

# UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2010

AUDITED FINANCIAL STATEMENTS

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## Independent Auditors' Report

Board of Regents  
Regional University System of Oklahoma  
University of Central Oklahoma  
Oklahoma City, Oklahoma

We have audited the accompanying statements of net assets of the University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years 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 audits. We did not audit the financial statements of the University of Central Oklahoma Alumni Association (the "Alumni Association") or the KCSC Classical Radio Foundation (the "KCSC Foundation"), discretely presented component units of the University, whose financial statements collectively reflect total assets of \$1,030,265 and \$916,760 as of June 30, 2011 and 2010, respectively, and total revenues of \$272,483 and \$186,274, respectively, for the years then ended of the aggregate discretely presented component units. We also did not audit the UCO Student Housing Foundation (the "Housing Foundation"), blended component unit of the University, as of and for the year ended June 30, 2011. The Housing Foundation's financial statements reflect total assets of \$8,774,025 as of June 30, 2011, and total revenues of \$1,600,798 for the year then ended. The financial statements of the Alumni Foundation, KCSC Foundation and the Housing Foundation for the periods noted above were audited by other auditors, whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for these entities, are based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Alumni Association and the KCSC Foundation were audited by other auditors and were not audited in accordance with Government Auditing Standards. The financial statements of the Housing Foundation (audited by other auditors as of and for the year ended June 30, 2011, and by us as of and for the year ended June 30, 2010) and the University of Central Oklahoma Foundation, Inc. (the "University Foundation") were also not audited in accordance with Government Auditing Standards. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Oklahoma and its discretely presented component units as of June 30, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows for the years then ended in conformity with accounting principle generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

Management's Discussion and Analysis and the Schedules of Funding Progress for the Supplemental Retirement Annuity Plan and Other Post-Employment Insurance Benefits Plan are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Supplemental Combining Schedules are presented for purposes of additional analysis and are 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 31, 2011

**OVERVIEW**

The following Management's Discussion and Analysis (MD&A) provides an overview of University of Central Oklahoma's (UCO) financial performance based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles and focus on UCO as a whole.

The financial statements encompass UCO and the discretely presented component units; however, the MD&A focuses only on UCO's blended unit. Information relating to the component units can be found in their separately issued financial statements. UCO's report includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. All dollar amounts in this MD&A are presented in thousands of dollars.

**STATEMENT OF NET ASSETS**

The Statement of Net Assets presents the financial position of UCO at the end of the fiscal year. From the data presented, readers of the statement are able to determine the assets available to continue the operations of UCO. They also are able to determine how much UCO owes vendors, investors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability to pay expenses of UCO. The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The following table shows a condensed statement of net assets at:

<i>CONDENSED STATEMENT OF NET ASSETS (In Thousands)</i>				
<i>June 30,</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>	
<i>Assets</i>				
<i>Current Assets</i>	<i>\$ 77,351</i>	<i>\$ 69,497</i>	<i>\$ 70,218</i>	
<i>Capital Assets</i>	<i>119,508</i>	<i>117,611</i>	<i>109,673</i>	
<i>Other Assets</i>	<i>7,033</i>	<i>8,016</i>	<i>6,628</i>	
<i>Total Assets</i>	<i>203,892</i>	<i>195,124</i>	<i>186,519</i>	
<i>Liabilities</i>				
<i>Current Liabilities</i>	<i>20,262</i>	<i>18,151</i>	<i>16,727</i>	
<i>Noncurrent Liabilities</i>	<i>75,997</i>	<i>79,333</i>	<i>82,651</i>	
<i>Total Liabilities</i>	<i>96,259</i>	<i>97,484</i>	<i>99,378</i>	
<i>Net Assets:</i>				
<i>Invested in Capital Assets,</i>				
<i>Net of Related Debt</i>	<i>43,346</i>	<i>33,145</i>	<i>27,552</i>	
<i>Restricted</i>	<i>12,309</i>	<i>20,414</i>	<i>22,869</i>	
<i>Unrestricted</i>	<i>51,978</i>	<i>44,081</i>	<i>36,720</i>	
<i>Total Net Assets</i>	<i>\$ 107,633</i>	<i>\$ 97,640</i>	<i>\$ 87,141</i>	

Assets are what UCO owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Assets are

categorized as either current, to be exhausted during the next twelve months or noncurrent, more than twelve months.

