

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

Financial Report
June 30, 2008

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Management's Discussion and Analysis

June 30, 2008

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, 2008. This discussion and analysis views The University's financial performance as a whole; readers should also review the financial statements and related notes to the financial statements to enhance their understanding of The University's financial performance.

Using the Annual Financial Report

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

The University's financial statements include the *Statements of Net Assets; Revenues, Expenses and Changes in Net Assets; 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 Assets includes all assets and liabilities, with the difference between the two reported as *net assets*. The assets and liabilities are presented in the order of relative liquidity while *net assets* are categorized as *Invested in capital assets, net of related debt; Restricted; or Unrestricted*. Over time, increases or decreases in *net assets* are an indicator of the improvement or erosion of The University's financial health.

The Statement of Revenues, Expenses, and Changes in Net Assets 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 across Ohio. For the fiscal years ended June 30, 2008, 2007, and 2006, the State provided approximately \$109 million, \$104 million, and \$103 million, respectively, for operating and capital purposes while The University's operating losses were approximately \$132 million, \$108 million, and \$125 million 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.

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The University has two discretely presented component units that 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. Since the focus of this discussion is on The University, these component units are not included in the amounts below. These component units are described in greater detail in the financial statements and notes to the financial statements.

Table 1 summarizes The University's Net Assets at June 30, 2008, 2007, and 2006.

Table 1
Net Assets (In Thousands)

	2008	2007	2006
Assets:			
Current assets	\$ 126,276	\$ 108,975	\$ 95,528
Restricted current assets	175,924	60,417	75,594
Noncurrent assets:			
Capital	551,325	505,418	477,303
Other	87,157	72,013	65,663
Total assets	940,682	746,823	714,088
Liabilities:			
Current liabilities	77,445	66,678	62,066
Noncurrent liabilities	430,593	254,032	262,582
Total liabilities	508,038	320,710	324,648
Net assets:			
Invested in capital assets, net of related debt	286,734	268,202	257,940
Restricted:			
Nonexpendable	30,793	35,426	32,067
Expendable	35,888	45,428	34,279
Unrestricted	79,229	77,057	65,154
Total net assets	\$ 432,644	\$ 426,113	\$ 389,440

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Current assets include those highly liquid assets including cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses and deferred charges. Current assets increased \$17.3 million and \$13.4 million during 2008 and 2007, respectively. There were variations among many of the current asset categories, but the principal cause of the changes are from a \$12.5 million and a \$9.1 million increase in 2008 and 2007, respectively, within pooled investments. Specifically, The University temporarily invested its operating and endowment funds, along with the proceeds of debt issues until the proceeds were needed to pay for operating or construction costs. During 2008 and 2007, The University also continued its progress towards, and paid costs related to, the Landscape for Learning initiative. The second phase of the New Landscape for Learning campus enhancement initiative includes a new on-campus stadium to replace the Rubber Bowl, the purchase of the Quaker Square properties to be used for residence halls, office space, and academics, and other enhancements to the campus such as residence halls and parking.

Restricted current assets consist of cash, cash equivalents, and investments, which resulted from gifts from friends of The University. In these cases, the donors required that the gifts be used for some particular purpose. Restricted current assets increased \$115.5 million and decreased \$15.2 million during 2008 and 2007, respectively. The changes are largely attributable to the separate investment of new bond proceeds in 2008 and the near-term payment demands of the Landscape for Learning initiative as discussed previously.

Noncurrent assets consist of endowment investments; pledges and student notes receivable; and capital assets. Noncurrent assets increased \$61.1 million and \$34.5 million during 2008 and 2007, respectively. While there were variations among the categories, the increases are largely attributable to a \$45.9 million and a \$28.1 million increase in 2008 and 2007, respectively, within capital assets.

Current liabilities include all items that mature within one year. The current liabilities include accounts payable; accrued liabilities; accrued interest payable; deferred revenue; deposits; and the short-term portion of long-term liabilities. Current liabilities increased \$10.8 million and \$4.6 million during 2008 and 2007, respectively. There were variations among many of the current liability categories, but the principal causes of the 2008 increase were a \$3.2 million increase in accounts payable and a \$4.2 million increase in accrued liabilities. The principal cause of the 2007 increase was a \$2.3 million increase in accounts payable.

Noncurrent liabilities consist of refundable federal student loans; long-term debt including capital leases and the sick leave liability; and long-term deferred revenue. The most notable change occurred within the long-term liabilities. During 2008, the \$176.5 million increase was due to The University issuing new bonds for the Landscape for Learning initiative and refinancing of the general receipts refunding bonds issued in 2004. During 2007, the \$8.6 million decrease was due primarily to payments made on The University's long-term debt.

As reflected earlier, net assets represent the difference between assets and liabilities and over time is one indicator of improving or eroding financial health. Net assets are categorized as Invested in capital assets, net of related debt; Restricted; or Unrestricted. Restricted net assets include both expendable and nonexpendable components. During 2008 and 2007, net assets increased approximately 1.5% and 9.4%, respectively, or \$6.5 million and \$36.7 million, respectively.

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Table 2 summarizes The University's Changes in Net Assets for the years ended June 30, 2008, 2007, and 2006.

Table 2
Changes in Net Assets (In Thousands)

	2008	2007	2006
Operating revenues:			
Tuition and fees	\$ 174,643	\$ 165,523	\$ 135,677
Grants and contracts	34,058	29,082	27,376
Sales and services	12,172	10,707	10,840
Auxiliary enterprises	44,926	41,357	46,965
Other operating revenues	757	450	285
Total operating revenues	<u>266,556</u>	<u>247,119</u>	<u>221,143</u>
Operating expenses:			
Educational and general:			
Instruction and departmental research	126,778	115,903	113,219
Other educational and general	187,192	165,043	161,874
Auxiliary enterprises	52,586	46,910	44,232
Depreciation and loss on disposal	32,325	27,034	26,409
Total operating expenses	<u>398,881</u>	<u>354,890</u>	<u>345,734</u>
Operating loss	(132,325)	(107,771)	(124,591)
Nonoperating revenues (expenses):			
State appropriations	99,127	93,992	93,867
Gifts, grants, contracts, and distributions	38,887	33,044	33,572
Other (net)	(8,940)	6,347	(1,781)
Net nonoperating revenues	<u>129,074</u>	<u>133,383</u>	<u>125,658</u>
Gain (loss) before other changes	(3,251)	25,612	1,067
Other changes:			
Capital appropriations	9,861	9,807	9,491
Other changes (net)	(79)	1,254	(379)
Total other changes	<u>9,782</u>	<u>11,061</u>	<u>9,112</u>
Increase in net assets	6,531	36,673	10,179
Net assets:			
Net assets - beginning of year	<u>426,113</u>	<u>389,440</u>	<u>379,261</u>
Net assets - end of year	<u>\$ 432,644</u>	<u>\$ 426,113</u>	<u>\$ 389,440</u>

(Note: Certain prior year amounts have been reclassified to conform to current year presentations.)

The student tuition and fees increased \$9.1 million or 5.5% during 2008 and increased \$29.8 million or 22% during 2007. The observed changes in tuition and fees are attributed to the student headcount, student credit hours taken, and fees charged. The University's total student headcount increased 5% and 4% in 2008 and 2007, respectively. Along with headcount, the total student credit hours (or actual courses taken) increased 6% and 5% in 2008 and 2007, respectively. The University enacted a tuition freeze for the 2008 academic year and a fee increase of 5.66% for 2007, along with additional fees and surcharges.

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In addition to the fees collected, GASB requires the portion of student aid which is provided in the form of reduced tuition to be reported as a reduction of revenue. This reduction, or scholarship allowance, increased \$2.3 million to \$38 million in 2008 and remained constant at \$35.7 million in 2007.

The state appropriations represent the other most significant revenue source for The University. Together, the state appropriations and student tuition and fees are the predominant resources used to fund The University's daily operations. The state appropriations increased \$5.1 million in 2008 and remained constant in 2007. The changes are part of continued shifts in higher education funding over the past few years and are largely attributable to state-level fiscal challenges. While the instructional appropriations increased \$5.6 million in 2008 and remained constant in 2007, the other changes during 2008 and 2007 are due to a decrease in funding in other areas such as challenge funding for continuing education.

The State of Ohio also provides capital appropriations to The University. Unlike the operating resources reflected previously, these resources are provided to help with The University's capital needs. The funding is provided through the Ohio Board of Regents (OBOR) based upon certain formulas and a capital plan provided by The University. The capital appropriations remained constant for 2008 and increased \$0.3 million for 2007.

The combined federal, state, local, and private grants and contracts revenue levels represent The University's continued pursuit of federal, state, local, and private funding for research related activities. Federal revenues represented the largest component of these revenues at \$15 million in 2008 and 2007, followed by private revenues at \$9.5 million and \$10 million in 2008 and 2007, respectively.

The largest federal sources were the Office of Education (OE) and the National Science Foundation (NSF) with the awards for scholarships and grants. OE provided nearly \$5.3 million and \$4.3 million during 2008 and 2007, respectively. NSF provided \$3 million and \$4.7 million during 2008 and 2007, respectively. Meanwhile, a large private source in 2008 and 2007 was The Knight Foundation which provided \$4.1 million and \$1.7 million, respectively, for the University Park Alliance. The University Park Alliance's mission is to revitalize the diverse neighborhoods in a 50-block area immediately surrounding the University of Akron. Another large private source for 2007 was The Robert Woods Johnson Foundation which provided approximately \$1.5 million. The efforts of this grant are directed towards evaluating the results of the national D.A.R.E. program. The state and local revenues consisted of multiple smaller dollar awards.

