	4,674,156	4,861,077
Total current liabilities	76,545,108	76,689,679	10,759,351	11,095,062
Noncurrent liabilities:				
Refundable federal student loans	9,646,640	10,743,897	-	-
Actuarial liability for annuity/unitrust agreements	-	-	11,751,945	12,702,901
Net pension liability	298,023,268	418,495,409	-	-
Net OPEB liability	136,159,269	-	-	-
Long-term liabilities	425,258,705	466,586,774	2,340,339	2,422,495
Total liabilities	945,632,990	972,515,759	24,851,635	26,220,458
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflows related to pensions	48,298,725	33,922,861	-	-
Deferred inflows related to OPEB	10,853,770	-	-	-
Other deferred inflows	9,264,983	5,098,491	-	-
Total deferred inflow of resources	68,417,478	39,021,352	-	-
<b>NET POSITION</b>				
Non controlling interest in subsidiary	-	-	78,278	-
Net investment in capital assets	304,255,956	310,261,694	4,637,357	8,440,778
Restricted:				
Nonexpendable:				
Endowment	25,727,214	21,797,159	137,719,277	114,004,558
Expendable:				
Research and gifts	38,279,128	37,798,645	-	-
Loans	854,368	850,104	-	-
Endowment	31,228,333	33,079,704	57,664,610	58,527,001
Capital projects	2,532,476	879,768	-	-
Debt service	683,942	649,053	-	-
Unrestricted (deficit)	(268,374,895)	(267,026,453)	11,513,391	11,091,670
Total net position	\$ 135,186,522	\$ 138,289,674	\$ 211,612,913	\$ 192,064,007

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, 2018 and 2017**

<b>REVENUES</b>	<b>The University of Akron</b>		<b>Component Units</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Operating revenues:				
Student tuition and fees	\$ 225,764,505	\$ 234,255,302	\$ -	\$ -
Scholarship allowance	(48,937,615)	(41,681,776)	-	-
Net student tuition and fees	176,826,890	192,573,526	-	-
Federal grants and contracts	13,883,969	15,335,668	-	5,634
State grants and contracts	5,441,980	5,398,101	-	-
Local grants and contracts	180,490	526,268	-	-
Private grants and contracts	9,154,178	10,417,965	2,078,932	3,592,602
Gifts and contributions	-	-	4,790,127	11,802,810
Sales and services	6,046,064	6,300,828	-	-
Auxiliary enterprises	42,910,964	40,427,675	-	-
Scholarship allowance	(7,723,960)	(5,773,728)	-	-
Net auxiliary enterprises	35,187,004	34,653,947	-	-
Pensions	29,924	43,528	-	-
Other sources	2,272,873	1,240,556	2,332,734	1,856,707
Total operating revenues	249,023,372	266,490,387	9,201,793	17,257,753
<b>EXPENSES</b>				
Operating expenses:				
Educational and general:				
Instruction and departmental research	66,186,846	162,842,666	-	-
Separately budgeted research	17,962,675	25,958,255	3,128,338	5,520,594
Public service	3,455,186	6,551,622	-	-
Academic support	21,082,698	33,898,090	-	-
Student services	9,848,800	14,443,100	-	-
Institutional support	27,678,280	34,841,999	1,263,393	1,647,354
Operation and maintenance of plant	19,323,503	22,746,755	-	-
Scholarships and fellowships	28,978,536	28,074,420	-	-
Auxiliary enterprises	43,123,416	44,944,809	-	-
Depreciation	47,368,260	44,978,880	404,745	495,340
Total operating expenses	285,008,200	419,280,596	4,796,476	7,663,288
Operating (loss) income	(35,984,828)	(152,790,209)	4,405,317	9,594,465
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	106,359,522	111,222,922	-	-
Federal grants	27,261,102	25,877,719	-	-
Gifts	6,411,802	5,315,959	-	-
Investment income, net	7,956,086	13,964,811	10,125,620	14,950,795
Interest on debt	(18,939,768)	(19,562,144)	(17,053)	28,614
Distributions to The University	15,928,734	13,903,279	(15,928,734)	(13,903,279)
Distributions on behalf of The University	-	-	(498,830)	(904,973)
Other nonoperating revenues (expenses)	489,945	575,892	437,114	538,081
Net nonoperating revenues (expenses)	145,467,423	151,298,438	(5,881,883)	709,238
Income (loss) before other changes	109,482,595	(1,491,771)	(1,476,566)	10,303,703
<b>OTHER CHANGES</b>				
State capital appropriations	12,743,995	15,913,404	-	-
Capital gifts and grants	1,562,455	203,226	-	-
Additions to permanent endowments	1,679,316	270,349	20,947,194	1,863,643
Total other changes	15,985,766	16,386,979	20,947,194	1,863,643
Increase (decrease) in net position	125,468,361	14,895,208	19,470,628	12,167,346
<b>NET POSITION</b>				
Net position - beginning of year as originally stated	138,289,674	123,394,466	192,064,007	179,896,661
Adjustment for change in accounting principle	(128,571,513)	-	-	-
Non controlling interest in subsidiary	-	-	78,278	-
Net position - as restated	9,718,161	123,394,466	192,142,285	179,896,661
Net position - end of year	\$ 135,186,522	\$ 138,289,674	\$ 211,612,913	\$ 192,064,007

**The University of Akron**  
 Statements of Cash Flows  
 For the Years Ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 177,608,302	\$ 191,012,060
Grants and contracts	25,466,844	35,315,567
Auxiliary enterprises	36,346,628	34,942,017
Sales and service of educational activities	6,046,064	6,300,828
Payments to suppliers	(78,772,825)	(79,362,531)
Payments for compensation and benefits	(243,018,655)	(261,606,235)
Payments for scholarships and fellowships	(28,819,924)	(27,785,638)
Loans issued to students	(978,546)	(1,094,755)
Collection of loans to students	1,358,922	1,670,215
Other receipts (payments)	1,861,781	(47,098)
	(102,901,409)	(100,655,570)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	106,359,522	111,222,922
Gifts, grants, and contracts for other than capital purposes	49,067,367	44,677,306
Private gifts for endowment purposes	1,679,316	418,516
Other receipts	489,945	575,892
	157,596,150	156,894,636
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations	12,743,995	15,913,404
Capital grants and gifts received	834,933	314,007
Purchases of capital assets	(25,213,076)	(29,772,320)
Principal paid on capital debt and leases	(16,961,154)	(15,065,848)
Interest paid on capital debt and leases	(19,541,762)	(22,491,809)
	(48,137,064)	(51,102,566)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	171,053,552	160,824,829
Interest on investments	7,581,911	5,271,818
Purchase of investments	(182,309,698)	(173,356,408)
	(3,674,235)	(7,259,761)
Net increase (decrease) in cash and cash equivalents	2,883,442	(2,123,261)
Cash and cash equivalents, restricted cash and cash equivalents - beginning of the year	12,508,081	14,631,342
Cash and cash equivalents, restricted cash and cash equivalents - end of the year	\$ 15,391,523	\$ 12,508,081
<b>NONCASH TRANSACTIONS</b>		
The University of Akron land transfer described in Note 6	\$ -	\$ 5,207,675.00

(continued)

**The University of Akron**  
 Statements of Cash Flows  
 For the Years Ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (35,984,828)	\$ (152,790,209)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	47,368,260	44,978,880
Changes in assets, and liabilities, and deferred inflows/outflows:		
Accounts receivable, net	2,455,975	14,737,284
Notes receivable, net	380,376	575,460
Inventories	58,076	9,760
Prepaid expenses	1,130,136	1,301,224
Accounts payable	(295,390)	(1,207,866)
Accrued liabilities	2,470,670	(416,150)
Unearned income	(1,811,907)	(11,196,353)
Deposits held for others	(159,455)	76,798
Sick leave liability	(1,032,161)	(470,244)
Net pension liability	(120,472,141)	47,605,018
Net OPEB liability	(14,672,691)	414,528
Deferred inflows / outflows	18,760,928	(43,022,798)
Refundable federal student loans	(1,097,257)	(1,250,902)
	<b>\$ (102,901,409)</b>	<b>\$ (100,655,570)</b>

# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 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 a branch campus, Wayne College in Orrville, Ohio, and at additional locations: the Medina County University Center in Medina, Ohio, and UA Lakewood in Lakewood, Ohio.

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 11.

#### Basis of Accounting

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

#### Measurement Focus and Financial Statement Presentation

The financial statements of The University have been prepared in accordance with generally accepted accounting principles as prescribed by the 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.

# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 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. 72, *Fair Value Measurement and Application*. The University does not invest in derivatives. Unrealized gains and losses on investments are recorded as nonoperating revenues or expenses 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 revenues 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 its 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 revenues 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.



# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 1. Summary of Significant Accounting and Reporting Policies – continued

#### Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods which will not be recognized as an outflow of resources (expense/expenditure) until then. The University reports deferred outflows of resources for the deferred amount on bond refunding being amortized over the term of the debt and certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information is located in Note 8.

#### 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 and improvements	20 to 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 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 when earned.

# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 1. Summary of Significant Accounting and Reporting Policies – continued

#### 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 the (State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio/Ohio Public Employees Retirement System) Pension Plan (STRS/SERS/OPERS) and additions to/deductions from STRS'/SERS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses 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.

#### Other Postemployment Benefit Costs

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the (State Teachers Retirement System of Ohio/School Employees Retirement System of Ohio/Ohio Public Employees Retirement System) Pension Plan (STRS/SERS/OPERS) and additions to/deductions from STRS'/SERS'/OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS/SERS/OPERS. STRS/SERS/OPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/SERS/OPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods which will not be recognized as an inflow of resources (revenue) until that time. The University reports deferred inflows of resources for unamortized service agreements and certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information is located in Note 8.

#### 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 each month (earned on a pro-rata basis for less than full-time employees). 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.

# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 1. Summary of Significant Accounting and Reporting Policies – continued

#### 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. If restricted and unrestricted assets are available for use, restricted assets will be used first.

#### 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 4.75%, which was 5% as of June 30, 2017, 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.