**Assets:**

- Current assets increased in the current year by \$7.9 million predominantly in the area of restricted and unrestricted cash due to planned funding of reserves and future building projects, 2010 decreased by less than \$1 million after an increase in 2009 by \$6.5 million these changes are due to the three major building projects' restricted cash being categorized as current in 2009 and the expense of some of those funds in 2010.
- Capital assets continue to increase, in the current year by \$2 million due to normal operations and in 2010 by \$7.9 million and by \$9.7 million in 2009 due to expenditures primarily for the Forensic Science Institute and Transformational Learning Center building projects in progress. In working toward the completion of the Forensic Science Institute, \$3.9 million was expended in 2010 and \$7.3 in 2009. Leading toward the completion of the Transformational Learning Center \$5.7 million was expended during 2010 with \$2.2 million expended during 2009.
- Other assets decreased \$1 million due to release of restriction of investments during 2011, in 2010 an increase of \$1.4 million was due to moving the remaining restricted cash to current as the projects draw to a close in the next year.

**Liabilities:**

- Current liabilities increased by \$2.1 million in 2011, \$1.4 million in 2010 and decreased by approximately \$1 million in 2009. These changes are made up of normal operating fluctuations for such items as accounts payable, accrued payroll and benefits, deferred revenue and current portion of noncurrent liabilities (bonds, capital leases, and notes). This fluctuation is not considered to be unusual or represent a trend.
- Noncurrent liabilities decreased by approximately \$3.3 million in 2011, \$3.3 million in 2010 and \$3.9 million in 2009. This is attributable to each year's payment of principle on long term obligations.
- In 2011, two capital leases were incurred for an additional \$.8 million for equipment acquisitions, in 2010, one capital lease was incurred at an additional \$1 million for an energy conservation project and in 2009, no additional debt, short term or long term, were incurred.

**Net Assets:**

- Net assets represent the total assets of UCO less total liabilities. The change in net assets is a net component of the changes to assets and liabilities as described above, and in the footnotes to the financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public university's dependency on state aid (appropriations) and gifts will result in operating deficits (losses). The *Governmental Accounting Standards Board (GASB)* requires state appropriations and gifts to be classified as nonoperating revenues.

The purpose of the statement is to present the revenues received by UCO, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent. Operating revenues are generally received for providing goods and services to the various customers of UCO. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of UCO. Nonoperating revenues are revenues received for which goods and services are not provided. State capital appropriations are considered neither operating nor nonoperating revenues and are reported under "Other Revenues, Expenses, Gains and Losses".

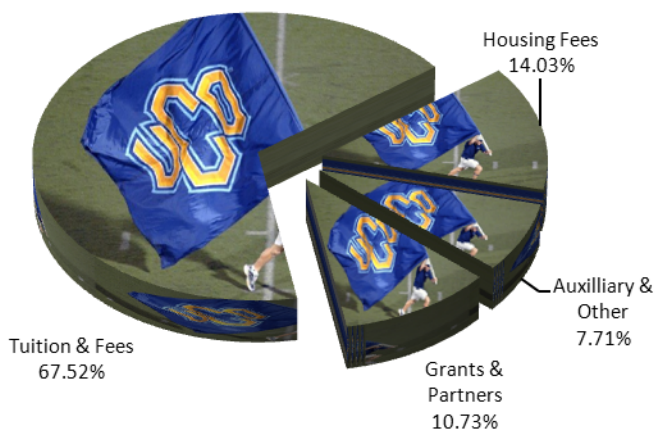
The following summarizes UCO's revenues, expenses and changes in net assets, for the year ended June 30:

**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (In Thousands)**

June 30,	2011	2010	2009
<i>Operating Revenues</i>	\$ 85,967	\$ 78,768	\$ 73,001
<i>Operating Expenses</i>	170,804	157,567	148,774
<i>Operating Loss</i>	(84,837)	(78,799)	(75,773)
<i>Non Operating Revenues (Expenses)</i>	91,251	85,254	79,369
<i>Income (Loss) Before Other Revenues, Expenses, Gains or Losses</i>	6,414	6,455	3,596
<i>Other Revenue, Expenses, Gains or Losses</i>	3,580	4,042	4,111
<i>Increase in Net Assets</i>	9,994	10,497	7,707
<i>Net Assets - End of Year</i>	\$ 107,633	\$ 97,639	\$ 87,141

**Operating Revenues**

**Operating Revenue Fiscal Year 2011**



The following summarizes the operating revenues by source, which were used to fund UCO's operating activities for the fiscal years ended June 30:

<i>Operating Revenues (In Thousands)</i>			
June 30,	2011	2010	2009
<i>Tuition &amp; Fees, Net of scholarships discounts, and allowances</i>	\$ 58,042	\$ 51,598	\$ 49,454
<i>Grants and Contracts</i>	9,228	9,056	6,968
<i>Sales &amp; Services of auxiliary services</i>	15,183	13,679	12,326
<i>Other Operating</i>	3,514	4,434	4,253
<i>Total Operating Revenues</i>	\$ 85,967	\$ 78,768	\$ 73,001

Operating revenues:

- 2011 saw a 12.49% increase in Tuition and Fee revenue continuing the trend from 2010 which had an increase of 4.34% due to record enrollments resulting in the increase in credit hours for Fall, Spring, and Summer semesters as students continue to expand their future potential. 2011 revenues reflect a modest tuition increase of 5.5%. Tuition was held flat in 2010. In 2009, improvement in operating revenues was due to an increase in Tuition and Fees associated with a boost in credit hours and an increase in tuition over the prior fiscal year. Small class size and personal attention given every student attending UCO whether an incoming freshman or graduating senior are still maintained even with the growth in student populations and credit hours.
- UCO has a goal to grow the grant program to \$20 million dollars by 2015. Grants have increase by 1.9% in 2011, 29.97% in 2010 and over 23.66% in 2009 from their previous respective years. Increasing grant awards for undergraduate research continues to lead to an additional funding to enhance the student experience adding over \$2 million dollars in 2010.
- As more commuter students continued to sign up for a meal plan, revenues in auxiliary grew by 11% in 2011 continuing the 10.9% for 2010. A complete remodeling of the food service areas led to an 18% increase in meal plan sales in 2009 and better all around quality for the student.

**Operating Expenses**

The following summarizes the operating expenses by the natural classification, for the fiscal years ended:

**CONDENSED STATEMENTS OF REVENUES, EXPENSES OPERATING EXPENSES (In Thousands)**

June 30,	2011	2010	2009
<i>Compensation &amp; employee benefits</i>	\$ 102,948	\$ 98,348	\$ 93,356
<i>Contractual services</i>	4,462	3,883	3,627
<i>Supplies &amp; materials</i>	16,549	16,426	14,992
<i>Depreciation</i>	7,259	6,617	6,459
<i>Utilities</i>	2,404	2,684	2,678
<i>Scholarships &amp; fellowships</i>	20,495	15,087	10,725
<i>Other operating expenses</i>	16,687	14,522	13,937
<i>Total Operating Expenses</i>	\$ 170,804	\$ 157,567	\$ 145,774

Operating expenses increased \$13.2 million in 2011, \$8.8 million in 2010 and \$5.9 million 2009. Operating expenses reflect the

cost of doing business to accommodate record enrollments, including the faculty, facilities and resources to teach those students. The University on average has 1.5 to 2 million in mandatory cost increases annually that are included as part of the operating expenses as follows:

- Personnel service costs increased 4.7% or \$4.6 million in 2011, 2.1% equating to \$1.9 million in 2010 compared to a \$4 million increase in 2009. The major use of these funds resulted in the employment of additional faculty and staff to meet the demands due to record increases in student FTE and credit hours. Growth in the area of instruction continues to reflect UCO's commitment to the quality of the learning experience; reinforcing that the student and their education is our first priority. Striving to hold back costs, passed on to students through tuition, UCO is continuing to hold salaries flat without raises.
- UCO's green commitment is evident through the use of 100% wind power, biodiesel, sustainability efforts, a new lead certified building, and the energy management improvements throughout the campus that continue to hold rising energy costs in check. Though utility costs and consumption rose in fiscal years 2011, 2010, and 2009 for all areas of higher education, UCO's resourcefulness has held the line in controlling our utility costs even posting a decrease of 10.4% in 2011.
- As the average student continues to struggle to afford the university experience, UCO continues to strive to provide more financial aid per student to lighten that burden. Scholarships and fellowships for 2011 reflect an increase of \$5.4 million or 35.8% greater than 2010, while 2010 reflects an increase of \$4.3 million dollars which is a 40.67% increase over 2009. Scholarships in 2009 reflected a \$1.8 million dollar increase over 2008. In providing increased scholarship and fellowship resources, UCO is seeing an increase in first generation students and returning veterans seeking to enhance their quality of life and to give back to their community.