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 union, intercollegiate athletics, parking services, Rubber Bowl, E.J. Thomas Performing Arts Hall, telecommunications, and dining facilities.

Auxiliary enterprises revenue increased \$3.6 million in 2008 and decreased \$5.6 million in 2007. The predominant revenues within this area are from dining facilities, residence halls, and parking services. During 2008, the revenues generated from those three areas represented \$13.7 million, \$15.4 million, and \$5.4 million, respectively, or 76.8% of the total \$44.9 million revenues. During 2007, the revenues generated from those three areas represented \$12.2 million, \$12.5 million, and \$5.2 million, respectively, or 72.2% of the total \$41.4 million revenues.

Sales and services revenue are from certain operations, which provide services to both students and other departments within The University campus. The most significant of these operations was Computer Solutions, which generated sales totaling \$4.3 million for 2008 and \$3.8 million for 2007.

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Investment income, including the unrealized change in fair value of investments totaled \$3.9 million and \$18.3 million during 2008 and 2007, respectively. Investment income increased \$2.8 million and \$8.5 million in 2008 and 2007, respectively, which was due to overall change in returns on all investments. Those investments were not redeemed; nevertheless, GASB Statement No. 31 requires those investments be reported at fair value for financial statement reporting purposes. Meanwhile, the \$10.2 million net decrease in 2008 and \$8.9 million net increase in 2007 within net unrealized (depreciation) appreciation on investments occurred because of market conditions as of fiscal year end and the fair value of the investments changing substantially. Once again, those investments were not redeemed, but were adjusted to fair value for financial statement reporting purposes. The University reviewed its investment policies over the past two years and modified its strategies to reduce the portfolio's vulnerability to significant market fluctuations while maintaining certain returns.

The University views continued donor support as a vital ingredient to our continued success. Many student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. The University receives gifts from a wide array of friends including alumni, the business community, and foundations. Oftentimes, gifts and awards are accompanied by donor restrictions. In those cases, The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. For 2008 and 2007, gifts and grants for these purposes and additions to permanent endowments totaled \$20.7 million and \$16.5 million, respectively. The University also records Pell grant awards as a nonoperating grant revenue. Pell grant revenue was nearly \$18.5 million during 2008 and \$16.7 million during 2007.

The educational and general expenses category is the single largest category of expenses and includes all academic and administrative support salary and benefit related costs. Overall, these expenses increased nearly 11.8% and 2.1% during 2008 and 2007, respectively. During 2008, the most notable increase of \$10.9 million occurred within instruction and departmental research. Those increases were largely due to increased expenditures for instructional faculty and staff wages and departmental expenses. During 2007, the most notable increase of \$4.1 million occurred within scholarships and fellowships.

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses increased \$5.7 million in 2008 and \$2.7 million during 2007. The largest increases during 2008 and 2007 occurred with dining services which opened new retail locations and provided additional services.

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 5 years for certain equipment to 40 years for buildings. Generally, depreciation expense is predictable from year to year taking into account items, which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Depreciation expense increased \$1.1 million in 2008 and increased \$0.5 million in 2007 due to changing levels of capital asset purchases related to the capital project initiative.

The University periodically sells or disposes of obsolete capital assets. Unlike many revenue and expense areas, which tend to be predictable among years, the gains or losses from the disposition of capital assets is often a result of management discretion. The University realized losses totaling \$4.9 million and \$0.7 million during 2008 and 2007, respectively. The 2008 and 2007 losses occurred with the removal of buildings and sale of equipment.

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. During 2008, interest expense decreased by \$0.2 million to \$11.5 million and increased \$0.8 million to \$11.7 million in 2007.

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Capital Assets and Long-Term Debt Activity

As previously reflected, The University is in the midst of a major capital expansion. The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2008 and 2007, additions to capital assets approximated \$98 million and \$30.6 million, respectively, net of construction in progress additions. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled \$417.4 million in 2008 and \$221.2 million in 2007. During 2008, The University issued general receipts bonds and refunding bonds in the amount of \$336.1 million. No additional long-term debt was issued during 2007. The University continued to make payments on other outstanding debt for a total of approximately \$8.3 million. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.

Factors Impacting Future Periods

The student tuition and fees and state appropriations are the principal revenue sources which support The University's annual operations. For both 2008 and 2007, those two revenue sources alone represented \$273.4 million and \$259.5 million, respectively, of our total operating and nonoperating revenues while the aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled \$154.2 and \$136.3 million, respectively.

The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by these two very important revenue sources plus our ability to manage the dramatically increasing employee benefits and energy costs.

The Northeast Ohio Universities Collaboration Innovation Study Commission has been established as a part of House Bill 699 of Ohio's 126th General Assembly. This legislation stated that the commission "shall develop a plan and may make legislative or other logistical recommendations for the following, with respect to The University of Akron, Cleveland State University, Kent State University, the Northeastern Ohio Universities College of Medicine and Pharmacy, and Youngstown State University." The Commission has submitted its plan and recommendations to the Governor, the Chancellor, and the General Assembly. The future impact of adopting these recommendations is unknown at this time.

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Management's Discussion and Analysis
June 30, 2008

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Independent Auditor's Report

To the Board of Trustees
University of Akron

We have audited the accompanying statement of net assets of University of Akron (the "University"), a discretely presented component unit of the State of Ohio, and its component units as of June 30, 2008 and the related statements of revenue, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of University of Akron as of June 30, 2007 were audited by other auditors, whose report dated October 16, 2007 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of Akron as of June 30, 2008 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2008 on our consideration of University of Akron's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2008. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 1 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

October 14, 2008
Toledo, Ohio

The University of Akron

Statements of Net Assets

June 30, 2008 and 2007

ASSETS	The University of Akron		Component Units	
	2008	2007	2008	2007
Current assets:				
Cash and cash equivalents	\$ 312,121	\$ 159,174	\$ -	\$ 84,947
Pooled investments	82,381,761	69,928,371	-	-
Investments held in trust by others	6,063,659	3,583,572	-	-
Accounts receivable, net	27,060,584	24,936,326	955,554	773,330
Pledges receivable, net	515,985	1,465,706	1,459,494	1,582,990
Notes receivable, net	2,049,953	2,096,170	-	-
Accrued interest receivable	1,586,778	1,780,226	-	-
Inventories	1,008,369	951,065	-	-
Prepaid expenses and deferred charges	5,297,337	4,074,609	141,490	152,276
Deposits	-	-	10,458	10,458
Total current assets	126,276,547	108,975,219	2,566,996	2,604,001
Restricted current assets:				
Cash and cash equivalents	80,589,227	5,778,813	2,167,391	3,251,576
Pooled investments	42,735,327	54,638,033	2,542,705	1,981,691
Other investments	52,599,684	-	-	-
Total restricted current assets	175,924,238	60,416,846	4,710,096	5,233,267
Noncurrent assets:				
Endowment investments	52,973,840	60,385,624	153,234,658	159,945,079
Other investments	18,632,300	-	560,350	-
Pledges receivable, net	955,028	1,183,576	8,363,428	2,182,523
Notes receivable, net	9,015,074	8,805,444	-	-
Prepaid expenses and deferred charges	5,580,533	1,638,133	-	-
Capital assets, net	551,324,885	505,418,068	9,725,818	9,659,962
Total assets	940,682,445	746,822,910	179,161,346	179,624,832
LIABILITIES				
Current liabilities:				
Accounts payable	13,391,693	10,213,766	2,160,652	1,649,512
Accrued liabilities	19,565,246	15,401,465	369,123	252,761
Accrued interest payable	7,230,530	5,244,686	-	-
Deferred revenue	27,326,536	25,201,202	1,106,283	756,795
Deposits	987,176	865,702	-	-
Current portion of long-term liabilities	8,944,050	9,750,756	-	-
Total current liabilities	77,445,231	66,677,577	3,636,058	2,659,068
Noncurrent liabilities:				
Refundable federal student loans	11,834,185	11,619,271	-	-
Actuarial liability for annuity/unitrust agreements	-	-	11,844,733	10,301,576
Long-term liabilities	418,758,732	242,413,221	4,425,000	2,925,000
Total liabilities	508,038,148	320,710,069	19,905,791	15,885,644
NET ASSETS				
Invested in capital assets, net of related debt	286,734,257	268,201,848	6,800,818	6,734,962
Restricted:				
Nonexpendable:				
Endowment	30,793,096	35,426,070	88,317,566	86,706,703
Expendable:				
Current operations	24,068,543	21,111,069	59,726,772	63,639,471
Loans	578,528	583,789	-	-
Capital projects	14,384,811	24,940,029	-	-
Debt service	(3,144,186)	(1,206,680)	-	-
Unrestricted	79,229,248	77,056,716	4,410,399	6,658,052
Total net assets	\$ 432,644,297	\$ 426,112,841	\$ 159,255,555	\$ 163,739,188