#### 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.

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 1. Summary of Significant Accounting and Reporting Policies – continued

##### Change in Accounting Principle

Effective for the fiscal year ended June 30, 2018, The University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (other postemployment benefits or OPEB). Statement No. 75 replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 75 requires The University to recognize within its financial statements its proportionate share of the net OPEB liability related to its participation in the state pension plans as well as the Total OPEB Liability (TOL) of The University single-employer defined benefit plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). As a result of GASB 75, The University has reported the \$129 million impact as a change in accounting principle adjustment to unrestricted net position as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017. A reconciliation for net position from the 2017 financial statements to beginning net position as reported on the 2018 financial statements is as follow:

Net position reported as of July 1, 2017	\$ 138,289,674
Change in accounting principle for net OPEB liability	
deferred inflows and deferred outflows	(128,571,513)
Beginning net position as restated as of July 1, 2017	\$ 9,718,161

##### Accounting Standards

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The University is currently evaluating the impact of this standard, specifically related to The University's x-ray and nuclear magnetic resonance equipment. The provisions of this statement are effective for The University's financial statements for the fiscal year ended June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of The University and improves guidance for accounting and financial reporting related to how these activities should be reported. The University is currently evaluating the impact of this standard, specifically related to holding assets for other organizations and agencies. The provisions of this statement are effective for The University's financial statements for the fiscal year ended June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which increases the usefulness of The University's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources. The effect of applying the new lease guidance on the financial statements has not yet been determined. The provisions of this statement are effective for The University's financial statements for the fiscal year ended June 30, 2021.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of the capital asset. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for The University's financial statements for the fiscal year ended June 30, 2021.

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

## 2. Cash and Investments

### Cash

At June 30, 2018 and 2017, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were \$15,391,523 and \$12,347,202, respectively, as compared to bank balances of \$16,496,052 and \$14,552,301, respectively. The differences between carrying amounts and bank balances were caused by items in transit. Of the June 30, 2018 and 2017 bank balances, \$15,546,167 and \$13,795,044, respectively, were 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, 2018 and 2017 are summarized as follows:

	<b>2018</b>	<b>2017</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Pooled investments:		
Money Market	\$ 1,421,009	\$ 4,014,755
U.S. agencies	22,494,528	28,232,211
U.S. Treasury	20,619,459	19,339,480
U.S. and corporate bonds	10,157,975	15,215,075
Corporate notes	40,747,718	39,350,555
Equities	37,443,316	28,623,431
Negotiable certificates of deposit	10,893,752	9,185,805
Mutual funds - alternative investments	8,447,442	5,573,065
PFM: Prime/Government Series	27,036,029	20,473,274
Total pooled investments	179,261,228	170,007,651
Endowment investments:		
Marketable securities:		
Money Market	1,555,171	1,809,303
U.S. agencies	84,958	86,884
U.S. Treasury	1,486,857	1,517,707
Equities	49,289,907	51,044,727
Managed Fixed Income	11,004,187	10,621,405
U.S. and corporate bonds	573,797	87,858
Corporate notes	522,885	509,121
Mutual funds - alternative investments	4,202,730	-
Cash surrender value of life insurance	-	605
Total endowment investments	68,720,492	65,677,610
Investments held in trust by others:		
Money Market	760,435	803,601
U.S. Treasury	7,327,570	7,552,215
Commercial paper sweep	349,083	349,047
Total investments held in trust by others	8,437,088	8,704,863
Restricted investments:		
U.S. Treasury	5,713,938	4,974,077
Total restricted investments	5,713,938	4,974,077
Total investments	<u>\$ 262,132,746</u>	<u>\$ 249,364,201</u>

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**2. Cash and Investments - continued**

**Investments - continued**

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 statements 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, 2018 and 2017, aside from obligations of the U.S. Government, 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 can adversely affect the fair value of an investment. At June 30, 2018 and 2017, The University did not have investments that are subject to foreign currency risk in its fixed income portfolio. 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.

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2018 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$27,036,029	\$ -	\$ -	\$ -	\$ 27,036,029
U.S. agencies	AAA	2,028,804	7,832,480	8,073,278	4,644,924	22,579,486
U.S. Treasury	AA	7,622,490	23,912,902	3,537,432	75,000	35,147,824
Negotiable CDs	AA	-	-	-	-	-
	A	1,891,839	9,001,913	-	-	10,893,752
Total negotiable CDs		1,891,839	9,001,913	-	-	10,893,752
Corporate notes	AAA	1,131,123	7,770,417	239,422	-	9,140,962
	AA	2,181,206	7,975,380	-	-	10,156,586
	A	830,475	20,460,276	584,052	41,560	21,916,363
	BBB	9,998	26,773	14,582	5,339	56,692
Total corporate notes		4,152,802	36,232,846	838,056	46,899	41,270,603
U.S. and corporate bonds	AAA	3,313,830	-	-	85,101	3,398,931
	AA	697,909	-	-	-	697,909
	A	865,351	-	-	-	865,351
	BBB	1,222,583	-	-	-	1,222,583
	BB	415,627	-	-	-	415,627
	B	366,878	-	-	-	366,878
	Below B	186,417	-	-	-	186,417
Total U.S. and corporate bonds		7,068,595	-	-	85,101	7,153,696
Totals		\$49,800,559	\$76,980,141	\$12,448,766	\$ 4,851,924	\$144,081,390

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**2. Cash and Investments - continued**

**Investments - continued**

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2017 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
PFM: Prime/Government Series	AAA	\$ 20,473,275	\$ -	\$ -	\$ -	\$ 20,473,275
U.S. agencies	AAA	179,248	16,867,985	6,496,134	4,775,728	28,319,095
U.S. Treasury	AA	8,577,769	19,370,301	5,435,409	-	33,383,479
Negotiable CDs	AA	-	-	-	-	-
	A	2,952,448	6,233,357	-	-	9,185,805
Total negotiable CDs		2,952,448	6,233,357	-	-	9,185,805
Corporate notes	AAA	443,678	3,740,749	-	-	4,184,427
	AA	4,613,488	10,509,698	252,027	-	15,375,213
	A	6,904,435	12,474,532	808,167	32,883	20,220,017
	BBB	-	59,218	15,139	5,662	80,019
Total corporate notes		11,961,601	26,784,197	1,075,333	38,545	39,859,676
U.S. and corporate bonds	AAA	2,230,121	-	-	87,858	2,317,979
	AA	1,193,229	-	-	-	1,193,229
	A	1,242,803	-	-	-	1,242,803
	BBB	1,794,281	-	-	-	1,794,281
	BB	915,952	-	-	-	915,952
	B	623,866	-	-	-	623,866
	Below B	218,013	-	-	-	218,013
Total U.S. and corporate bonds		8,218,265	-	-	87,858	8,306,123
Totals		<u>\$ 52,362,606</u>	<u>\$ 69,255,840</u>	<u>\$ 13,006,876</u>	<u>\$ 4,902,131</u>	<u>\$ 139,527,453</u>

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.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**2. Cash and Investments - continued**

**Investments - continued**

The University has the following recurring fair value measurements as of June 30, 2018:

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

	Balance at June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
U.S. agencies	\$ 22,579,486	\$ -	\$ 22,579,486	\$ -
U.S. Treasury	27,820,254	27,820,254	-	-
U.S. and corporate bonds	10,731,772	10,731,772	-	-
Corporate notes	41,270,603	-	41,270,603	-
Equities	86,733,223	86,733,223	-	-
Managed fixed income	11,004,187	11,004,187	-	-
Negotiable certificates of deposit	10,893,752	-	10,893,752	-
Mutual funds - alternative investments	12,650,172	12,650,172	-	-
Total investments by fair value level	<u>\$ 223,683,449</u>	<u>\$ 148,939,608</u>	<u>\$ 74,743,841</u>	<u>\$ -</u>

The University has the following recurring fair value measurements as of June 30, 2017:

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

	Balance at June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level:</b>				
U.S. agencies	\$ 28,319,095	\$ -	\$ 28,319,095	\$ -
U.S. Treasury	25,831,264	25,831,264	-	-
U.S. and corporate bonds	15,302,933	15,302,933	-	-
Corporate notes	39,859,676	-	39,859,676	-
Equities	79,668,158	79,668,158	-	-
Managed fixed income	10,621,405	10,621,405	-	-
Negotiable certificates of deposit	9,185,805	-	9,185,805	-
Mutual funds - alternative investments	5,573,064	5,573,064	-	-
Total investments by fair value level	<u>\$ 214,361,400</u>	<u>\$ 136,996,824</u>	<u>\$ 77,364,576</u>	<u>\$ -</u>

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, corporate notes and bonds, and negotiable certificates of deposits at June 30, 2018 and 2017 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 \$38,449,297 and \$35,002,801 for years ending June 30, 2018 and 2017, respectively, are not included in the tables above. These investments include cash in prime/government series and money market accounts, cash surrender value of life insurance, and bond proceeds held in trust.



**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**3. Accounts and Notes Receivable**

Accounts and notes receivable at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Accounts receivable, net:		
Federal, state, and local governments, foundations, and companies, net of allowance for doubtful accounts of \$0 for both years	\$ 8,303,867	\$ 9,302,891
Student receivables, net of allowance for doubtful accounts of \$33,193,744 and \$33,185,849, respectively	14,929,547	16,614,660
Other, net of allowance for doubtful accounts of \$55,183 and \$55,118, respectively	<u>487,550</u>	<u>586,959</u>
Total accounts receivable, net	23,720,964	26,504,510
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$1,892,995 and \$1,871,376, respectively	<u>8,690,378</u>	<u>9,070,754</u>
Accounts and notes receivable, net	<u>\$ 32,411,342</u>	<u>\$ 35,575,264</u>

**4. Pledges Receivable**

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2018 and 2017 were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Pledges Receivable</u>	<u>Current Portion</u>	<u>Pledges Receivable</u>	<u>Current Portion</u>
Total pledges receivable	\$ 1,652,051	\$ 439,463	\$ 630,626	\$ 241,202
Less: amount estimated to be uncollectible	(28,924)	(10,524)	(18,038)	(7,044)
Less: unamortized discount	<u>(444,237)</u>	-	<u>(13,018)</u>	-
Pledges receivable, net	1,178,890	<u>\$ 428,939</u>	599,570	<u>\$ 234,158</u>
Less: current portion	<u>(428,939)</u>		<u>(234,158)</u>	
Pledges receivable, noncurrent portion	<u>\$ 749,951</u>		<u>\$ 365,412</u>	

As of June 30, 2018 and 2017, The University has approximately \$2,306,323 and \$3,773,000, respectively, in numerous conditional pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable since each does not represent unconditional promises to give.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**5. Capital Assets**

Changes in capital assets during fiscal years 2018 and 2017 were as follows:

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>June 30, 2018</b>
Nondepreciable capital assets:					
Land	\$ 44,868,733	\$ -	\$ -	\$ -	\$ 44,868,733
Historical collections	4,770,967	-	-	-	4,770,967
Construction in progress	<u>25,201,333</u>	<u>24,122,325</u>	-	<u>(44,415,834)</u>	<u>4,907,824</u>
Total nondepreciable capital assets	74,841,033	24,122,325	-	(44,415,834)	54,547,524
Depreciable capital assets:					
Land improvements	43,855,183	-	(1,509,988)	1,277,419	43,622,614
Buildings	962,724,278	1,075,298	(3,756,710)	38,605,777	998,648,643
Infrastructure	87,655,557	-	-	4,532,638	92,188,195
Equipment, furniture, and books	<u>131,545,985</u>	<u>5,000,349</u>	<u>(3,452,184)</u>	-	<u>133,094,150</u>
Total depreciable capital assets	<u>1,225,781,003</u>	<u>6,075,647</u>	<u>(8,718,882)</u>	<u>44,415,834</u>	<u>1,267,553,602</u>
Total capital assets	1,300,622,036	30,197,972	(8,718,882)	-	1,322,101,126
Less accumulated depreciation:					
Land improvements	28,688,363	1,528,246	(1,509,988)	-	28,706,621
Buildings	417,923,988	28,578,329	(2,822,890)	-	443,679,427
Infrastructure	23,589,652	5,236,861	-	-	28,826,513
Equipment, furniture, and books	<u>96,190,902</u>	<u>12,066,473</u>	<u>(3,426,880)</u>	-	<u>104,830,495</u>
Total accumulated depreciation	<u>566,392,905</u>	<u>47,409,909</u>	<u>(7,759,758)</u>	-	<u>606,043,056</u>
Capital assets, net	<u>\$ 734,229,131</u>	<u>\$ (17,211,937)</u>	<u>\$ (959,124)</u>	<u>\$ -</u>	<u>\$ 716,058,070</u>

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>June 30, 2017</b>
Nondepreciable capital assets:					
Land	\$ 39,661,058	\$ 5,207,675	\$ -	\$ -	\$ 44,868,733
Historical collections	4,625,717	150,250	(5,000)	-	4,770,967
Construction in progress	<u>9,102,924</u>	<u>26,031,219</u>	-	<u>(9,932,810)</u>	<u>25,201,333</u>
Total nondepreciable capital assets	53,389,699	31,389,144	(5,000)	(9,932,810)	74,841,033
Depreciable capital assets:					
Land improvements	45,878,387	-	(2,023,204)	-	43,855,183
Buildings	957,673,482	-	-	5,050,796	962,724,278
Infrastructure	82,773,543	-	-	4,882,014	87,655,557
Equipment, furniture, and books	<u>133,078,606</u>	<u>4,953,739</u>	<u>(6,486,360)</u>	-	<u>131,545,985</u>
Total depreciable capital assets	<u>1,219,404,018</u>	<u>4,953,739</u>	<u>(8,509,564)</u>	<u>9,932,810</u>	<u>1,225,781,003</u>
Total capital assets	1,272,793,717	36,342,883	(8,514,564)	-	1,300,622,036
Less accumulated depreciation:					
Land improvements	28,987,560	1,724,007	(2,023,204)	-	28,688,363
Buildings	392,075,967	25,848,021	-	-	417,923,988
Infrastructure	18,532,598	5,057,054	-	-	23,589,652
Equipment, furniture, and books	<u>90,332,463</u>	<u>12,202,227</u>	<u>(6,343,788)</u>	-	<u>96,190,902</u>
Total accumulated depreciation	<u>529,928,588</u>	<u>44,831,309</u>	<u>(8,366,992)</u>	-	<u>566,392,905</u>
Capital assets, net	<u>\$ 742,865,129</u>	<u>\$ (8,488,426)</u>	<u>\$ (147,572)</u>	<u>\$ -</u>	<u>\$ 734,229,131</u>

For the year ended June 30, 2018, depreciation expense of \$47,409,909 was reduced by \$41,649 gain recognized on the sale of capital assets. For the year ended June 30, 2017, included in depreciation expense of \$44,978,880 is a loss of \$147,571 from the disposal of obsolete capital assets.

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 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, 2018 and 2017 were \$523,694 and \$783,298, respectively. The rebates were reported as other nonoperating revenues and do not reduce the amount reported as interest expense for the year.

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

In August 2010, The University issued \$131.4 million of General Receipts Refunding Bonds, Series 2010A, with an average coupon of 4.733% and an average life of 11 years. The proceeds of the Series 2010A Bonds were used to refund \$123.1 million of The University's outstanding General Receipts Bonds, Series 2008C1&C2, pay issuance costs, and pay termination costs of \$19.5 million related to the swap agreement on the Series 2008C1&C2 Bonds. The swap agreement was terminated as of this date with a balance of \$5.2 million on the variable debt not refunded with the Series 2010A bond issue. A final payment on the variable debt was made in January 2011.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**6. Long-term Liabilities – continued**

Changes in long-term liabilities during fiscal year 2018 were as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
Bonds payable:					
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	\$ 99,355,000	\$ -	\$ (6,700,000)	\$ 92,655,000	\$ 6,965,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	27,035,000	-	(2,510,000)	24,525,000	2,590,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	26,315,000	-	-	26,315,000	-
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	97,535,000	-	-	97,535,000	5,060,000
General receipts refunding bonds - Series 2015B, 1.73%, due serially through 2022	8,175,000	-	(1,580,000)	6,595,000	1,605,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	93,405,000	-	(2,690,000)	90,715,000	-
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	34,625,065	-	(3,481,154)	31,143,911	3,567,486
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
<b>Total bonds payable</b>	<b>401,445,065</b>	<b>-</b>	<b>(16,961,154)</b>	<b>384,483,911</b>	<b>19,787,486</b>
Bond premiums:					
Series 2014A	1,930,793	-	(107,266)	1,823,527	107,266
Series 2015A	12,159,129	-	(824,348)	11,334,781	824,348
Series 2016A	15,388,066	-	(615,523)	14,772,543	615,523
<b>Total bond premiums</b>	<b>29,477,988</b>	<b>-</b>	<b>(1,547,137)</b>	<b>27,930,851</b>	<b>1,547,137</b>
Development Finance Authority lease	12,870,000	-	-	12,870,000	670,000
Innovation Generation Scholarships	11,550,303	-	(567,795)	10,982,508	660,000
UA Foundation Land Note Payable	4,904,714	-	(312,714)	4,592,000	192,000
Sick leave liability	7,181,258	-	(1,032,161)	6,149,097	1,686,039
Voluntary Retirement Incentive Plan	-	4,466,000	-	4,466,000	1,673,000
<b>Totals</b>	<b>\$ 467,429,328</b>	<b>\$ 4,466,000</b>	<b>\$ (20,420,961)</b>	<b>451,474,367</b>	<b>\$ 26,215,662</b>
Less: current portion				(26,215,662)	
<b>Long-term liabilities</b>				<b>\$ 425,258,705</b>	

The University developed and offered a Voluntary Retirement Incentive Program to eligible faculty employees (participants) based upon years of service and age and forty-eight chose to participate. Each participant will receive up to \$100,000. The University will also contribute into a Health Reimbursement Account (HRA). The participants departed The University on or before May 31, 2018. The University will pay the participants 40% on July 31, 2018 while the remaining 60% will be equally contributed to the participant's 403(b) plan during July 2019, July 2020, and July 2021, respectively. The University will fund the HRAs annually in the amount of \$4,000 for four years. The University estimates the expenses including the HRAs total \$4,466,000 of which \$1,673,000 and \$2,793,000 was deemed short- and long-term liabilities, respectively. The University established an escrow for the special termination payments and defined contribution plan contributions in the amount of \$3,698,000. The escrow is reflected as cash on the Statement of Net Position.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**6. Long-term Liabilities - continued**

Changes in long-term liabilities during fiscal year 2017 were as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>
Bonds payable:					
General receipts refunding bonds - Series 2010A, 2.0% to 5.0%, due serially through 2029	\$ 105,790,000	\$ -	\$ (6,435,000)	\$ 99,355,000	\$ 6,700,000
General receipts refunding bonds - Series 2012A, 2.4%, due serially through 2027	29,025,000	-	(1,990,000)	27,035,000	2,510,000
General receipts refunding bonds - Series 2014A, 2.0% to 5.0%, due serially through 2035	27,050,000	-	(735,000)	26,315,000	-
General receipts refunding bonds - Series 2015A, 1.0% to 5.0%, due serially through 2032	97,535,000	-	-	97,535,000	-
General receipts refunding bonds - Series 2015B, 1.73%, due serially through 2022	9,720,000	-	(1,545,000)	8,175,000	1,580,000
General receipts refunding bonds - Series 2016A, 2.0% to 5.0%, due serially through 2042	93,905,000	-	(500,000)	93,405,000	2,690,000
Ohio Air Quality Development Authority:					
Tax exempt revenue bonds - Series 2013A, 2.48% due serially through 2026	38,021,975	-	(3,396,910)	34,625,065	3,481,154
Tax credit revenue bonds - Series 2013B, 4.99%, due 2029	15,000,000	-	-	15,000,000	-
Total bonds payable	416,046,975	-	(14,601,910)	401,445,065	16,961,154
Bond premiums:					
Series 2014A	2,038,060	-	(107,267)	1,930,793	107,266
Series 2015A	12,983,476	-	(824,347)	12,159,129	824,348
Series 2016A	16,003,589	-	(615,523)	15,388,066	615,523
Total bond premiums	31,025,125	-	(1,547,137)	29,477,988	1,547,137
Development Finance Authority lease	12,870,000	-	-	12,870,000	-
Innovation Generation Scholarships	12,135,674	-	(585,371)	11,550,303	591,196
Capitalized lease obligations	386,938	-	(386,938)	-	-
UA Foundation Land Note Payable		4,981,714	(77,000)	4,904,714	192,000
Sick leave liability	7,651,502	621,473	(1,091,717)	7,181,258	2,242,734
Other postemployment benefits	20,277,139	414,528	-	20,691,667	-
Totals	<u>\$ 500,393,353</u>	<u>\$ 6,017,715</u>	<u>\$ (18,290,073)</u>	488,120,995	<u>\$ 21,534,221</u>
Less: current portion				(21,534,221)	
Long-term liabilities				<u>\$ 466,586,774</u>	

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

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**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:

	<b>Amount Defeased</b>	<b>Amount Outstanding at June 30, 2018</b>	<b>Amount Outstanding at June 30, 2017</b>
General Receipts Rental Note:			
Series 2003A	\$ 33,412,270	\$ 22,171,926	\$ 23,242,435
General Receipts Bonds:			
Refunded in 2015			
Series 2008A	48,765,000	-	48,765,000
Series 2008B	51,370,000	-	51,370,000
Remainder Refunded in 2016			
Series 2008A	28,320,000	-	25,770,000
Series 2008B	51,825,000	-	49,715,000
Lease Revenue Bonds:			
Series 2011	18,555,000	17,275,000	17,925,000
Totals	<u>\$ 232,247,270</u>	<u>\$ 39,446,926</u>	<u>\$ 216,787,435</u>

The aggregate annual principal maturities for the debt agreements for fiscal years subsequent to June 30, 2018 are as follows:

<b>Fiscal Year:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 21,334,623	\$ 16,670,381	\$ 38,005,004
2020	22,018,097	15,882,365	37,900,462
2021	22,768,765	15,113,210	37,881,975
2022	23,396,681	14,314,461	37,711,142
2023	23,156,901	13,410,670	36,567,571
2024-2028	120,305,211	52,329,976	172,635,187
2029-2033	100,940,248	26,148,081	127,088,329
2034-2038	67,312,146	9,336,906	76,649,052
2039-2042	11,182,090	555,313	11,737,403
Totals	<u>\$ 412,414,762</u>	<u>\$ 163,761,363</u>	<u>\$ 576,176,125</u>

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 fund 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, 2018 and 2017 was \$10,982,508 and \$11,550,303, respectively.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**6. Long-term Liabilities - continued**

The University leases certain office facilities and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2018 and 2017 amounted to approximately \$479,000 and \$510,000, respectively.