## Nonoperating Revenues and Expenses

Certain revenue sources that UCO relies on to maintain more affordable tuition rates and provide funding for operations, including State Appropriations, which are defined under GASB as nonoperating revenue. Nonoperating expenses include costs related to capital assets. The following summarizes the nonoperating revenues and expenses for the fiscal years ended:

June 30,	2011	2010	2009
State appropriations	\$ 65,457	\$ 65,196	\$ 64,376
Federal student aid	24,267	18,895	13,333
OTRS On-behalf contributions	4,587	3,905	4,138
Gifts	-	-	2
Investment income	508	828	1,201
Interest expense	(3,668)	(3,570)	(3,681)
<b>Net Operating Revenues (Expenses)</b>	<b>\$ 91,151</b>	<b>\$ 85,254</b>	<b>\$ 79,369</b>

Net nonoperating revenues and expenses reflect a \$6 million increase in 2011, \$5.8 million increase in 2010 and an increase of \$1.4 million in 2009. The largest change is due again to a \$5.4 million increase in Federal financial aid in 2011, \$5.6 million

increase in of financial aid for 2010 to meet the growing number of qualified student's needs due to a change in Federal regulations. In 2009, financial aid increased by \$1.3 million. State Appropriations continue to stay fairly flat with a .4% increase in 2011 along with being subsidized by \$3.7 million in ARRA funds. Appropriations were cut 7.7% in 2010 and 7.5% of ARRA funds were used to offset the cut. A 2.7% increase was received in 2009. As State Appropriations continue to reflect the State's financial position UCO continues to seek ways to offset dwindling resources and reduce the size of requested tuition increase. The 2011 annual report from the Commissioners of Land Office continues to show that UCO receives the fewest dollars per student of any university in Oklahoma for capital expenditures.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about UCO's financial results by reporting the major sources and uses of cash. This statement will assist in evaluating UCO's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of UCO. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related assets. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

The following summarizes UCO's cash flow for the years ending:

June 30,	2011	2010	2009
<i>Cash provided (used) by:</i>			
Operating activities	\$ (71,115)	\$ (69,646)	\$ (67,492)
Noncapital financing activities	89,724	84,090	77,711
Investing activities	3,958	9,519	9,874
Capital and related financing activities	(12,521)	(17,241)	(19,677)
<b>Net Change in Cash</b>	<b>10,046</b>	<b>6,722</b>	<b>416</b>
<b>Cash, beginning of year</b>	<b>49,186</b>	<b>42,464</b>	<b>42,048</b>
<b>Cash, ending of year</b>	<b>\$ 59,232</b>	<b>\$ 49,186</b>	<b>\$ 42,464</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2011, UCO has \$119.5 million in capital assets, net of accumulated depreciation compared to 2010 where UCO had \$117.6 million, and 2009 where UCO had \$109.7 million in capital assets, net of accumulated depreciation. The following table summarizes UCO's capital assets, net of accumulated depreciation:

<i>(In Thousands)</i>	<i>Capital Assets, Net</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
<i>Land</i>	<i>\$ 2,377</i>	<i>\$ 2,211</i>	<i>\$ 2,202</i>
<i>Capitalized Collections</i>	<i>4,544</i>	<i>4,544</i>	<i>4,544</i>
<i>Buildings</i>	<i>140,103</i>	<i>124,425</i>	<i>124,112</i>
<i>Infrastructure and Improvements</i>	<i>10,479</i>	<i>10,205</i>	<i>10,088</i>
<i>Equipment and Furniture</i>	<i>32,774</i>	<i>32,284</i>	<i>30,849</i>
<i>Library Resources</i>	<i>17,787</i>	<i>17,787</i>	<i>17,787</i>
<i>Construction in Progress</i>	<i>15,230</i>	<i>23,970</i>	<i>12,663</i>
<i>Total Capital Assets</i>	<i>223,294</i>	<i>215,426</i>	<i>202,245</i>
<i>Accumulated Depreciation</i>	<i>(103,786)</i>	<i>(97,815)</i>	<i>(92,572)</i>
<i>Total Capital Assets, Net</i>	<i>\$ 119,508</i>	<i>\$ 117,611</i>	<i>\$ 109,673</i>

**Debt Administration**

As of June 30, 2011, UCO had \$76.2 million of debt compared to \$79.5 million in 2010 and \$82.6 million in 2009 in outstanding bonds, capital leases, and notes payable, representing a decrease of approximately \$3.2 million in 2011, \$3.1 million in 2010 and \$3.9 million in 2009. This decrease represents the payments on existing obligations. The following summarizes the outstanding long-term debt as of:

<i>(In Thousands)</i>	<i>Long Term Debt</i>		
	<i>2011</i>	<i>2010</i>	<i>2009</i>
<i>Revenue Bonds</i>	<i>\$ 45,600</i>	<i>\$ 47,635</i>	<i>\$ 49,545</i>
<i>Capital Leases</i>	<i>24,536</i>	<i>25,377</i>	<i>26,176</i>
<i>Notes Payable</i>	<i>6,070</i>	<i>6,475</i>	<i>6,865</i>
<i>Total Long Term Debt</i>	<i>\$ 76,206</i>	<i>\$ 79,487</i>	<i>\$ 82,586</i>

**ECONOMIC OUTLOOK**

The State of Oklahoma provided approximately 35.7% in 2011 compared to 39.13% for FY10 and 43.5% for FY09 of the University of Central Oklahoma's revenue resources for the operation of the university. Looking forward to FY12, State revenues, which support higher education, are in a state of uncertainty. UCO continues to be cautious regarding the availability of State funding to support Higher Education. The Federal stimulus funds provided to Higher Education in Oklahoma will no longer be available removing \$3.7 million in funding to aid the UCO student.

Enrollment continues to increase even with current economic uncertainty. Fall of FY12 enrollment is slightly up over the 6.27% increase in the Fall semester of FY11 which itself was an increase of 2.34% over 2010's Fall semester. However, the continued slow economic recovery, of the State and Nation, creates a shadowy picture at best, therefore fluctuations of both number of students and credit hour production is uncertain.

As shown in the attached financial statements, the University had an approximate \$7.2 increase in operating revenues for the year 2011, \$5.7 million dollar increase in 2010 and in 2009 operating revenue increased \$5.9 million dollars from FY08. Undergraduate research grants funding increased a modest \$ .25 million in 2011 after a \$2.1 million dollar increase in 2010. Also Federal financial aid continued to increase by \$5.4 million after an increased \$5.5 million dollars in 2010, and 2009 increase was \$1.3 million dollars. These indicators of strong financial position will allow the university to manage the upcoming year without significant reductions in programming or services. We will continue to monitor the State and National economic conditions as part of our financial decision making process.

The University continues to develop scenarios to reduce costs and increase operating revenues to protect critical academic programming, while being sensitive to the individual economic condition of our students. We are not aware of any additional facts or conditions expected to have a significant impact on the financial position or results of operations during the upcoming fiscal year.



STATEMENTS OF NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

	University		Aggregate Discretely Presented Component Units	
	June 30,		June 30,	
	2011	2010	2011	2010
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 49,303,440	\$ 40,731,032	\$ 568,216	\$ 494,888
Restricted cash and cash equivalents	9,929,161	8,455,083	-	-
Restricted Investments	2,954,743	5,846,704	652,000	3,608,813
Investments held by others	-	-	179,273	158,464
Accounts receivable, net	14,563,704	14,280,553	-	-
Interest receivable	36,302	39,980	46,289	40,200
Prepaid expenses	6,099	6,099	4,089	4,144
Inventories	352,711	32,840	-	-
Contributions receivable	-	-	2,769,552	477,782
Current portion of student loans receivable, net	205,000	105,000	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>77,351,160</b>	<b>69,497,291</b>	<b>\$ 4,219,419</b>	<b>\$ 4,784,291</b>
<b>NONCURRENT ASSETS</b>				
Restricted investments	2,755,791	3,309,660	\$ 21,495,548	\$ 14,152,732
Investments held by others	-	-	273,233	236,645
Student loans receivable, net	1,691,049	1,996,508	-	-
Other assets	537,378	563,772	17,578	22,517
Prepaid pension asset	2,048,306	2,145,426	-	-
Capitalized collections	4,544,290	4,544,290	-	-
Capital assets, net	114,963,756	113,066,896	1,596,111	1,656,950
<b>TOTAL NONCURRENT ASSETS</b>	<b>126,540,570</b>	<b>125,626,552</b>	<b>23,382,470</b>	<b>16,068,844</b>
<b>TOTAL ASSETS</b>	<b>\$ 203,891,730</b>	<b>\$ 195,123,843</b>	<b>\$ 27,601,889</b>	<b>\$ 20,853,135</b>