The University of Akron
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	The University of Akron		Component Units	
	2008	2007	2008	2007
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowance of \$37,962,802 and \$35,768,490)	\$ 174,643,232	\$ 165,522,955	\$ -	\$ -
Federal grants and contracts	15,093,315	15,021,166	188,720	113,150
State grants and contracts	8,451,158	3,344,652	-	-
Local grants and contracts	984,290	717,443	-	-
Private grants and contracts	9,529,074	9,999,166	2,889,378	7,879,306
Gifts and contributions	-	-	14,516,688	5,532,002
Sales and services	12,171,880	10,706,735	-	-
Auxiliary enterprises	44,926,073	41,356,923	-	-
Other sources	756,771	450,464	684,037	464,968
Total operating revenues	266,555,793	247,119,504	18,278,823	13,989,426
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	126,777,449	115,903,174	-	-
Separately budgeted research	18,532,045	16,615,811	2,975,262	4,910,906
Public service	20,279,586	15,572,331	-	-
Academic support	32,223,710	28,716,106	-	-
Student services	12,690,181	11,430,039	-	-
Institutional support	52,260,413	45,940,771	716,304	630,598
Operation and maintenance of plant	26,427,297	24,622,530	-	-
Scholarships and fellowships	24,778,763	22,145,035	-	-
Auxiliary enterprises	52,586,390	46,910,453	-	-
Depreciation	27,443,098	26,323,502	133,341	54,375
Loss on disposal of property	4,882,181	710,281	-	-
Total operating expenses	398,881,113	354,890,033	3,824,907	5,595,879
Operating (loss) income	(132,325,320)	(107,770,529)	14,453,916	8,393,547
NONOPERATING REVENUES (EXPENSES)				
State appropriations	99,126,506	93,991,737	-	-
Gifts, grants, and contracts	24,516,831	21,899,598	-	-
Investment income, net	14,167,299	11,346,620	3,624,380	3,290,892
Unrealized appreciation (depreciation) on investments, net	(10,225,689)	7,005,685	(12,679,507)	18,017,042
Interest on debt	(11,498,093)	(11,698,114)	(353,797)	(26,189)
Distributions to The University	14,370,669	11,144,506	(14,370,669)	(11,144,506)
Distributions on behalf of The University	-	-	(1,500,368)	(393,802)
Other nonoperating revenues (expenses)	(1,382,807)	(307,646)	194,959	412,552
Net nonoperating revenues (expenses)	129,074,716	133,382,386	(25,085,002)	10,155,989
Income (loss) before other changes	(3,250,604)	25,611,857	(10,631,086)	18,549,536
OTHER CHANGES				
State capital appropriations	9,861,322	9,807,016	-	-
Capital gifts and grants	(370,435)	1,101,438	894,815	-
Additions to permanent endowments	291,173	152,595	5,252,638	8,942,991
Total other changes	9,782,060	11,061,049	6,147,453	8,942,991
Increase (decrease) in net assets	6,531,456	36,672,906	(4,483,633)	27,492,527
NET ASSETS				
Net assets - beginning of year	426,112,841	389,439,935	163,739,188	136,246,661
Net assets - end of year	<u>\$ 432,644,297</u>	<u>\$ 426,112,841</u>	<u>\$ 159,255,555</u>	<u>\$ 163,739,188</u>

The University of Akron

Statements of Cash Flows

June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 173,056,353	\$ 164,103,810
Grants and contracts	33,179,887	29,953,177
Auxiliary enterprises	45,364,774	40,483,225
Sales and service of educational activities	12,171,880	10,706,735
Payments to suppliers	(102,168,663)	(84,319,562)
Payments for compensation and benefits	(233,748,535)	(219,307,663)
Payments for scholarships and fellowships	(15,553,927)	(12,758,861)
Loans issued to students	(1,953,421)	(1,576,023)
Collection of loans to students	1,666,205	2,030,973
Other payments	(6,108,503)	(7,707,365)
	(94,093,950)	(78,391,554)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	99,126,506	93,991,737
Gifts, grants and contracts for other than capital purposes	35,024,665	31,512,780
Private gifts for endowment purposes	1,193,576	548,672
Other payments	(1,382,807)	(307,645)
	133,961,940	125,745,544
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from (payment for) capital debt	336,055,000	(940,020)
Capital appropriations	10,567,874	11,301,912
Capital grants and gifts received	(344,929)	1,555,621
Purchases of capital assets	(80,949,629)	(56,508,109)
Principal paid on capital debt and leases	(158,845,686)	(8,695,465)
Interest paid on capital debt and leases	(17,446,956)	(12,922,067)
Collection of loans issued for capital purposes	123,803	120,148
	89,159,477	(66,087,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	767,352,128	367,068,872
Interest on investments	12,786,863	12,411,990
Purchase of investments	(834,203,097)	(365,291,890)
	(54,064,106)	14,188,972
Net increase (decrease) in cash and cash equivalents	74,963,361	(4,545,018)
Cash and cash equivalents - beginning of the year	5,937,987	10,483,005
Cash and cash equivalents - end of the year	\$ 80,901,348	\$ 5,937,987

(continued)

The University of Akron

Statements of Cash Flows

June 30, 2008 and 2007

	2008	2007
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (132,325,320)	\$ (107,770,529)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expense	27,443,098	26,323,502
Loss on disposal of property	4,882,181	710,281
Changes in assets and liabilities:		
Accounts receivable, net	(2,673,221)	(2,098,903)
Notes receivable, net	(287,216)	454,950
Inventories	(57,304)	(60,162)
Prepaid expenses and deferred charges	(534,082)	(227,737)
Accounts payable	2,003,496	2,066,049
Accrued liabilities	4,163,781	803,886
Deferred revenue	2,125,334	290,403
Deposits held for others	121,474	5,034
Sick leave liability	985,280	989,973
Refundable federal student loans	58,549	121,699
	\$ (94,093,950)	\$ (78,391,554)
Net cash used in operating activities	\$ (94,093,950)	\$ (78,391,554)

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

1. Summary of Significant Accounting and Reporting Policies

Organization

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

In addition to the main campus, The University operates one branch campus, Wayne College in Orrville, Ohio, and two educational centers, the Medina County University Center in Medina, Ohio, and the Holmes County Higher Education Center in Millersburg, 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, and the Northeastern Ohio Universities College of Medicine and Pharmacy (NEOUCOM) in Rootstown, Ohio. HB 562 of the 127th General Assembly was passed on June 10, 2008 which added Cleveland State University to the NEOUCOM consortium and changes the membership of the board of trustees to a Governor-appointed body. These changes will be effective in the next fiscal year. These organizations are legally separate from The University; accordingly, their financial activity is not included within the accompanying financial statements, and The University bears no financial liability for these organizations.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Consolidated Annual Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to the State retirement programs for certain University employees.

Furthermore, in accordance with GASB Statement No. 39, two discretely presented component units are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to The University in support of its programs. The Research Foundation promotes, encourages, and provides assistance to the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 11.

Basis of Accounting

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, The University has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

1. Summary of Significant Accounting and Reporting Policies - continued

Measurement Focus and Financial Statement Presentation

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

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

The Foundation and the Research Foundation are not-for-profit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's or the Research Foundation's financial information in The University's financial report for these differences.

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The University does not invest in derivatives. Unrealized gains and losses on investments are recorded as a nonoperating revenue or expense on the Statement of Revenues, Expenses, and Changes in Net Assets.

Inventories

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

Pledges Receivable

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

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations.

The University of Akron
Notes to Financial Statements
 June 30, 2008 and 2007

1. Summary of Significant Accounting and Reporting Policies - continued

Capital Assets

Capital assets greater than \$5,000 are recorded at cost or, if acquired by gift, at an appraised value at the date of gift. 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.

Estimated useful lives are as follows:

Classification	Estimated Life
Land improvements	25 years
Buildings	40 years
Infrastructure	20 years
Equipment and furniture	5 to 15 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. The University applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its General Receipts Bonds, Series 2003A, Series 2004B, and Series 2008 A&B. This statement requires capitalization of interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

Deferred Revenue

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

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 twelve-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 44 days with the maximum payable upon termination of employment of 22 days. The University accrued a vacation liability equal to the number of days accrued by each eligible employee up to the maximum allowed by the respective employee group.

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

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

1. Summary of Significant Accounting and Reporting Policies - continued

Endowment and Quasi Endowments

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

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.

Federal Grants and Contracts Revenue

Federal grants and contracts operating revenue consists of sponsored program revenue from federal sources along with student-related grants such as College Work Study and Supplemental Educational Opportunity Grant programs. For the years ended June 30, 2008 and 2007, student-related grants amount to approximately \$3.4 million and \$3.0 million, respectively, with the balance of \$11.7 million and \$12.0 million, respectively, related to sponsored programs.

Accounting Standards

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement explains when pollution remediation-related obligations should be reported and how those obligations' costs and liabilities should be determined. The Statement also requires note disclosures about the liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes standards for the capitalization, amortization and financial reporting of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

University management has not yet determined the impact that implementation of GASB Statements 49, 51, 52 and 53 will have on The University's financial statements.

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

1. Summary of Significant Accounting and Reporting Policies - continued

Net Assets

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are 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 assets represent funds that have been awarded or gifted for specific purposes, funds used for capital projects and debt service, and funds held in federal loan programs.

2. Cash and Investments

Cash

At June 30, 2008 and 2007, the carrying amounts of The University's bank deposits and interest bearing cash equivalents were \$80,901,348 and \$5,937,987 as compared to bank balances of \$82,605,570 and \$7,637,382 respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2008 and 2007 bank balances, \$82,068,477 and \$7,192,669, respectively, was uninsured but collateralized with securities held by the depository bank's and The University's name.

Investments

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

The U. S. Treasury and agencies securities and corporate bonds were invested through banks that keep the securities in their names in safekeeping accounts at the Federal Reserve Bank. The Commonfund is a nonprofit membership corporation which provides investment management services for its member colleges, universities and independent schools and offers a series of pooled investment funds. STAR Ohio is an investment pool created pursuant to Ohio Statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30 of each year.