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 agreement allows for The University to purchase the housing facility with a bargain purchase option at the end of the agreement. The University is required to pay semiannual rental payments 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. Future remaining payments are as follows:

<b>Fiscal Year:</b>	<b>DFA</b>
2019	\$ 1,368,038
2020	1,369,587
2021	1,368,525
2022	1,369,725
2023	580,350
2024-2028	2,901,750
2029-2033	4,697,500
2034-2038	<u>9,329,400</u>
Total minimum lease payments	22,984,875
Less amount representing interest	<u>(10,114,875)</u>
Present value of net minimum capital lease payments	<u><u>\$ 12,870,000</u></u>

In May 2017, real estate adjacent to the University, originally purchased by the Foundation in May 2012, was transferred to The University in the amount of \$5,207,675. The University's original commitment to reimburse the Foundation for payments of principal, interest, loan fees, and any other costs associated with the line of credit obtained by the Foundation when the property was purchased, resulted in principal payments made by The University to the Foundation of \$312,714 and \$302,961 during the years ended June 30, 2018 and 2017, respectively. The balance of \$4,592,000 is recorded as a long term note payable to the Foundation.

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 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. 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 basic 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

##### Plan Description

The University participates in the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of The University. Each system has multiple retirement plan options available to its members, with three options in STRS and OPERS and one option in SERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio  
275 E. Broad Street  
Columbus, Ohio 43215  
(888) 227-7877  
www.strsoh.org

School Employees Retirement System  
300 East Broad Street, Suite 100  
Columbus, Ohio 43215  
(800) 878-5853  
www.ohsers.org

Ohio Public Employees Retirement System  
277 East Town Street  
Columbus, Ohio 43215  
(800) 222-7377  
www.opers.org

The University single-employer defined benefit plan (UA Plan) provides healthcare benefits for certain 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. There are no separate financial statements available for this plan. No assets are accumulated in a trust that meets the criteria of GASB Statement 75.



# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 8. Employee Benefit Plans – continued

#### Contributions

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (ORC) limits the maximum rate of contributions. The retirement boards of the systems individually set contribution rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2018 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Post				Total
	Pension	Retirement Healthcare	Death Benefits	Total	
STRS	14.00%	0.00%	0.00%	14.00%	14.00%
SERS	13.20%	0.75%	0.05%	14.00%	10.00%
OPERS - State/Local (through 12/31/17)	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/18)	14.00%	0.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/17)	17.10%	1.00%	0.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/18)	18.10%	0.00%	0.00%	18.10%	13.00%

The plans' 2017 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate				Member Contribution Rate
	Post				Total
	Pension	Retirement Healthcare	Death Benefits	Total	
STRS (beginning 7/1/16)	14.00%	0.00%	0.00%	14.00%	14.00%
SERS	13.21%	0.74%	0.05%	14.00%	10.00%
OPERS - State/Local (through 12/31/16)	12.00%	2.00%	0.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/17)	13.00%	1.00%	0.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/16)	16.10%	2.00%	0.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/17)	17.10%	1.00%	0.00%	18.10%	13.00%

The University's required and actual contributions to the plans are:

	For the years ended June 30,			
	2018		2017	
	Pension	OPEB	Pension	OPEB
STRS	\$ 10,288,321	\$ -	\$ 11,264,364	\$ -
SERS	5,305,417	573,810	6,535,649	375,817
OPERS	1,599,219	40,101	634,633	56,166
UA Plan	-	2,205,549	-	2,673,154
	<u>\$ 17,192,957</u>	<u>\$ 2,819,460</u>	<u>\$ 18,434,646</u>	<u>\$ 3,105,137</u>

# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 8. Employee Benefit Plans – continued

#### 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.

Any member may retire who has (1) five years of service credit and attained age 60, (2) 25 years of service credit and attained age 55, or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 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.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The reimbursement of Medicare Part B premiums will be discontinued effective January 1, 2019. Pursuant to the ORC, the State Teachers Retirement Board, (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

**School Employees Retirement System** - Plan benefits are established under Chapter 3309 of the ORC, as amended by Substitute Senate Bill 341 in 2012. The requirements to retire depends on years of service (5 to 40 years) and on attaining the age of 60 to 67 (one group does not have an age requirement), depending on when the employee became a member. Member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 2.2 percent to 2.5 percent. Members also covered by STRS, STRS, Ohio Police and Fire, or Ohio State Highway Patrol have separate considerations in how the benefits are determined.

The Death Benefit Fund pays \$1,000 to a designated beneficiary of a deceased retiree or disability benefit recipient as allowed under ORC Section 3309.50.

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 pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

# The University of Akron

## Notes to the Financial Statements

June 30, 2018 and 2017

### 8. Employee Benefit Plans – continued

**Ohio Public Employees Retirement System** - Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (15 to 30 years) and on attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years' service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15 to 30 years), age (48 to 62 years) and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability 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 and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent.

In addition to the pension benefits described above, Ohio Law provides that The University fund postretirement healthcare benefits to retirees and their dependents through employer contributions. In order to qualify for healthcare benefits, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. The portion of employer contributions, for all employers, allocated to health care was 1.0 percent and 2.0 percent during calendar years 2017 and 2016, respectively.

**University-provided benefits** - Retiree dependents are covered by Pre-Medicare PPO or Medicare Supplement plan based on age. Retiree life insurance pre-65 plan has four options with a maximum benefit of \$100,000. After age 70, the maximum life insurance benefit is reduced to \$50,000.

Plan participant data as of the last census date is summarized below:

<b>Census Date</b>	January 1, 2018
<b>Participating Employees:</b>	207
Employees (Dependent Medical)	200
Employees (Life Insurance and Dependent Medical)	7
Average age	61.7
Average credited service	31.0
<b>Retirees:</b>	
Retirees (Life Insurance)	940
Average age for retirees	76.7
Dependent Spouses (Medical)	428
Average age for dependents	73.6

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 8. Employee Benefit Plans – continued

##### Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2018 and 2017, The University reported a liability for its proportionate share of the net pension liability of STRS/SERS/OPERS. For June 30, 2018, the net pension liability was measured as of July 1, 2017 for STRS, June 30, 2017 for SERS and December 31, 2017 for the OPERS plan. For June 30, 2017 the net pension liability was measured as of July 1, 2016 for STRS, June 30, 2016 for SERS, and December 31, 2016 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 date	Net pension liability			Proportionate share			Percent change	
		2018	2017	2016	2018	2017	2016	2018	2017
STRS	July 1	\$ 190,702,668	\$ 282,728,801	\$ 252,360,353	0.802782%	0.844647%	0.913123%	-0.041865%	-0.068476%
SERS	June 30	99,380,266	129,069,381	113,499,597	1.663330%	1.763465%	1.989093%	-0.100136%	-0.225628%
OPERS	December 31	7,940,334	6,697,227	5,030,441	0.123075%	0.030957%	0.029042%	0.092118%	0.001915%
Total		<u>\$ 298,023,268</u>	<u>\$ 418,495,409</u>	<u>\$ 370,890,391</u>					

For the year ended June 30, 2018, The University recognized pension income of \$92,225,470. For the year ended June 30, 2017, The University recognized pension expense of \$23,852,203. At June 30, 2018 and 2017, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,786,948	\$ 1,710,080	\$ 13,329,540	\$ 40,287
Changes of assumptions	48,117,188	-	9,678,677	-
Net difference between projected and actual earnings on pension plan investments	-	8,098,644	34,600,740	-
Changes in proportion and differences between University contributions and proportionate share of contributions	3,142,552	38,490,001	38,556	33,882,574
University contributions subsequent to the measurement date	18,040,090	-	19,361,343	-
Total	<u>\$ 81,086,778</u>	<u>\$ 48,298,725</u>	<u>\$ 77,008,856</u>	<u>\$ 33,922,861</u>

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

Year Ended June 30	
2019	\$ (445,870)
2020	11,853,754
2021	5,507,876
2022	(2,153,894)
2023	(3,693)
Thereafter	(10,210)
Total	<u>\$ 14,747,963</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the following year (2019).

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**8. Employee Benefit Plans – continued**

**Net OPEB Liability, Deferrals, and OPEB Expense**

At June 30, 2018, The University reported a liability for its proportionate share of the net OPEB liability of STRS/SERS/OPERS. For June 30, 2018, the net OPEB liability was measured as of July 1, 2017 for STRS, June 30, 2017 for SERS, and December 31, 2017 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates. The University's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. For June 30, 2018, The University reported 100.0% of the OPEB liability for the UA Plan measured as of December 31, 2017.

	<u>Measurement date</u>	<u>Net OPEB Liability 2018</u>	<u>Proportionate share 2018</u>
STRS	July 1	\$ 31,321,605	0.802782%
SERS	June 30	45,112,998	1.680977%
OPERS	December 31	5,391,787	0.049652%
UA Plan	December 31	54,332,879	100.0000%
Total		<u>\$ 136,159,269</u>	

For the year ended June 30, 2018 The University recognized OPEB income of \$4,454,995. At June 30, 2018, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,812,275	\$ -
Changes of assumptions	392,579	6,804,048
Net difference between projected and actual earnings on pension plan investments	-	1,859,544
Changes in proportion and differences between University contributions and proportionate share of contributions	-	2,190,178
University contributions subsequent to the measurement date	<u>1,763,699</u>	<u>-</u>
Total	<u>\$ 3,968,553</u>	<u>\$ 10,853,770</u>

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**8. Employee Benefit Plans – continued**

**Net OPEB Liability, Deferrals, and OPEB Expense - continued**

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

<b>Year Ended June 30</b>		
2019	\$	(2,738,975)
2020		(2,738,976)
2021		(2,348,588)
2022		(584,049)
2023		(119,164)
Thereafter		(119,164)
Total		<u><u>\$ (8,648,916)</u></u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the following year (2019).