STATEMENTS OF NET ASSETS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

	University		Aggregate Discretely Presented Component Units	
	June 30,		June 30,	
	2011	2010	2011	2010
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 4,933,122	\$ 4,490,858	\$ 59,433	\$ 226,399
Accrued payroll and benefits	5,289,847	5,011,425	-	-
Accrued interest payable	361,826	370,357	-	-
Deferred revenue	3,519,388	2,983,033	-	-
Deposits held in custody for others	1,514,066	494,964	179,243	158,302
Current portion of noncurrent liabilities	<u>4,643,766</u>	<u>4,800,557</u>	<u>39,167</u>	<u>37,494</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>20,262,015</b>	<b>18,151,194</b>	<b>277,843</b>	<b>422,195</b>
<b>NONCURRENT LIABILITIES,</b> net of current portion				
Accrued compensated absences	1,100,015	1,224,225	\$ -	\$ -
Federal loan program contributions refundable	1,808,759	1,840,864	-	-
Bonds payable	43,485,000	45,600,000	-	-
Notes payable	5,645,000	6,070,000	809,360	849,148
ODFA master lease obligation	6,184,230	5,973,572	-	-
Lease obligation payable to state agency	<u>17,774,042</u>	<u>18,624,880</u>	<u>-</u>	<u>-</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>75,997,046</b>	<b>79,333,541</b>	<b>809,360</b>	<b>849,148</b>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 96,259,061</u></b>	<b><u>\$ 97,484,735</u></b>	<b><u>\$ 1,087,203</u></b>	<b><u>\$ 1,271,343</u></b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 43,346,218	\$ 33,144,720	\$ -	\$ -
Restricted for:				
Nonexpendable	672,351	659,161	14,587,263	13,223,599
Expendable:			7,501,920	3,239,830
Scholarships, research, instruction and other	3,363,420	4,185,720	-	-
Loans	358,441	348,410	-	-
Capital projects	5,012,217	1,039,784	-	-
Debt service	2,901,970	14,180,878	-	-
Unrestricted	<u>51,978,052</u>	<u>44,080,435</u>	<u>4,425,503</u>	<u>3,118,363</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 107,632,669</u></b>	<b><u>\$ 97,639,108</u></b>	<b><u>\$ 26,514,686</u></b>	<b><u>\$ 19,581,792</u></b>

See notes to financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

	University		Aggregate Discretely Presented Component Units	
	Year Ended June 30,		Year Ended June 30,	
	2011	2010	2011	2010
<b>OPERATING REVENUES</b>				
Student tuition and fees (included in fees are \$4,253,785 and \$3,724,953 for 2011 and 2010, respectively, of revenues dedicated for bond repayments)	\$ 79,027,484	\$ 70,040,850	\$ -	\$ -
Less scholarship, discounts and allowances	<u>(20,985,300)</u>	<u>(18,442,726)</u>	-	-
Net student revenues	58,042,184	51,598,124	-	-
Federal grants and contracts	3,414,919	3,246,632	-	-
State and local grants and contracts	5,813,536	5,810,036	-	-
Bookstore operations	1,321,731	1,031,191	-	-
Housing and food service revenues (\$1,023,494 and \$1,391,720 for 2011 and 2010, respectively, pledged as security on 2001 UCO Student Housing Foundation Bonds)	12,064,359	10,365,234	-	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments)	1,767,101	2,264,008	-	-
Interest earned on loans to students	29,320	18,749	-	-
Other operating revenues	<u>3,513,475</u>	<u>4,434,245</u>	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>85,966,625</b>	<b>78,768,219</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>				
Compensation and employee benefits	102,947,653	98,348,469	-	-
Contractual services	4,461,673	3,883,232	154,846	56,012
Supplies and materials	16,548,817	16,426,408	91,875	63,050
Depreciation	7,259,890	6,616,650	48,659	47,665
Utilities	2,404,220	2,683,617	-	-
Scholarships and fellowships	20,495,364	15,087,260	-	-
Other operating expenses	<u>16,686,718</u>	<u>14,521,361</u>	<u>2,314,226</u>	<u>2,284,154</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>170,804,335</b>	<b>157,566,997</b>	<b>2,609,606</b>	<b>2,450,881</b>
Operating income (loss)	(84,837,710)	(78,798,778)	(2,609,606)	(2,450,881)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