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

2. Cash and Investments - continued

	2008	2007
	<u>Fair Value</u>	<u>Fair Value</u>
Pooled investments:		
Repurchase agreement	\$ 469,198	\$ 1,122,794
STAR Ohio	19,738,078	4,557,578
The Commonfund: Short Term Fund	1,028,357	3,042,969
U.S. agencies	<u>103,881,455</u>	<u>115,843,063</u>
Total pooled investments	125,117,088	124,566,404
Endowment investments:		
Marketable securities:		
U.S. Treasury	3,069,382	2,535,366
U.S. agencies	846,961	1,435,767
Common stocks	36,306,849	44,384,397
Preferred stocks	49,306	50,414
U.S. and corporate bonds	12,633,290	11,872,342
The Commonfund:		
Private & Small Cap. Equity	64,656	103,770
Cash surrender value of life insurance	3,332	3,332
Real estate:		
The Commonfund: Endowment Realty	<u>64</u>	<u>236</u>
Total endowment investments	52,973,840	60,385,624
Investments held in trust by others:		
U.S. agencies	6,063,659	3,583,572
Other investments:		
U.S. agencies	<u>71,231,984</u>	<u>-</u>
Total investments	<u>\$ 255,386,571</u>	<u>\$ 188,535,600</u>

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, require certain disclosures related to interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

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, 2008, The University did not have more than 5% of its fixed income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2008, The University did not have investments that are subject to foreign currency risk.

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

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

2. Cash and Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2008 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
Repurchase Agreement	AAA	\$ 469,198	\$ -	\$ -	\$ -	\$ 469,198
STAR Ohio	AAA	19,738,078	-	-	-	19,738,078
Commonfund-Short Term Fund	AAA	267,373	-	-	-	267,373
	AA	123,403	-	-	-	123,403
	A	483,328	-	-	-	483,328
Total Commonfund-Short Term Fund		874,104	-	-	-	874,104
U.S. agencies	AAA	73,854,304	50,809,315	34,624,972	15,672,400	174,960,991
U.S. and corporate bonds	AAA	9,145,006	-	-	-	9,145,006
	AA	1,606,656	-	-	-	1,606,656
	A	679,447	-	-	-	679,447
	BBB	913,365	-	-	-	913,365
	BB	288,816	-	-	-	288,816
Total U.S. and corporate bonds		12,633,290	-	-	-	12,633,290
Totals		\$ 107,568,974	\$ 50,809,315	\$ 34,624,972	\$ 15,672,400	\$ 208,675,661

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2007 are as follows:

Investment	Rating (S&P)	Investment maturity (in years)				Totals
		Less than 1	1 to 5	6 to 10	More than 10	
Repurchase Agreement	AAA	\$ 1,122,794	\$ -	\$ -	\$ -	\$ 1,122,794
STAR Ohio	AAA	4,557,578	-	-	-	4,557,578
Commonfund-Short Term Fund	AAA	1,764,922	-	-	-	1,764,922
	AA	243,437	-	-	-	243,437
	A	973,750	-	-	-	973,750
Total Commonfund-Short Term Fund		2,982,109	-	-	-	2,982,109
U.S. agencies	AAA	66,608,955	35,467,817	11,690,920	2,003,760	115,771,452
U.S. and corporate bonds	AAA	5,565,822	-	-	-	5,565,822
	AA	1,127,502	-	-	-	1,127,502
	A	1,300,068	-	-	-	1,300,068
	BBB	442,737	-	-	-	442,737
	BB	282,476	-	-	-	282,476
	Below BB	139,492	-	-	-	139,492
Total U.S. and corporate bonds		8,858,097	-	-	-	8,858,097
Totals		\$ 84,129,533	\$ 35,467,817	\$ 11,690,920	\$ 2,003,760	\$ 133,292,030

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Accounts receivable, net:		
Federal, state, local and governments, foundations, and companies, net of allowance for doubtful accounts of \$117,577 and \$123,666, respectively	\$ 15,333,152	\$ 12,293,461
Student receivables, net of allowance for doubtful accounts of \$17,655,047 and \$16,450,536, respectively	11,021,456	11,783,115
Other, net of allowance for doubtful accounts of \$482,965 and \$325,256, respectively	<u>705,976</u>	<u>859,750</u>
Total accounts receivable, net	27,060,584	24,936,326
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of \$1,248,843 and \$1,301,637, respectively	10,459,630	10,172,414
Other notes receivable	<u>605,397</u>	<u>729,200</u>
Total notes receivable, net	<u>11,065,027</u>	<u>10,901,614</u>
Accounts and notes receivable, net	<u>\$ 38,125,611</u>	<u>\$ 35,837,940</u>

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2008 and 2007 were as follows:

	<u>2008</u>		<u>2007</u>	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	\$ 1,639,053	\$ 543,244	\$ 2,973,005	\$ 1,544,468
Less: amount estimated to be uncollectible	(77,710)	(27,259)	(142,364)	(78,762)
Less: unamortized discount	<u>(90,330)</u>	-	<u>(181,359)</u>	-
Pledges receivable, net	1,471,013	<u>\$ 515,985</u>	2,649,282	<u>\$ 1,465,706</u>
Less: current portion	<u>(515,985)</u>		<u>(1,465,706)</u>	
Pledges receivable, noncurrent portion	<u>\$ 955,028</u>		<u>\$ 1,183,576</u>	

As of June 30, 2008 and 2007, The University has approximately \$3,463,000 and \$1,878,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

5. Capital Assets

Changes in capital assets during fiscal 2008 were as follows:

	Balance July 1, 2007	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2008
Nondepreciable capital assets:				
Land	\$ 22,256,622	\$ 9,608,659	\$ -	\$ 31,865,281
Historical collections	3,110,157	102,495	-	3,212,652
Construction in progress	42,680,039	60,442,233	80,251,327	22,870,945
Total nondepreciable capital assets	68,046,818	70,153,387	80,251,327	57,948,878
Depreciable capital assets:				
Land improvements	42,960,247	1,186,740	211,675	43,935,312
Buildings	574,319,586	77,178,261	8,254,990	643,242,857
Infrastructure	12,693,590	1,973,679	-	14,667,269
Equipment, furniture and books	104,803,029	7,998,380	4,961,923	107,839,486
Total depreciable capital assets	734,776,452	88,337,060	13,428,588	809,684,924
Total capital assets	802,823,270	158,490,447	93,679,915	867,633,802
Less accumulated depreciation:				
Land improvements	19,429,534	1,732,275	211,675	20,950,134
Buildings	207,206,801	17,356,695	3,478,655	221,084,841
Infrastructure	4,838,896	654,515	-	5,493,411
Equipment, furniture and books	65,929,971	7,699,613	4,849,053	68,780,531
Total accumulated depreciation	297,405,202	27,443,098	8,539,383	316,308,917
Capital assets, net	\$505,418,068	\$131,047,349	\$ 85,140,532	\$551,324,885

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

5. Capital Assets - continued

Changes in capital assets during fiscal 2007 were as follows:

	Balance July 1, 2006	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2007
Nondepreciable capital assets:				
Land	\$ 21,269,658	\$ 986,964	\$ -	\$ 22,256,622
Historical collections	3,100,157	15,000	5,000	3,110,157
Construction in progress	18,138,239	47,286,994	22,745,194	42,680,039
Total nondepreciable capital assets	42,508,054	48,288,958	22,750,194	68,046,818
Depreciable capital assets:				
Land improvements	42,278,247	726,008	44,008	42,960,247
Buildings	554,547,093	20,136,155	363,662	574,319,586
Infrastructure	12,396,916	296,674	-	12,693,590
Equipment, furniture and books	104,145,638	8,446,616	7,789,225	104,803,029
Total depreciable capital assets	713,367,894	29,605,453	8,196,895	734,776,452
Total capital assets	755,875,948	77,894,411	30,947,089	802,823,270
Less accumulated depreciation:				
Land improvements	17,773,886	1,699,656	44,008	19,429,534
Buildings	191,076,688	16,316,840	186,727	207,206,801
Infrastructure	4,241,140	597,756	-	4,838,896
Equipment, furniture and books	65,481,599	7,709,250	7,260,878	65,929,971
Total accumulated depreciation	278,573,313	26,323,502	7,491,613	297,405,202
Capital assets, net	\$477,302,635	\$ 51,570,909	\$ 23,455,476	\$505,418,068

6. Long-term Liabilities

Changes in long-term liabilities during fiscal 2008 were as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Notes payable:					
General receipts rental note - Series 2003A, 6.628% (imputed), due serially through 2034	\$ 39,480,000	\$ -	\$ 39,480,000	\$ -	\$ -
General receipts rental note - Series 2003B, 8.923% (imputed), due serially through 2018	7,095,000	-	7,095,000	-	-
Unamortized discount, Series 2003A	(22,595,000)	-	(22,595,000)	-	-
Unamortized discount, Series 2003B	(2,395,000)	-	(2,395,000)	-	-
Total notes payable	21,585,000	-	21,585,000	-	-

continued

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

6. Long-term Liabilities - continued

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Bonds payable:					
General receipts bonds - Series 1997A, 3.65% to 6.0%, due serially through 2022	1,420,000	-	1,420,000	-	-
General receipts bonds - Series 1999, 4.8 to 5.125%, due serially through 2010	10,345,000	-	3,275,000	7,070,000	3,450,000
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	40,235,000	-	1,555,000	38,680,000	650,000
General receipts refunding bonds - Series 2004, 3.465%, due serially through 2029	129,660,000	-	129,660,000	-	-
Deferred amount on refunding - Series 2004 refunding bonds	(13,965,026)	-	(13,965,026)	-	-
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	33,100,000	-	660,000	32,440,000	675,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	21,155,000	-	145,000	21,010,000	1,645,000
Deferred amount on refunding - Series 2005 refunding bonds	(779,274)	-	(53,743)	(725,531)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	-	205,085,000	-	205,085,000	-
Deferred amount on refunding - Series 2008A&B bonds	-	(3,848,072)	-	(3,848,072)	(129,710)
General receipts refunding bonds - Series 2008C1&C2, 3.45%, due serially through 2029	-	130,970,000	-	130,970,000	1,290,000
Deferred amount on refunding - Series 2008C1&C2 refunding bonds	-	(13,322,321)	-	(13,322,321)	(642,070)
Total bonds payable	221,170,700	318,884,607	122,696,231	417,359,076	6,884,477
Capitalized lease obligations	4,622,485	495,835	545,686	4,572,634	336,875
Sick leave liability	4,785,792	986,506	1,226	5,771,072	1,722,698
Totals	\$ 252,163,977	\$ 320,366,948	\$ 144,828,143	\$ 427,702,782	\$ 8,944,050
Less: current portion				(8,944,050)	
Long-term liabilities				\$ 418,758,732	