**Changes in the Net OPEB Liability**

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan</b>	
		<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at 7/1/17	\$ 54,787,893	\$ -	\$ 54,787,893
Changes for the year:			
Service Cost	385,134	-	385,134
Interest	1,853,219	-	1,853,219
Differences between expected and actual experience	-	-	-
Contributions - employer	-	2,543,181	(2,543,181)
Medicare RDS payment	-	150,186	(150,186)
Net investment income	-	-	-
Benefit payments	(2,693,367)	(2,693,367)	-
Administrative expense	-	-	-
Net changes	<u>(455,014)</u>	<u>-</u>	<u>(455,014)</u>
Balances at 6/30/18	<u><u>\$ 54,332,879</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 54,332,879</u></u>

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 8. Employee Benefit Plans – continued

##### Actuarial Assumptions

The total pension liability and OPEB liability is based on the results of an actuarial valuation and were determined using the following actuarial assumptions for 2017, applied to all periods included in the measurement on June 30, 2018:

	STRS	SERS
Valuation date - Pension	July 1, 2017	June 30, 2017
Valuation date - OPEB	June 30, 2017	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Cost of living	None	2.5 percent
Salary increases, including inflation	2.5 percent - 12.5 percent	3.5 percent - 18.2 percent
Inflation	2.5 percent	3.0 percent
Investment rate of return - Pension	7.45 percent, net of pension plan investment expense	7.5 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.45 percent, net of investment expense, including inflation	7.5 percent, net of investment expense, including inflation
Health care cost trend rates	6.00 percent to 11 percent initial, 4.50 percent ultimate	7.5 percent to 5.0 percent pre-Medicare by 2022, 5.5 percent to 5.0 percent Medicare by 2022
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended June 30, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates used. Special mortality tables are used for the period after disability retirement.
	OPERS	UA Plan
Valuation date - Pension	December 31, 2017	n/a
Valuation date - OPEB	December 31, 2016	January 1, 2018
Actuarial cost method	Individual entry age	Entry age
Cost of living	3.0 percent	n/a
Salary increases, including inflation	3.25 percent - 10.75 percent	4.0 percent
Inflation	3.25 percent	3.0 percent
Investment rate of return - Pension	7.5 percent, net of plan investment expense	n/a
Investment rate of return - OPEB	6.5 percent, net of pension plan investment expense	n/a
Health care cost trend rates	7.5 percent initial, 3.25 percent ultimate in 2028	7.0 percent initial, 5.0 percent ultimate in 2024
Experience study date	Period of 5 years ended December 31, 2015	Period of 3 years ended August 2017
Mortality basis	RP-2014 Healthy Annuitant Mortality Table	RP-2014 generational headcount weighted mortality tables for males and females projected back to 2006 using scale MP-2014 (M/F) and then projected forward using scale MP-2017 (M/F) for employees and annuitants.

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 8. Employee Benefit Plans – continued

##### Actuarial Assumptions - continued

The following are actuarial assumptions for the pension plan 2016, applied to all periods included in the measurement on June 30, 2017:

	STRS	SERS	OPERS
Valuation date	July 1, 2016	June 30, 2016	December 31, 2016
Actuarial cost method	Entry age normal	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	3.5 percent - 18.2 percent	3.25 percent - 10.75 percent
Inflation	2.75 percent	3.0 percent	3.25 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	7.5 percent, net of investment expense, including inflation	7.50 percent, net of pension plan investment expense
Experience study date	Period of 5 years ended July 1, 2012	Period of 5 years ended June 30, 2015	Period of 5 years ended December 31, 2015
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates used. Special mortality tables are used for the period after disability retirement.	RP-2014 Healthy Annuitant Mortality Table.

##### Discount Rate

The discount rates used to measure the total pension liabilities at June 30, 2018 were 7.45 percent, 7.50 percent, and 7.50 percent, for STRS, SERS, and OPERS, respectively. The discount rates used to measure the total pension liabilities at June 30, 2017 were 7.75 percent, 7.50 percent, and 7.50 percent, for STRS, SERS, and OPERS, respectively. 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 discount rates used to measure the total OPEB liabilities at June 30, 2018 were 4.13 percent, 3.63 percent, 3.85 percent and 3.44 percent, for STRS, SERS, OPERS and the UA Plan, respectively. The discount rates used to measure the total OPEB liabilities at June 30, 2017 were 3.26 percent, 2.98 percent, and 4.0 percent, for STRS, SERS, and the UA Plan, respectively. 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 become insufficient to make all projected future benefit payments for current active and inactive employees for STRS, SERS, and OPERS. For both STRS and OPERS the plan is fully funded through 2034 and for SERS the plan is fully funded through 2024. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments and a Bond Buyer 20-year municipal bond rate of 3.58% for STRS, a 3.56% Fidelity General Obligation 20-year Municipal Bond Index for SERS, and a 3.31% based on an index of 20-year general obligation bonds with an average AA credit rating for OPERS applied to the unfunded benefit payment period to determine the total OPEB liability.



# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 8. Employee Benefit Plans – continued

##### Discount Rate - continued

The long-term expected rate of return on pension plan and OPEB 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 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 (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

<b>STRS</b> as of July 1, 2017			<b>SERS</b> as of June 30, 2017			<b>OPERS</b> as of December 31, 2017				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Defined Benefit Portfolio		Health Care Portfolio		
						Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return
Domestic Equity	28.00%	5.10%	Cash	1.00%	0.50%	Fixed Income	23.00%	2.20%	34.00%	1.88%
International Equity	23.00%	5.30%	US Equity	22.50%	4.75%	Domestic Equities	19.00%	6.37%	21.00%	6.37%
Alternatives	17.00%	4.84%	Non-U.S. Stocks	22.50%	7.00%	Real Estate	10.00%	5.26%	0.00%	0.00%
Fixed Income	21.00%	0.75%	Fixed Income	19.00%	1.50%	Private Equity	10.00%	8.97%	0.00%	0.00%
Real Estate	10.00%	3.75%	Private Equity	10.00%	8.00%	International Equities	20.00%	7.88%	22.00%	7.88%
Liquidity Reserves	1.00%	0.00%	Real Assets	15.00%	5.00%	REITs	0.00%	0.00%	6.00%	5.91%
			Multi-Asset Strategies	10.00%	3.00%	Other Investments	18.00%	5.26%	17.00%	5.39%
Total	<u>100.00%</u>		Total	<u>100.00%</u>		Total	<u>100.00%</u>		<u>100.00%</u>	

<b>STRS</b> as of July 1, 2016			<b>SERS</b> as of June 30, 2016			<b>OPERS</b> as of December 31, 2016		
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	31.00%	5.50%	Cash	1.00%	0.50%	Fixed Income	23.00%	2.75%
International Equity	26.00%	5.35%	US Equity	22.50%	4.75%	Domestic Equities	20.70%	6.34%
Alternatives	14.00%	5.50%	Non-U.S. Stocks	22.50%	7.00%	Real Estate	10.00%	4.75%
Fixed Income	18.00%	1.25%	Fixed Income	19.00%	1.50%	Private Equity	10.00%	8.97%
Real Estate	10.00%	4.25%	Private Equity	10.00%	8.00%	International Equities	18.30%	7.95%
Liquidity Reserves	1.00%	0.50%	Real Assets	15.00%	5.00%	Other Investments	18.00%	4.92%
			Multi-Asset Strategies	10.00%	3.00%			
Total	<u>100.00%</u>		Total	<u>100.00%</u>		Total	<u>100.00%</u>	

##### Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/SERS/OPERS financial report.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**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:

<b>2018</b>						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.45%	\$ 273,365,785	7.45%	\$ 190,702,668	8.45%	\$ 121,071,383
SERS	6.50%	137,913,992	7.50%	99,380,266	8.50%	67,100,413
OPERS	6.50%	14,165,782	7.50%	7,940,334	8.50%	2,753,522
		<u>\$ 425,445,559</u>		<u>\$ 298,023,268</u>		<u>\$ 190,925,318</u>
<b>2017</b>						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	6.75%	\$ 375,723,603	7.75%	\$ 282,728,801	8.75%	\$ 204,282,204
SERS	6.50%	170,879,817	7.50%	129,069,381	8.50%	94,072,307
OPERS	6.50%	10,232,811	7.50%	6,697,227	8.50%	3,750,991
		<u>\$ 556,836,231</u>		<u>\$ 418,495,409</u>		<u>\$ 302,105,502</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of The University, calculated using the discount rate listed below, as well as what The University's net OPEB 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:

<b>2018</b>						
	<u>1.00 percent decrease</u>		<u>Current Discount rate</u>		<u>1.00 percent increase</u>	
STRS	3.13%	\$ 42,048,752	4.13%	\$ 31,321,605	5.13%	\$ 22,843,653
SERS	2.63%	54,479,689	3.63%	45,112,998	4.63%	37,692,187
OPERS	2.85%	7,163,222	3.85%	5,391,787	4.85%	3,958,714
UA Plan	2.44%	61,323,867	3.44%	54,332,879	4.44%	48,721,104
		<u>\$ 165,015,530</u>		<u>\$ 136,159,269</u>		<u>\$ 113,215,658</u>

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate**

The following presents the net OPEB liability of The University, calculated using the healthcare cost trend rate listed below, as well as what The University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current healthcare cost trend rates:

<b>2018</b>						
	<u>1.00 percent decrease</u>		<u>Current Trend Rate</u>		<u>1.00 percent increase</u>	
STRS		\$ 21,760,909		\$ 31,321,605		\$ 43,904,600
SERS		36,605,817		45,112,998		56,372,397
OPERS		5,158,791		5,391,787		5,632,466
UA Plan		49,476,773		54,332,879		60,384,366
		<u>\$ 113,002,290</u>		<u>\$ 136,159,269</u>		<u>\$ 166,293,829</u>

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### **8. Employee Benefit Plans – continued**

##### **Assumption changes**

During the current measurement period, the STRS Board adopted certain assumption changes which impacted the annual pension actuarial valuations prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. Related to the OPEB plans, changes in the discount rates, as previously disclosed occurred, as well as changes in the long-term rate of return, changes in assumptions related to mortality, disability, retirement, withdrawal and future health care trend rates.