	University		Aggregate Discretely Presented Component Units	
	Year Ended June 30,		Year Ended June 30,	
	2011	2010	2011	2010
NONOPERATING REVENUES (EXPENSES)				
State appropriations	61,731,197	60,909,102	-	-
State appropriations - ARRA funds	3,725,998	4,286,658	-	-
Federal funded student aid	24,266,923	18,894,687	-	-
OTRS on-behalf contributions	4,587,040	3,905,924	-	-
Gifts	-	-	7,255,483	1,824,882
Net/investment income	508,552	828,052	2,287,017	1,163,577
Interest expense	(3,568,437)	(3,570,237)	-	-
NET NONOPERATING REVENUES (EXPENSES)	<u>91,251,273</u>	<u>85,254,186</u>	<u>9,542,500</u>	<u>2,988,459</u>
Income (loss) before other revenues, expenses, gains and losses	6,413,563	6,455,408	6,932,894	537,578
State appropriations restricted for capital purposes	1,717,762	1,721,978	-	-
OCIA on-behalf state appropriations	1,862,236	2,154,747	-	-
Gift of capital assets	-	165,538	-	-
CHANGE IN NET ASSETS	9,993,561	10,497,671	6,932,894	537,578
NET ASSETS, BEGINNING OF YEAR	<u>97,639,108</u>	<u>87,141,437</u>	<u>19,581,792</u>	<u>19,044,214</u>
NET ASSETS, END OF YEAR	<u>\$ 107,632,669</u>	<u>\$ 97,639,108</u>	<u>\$ 26,514,686</u>	<u>\$ 19,581,792</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

UNIVERSITY OF CENTRAL OKLAHOMA

	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 56,467,574	\$ 46,765,236
Grants and contracts	9,461,970	9,920,466
Auxiliary enterprises and other receipts	20,228,860	19,874,476
Interest collected on loans to students	29,320	18,749
Payments to employees for salaries and benefits	(98,165,102)	(94,232,515)
Payments to suppliers and others	(59,343,059)	(51,863,877)
Loans issued to students	(38,000)	(280,067)
Collections of loans issued to students	243,459	151,747
NET CASH USED IN OPERATING ACTIVITIES	<u>(71,114,978)</u>	<u>(69,645,785)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State and federal aid	89,724,118	84,090,447
Other student financial assistance received	(60,499,389)	(54,385,500)
Other student financial assistance disbursed	60,499,389	54,385,500
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	89,724,118	84,090,447
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	5,117,469	10,043,023
Purchases of investments	(1,671,639)	(1,348,096)
Interest income received	512,230	824,023
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,958,060</u>	<u>9,518,950</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash paid for capital assets	(9,239,594)	(14,593,533)
Capital appropriations received	1,717,762	1,721,978
Proceeds of capital debt and leases	785,000	1,216,538
Payments on capital debt and leases	(3,141,621)	(2,995,393)
Interest paid on capital debt and leases	(2,642,261)	(2,590,555)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(12,520,714)</u>	<u>(17,240,965)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,046,486	6,722,647
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>49,186,115</u>	<u>42,463,468</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 59,232,601</u>	<u>\$ 49,186,115</u>

STATEMENTS OF CASH FLOWS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (84,837,710)	\$ (78,798,778)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	7,259,890	6,616,650
Loss on disposal of fixed assets	82,844	38,851
Amortization	29,394	31,124
On-behalf contributions to teachers' retirement system	4,587,040	3,905,924
Changes in assets and liabilities		
Accounts receivable	(727,721)	(2,637,264)
Prepaid pension asset	97,120	101,622
Prepaid expense	-	(689)
Inventories	(319,871)	5,365
Student loans receivable	205,459	(128,320)
Accounts payable	442,264	574,767
Accrued payroll and benefits	278,421	171,406
Student and other deposits	1,019,102	88,294
Deferred revenues	536,356	476,195
Federal loan program contributions refundable	412,465	(27,934)
Accrued compensated absences	(180,031)	(62,998)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (71,114,978)</u>	<u>\$ (69,645,785)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital debt paid by State Agency on behalf of the University	\$ 934,707	\$ 992,803
Principal on capital debt paid by State Agency on behalf of the University	<u>927,529</u>	<u>1,161,944</u>
TOTAL NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 1,862,236</u>	<u>\$ 2,154,747</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets		
Cash and cash equivalents	\$ 49,303,440	\$ 40,731,032
Restricted cash and cash equivalents	<u>9,929,161</u>	<u>8,455,083</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 59,232,601</u>	<u>\$ 49,186,115</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: University of Central Oklahoma (the University) is a metropolitan university operating under the jurisdiction of the Regional University System of Oklahoma and the Oklahoma State Regents for Higher Education. The University is a component unit of the State of Oklahoma (the "State") and is included in the general purpose financial statements of the State as part of the higher education component unit.