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

6. Long-term Liabilities - continued

Changes in long-term liabilities during fiscal 2007 were as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current Portion
Notes payable:					
General receipts rental note - Series 2003A, 6.628% (imputed), due serially through 2034	\$ 40,560,000	\$ -	\$ 1,080,000	\$ 39,480,000	\$ 1,080,000
General receipts rental note - Series 2003B, 8.923% (imputed), due serially through 2018	7,740,000	-	645,000	7,095,000	645,000
Unamortized discount, Series 2003A	(23,675,000)	-	(1,080,000)	(22,595,000)	(1,080,000)
Unamortized discount, Series 2003B	(2,765,000)	-	(370,000)	(2,395,000)	(350,000)
Total notes payable	21,860,000	-	275,000	21,585,000	295,000
Bonds payable:					
General receipts bonds - Series 1997A, 3.65% to 6.0%, due serially through 2022	3,005,000	-	1,585,000	1,420,000	1,420,000
General receipts bonds - Series 1999, 4.8 to 5.125%, due serially through 2010	13,455,000	-	3,110,000	10,345,000	3,275,000
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	41,710,000	-	1,475,000	40,235,000	1,555,000
General receipts refunding bonds - Series 2004, 3.465%, due serially through 2029	130,405,000	-	745,000	129,660,000	1,290,000
Deferred amount on refunding - Series 2004 refunding bonds	(14,607,096)	-	(642,070)	(13,965,026)	(642,070)
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	33,745,000	-	645,000	33,100,000	660,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	21,295,000	-	140,000	21,155,000	145,000
Deferred amount on refunding - Series 2005 refunding bonds	(833,017)	-	(53,743)	(779,274)	(53,743)
Total bonds payable	228,174,887	-	7,004,187	221,170,700	7,649,187
Capitalized lease obligations	5,293,349	49,601	720,465	4,622,485	461,644
Sick leave liability	3,795,819	991,481	1,508	4,785,792	1,344,925
Totals	\$ 259,124,055	\$ 1,041,082	\$ 8,001,160	\$ 252,163,977	\$ 9,750,756
Less: current portion				(9,750,756)	
Long-term liabilities				\$ 242,413,221	

The general receipts bonds, the general receipts refunding bonds, and the general receipts rental notes 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 Financial Statements
June 30, 2008 and 2007

6. Long-term Liabilities - continued

In February and March 2008, respectively, The University issued \$90.9 million of General Receipts Bonds, Series 2008A and \$114.2 million of General Receipts Bonds, Series 2008B. These bonds are being used to provide funding for campus capital improvements and to defease the General Receipts Rental Notes, Series 2003A and Series 2003B which guaranteed The University's obligation to pay rent under a master lease to Akron Student Housing Associates, LLC (ASHA). The University defeased the rental notes by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds issued by ASHA. Accordingly, the trust account assets and the liability for the defeased notes are not included in The University's financial statements. On June 30, 2008, \$38.5 million of outstanding ASHA bonds and the related notes are considered defeased.

In March 2004, The University entered into a swap agreement, known as General Receipts Refunding Bonds, Series 2004, with Bear Stearns Financial Products (Bear Stearns has subsequently been acquired by J.P. Morgan Chase). Then in April 2008, The University refunded the Series 2004 bonds with a new issue to change the insurer on the bonds. The swap with Bear Stearns is to hedge \$131 million of The University's General Receipts Refunding Bonds, Series 2008 C1&C2. The swap agreement converts the Series 2008 C1&C2 Bonds variable interest rate to a fixed rate of 3.465%, settled on the first day of January and July. The variable interest is paid monthly on the first day of each month. The total amounts paid related to the swap agreements for the years ended June 30, 2008 and 2007 are approximately \$325,000 and \$303,000, respectively. These amounts are included as an adjustment to other nonoperating expenses in the statement of revenues, expenses, and changes in net assets.

At June 30, 2008, the swap has a positive fair value of \$6,190,987. As the swap has a positive fair value, The University would owe Bear Stearns (J.P. Morgan Chase) if the swap agreement were terminated. The occurrence of a credit event with respect to The University, defined as a reduction in the long-term bond rating to less than Aaa by Moody's Investors Service, Inc. or AAA by Fitch Ratings, Inc., could result in termination of the swap agreement. As of June 30, 2008, no termination events have occurred. Subsequently, on September 29, 2008, Standard & Poor's downgraded The University's liquidity provider, Dexia, to AA- from AA. On October 1, 2008, Moody's downgraded Dexia to Aa3 from Aa1. At this time, the bonds have not been downgraded, so no termination event has occurred.

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2007, interest on borrowings for the Series 2003A bonds was \$1,731,450 and earnings on the proceeds were \$66,220. Substantial completion on outstanding projects was determined to be 90.7% in 2007 resulting in net capitalized interest of \$154,866. At June 30, 2008 and 2007, interest on borrowings for the Series 2004B bonds was \$1,474,069 and \$1,487,944, respectively, and earnings on the proceeds were \$173,681 and \$861,927, respectively, resulting in net capitalized interest of \$1,300,388 and \$626,017, respectively. At June 30, 2008, interest on borrowings for the Series 2008A&B bonds was \$3,295,053 and earnings on the proceeds were \$632,421 resulting in net capitalized interest of \$2,662,632.

The aggregate annual principal maturities for the general receipt bonds, and general receipt refunding bonds for fiscal years subsequent to June 30, 2008 are as follows:

Fiscal Year:	Principal	Interest	Total
2009	\$ 6,884,477	\$ 19,547,807	\$ 26,432,284
2010	7,239,476	19,222,200	26,461,676
2011	11,434,476	18,843,024	30,277,500
2012	11,359,477	18,422,549	29,782,026
2013	11,229,476	17,995,122	29,224,598
2014-2018	63,212,383	82,860,280	146,072,663
2019-2023	77,582,997	67,267,831	144,850,828
2024-2028	90,641,098	48,148,516	138,789,614
2029-2033	74,845,531	25,475,008	100,320,539
2034-2038	62,929,685	8,542,440	71,472,125
	<u>\$ 417,359,076</u>	<u>\$ 326,324,777</u>	<u>\$ 743,683,853</u>

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

6. Long-term Liabilities - continued

The University's capital leased assets consist of a chilled water tank and duplicating equipment. Future minimum lease payments as of June 30, 2008 under all capital leases with an initial or remaining noncancelable lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows by major class:

Fiscal Year:	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2009	\$ 107,171	\$ 406,560	\$ 513,731
2010	3,593,507	378,251	3,971,758
2011	-	239,938	239,938
2012	-	130,743	130,743
2013	-	54,305	54,305
Total minimum lease payments	<u>3,700,678</u>	<u>1,209,797</u>	<u>4,910,475</u>
Less amount representing interest	<u>(128,312)</u>	<u>(209,529)</u>	<u>(337,841)</u>
Present value of net minimum capital lease payments	<u>\$ 3,572,366</u>	<u>\$ 1,000,268</u>	<u>\$ 4,572,634</u>

The University leases certain office facilities, computers, and duplicating equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2008 and 2007 amounted to approximately \$1,858,000 and \$1,552,000, respectively.

The University's bookstore facilities and operations are leased to an outside operator. The lease provides for annual rental receipts of approximately \$500,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal 2008 totaled approximately \$229,000. There were no contingent rentals earned in fiscal 2007. During fiscal 2008 and 2007, The University also received rental receipts approximating \$587,000 and \$438,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

7. State Support

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

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

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

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

7. State Support - continued

The Ohio Board of Regents adopts a two-year operating budget that includes line items to fund infrastructure investments for higher education. The Capital Component program is an appropriation line item in the Ohio Board of Regents operating budget. The program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. The Capital Component constitutes a reform of capital funding for higher education as part of the capital funding policy adopted in 1997. This new capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget. The formula is driven by considering existing space shortages on campus, student enrollments, and other campus activities (i.e. non-credit activities, community service functions and research). Thus, if the formula allocation exceeds the amount requested, 10% of the difference is paid to the institution for 15 years in the form of Excess Capital Component Allocation (Capital Component). The University intends to use this Capital Component toward funding the debt service obligation of the Series 1999, 2003A, and 2004B Bond Issues.