##### **Payable to the Pension Plan and OPEB Plan**

At June 30, 2018 The University reported a payable of \$893,304 and \$15,766 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018. At June 30, 2017, The University reported a payable of \$1,397,269 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

##### **Defined Contribution Pension Plan**

The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted The University's plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance and who hold agreements with The University. Employee and employer contributions equal to those required by STRS, SERS, and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS, SERS, or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.47 percent for STRS and 2.44 percent for OPERS, and 4.50 percent for STRS and 0.77 percent for OPERS for the years ended June 30, 2018 and, 2017, respectively. For SERS, no funding is contributed if the employee was hired before August 2005. If the employee was hired on or after August 2005, the employer contributes 6.00 percent. The employer also contributes what would have been the employer's contribution under STRS, SERS, or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2018 and 2017, employee contributions totaled \$3,025,795 and \$2,849,945, respectively, and The University recognized pension expense of \$4,688,985 and \$4,715,621, respectively.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**8. Employee Benefit Plans – continued**

**University-provided benefits prior to the adoption of GASB 75**

For the year ended June 30, 2017 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*.

**Annual OPEB cost and net OPEB obligation** - 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 Net OPEB obligation of \$20,691,667 is included in long-term liabilities for the year ended June 30, 2017. 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:

	<u>2017</u>	<u>2016</u>
Annual required contribution	\$ 3,394,769	\$ 3,435,160
Interest on net OPEB obligation	786,528	771,421
Adjustment to annual required contribution	<u>(1,093,615)</u>	<u>(1,072,610)</u>
Annual OPEB cost (expense)	3,087,682	3,133,971
Employer contributions	(2,673,154)	(2,142,355)
Actuarial change in estimated obligation	<u>-</u>	<u>(1,286,825)</u>
Change in net OPEB obligation	414,528	(295,209)
Net OPEB obligation - beginning of year	<u>20,277,139</u>	<u>20,572,348</u>
Net OPEB obligation - end of year	<u>\$ 20,691,667</u>	<u>\$ 20,277,139</u>
Percentage of annual OPEB cost contributed	86.6%	68.4%

Participant data as of the census dated January 1, 2016 is summarized below:

<b>Census Date</b>	1/1/2016
<b>Participating Employees:</b>	
Employees eligible for dependent medical coverage	273
Employees also eligible for retiree life insurance	10
Average age	60.41
Average credited service	29.45
<b>Retirees:</b>	
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 certain 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.

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 8. Employee Benefit Plans – continued

**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.

**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 \$58.7 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$58.7 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 38.7 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, 2017 was 20 years.

Since the OPEB obligation is calculated using estimates and assumptions, there is a difference based on actual data between the census dates of January 1, 2014 and January 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.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**9. Litigation, Commitments, and Contingencies**

The University has been named as a defendant in a number of lawsuits alleging various causes of action. 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.

The University provides employee health insurance benefits through a self-insurance program. Two third-party administrators, Anthem Blue Cross and Blue Shield 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 \$1,788,725 and \$2,324,639, included with accrued liabilities as of June 30, 2018 and 2017, 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:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Liability at beginning of year	\$ 2,324,639	\$ 2,764,842	\$ 2,983,000
Claims incurred and changes in estimates	17,721,265	26,997,352	35,896,191
Claim payments	<u>(18,257,179)</u>	<u>(27,437,555)</u>	<u>(36,114,349)</u>
Liability at end of year	<u>\$ 1,788,725</u>	<u>\$ 2,324,639</u>	<u>\$ 2,764,842</u>

The Federal Perkins Loan Program expired on September 30, 2017. As of June 30, 2018, The University made \$2,042,566 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.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**9. Litigation, Commitments, and Contingencies - continued**

The University receives grants and contracts from certain federal and state agencies to fund research and other activities. The federal grants are audited annually in accordance with 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 \$10.5 million from the State for buildings and renovations, of which \$3.2 million has been expended as of June 30, 2018. In addition, as of June 30, 2018, university construction projects will cost an estimated \$1.8 million to complete.

**10. Subsequent Events**

In August 2018, The University issued \$14.9 million Series 2018A General Receipts Bonds and \$16.1 million 2018B Taxable General Receipts Bonds, with a combined average coupon rate of 4.68% with payments for 2018A through 2042 and payments for 2018B through 2033. The proceeds of Series 2018A bonds were used to refund \$12.2 million of The Universities outstanding General Receipts Bonds 2012A, reimburse \$4.6 million toward certain real property purchased by The University of Akron Foundation for the benefit of The University of Akron, and pay issuance costs. The proceeds of Series 2018B bonds were used to refund \$15.5 million of The Universities outstanding General Receipts Bonds Series 2010A and pay issuance costs. The result of issuing Series 2018 Bonds will increase cash flows for five years.

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**11. Component units**

Details of the component units' net position at June 30, 2018 and 2017 are as follows:

	2018			2017		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 70,565	\$ 1,965,161	\$ 2,035,726	\$ 582,234	\$ 1,682,979	\$ 2,265,213
Pooled investments	-	7,055,765	7,055,765	-	7,465,082	7,465,082
Accounts receivable, net	382,708	930,333	1,313,041	205,396	645,353	850,749
Pledges receivable, net	14,844,983	-	14,844,983	6,662,046	-	6,662,046
Related party land note receivable	192,000	-	192,000	192,000	-	192,000
Prepaid expenses	-	184,991	184,991	-	162,733	162,733
<b>Total current assets</b>	<b>15,490,256</b>	<b>10,136,250</b>	<b>25,626,506</b>	<b>7,641,676</b>	<b>9,956,147</b>	<b>17,597,823</b>
Noncurrent assets:						
Restricted investments	-	452,031	452,031	-	383,732	383,732
Endowment investments	185,671,384	-	185,671,384	171,455,028	-	171,455,028
Pledges receivable, net	12,358,653	-	12,358,653	13,271,895	-	13,271,895
Related party land note receivable	5,300,000	-	5,300,000	4,712,714	-	4,712,714
Capital assets, net	2,282,777	4,773,197	7,055,974	5,967,898	4,895,375	10,863,273
<b>Total assets</b>	<b>221,103,070</b>	<b>15,361,478</b>	<b>236,464,548</b>	<b>203,049,211</b>	<b>15,235,254</b>	<b>218,284,465</b>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	1,005,943	3,602,339	4,608,282	1,050,616	3,525,952	4,576,568
Accrued liabilities	-	613,500	613,500	-	578,833	578,833
Unearned income	28,500	691,380	719,880	28,500	1,050,084	1,078,584
Deposits	143,533	-	143,533	-	-	-
Current portion of long-term liabilities	4,592,000	82,156	4,674,156	4,784,000	77,077	4,861,077
<b>Total current liabilities</b>	<b>5,769,976</b>	<b>4,989,375</b>	<b>10,759,351</b>	<b>5,863,116</b>	<b>5,231,946</b>	<b>11,095,062</b>
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	11,751,945	-	11,751,945	12,702,901	-	12,702,901
Long-term liabilities	-	2,340,339	2,340,339	-	2,422,495	2,422,495
<b>Total liabilities</b>	<b>17,521,921</b>	<b>7,329,714</b>	<b>24,851,635</b>	<b>18,566,017</b>	<b>7,654,441</b>	<b>26,220,458</b>
<b>Net position</b>						
Non controlling interest in subsidiary	-	78,278	78,278	-	-	-
Net investment in capital assets	2,282,777	2,354,580	4,637,357	5,967,898	2,472,880	8,440,778
Restricted:						
Nonexpendable	137,719,277	-	137,719,277	114,004,558	-	114,004,558
Expendable	57,664,610	-	57,664,610	58,527,001	-	58,527,001
Unrestricted (deficit)	5,914,485	5,598,906	11,513,391	5,983,737	5,107,933	11,091,670
<b>Total net position</b>	<b>\$ 203,581,149</b>	<b>\$ 8,031,764</b>	<b>\$ 211,612,913</b>	<b>\$ 184,483,194</b>	<b>\$ 7,580,813</b>	<b>\$ 192,064,007</b>



**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**11. Component units - continued**

Details of the component units' revenues, expenses, and changes in net position at June 30, 2018 and 2017 are as follows:

	2018			2017		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
<b>Revenues</b>						
Operating revenues:						
Federal grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ 5,634	\$ 5,634
Private grants and contracts	-	2,078,932	2,078,932	-	3,592,602	3,592,602
Gifts and contributions	4,790,127	-	4,790,127	11,802,810	-	11,802,810
Other sources	-	2,332,734	2,332,734	-	1,856,707	1,856,707
Total operating revenues	4,790,127	4,411,666	9,201,793	11,802,810	5,454,943	17,257,753
<b>Expenses</b>						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	3,128,338	3,128,338	-	5,520,594	5,520,594
Institutional support	1,263,393	-	1,263,393	1,647,354	-	1,647,354
Depreciation	-	404,745	404,745	-	495,340	495,340
Total operating expenses	1,263,393	3,533,083	4,796,476	1,647,354	6,015,934	7,663,288
Operating income (loss)	3,526,734	878,583	4,405,317	10,155,456	(560,991)	9,594,465
<b>Nonoperating revenues (expenses)</b>						
Investment income, net	9,542,014	583,606	10,125,620	14,038,755	912,040	14,950,795
Interest on debt	-	(17,053)	(17,053)	-	28,614	28,614
Distributions to The University	(14,573,661)	(1,355,073)	(15,928,734)	(13,939,493)	36,214	(13,903,279)
Distributions on behalf of The University	(498,830)	-	(498,830)	(904,973)	-	(904,973)
Other nonoperating revenues	154,504	282,610	437,114	93,752	444,329	538,081
Net nonoperating revenues (expenses)	(5,375,973)	(505,910)	(5,881,883)	(711,959)	1,421,197	709,238
Gain (loss) before other changes	(1,849,239)	372,673	(1,476,566)	9,443,497	860,206	10,303,703
<b>Other changes</b>						
Additions to permanent endowments	20,947,194	-	20,947,194	1,863,643	-	1,863,643
Increase in net position	19,097,955	372,673	19,470,628	11,307,140	860,206	12,167,346
Net position - beginning of year	184,483,194	7,580,813	192,064,007	173,176,054	6,720,607	179,896,661
Non controlling interest in subsidiary	-	78,278	78,278	-	-	-
Net position - end of year	<u>\$ 203,581,149</u>	<u>\$ 8,031,764</u>	<u>\$ 211,612,913</u>	<u>\$ 184,483,194</u>	<u>\$ 7,580,813</u>	<u>\$ 192,064,007</u>

# The University of Akron

## Notes to the Financial Statements

### June 30, 2018 and 2017

#### 11. 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, 2018 and 2017 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, 2018

	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
<b>Assets - Investments</b>					
Pooled investments funds					
managed for the Foundation	\$ 139,778,048	\$ -	\$ -	\$ -	\$ 139,778,048
Bonds	8,411,254	-	8,411,254	-	-
Commercial paper	-	-	-	-	-
Common stocks	2,411,471	2,411,471	-	-	-
Exchange traded funds	215,746	215,746	-	-	-
Floaters	3,920,000	-	3,920,000	-	-
Money market funds	6,120,510	6,120,510	-	-	-
Mutual funds	21,909,121	21,909,121	-	-	-
Preferred stocks	61,538	61,538	-	-	-
U.S. Treasury obligations	2,494,111	-	2,494,111	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
<b>Liabilities</b>					
Annuity/unitrust agreements and refundable advances	(11,751,945)	-	-	(11,751,945)	-

##### Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017

	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
<b>Assets - Investments</b>					
Pooled investments funds					
managed for the Foundation	\$ 125,377,469	\$ -	\$ -	\$ -	\$ 125,377,469
Bonds	9,627,982	-	9,627,982	-	-
Commercial paper	2,499,925	-	2,499,925	-	-
Common stocks	2,094,160	2,094,160	-	-	-
Exchange traded funds	82,876	82,876	-	-	-
Floaters	3,920,000	-	3,920,000	-	-
Money market funds	2,029,234	2,029,234	-	-	-
Mutual funds	23,370,147	23,370,147	-	-	-
Preferred stocks	83,126	83,126	-	-	-
U.S. Treasury obligations	1,994,948	-	1,994,948	-	-
Beneficial interest in real estate	335,000	-	-	335,000	-
<b>Liabilities</b>					
Annuity/unitrust agreements and refundable advances	(12,702,901)	-	-	(12,702,901)	-

**The University of Akron**  
Notes to the Financial Statements  
June 30, 2018 and 2017

**11. Component units – continued**

**Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018**

	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
<b>Assets - Short-term investments</b>					
Fixed income	\$ 1,830,832	\$ 1,830,832	\$ -	\$ -	\$ -
Large growth	807,644	807,644	-	-	-
Large value	797,903	797,903	-	-	-
Small- and mid-cap growth	803,820	803,820	-	-	-
Alternatives	1,263,712	1,263,712	-	-	-
Internationals	1,551,854	1,551,854	-	-	-
<b>Liabilities</b>					
Interest rate swap	(153,245)	-	(153,245)	-	-

**Research Foundation Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017**

	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
<b>Assets - Short-term investments</b>					
Fixed income	\$ 1,827,006	\$ 1,827,006	\$ -	\$ -	\$ -
Large growth	878,096	878,096	-	-	-
Large value	887,942	887,942	-	-	-
Small- and mid-cap growth	880,005	880,005	-	-	-
Alternatives	1,280,646	1,280,646	-	-	-
Internationals	1,711,387	1,711,387	-	-	-
<b>Liabilities</b>					
Interest rate swap	(263,145)	-	(263,145)	-	-

Details of the component units' capital assets at June 30, 2018 and 2017 are as follows:

	<b>2018</b>			<b>2017</b>		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Capital assets:						
Land	\$ 2,282,777	\$ 406,925	\$ 2,689,702	\$ 5,967,898	\$ 406,925	\$ 6,374,823
Buildings	-	5,669,729	5,669,729	-	5,440,758	5,440,758
Equipment	-	2,446,429	2,446,429	-	2,567,870	2,567,870
Total capital assets	2,282,777	8,523,083	10,805,860	5,967,898	8,415,553	14,383,451
Less: accumulated depreciation	-	(3,749,886)	(3,749,886)	-	(3,520,178)	(3,520,178)
Capital assets, net	<u>\$ 2,282,777</u>	<u>\$ 4,773,197</u>	<u>\$ 7,055,974</u>	<u>\$ 5,967,898</u>	<u>\$ 4,895,375</u>	<u>\$ 10,863,273</u>

## **Required Supplementary Information**

# The University of Akron

## Schedule of University Proportionate Share of the Net Pension Liability Fiscal Years Ended June 30, 2015 to 2018

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
<b>State Teachers Retirement System (STRS)</b>					
2018	0.080278%	\$ 190,702,668	\$ 100,964,550	188.88%	75.29%
2017	0.844647%	282,728,801	106,894,227	264.49%	66.78%
2016	0.913123%	252,360,353	107,800,627	234.10%	72.10%
2015	0.950840%	231,277,151	114,757,851	201.53%	74.70%
<b>State Employees Retirement System (SERS)</b>					
2018	1.663330%	\$ 99,380,266	\$ 46,295,774	214.66%	69.50%
2017	1.763465%	129,069,381	51,923,833	248.57%	62.98%
2016	1.989093%	113,499,597	57,391,681	197.76%	69.16%
2015	2.065374%	104,527,403	65,124,508	160.50%	71.70%
<b>Ohio Public Employees Retirement System (OPERS)</b>					
2018	0.123075%	\$ 7,940,334	\$ 11,568,937	68.63%	84.85%
2017	0.030957%	6,697,227	3,843,681	174.24%	77.39%
2016	0.029042%	5,030,441	2,724,473	184.64%	81.08%
2015	0.032842%	3,961,106	3,080,746	128.58%	86.45%

Note: For 2018, the plan fiduciary net position as a percentage of the total pension liability is as follows for each plan:

STRS: 75.29%  
SERS: 69.50%  
OPERS: 84.85%

**The University of Akron**  
 Schedule of University Pension Contributions  
 Fiscal Years Ended June 30, 2015 to 2018

Fiscal Year	Statutorily 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
<b>State Teachers Retirement System (STRS)</b>					
2018	\$ 11,507,584	\$ 11,507,584	\$ -	\$ 100,964,550	11.40%
2017	12,384,730	12,384,730	-	106,894,227	11.59%
2016	12,487,105	12,487,105	-	107,800,627	11.58%
2015	13,373,987	13,373,987	-	114,757,851	11.65%
<b>State Employees Retirement System (SERS)</b>					
2018	\$ 5,841,600	\$ 5,841,600	\$ -	\$ 46,295,774	12.62%
2017	6,560,433	6,560,433	-	51,923,833	12.63%
2016	7,265,453	7,265,453	-	57,391,681	12.66%
2015	7,742,505	7,742,505	-	65,124,508	11.89%
<b>Ohio Public Employees Retirement System (OPERS)</b>					
2018	\$ 1,586,905	\$ 1,586,905	\$ -	\$ 11,568,937	13.72%
2017	590,804	590,804	-	3,843,681	15.37%
2016	438,640	438,640	-	2,724,473	16.10%
2015	496,000	496,000	-	3,080,746	16.10%

Notes to required supplementary information:

*Changes of benefit terms.* There were no changes in benefit terms affecting the STRS, SERS, OPERS plans.

*Changes of assumptions.* SERS: During the plan year ended June 30, 2016, there were changes to several assumptions for SERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.50-18.20 percent. The mortality tables used changed from RP-2000 to RP-2014.

During the plan year ended June 30, 2017, the cost-of-living adjustment dropped from 3.00 percent to 2.50 percent.

STRS: During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

OPERS: During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

# The University of Akron

## Schedule of University's Proportionate Share of the Net OPEB Liability Fiscal Year Ended June 30, 2018

Plan Year	University's proportion of the net OPEB liability	University's proportionate share of the net OPEB liability	University's covered employee payroll	University's proportionate share of the net OPEB liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
<b>State Teachers Retirement System (STRS)</b>					
2018	0.802782%	\$ 31,321,605	\$ 100,964,550	31.02%	47.11%
<b>State Employees Retirement System (SERS)</b>					
2018	1.680977%	\$ 45,112,998	\$ 46,295,774	97.45%	12.46%
<b>Ohio Public Employees Retirement System (OPERS)</b>					
2018	0.049652%	\$ 5,391,787	\$ 11,568,937	46.61%	54.14%

Note: For 2018, the plan fiduciary net position as a percentage of the total OPEB liability is as follows for each plan:

STRS: 47.11%  
 SERS: 12.46%  
 OPERS: 54.14%

**The University of Akron**  
 Schedule of Changes in the University's  
 Net OPEB Liability and Related Ratios  
 Fiscal Year Ended June 30, 2018

Fiscal Year	Statutorily required contribution	Contributions in relation to the actuarially determined contractually required contribution	Contribution deficiency (excess)	University's covered employee payroll	Contributions as a percentage of covered employee payroll
<b>State Teachers Retirement System (STRS)</b>					
2018	\$ -	\$ -	\$ -	\$ 100,964,550	0.00%
<b>State Employees Retirement System (SERS)</b>					
2018	\$ 569,979	\$ 569,979	\$ -	\$ 46,295,738	1.23%
<b>Ohio Public Employees Retirement System (OPERS)</b>					
2018	\$ 39,302	\$ 39,302	\$ -	\$ 11,568,923	0.34%
<b>The University of Akron Plan (UA Plan)</b>					
2018	\$ 2,205,549	\$ 2,205,549	\$ -	\$ 18,148,718	12.15%

Notes to required supplementary information:

*Changes of benefit terms.* There were no changes in benefit terms affecting the STRS, SERS, OPERS plans for the years ended June 30, 2017 and December 31, 2017, respectively.

Note: June 30 for STRS and SERS.

*Changes of assumptions.* There were no changes in assumptions affecting the STRS, SERS, and OPERS plans for the plan years ended June 30, 2017 and December 31, 2017, respectively.



**The University of Akron**  
 Schedule of Changes in the University's  
 Net OPEB Liability and Related Ratios  
 Fiscal Year Ended June 30, 2018

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 385,134
Interest	1,853,219
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(2,693,367)
<b>Net change in total OPEB liability</b>	(455,014)
<b>Total OPEB liability - beginning</b>	54,787,893
<b>Total OPEB liability - ending (a)</b>	\$ 54,332,879
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 2,543,181
Medicare RDS payment	150,186
Net investment income	-
Benefit payments	(2,693,367)
Administrative expense	-
<b>Net change in plan fiduciary net position</b>	-
<b>Plan fiduciary net position - beginning</b>	-
<b>Plan fiduciary net position - ending (b)</b>	\$ -
 <b>University's net OPEB liability - ending (a) - (b)</b>	\$ 54,332,879
 <b>Plan fiduciary net position as a percentage of the total</b>	
OPEB liability	0.00%
 <b>Covered-employee payroll</b>	18,148,718
 <b>University's net OPEB liability as a percentage of covered-employee payroll</b>	299.38%

## **Supplemental Information**

**INDEPENDENT AUDITOR'S 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**

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 business-type activities and the aggregate discretely presented component units of The University of Akron (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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's financial statements are free of 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and slightly slanted to the right.

Crowe LLP

Columbus, Ohio  
October 15, 2018

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PRORAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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 *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University'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* (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'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's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the University 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, 2018.

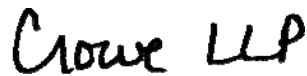
## Report on Internal Control Over Compliance

Management of the University 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'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.



Crowe LLP

Columbus, Ohio  
October 15, 2018

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Catalog Federal Domestic Assistance</b>	<b>Pass-through Entity Identifying Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Expenditures</b>
<b>Student Financial Aid Cluster</b>				
Department of Education				
Direct				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 782,582
Federal Work-Study Program	84.033	N/A	-	877,415
Federal Perkins Loan Program	84.038	N/A	-	10,440,790
Federal Pell Grant Program	84.063	N/A	-	27,273,436
Federal Direct Student Loans	84.268	N/A	-	105,079,406
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N/A	-	54,022
Total Department of Education			-	144,507,651
Department of Health and Human Services				
Direct				
Nursing Student Loans	93.364	N/A	-	1,492,476
Total Department of Health and Human Services			-	1,492,476
<b>Total Student Financial Aid Cluster</b>				
			-	<b>146,000,127</b>
<b>Research and Development Cluster</b>				
Department of Commerce				
Direct				
Measurement and Engineering Research and Standards	11.609	N/A	-	20,482
Total Department of Commerce			-	20,482
Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300	N/A	-	130,872
Basic Scientific Research	12.431	N/A	24,066	1,627,456
Air Force Defense Research Sciences Program	12.800	N/A	117,174	634,469
Pass Through				
Houston Methodist Hospital-Military Medical Research and Development	12.420	N/A	-	94,053
University of California, San Diego-Air Force Defense Research Sciences Program	12.800	N/A	-	30,882
Total Department of Defense			141,240	2,517,732
Department of the Interior				
Direct				
Cooperative Research and Training Programs & Resources of the National Park System	15.945	N/A	-	39,693
National Park Service Conservation, Protection, Outreach, and Education	15.954	N/A	-	5,659
Total Department of Interior			-	45,352
Department of Justice				
Pass Through				
GE Global Research-National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	N/A	-	28,854
Total Department of Justice			-	28,854
Department of Transportation				
Direct				
Air Transportation Centers of Excellence	20.109	N/A	-	171,134
Pass Through				
University of Michigan-University Transportation Centers Program	20.701	N/A	-	58,195
Total Department of Transportation			-	229,329

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
<b>Research and Development Cluster - continued</b>				
National Aeronautics and Space Administration				
Direct				
Technology Transfer	43.002	N/A	\$ -	\$ 36,858
Aeronautics and Space Act of 1958	43.008	N/A	-	11,629
Cross Agency Support	43.009	N/A	-	51,145
Space Technology	43.012	N/A	-	30,499
Pass Through				
Universities Space Research Association-Technology Transfer	43.002	N/A	-	406,542
Total National Aeronautics and Space Administration			-	536,673
National Science Foundation				
Direct				
Engineering Grants	47.041	N/A	104,397	1,984,641
Mathematical and Physical Sciences	47.049	N/A	18,525	2,380,893
Geosciences	47.050	N/A	-	207,200
Computer and Information Science and Engineering	47.070	N/A	2,215	245,559
Biological Sciences	47.074	N/A	-	367,502
Social, Behavioral, and Economic Sciences	47.075	N/A	-	21,652
Education and Human Resources	47.076	N/A	-	568,519
Pass Through				
Akron Ascent Innovations, LLC-Engineering Grants	47.041	1456266	-	54,538
O2 RegenTech LLC-Engineering Grants	47.041	N/A	-	52,090
Science Education Solutions, Inc.-Education and Human Resources	47.076	1223830	-	89
Total National Science Foundation			125,137	5,882,683
Department of Energy				
Pass Through				
University of Notre Dame-Office of Science Financial Assistance Program	81.049	DE-SC0001089	-	88,856
Bendix CVS-Conservation Research and Development	81.086	N/A	-	142,566
LG Fuel Cells Inc-Fossil Energy Research and Development	81.089	N/A	-	97,191
Total Department of Energy			-	328,613
Department of Education				
Direct				
Overseas Programs - Doctoral Dissertation Research Abroad	84.022	N/A	-	12,074
Total Department of Education			-	12,074
Department of Health and Human Services				
Direct				
Mental Health Research Grants	93.242	N/A	29,428	29,577
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	-	(87)
Cardiovascular Diseases Research	93.837	N/A	(794)	73,795
Lung Diseases Research	93.838	N/A	-	110,359
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	N/A	-	205,986
Biomedical Research and Research Training	93.859	N/A	45,548	258,569
Vision Research	93.867	N/A	-	210,700
Pass Through				
Women & Infants Hospital of Rhode Island-Drug Abuse and Addiction Research Programs	93.279	N/A	-	15,982
Rutgers, The State Univ of New Jersey-Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	N/A	-	36,474
University of Tennessee Knoxville-Biomedical Research and Research Training	93.859	R01GM120642	-	50,762
Pennsylvania State University-Child Health and Human Development Extramural Research	93.865	1R03HD088806-01A1	-	12,029
Total Department of Health and Human Services			74,182	1,004,146
<b>Total Research and Development Cluster</b>			<b>340,559</b>	<b>10,605,938</b>



**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Pass-Through to Subrecipient	Total Expenditures
<b>Highway Planning and Construction Cluster</b>				
Department of Transportation				
Pass Through				
Ohio Department of Transportation-Highway Planning and Construction	20.205	N/A	\$ 2,800	\$ 333,955
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150856	-	4,229
Ohio Department of Transportation-Highway Planning and Construction	20.205	E150983	-	37,792
Ohio Department of Transportation-Highway Planning and Construction	20.205	E151025	-	62,292
Total Department of Transportation			2,800	438,268
<b>Total Highway Planning and Construction Cluster</b>			<b>2,800</b>	<b>438,268</b>
<b>TRIO Cluster</b>				
Department of Education				
Direct				
TRIO_Talent Search	84.044	N/A	-	457,147
TRIO_Upward Bound	84.047	N/A	-	795,666
Total Department of Education			-	1,252,813
<b>Total TRIO Cluster</b>			-	<b>1,252,813</b>
<b>TANF Cluster</b>				
Department of Health and Human Services				
Pass Through				
Summit County Dept of Job and Family Srv-Temporary Assistance for Needy Families	93.558	N/A	-	6,402
Total Department of Health and Human Services			-	6,402
<b>Total TANF Cluster</b>			-	<b>6,402</b>
<b>Medicaid Cluster</b>				
Department of Health and Human Services				
Pass Through				
Ohio State University-Medical Assistance Program	93.778	N/A	-	2,200
Total Department of Health and Human Services			-	2,200
<b>Total Medicaid Cluster</b>			-	<b>2,200</b>
<b>Other Programs</b>				
<b>Instruction</b>				
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008	N/A	-	44,942
Total National Aeronautics and Space Administration			-	44,942
Department of Education				
Direct				
Special Education - Personnel Development to Improve Services and Results for Children with Disability	84.325K	N/A	42,128	97,922
English Language Acquisition Grants	84.365	N/A	31,531	330,504
Pass Through				
Ohio Department of Higher Education-Improving Teacher Quality State Grants	84.367	N/A	-	32,015
Total Department of Education			73,659	460,441
Department of Health and Human Services				
Direct				
Nurse Anesthetist Traineeships	93.124	N/A	-	31,164
Pass Through				
Northeast Ohio Medical Univ. (NEOMED)-Model State-Supported Area Health Education Centers	93.107	U77HP23072	-	77,415
Ohio Department of Job and Family Service-Child Welfare Services_State Grants	93.645	N/A	-	5,750
Ohio Department of Job and Family Service-Adoption Assistance	93.659	1701OHADPT	-	93,984
Total Department of Health and Human Services			-	208,313
<b>Total Instruction</b>			<b>73,659</b>	<b>713,696</b>

**The University of Akron**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Catalog Federal Domestic Assistance</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-Through to Subrecipient</u>	<u>Total Expenditures</u>
<b>Public Service</b>				
Department of Defense				
Pass Through				
Tennessee State University-Basic and Applied Scientific Research	12.300	N/A	\$ -	\$ 97,757
Total Department of Defense			-	97,757
National Aeronautics and Space Administration				
Direct				
Aeronautics and Space Act of 1958	43.008	N/A	-	7,683
Total National Aeronautics and Space Administration			-	7,683
Department of Health and Human Services				
Pass Through				
Summa Health System-Nurse Education, Practice and Retention Grants	93.359	1UD7HP28539	-	34,264
Summit County Dept of Job and Family Srv-Social Services Block Grant	93.667	N/A	-	26,135
Summa Health System-Geriatric Education Centers	93.969	U1QHP28707	-	110,597
Total Department of Health and Human Services			-	170,996
<b>Total Public Service</b>			-	<b>276,436</b>
<b>Total Other Programs</b>			<b>73,659</b>	<b>990,132</b>
<b>Grand Total</b>			<b>\$ 417,018</b>	<b>\$ 159,295,880</b>

# The University of Akron

## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

### 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, 2018. 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 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 attempts to recover 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, 2018. 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, 2018:

Cluster/Program Title	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program (net of allowances)	84.038	\$ 871,424	\$ 7,628,915
Nursing Student Loan Program (net of allowances)	93.364	119,279	903,378

### Note 4 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, The University transferred \$72,372 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 \$68,212 of the 2016-2017 SEOG award to the 2017-2018 award year.

In addition, the University carried forward \$51,921 and \$70,000 of the 2017-2018 FWS and SEOG awards, respectively, to the 2018-2019 award year. The University spent \$53,267 of the carried forward FWS funds from the 2016-2017 award year during the 2017-2018 award year.

**The University of Akron**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

**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	\$ 159,295,880
Pell grants	(27,273,436)
Federal direct loans	(105,079,406)
Federal Perkins loan program	(10,440,790)
Nursing student loan program	(1,492,476)
Federal grants passed through state entities	(570,017)
Federal grants passed through local entities	(32,537)
Private grants	(1,491,336)
Sales	-
Federal purchased service contracts	(1,532,196)
Indirect costs excluded from federal grants on Statement	176,247
Change in deferred revenue from federal grants	<u>2,324,036</u>
Federal grants and contracts as shown on the Statement	<u>\$ 13,883,969</u>

Current restricted funds derived from appropriations, gifts or grants may be used only to meet current expenditures for the purposes specifically identified by sponsoring agencies. The appropriations, gifts or grants are recognized as revenue in The University's external financial statements as expended. Therefore, expenditures per the Schedule reconciles 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, 2018

**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  No

Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  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  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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**The University of Akron**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**Section II - Financial Statement Findings**

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

**The University of Akron**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**Section III – Federal Program Audit Findings**

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

**The University of Akron**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2017

<b>Reference Number</b>	<b>Findings</b>
<b>2017-001</b>	<p><b>Criteria</b> – Under Generally Accepted Accounting Principles (GAAP), an independent review of account reconciliations, related journal entries, and supporting schedules should be performed.</p> <p><b>Condition</b> – Management did not review the calculation for unearned income related to summer tuition revenue.</p> <p><b>Status</b> – Corrected.</p>





# 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 27, 2018