8. Employee Benefit Plans

Retirement Plans

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

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

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

	Employee Contribution Rate	Employer Contribution Rate	The University's contributions For the years ending 6/30		
			2008	2007	2006
STRS	10.0%	14.00%	\$ 10,670,459	\$ 10,175,165	\$ 9,918,013
SERS	10.0%	14.00%	8,012,230	7,491,065	7,274,153
OPERS-LE	10.1%	17.17%	360,584	303,854	302,739
			<u>\$ 19,043,273</u>	<u>\$ 17,970,084</u>	<u>\$ 17,494,905</u>

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

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

8. Employee Benefit Plans - continued

Other Postretirement Employee Benefits

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2007, benefits are funded on a pay-as-you-go basis through an allocation of employer contributions equal to 1% of covered payroll to a Health Care Stabilization Fund from which health care benefits are paid. The balance in the Health Care Stabilization Fund was \$4.1 billion at June 30, 2007, the latest available information. For the year ended June 30, 2007, the net health care costs paid by STRS were \$265.6 million and there were 122,934 eligible benefit recipients.

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees, with ten or more years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the most recent data available, the allocation rate is 3.32%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2007, the minimum compensation level was established at \$35,800. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007, the actuarially required allocation was .68%. The amount of employer contributions for the year ended June 30, 2007 was \$389,165, which equaled the required contributions for the year.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer contribution is set aside to fund the health care benefits. The portion of employer contributions for all employers allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007. OPERS health care benefits are advanced-funded on an actuarially determined basis. The amount of employer contributions actually made to fund post-employment benefits was approximately \$126,000. The actuarial value of the retirement system's net assets available for other post-employment benefits was \$12 billion as of December 31, 2006. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively. The number of active contributing participants was 374,979.

The University also provides certain health care benefits for dependents of retired employees and life insurance benefits for retired employees. Substantially all of The University's employees hired prior to 1992 may become eligible for those benefits if they reach normal retirement age while working for The University. During fiscal 2008 and 2007, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled \$1,349,000 and \$1,552,000, respectively.

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

8. Employee Benefit Plans - continued

Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees and those with less than five years of service to opt out of STRS and SERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. In 2005, this legislation was amended to include all full-time college employees as of August 2005. The legislation, as amended, requires employees to contribute to the ARPs at the same rates as previously stated for STRS and SERS employee contributions. The employer contributes 3.50% of their 14.00% STRS employer contribution to STRS. For SERS, no funding is contributed to SERS if hired before August 2005, and 6.00% of their 14.00% is contributed to SERS if hired after August 2005. The employer contribution rate is based on independent actuarial studies. The University's contributions for ARP employees for the years ended June 30, 2008, 2007, and 2006 were \$3,524,506, \$3,334,750, and \$2,555,455, respectively, equal to the required contributions for each year. The ARPs do not provide postretirement benefits other than pension and death benefits.

9. Litigation, Commitments, and Contingencies

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

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

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

The University has been appropriated \$33.8 million from the State for buildings and renovations, of which \$6.0 million has been expended as of June 30, 2008. In addition, as of June 30, 2008, University construction projects will cost an estimated \$140.1 million to complete with 94.1%, or \$131.9 million, funded from bond proceeds.

10. Subsequent event

Subsequent to year-end, the Company's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

11. Component units

Details of the component units' net assets at June 30, 2008 and 2007 are as follows:

	2008			2007		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 84,947	\$ -	\$ 84,947
Accounts receivable, net	203,572	751,982	955,554	248,009	525,321	773,330
Pledges receivable, net	1,459,494	-	1,459,494	1,582,990	-	1,582,990
Prepaid expenses and deferred charges	-	141,490	141,490	-	152,276	152,276
Deposits	-	10,458	10,458	-	10,458	10,458
Total current assets	1,663,066	903,930	2,566,996	1,915,946	688,055	2,604,001
Restricted current assets:						
Cash and cash equivalents	-	2,167,391	2,167,391	-	3,251,576	3,251,576
Pooled investments	-	2,542,705	2,542,705	-	1,981,691	1,981,691
Total restricted current assets	-	4,710,096	4,710,096	-	5,233,267	5,233,267
Noncurrent assets:						
Endowment investments	153,234,658	-	153,234,658	159,945,079	-	159,945,079
Other investments	-	560,350	560,350	-	-	-
Pledges receivable, net	8,363,428	-	8,363,428	2,182,523	-	2,182,523
Capital assets, net	5,761,850	3,963,968	9,725,818	5,653,501	4,006,461	9,659,962
Total assets	169,023,002	10,138,344	179,161,346	169,697,049	9,927,783	179,624,832
Liabilities						
Current liabilities:						
Accounts payable	882,783	1,277,869	2,160,652	434,774	1,214,738	1,649,512
Accrued liabilities	95,285	273,838	369,123	118,001	134,760	252,761
Deferred revenue	30,000	1,076,283	1,106,283	-	756,795	756,795
Total current liabilities	1,008,068	2,627,990	3,636,058	552,775	2,106,293	2,659,068
Noncurrent liabilities:						
Actuarial liability for						
annuity/unitrust agreements	11,844,733	-	11,844,733	10,301,576	-	10,301,576
Long-term liabilities	1,500,000	2,925,000	4,425,000	-	2,925,000	2,925,000
Total liabilities	14,352,801	5,552,990	19,905,791	10,854,351	5,031,293	15,885,644
Net assets						
Invested in capital assets, net	5,761,850	1,038,968	6,800,818	5,653,501	1,081,461	6,734,962
Restricted:						
Nonexpendable	88,317,566	-	88,317,566	86,706,703	-	86,706,703
Expendable	59,726,772	-	59,726,772	63,639,471	-	63,639,471
Unrestricted	864,013	3,546,386	4,410,399	2,843,023	3,815,029	6,658,052
Total net assets	\$ 154,670,201	\$ 4,585,354	\$ 159,255,555	\$ 158,842,698	\$ 4,896,490	\$ 163,739,188

The University of Akron
Notes to Financial Statements
June 30, 2008 and 2007

11. Component units - continued

Details of the component units' revenues, expenses, and changes in net assets at June 30, 2008 and 2007 are as follows:

	2008			2007		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	\$ -	\$ 188,720	\$ 188,720	\$ -	\$ 113,150	\$ 113,150
Private grants and contracts	-	2,889,378	2,889,378	-	7,879,306	7,879,306
Gifts and contributions	14,516,688	-	14,516,688	5,532,002	-	5,532,002
Other sources	-	684,037	684,037	-	464,968	464,968
Total operating revenues	14,516,688	3,762,135	18,278,823	5,532,002	8,457,424	13,989,426
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	2,975,262	2,975,262	-	4,910,906	4,910,906
Institutional support	716,304	-	716,304	630,598	-	630,598
Depreciation	1,651	131,690	133,341	-	54,375	54,375
Total operating expenses	717,955	3,106,952	3,824,907	630,598	4,965,281	5,595,879
Operating income	13,798,733	655,183	14,453,916	4,901,404	3,492,143	8,393,547
Nonoperating revenues (expenses)						
Investment income, net	3,569,962	54,418	3,624,380	3,002,541	288,351	3,290,892
Unrealized appreciation (depreciation) on investments	(12,515,248)	(164,259)	(12,679,507)	17,877,647	139,395	18,017,042
Interest on debt	-	(353,797)	(353,797)	-	(26,189)	(26,189)
Distributions to The University	(12,892,054)	(1,478,615)	(14,370,669)	(9,404,213)	(1,740,293)	(11,144,506)
Distributions on behalf of The university	(1,500,368)	-	(1,500,368)	(393,802)	-	(393,802)
Other nonoperating revenues	113,840	81,119	194,959	154,778	257,774	412,552
Net nonoperating revenues (expenses)	(23,223,868)	(1,861,134)	(25,085,002)	11,236,951	(1,080,962)	10,155,989
Gain (loss) before other changes	(9,425,135)	(1,205,951)	(10,631,086)	16,138,355	2,411,181	18,549,536
Other changes						
Capital gifts and grants	-	894,815	894,815	-	-	-
Additions to permanent endowments	5,252,638	-	5,252,638	8,942,991	-	8,942,991
(Decrease) Increase in net assets	(4,172,497)	(311,136)	(4,483,633)	25,081,346	2,411,181	27,492,527
Net assets						
Net assets - beginning of year	158,842,698	4,896,490	163,739,188	133,761,352	2,485,309	136,246,661
Net assets - end of year	\$ 154,670,201	\$ 4,585,354	\$ 159,255,555	\$ 158,842,698	\$ 4,896,490	\$ 163,739,188

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 the Board of Trustees of
The University of Akron

We have audited the financial statements of The University of Akron, (the “University”), a component unit of the State of Ohio, as of and for the year ended June 30, 2008, basic financial statements, and have issued our report thereon dated October 14, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal controls. We consider the control deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

To the Board of Trustees of
The University of Akron

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

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*.

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned Costs. We did not audit the University's responses and, accordingly, we express no opinion on them.

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

Plante & Moran, PLLC

October 14, 2008

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

To the Board of Trustees of
The University of Akron

Compliance

We have audited the compliance of the University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of University's management. Our responsibility is to express an opinion on University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-3.

To the Board of Trustees of
The University of Akron

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the University's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

To the Board of Trustees of
The University of Akron

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

Plante & Moran, PLLC

October 14, 2008

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal		Federal Expenditures
	Domestic Assistance	Pass-through Entity Identifying Number	
Student Financial Aid Cluster			
Office of Education:			
Direct programs:			
Federal Pell Grant Program	84.063	P063P052857	\$ 18,532,294
Federal Supplemental Educational Opportunity Grant	84.007	P007A0506053	1,289,964
Federal College Work-Study	84.033	P033A056053	1,166,980
Federal Perkins Loans	84.038	P038A046053	1,654,034
Academic Competitive Grants	84.375	N/A	660,381
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	N/A	231,390
Total Office of Education			<u>23,535,043</u>
Department of Health and Human Services:			
Direct programs:			
Nursing Student Loans	93.364		<u>235,283</u>
Total Student Financial Aid Cluster			<u>23,770,326</u>
Research and Development			
Research and Development Cluster			
Department of Agriculture:			
Direct program:			
Initiative for Future Agriculture and Food Systems	10.302		(526)
Pass-through program:			
Beekon Parsons-Small Business Innovation Research	10.212		<u>6,933</u>
Total Department of Agriculture			6,407
Department of Commerce:			
Direct programs:			
Center for Sponsored Coastal Ocean Research, Coastal Ocean Program	11.478		61,126
NIST-Measurement and Engineering Research and Standards	11.609		61,950
Pass-through program:			
Ohio State University-Sea Grant Support	11.417	NA06OAR4170020	<u>9,025</u>
Total Department of Commerce			132,101

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Direct programs:			
Office of Naval Research-Basic and Applied Scientific Research	12.300		\$ 86,200
United States Army-Basic Scientific Research	12.431		198,260
USAF-Air Force Defense Research Sciences Program	12.800		592,025
National Security Agency-Mathematical Sciences Grants Programs	12.901		7,851
Pass-through programs:			
UARF-Air Force Defense Research Sciences Program	12.800	F33615-03-D-5408	27,838
UARF-Air Force Defense Research Sciences Program	12.800	F33615-03-D-5421	13,273
Universal Technology Corporation-Air Force Defense Research Sciences Program	12.800	F33615-02-D-2299	16,400
Universal Technology Corporation-Air Force Defense Research Sciences Program	12.800	F33615-03-D-5801	2,020
Universal Technology Corporation-Air Force Defense Research Sciences Program	12.800	S690000034	142,524
Case Western Reserve University-Air Force Defense Research Sciences Program	12.800	F49620-03-I-0128	(22,944)
Air Force Research Laboratory/Dayton Area Graduate Studies Institute- Air Force Defense Research Sciences Program	12.800		107,045
Gentex Corporation-Air Force Defense Research Sciences Program	12.800	FA8650-05-C-6646	(524)
Brown University-Research and Technology Development	12.910	FA9550-04-I-0402	49,812
Total Department of Defense			1,219,780
Department of Housing and Urban Development:			
Pass-through program:			
AMHA-Demolition and Revitalization of Severely Distressed Public Housing	14.866		85,252
Department of the Interior:			
Pass-through program:			
Ohio University-US Geological Survey-Research and Data Acquisition	15.808	01-CRA0025	(103)
Department of Justice:			
Direct program:			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		113,878
Pass-through programs:			
Summit County-Comprehensive Approaches to Sex Offender Management	16.203	2004-WP-BX-0003	14,807
City of Mansfield-State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		8,329
Community Partnership/Summit County-Drug Free Communities Support Program Grants	16.729	2003-ND-FX-0156	3,205
Total Department of Justice			140,219

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Direct programs:			
Highway Training and Education	20.215		\$ 3,171
University Transportation Centers-Research and Innovation Technology Administration	20.760		148,306
Pass-through programs:			
Ohio Department of Transportation-Highway Planning and Construction	20.205		209,002
Ohio Department of Transportation-Highway Planning and Construction	20.205	E051106	163,297
Ohio Department of Transportation-Highway Planning and Construction	20.205	E051340	34,401
Ohio Department of Transportation-Highway Planning and Construction	20.205	E051(382)	8,782
Ohio Department of Transportation-Highway Planning and Construction	20.205	AC-SPR-2(37)	(4,286)
Ohio Department of Transportation-Highway Planning and Construction	20.205	E040(613)	70,341
Ohio Department of Transportation-Highway Planning and Construction	20.205	E070070	56,645
Ohio Department of Transportation-Highway Planning and Construction	20.205	E080077	3,899
Auburn University/University of Tennessee-Biobased Transportation Research	20.761	DTOS59-07-G-00050	3,744
Total Department of Transportation			697,302
National Aeronautics and Space Administration:			
Direct program:			
Technology transfer	43.002		883,497
Pass-through programs:			
UARF Physical Sciences-Technology Transfer	43.002	NNL06AA31P	19,807
Ohio Aerospace Institute-Technology Transfer	43.002		5,829
Alphaport-NASA Safety Center-Technology Transfer	43.002	NNS06BA06B	49,018
Clark Atlanta University-Technology Transfer	43.002	NCC3-1044	31,820
Brown University-Technology Transfer	43.002	NNX07AO07A	7,914
Total National Aeronautics and Space Administration			997,885
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Humanities	45.161		108,416
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		645,410
Mathematical and Physical Sciences	47.049		1,734,131

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Geosciences	47.050		\$ 133,344
Computer and Information Science and Engineering	47.070		63,818
Biological Sciences	47.074		171,687
Social, Behavioral, and Economic Sciences	47.075		60,427
Educational and Human Resources	47.076		213,734
Pass-through programs:			
Cleveland State University-Engineering Grants	47.041	CTS-9725256	(8,323)
Drexel University-Engineering Grants	47.041	ECS-0304453	28,692
University of Dayton-Engineering Grants	47.041	CMS-0609077	84,037
UARF-Engineering Grants	47.041	IIP-0637539	37,446
UARF-Engineering Grants	47.041	IIP-0740059	18,993
The Ohio State University Research Foundation-Engineering Grants	47.041	EEC-0425626	3,508
University of Nebraska-Engineering Grants	47.041	DMI-0600733	66,459
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-0526864	98,927
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-05322560	13,226
University of Arkansas-Educational and Human Resources	47.076	HRD-0533208	11,003
University of Oregon-Educational and Human Resources	47.076	DUE-0088847	2,050
University of Virginia-Educational and Human Resources	47.076	DUE-0717820	88
Total National Science Foundation			3,378,657
Environmental Protection Agency:			
Pass-through program:			
Texas A&M-Surveys, Studies, Investigations & Special Purpose Activities Relating to the Clean Air Act	66.034	XA-83268101	19,903
Department of Energy:			
Direct programs:			
Department of Energy	81.000		95,858
Office of Science Financial Assistance Program	81.049		80,521
University Coal Program	81.057		70,283
Renewable Energy Research and Development	81.087		224
Fossil Energy Research and Development	81.089		210,874
Pass-through program:			
Arizona State University	81.000	DE-FG36-06G016029/A000	107,275
Total Department of Energy			565,035

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Direct programs:			
National Institute on Disability and Rehabitational Research	84.133A		\$ 137,382
Preparing Tomorrow's Teachers to Use Technology	84.342A		<u>41,477</u>
Total Department of Education			178,859
Department of Health and Human Services:			
Direct programs:			
Centers for Disease Control	93.000		26,366
Nurse Anesthetist Traineeships	93.124		8,588
Drug Abuse Research Program	93.279		3,605
Advanced Education Nursing Grant Program	93.358		54,818
Nursing Research	93.361		504,963
Academic Research Enhancement Award	93.390		31,165
Heart and Vascular Diseases Research	93.837		461,933
Child Health and Human Development Extramural Research	93.865		19,796
Vision Research	93.867		23,435
Pass-through programs:			
Pregnacy Support Center-Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FE0055	42,534
Case Western Reserve University-Human Genome Research	93.172		7,289
Indiana University-Research Related To Deafness And Communication Disorders	93.173	R01 DC006436	4,825
ADASBCC-Consolidated Knowledge Development and Application (KD&A) Program	93.230	I H79 TI13505-01	(263)
Community Health-SAMHSA-Projects of Regional and National Significance	93.243	I H79 TI15677-01	5,772
Community Health-SAMHSA-Projects of Regional and National Significance	93.243	I H79 TI17371-01	102,827
Community Health-SAMHSA-Projects of Regional and National Significance	93.243	I H79 TI14463-01	24,851
ADASBCC-SAMHSA-Project of Regional and National Significance	93.243	H79TI16543-01	77,926
ODADAS/SAMHSA-Substance Abuse and Mental Health Services-Access to Recovery	93.275		8,222
Summit Co. Community Partnership-SAMHSA-Drug Free Communities Support Program	93.276	5 H79 SP12407-04	16,454
Summit Co. Family and Children First Council-Temporary Assitance for Needy Families	93.558		56,703
Ohio Dept. of Jobs and Family Services-Foster Care Title IV-E	93.658		10,326
ODADAS-Social Services Block Grants	93.667		3,208

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Washington University-Allergy, Immunology and Transplantation Research	93.855	I R01 AI067856-01	\$ 172,410
Ohio Department of Health-HIV Care Formula Grants	93.917		3,811
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		162,895
Total Department of Health and Human Services			1,834,459
Total Research and Development Cluster			9,364,172
 Child Nutrition Cluster			
Department of Agriculture:			
Pass-through program:			
Ohio Department of Education-Summer Food Service Program for Children	10.559		21,377
Total Child Nutrition Cluster			21,377
 TRIO Cluster			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		454,255
TRIO Upward Bound	84.047A		496,488
TRIO Upward Bound Math/Science	84.047M		315,581
TRIO McNair Post Baccalaureate Achievement	84.217A		235,666
Total TRIO Cluster			1,501,990
 Other Programs			
Instruction			
Department of Defense:			
Pass-through program:			
State of Ohio-National Guard Military Operations and Maintenance (O&M) Projects	12.401		29,626
Department of Labor:			
Direct program:			
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		1,203,569
National Science Foundation:			
Direct program:			
Education and Human Resources	47.076		35,846

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Pass-through program:			
The Ohio State University Research Foundation-Education and Human Resources	47.076	HRD-0331560	\$ 23,524
Total National Science Foundation			<u>59,370</u>
Department of Education:			
Direct programs:			
Fund for the Improvement of Postsecondary Education	84.116Z		24,362
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		110,899
Pass-through programs:			
Kent State University-Special Education- Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	H325D030008	15,601
Ohio Board of Regents-TANF Educational Awards Program (TEAP)	93.558		(100)
Ohio Board of Regents-Improving Teacher Quality State Grants	84.367		70,257
Total Department of Education			<u>221,019</u>
Department of Health and Human Services:			
Direct programs:			
Comprehensive Geriatric Education Program	93.265		(1,571)
Health Care and Other Facilities	93.887		1,001,551
Pass-through program:			
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		59,638
Total Department of Health and Human Services			1,059,618
Corporation for National and Community Service:			
Pass-through program:			
Otterbein College-Learn and Serve American Higher Education	94.005	06LHHOH0001	662
Total Instruction			<u>2,573,864</u>
Public Service			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		31,162

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Department of Defense:			
Direct program:			
Army ROTC	12.000		\$ (870)
Department of Housing and Urban Development:			
Direct program:			
Community Outreach Partnership Center Program	14.511	COPC-OH-04-607	202,532
Pass-through program:			
City of Akron/Knight Family Foundaton	14.000		143
Total Department of Housing and Urban Development:			<u>202,675</u>
Department of Justice:			
Direct program:			
Discretionary Drug and Criminal Justice Assistance Program	16.580	1998-JN-FX-0103	121
Department of State:			
Direct program:			
Department of State	19.000		335,796
Pass-through program:			
Franco American Commission for Educational Exchange	19.000		1,700
Total Department of State			<u>337,496</u>
Department of Education:			
Pass-through programs:			
Ohio Department of Education	84.000		36,558
Ohio Department of Education -Special Education Grants to States	84.027		39,128
Ohio Department of Education -Vocational Education Basic Grants to States	84.048		17,810
Ohio Board of Regents-Eisenhower Professional Development	84.168		86
Ohio Board of Regents-Fund for the Improvement of Education	84.215K		34,787
Akron Public Schools-Fund for the Improvement of Education	84.215X	U215X050001	111,611
Ohio Department of Education-Tech Prep Education	84.243		191,520
Ohio Department of Education-Advanced Placement Program	84.330		10,265

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Cleveland State University/Ohio Dept of Education-Reading First State Grants	84.357	062950-RSSI-03/AS4036/ CSP#0A03034	\$ 1,344,702
Ohio Board Regents-Improving Teacher Quality State Grants	84.367		912
Total Department of Education			<u>1,787,379</u>
Department of Health and Human Services:			
Pass-through programs:			
Summit County Health District-Healthy Communities Access Program	93.252		1,473
Holmes County-Temporary Assistance for Needy Families	93.558		(32,314)
Summit County Job & Family Services-Temporary Assistance for Needy Families	93.558		75,334
Akron Public Schools/Summit County-Temporary Assistance for Needy Families	93.558		19,636
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		24,860
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959	COME-ADA-WP057U	4,028
Total Department of Health and Human Services			<u>93,017</u>
Corporation for National and Community Service:			
Pass-through program:			
Corporation for National and Community Service-Learn and Serve America Higher Educ.	94.006	03ACH-K729-04-A147	80,487
Department of Homeland Security:			
Pass-through program:			
Ohio Emergency Management Agency-State Domestic Preparedness Equipment Support	97.063		29,321
National Foundation of Arts and the Humanities:			
Pass-through programs:			
Guitar Foundation of America-Promotion of the Arts	45.024		2,000
Dance USA/New England Foundation for the Arts-Promotion of the Arts	45.024		10,000
Total National Foundation of Arts and the Humanities			12,000
Total Public Service			<u><u>2,572,788</u></u>

The University of Akron

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass-through Entity Identifying Number	Federal Expenditures
Academic Support			
National Endowment for the Humanities:			
Direct program:			
Promotion of the Humanities, Division of Preservation and Access	45.149		\$ 3,852
			<u>5,150,504</u>
			<u>\$ 39,808,369</u>

The University of Akron

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of University and is presented on the same basis of accounting as the basic financial statements. Grant revenues are recorded for financial reporting purposes when the University has expended the funds in accordance with the grant agreement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Facilities and Administrative Costs

The University recovers facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 48.5 percent for on-campus research and 26 percent for off-campus research through June 30, 2011.

The University of Akron

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 2 - Subrecipient Awards

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. During the year ended June 30, 2008, the University disbursed funds to subrecipients in the amount of \$702,158. Subrecipient amounts are as follows:

CFDA #	CFDA Description	Amount
43.002	National Aeronautics and Space Administration:	\$ 130,421
84.133	National Institute on Disability and Rehabitational Research	75,201
84.325	Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	62,201
93.361	Nursing Research	66,549
93.959	ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	19,028
19.000	Department of State	53,200
14.511	Community Outreach Partnership Center Program	43,779
20.205	Ohio Department of Transportation-Highway Planning and Construction	95,080
12.431	United States Army-Basic Scientific Research	5,819
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	56,114
84.215K	Ohio Board of Regents-Fund for the Improvement of Education	25,573
12.800	USAF-Air Force Defense Research Sciences Program	40,111
20.760	University Transportation Centers-Research and Innovation Technology Administration	29,082
		<u>\$ 702,158</u>

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

The University of Akron

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

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, 2008:

<u>Cluster/Program Title</u>	<u>CFDA Number</u>	<u>Advances</u>	<u>Amount Outstanding</u>
Perkins Loan Program	84.038	\$ 1,595,485	\$ 11,165,662
Nursing Student Loan Program	93.364	235,283	1,173,601

Note 4 - Federal Family Education Loan Program

During the year ended June 30, 2008, the University processed applications for the following loan amounts under the Federal Family Education Loan Program which includes Stafford Loans, unsubsidized Stafford Loans and Parent Plus Loans for Undergraduate Students.

	<u>CFDA Number</u>	<u>Advances</u>
Federal Family Education Loan Program	84.032	\$ 108,337,744

The University of Akron

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 5 - Reconciliation

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

Expenditures per the Schedule	\$ 39,808,369
Pell grants	(18,532,294)
Perkins Loan funds excluded from federal grants on the Statement	(1,654,034)
Nursing Loan funds excluded from federal grants on the Statement	(235,283)
State grants	(1,219,172)
Local grants	(360,755)
Private grants	(2,946,541)
Sales	(31,162)
Federal purchased service contracts	(562)
Indirect costs excluded from federal grants on Statement	(69,395)
Change in deferred revenue from federal grants	334,144
	<hr/>
Federal grants and contracts as shown on the Statement	\$ 15,093,315

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

The University of Akron

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major program(s):

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

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes ___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033	
84.038, 84.375, 84.376	Student Financial Aid Cluster
93.364	
17.261	Employment and Training Administration Pilots, Demonstrations, and Research Projects
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,194,251

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

The University of Akron

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

Reference Number	Findings
2008-1	<p>Finding Type - Significant deficiency</p> <p>Criteria - Investments are currently reconciled by the treasury office and they prepare journal entries that are sent to accounting. Accounting reviews the journal entries and posts them. There is no independent review of the reconciliation process however.</p> <p>Condition - The University does not have an independent review performed on their investment reconciliation.</p> <p>Cause/Effect - No errors were found relating to this condition</p> <p>Recommendation - We recommend that a review of the reconciliation process for investments (and all other reconciliations being performed without an independent review) occur before entries are sent to the accounting office.</p> <p>Grantee Response - The University agrees and will implement a review process</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University's Associate Vice President for Treasury and Financial Planning will review the reconciliation process prior to submission to the accounting office.</p>
2008-2	<p>Finding Type - Significant Deficiency</p> <p>Criteria - During the audit, we noted an entry of approximately \$600,000 related to investment income on 2008 bond investment funds. This represents additional income to the University. Controls in place did not identify this error.</p> <p>Condition - The University does not have an independent review performed on this reconciliation.</p> <p>Cause/Effect - A approximately \$600,000 adjustment was made to increase investment income.</p> <p>Recommendation - An independent review should be performed on all reconciliations that impact the general ledger.</p> <p>Grantee Response - The University agrees and will implement a review process</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Controller's office will incorporate the recording of bond proceed investment accrued interest into the year-end closing processes as recommended by the auditors</p>

The University of Akron

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-3	<p>Program Name - Student Financial Aid Cluster - 84.032, 84.038, and 93.364</p> <p>Finding Type - Noncompliance/Significant Deficiency - Special tests and provisions</p> <p>Criteria - 34 CFR 668.165(a) requires the institution to notify the student or parent of date and amount as well as the right to cancel all or portion of loan no earlier than 30 days before and no later than 30 days after crediting student's account.</p> <p>Condition - Upon notification from the University and confirmed during our testing, we noted students or parents were not being notified earlier than 30 days before and no later than 30 days after crediting student's account.</p> <p>Questioned Costs - None</p> <p>Context - Out of 27 students tested, 27 students were not notified within 30 days prior or after crediting the student's account.</p> <p>Cause and Effect - The student financial aid office does not send out notification letters or electronic communication regarding posting aid to student's accounts.</p> <p>Recommendation - The student financial aid office should send out written or electronic communication no earlier than 30 days before and no later than 30 days after crediting student's account.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The University will implement a policy to notify students by e-mail once a loan is disbursed to their account. The e-mail will give them the option of canceling all or a portion of their loan and instructions to contact the Financial Aid Office and/or returning loan proceeds to the Student Accounts Office. For parent PLUS loans a letter will be mailed at time of disbursement to the parent giving them the option of canceling all or a portion of the loan, as well as, instructions on whom to contact.</p>