Blended Component Unit: Based on Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and Governmental Accounting Standards Board (GASB) No. 39, *Determining Whether Certain Organizations Are Component Units--an amendment of GASB statement No. 14*, for determining component units, UCO Student Housing Foundation (the "Housing Foundation") is included within the University reporting entity as a blended component unit.

The Housing Foundation is responsible for administration and operation of the University Suites, a student housing facility constructed with bond revenues issued through the Edmond Economic Development Authority. The Housing Foundation is governed by a Board of Directors comprised primarily of management of the University. In addition, University employees and facilities are used for virtually all activities of the Housing Foundation. Separate financial statements of the Housing Foundation have been prepared and can be obtained by contacting the University's Assistant Vice President for Administration.

Discretely Presented Component Units: Based on the criteria for determining component units from GASB Statement No. 39, certain University direct support organizations are included within the University's reporting entity as discretely presented component units. The nature and significance of the relationship between the University and the component units are such that exclusion would cause the University's financial statements to be misleading or incomplete. These are separate, not-for-profit corporations organized and operated exclusively to assist the University to achieve excellence by providing supplemental support and resources. An annual audit of each organization's financial statements is conducted by independent certified public accountants. Separate financial statements of the University's component units can be obtained by contacting the University's Assistant Vice President for Administration.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Discretely Presented Component Units--Continued:

The discretely presented component units included in the University's financial reporting entity are:

University of Central Oklahoma Foundation, Inc. (the "University Foundation") is a separate legal entity with its own Board of Trustees. The Foundation provides support for the University by way of scholarships and other direct resources. The University contracts with the Foundation to provide limited services and office space in exchange for the support the University receives from the Foundation. A portion of the scholarships awarded by the Foundation is remitted to the University after the University pays the award recipient.

University of Central Oklahoma Alumni Association (the "Association") establishes and maintains a close relationship and cooperation between the alumni of the University and their alma mater. The University supports the Association by providing personnel, office space, furniture and equipment at no charge to the Association.

KCSC Classical Radio Foundation ("KCSC Foundation") is a 501(c) (3) organization created to support the University's KCSC Radio Station. Its purpose is to support and promote classical music radio in Oklahoma.

The University's component units are nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information in the University's financial reporting entity for these differences.

Although the University is the exclusive beneficiary of the component units, the component units are independent of the University in all respects. The component units are not subsidiaries or affiliates of the University and are not directly or indirectly controlled by the University. Moreover, the assets of the component units are the exclusive property of the component units and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the component units. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the component units. The Board of Directors / Trustees of the component units are entitled to make all decisions regarding the business and affairs of the component units, including, without limitation, distributions made to the University. Third parties dealing with the University should not rely upon the financial statements of the component units for any purpose without consideration of all of the foregoing conditions and limitations.



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 35, the University is required to present a statement of net assets classified between current and noncurrent assets and liabilities, a statement of revenues, expenses and changes in net assets, with separate presentation for operating and non-operating revenues and expenses, and a statement of cash flows using the direct method.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents: For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents. The University Foundation excludes cash and cash equivalent funds held in the Foundation's investment portfolio as cash equivalents.

Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

The University Foundation investments consist of cash and cash equivalents, certificates of deposits, governmental securities, corporate bonds, mutual funds, common and preferred stocks, pooled funds, and limited partnership interests. Investments are carried at fair value and realized gains and losses on sales of investments are computed on the first-in, first-out basis.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Accounts Receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Accounts receivable also include amounts due from the federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories: Inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

Restricted Cash and Investments: Cash and investments that are externally restricted to make debt service payments maintain sinking or reserve funds, or to purchase capital or other noncurrent assets are classified as restricted assets in the statements of net assets.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, net of accumulated depreciation. For equipment, the University's capitalization policy includes all items with a unit cost of \$2,500 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 30 years for infrastructure, land improvements, and building renovations, and 5 to 10 years for library materials and equipment. Impairments are recorded to reduce the carrying value of the assets to their net realizable value determined by management based on facts and circumstances at the time of the determination. No property and equipment impairments were recorded in 2011 or 2010.

Capitalized Collections: Collections are capitalized at estimated fair values at the date of contribution. The University's capitalized collections consist primarily of works of art. These collections were valued for reporting purposes at \$4,544,290 and \$4,544,290 at June 30, 2011 and 2010, respectively. Contributions in the value of \$0 and \$165,538 were received at June 30, 2011 and 2010, respectively. The University Foundation does not include either the cost or the value of its collections in the statements net assets, nor does it recognize gifts of collection items as revenues in the statements of revenues, expenses and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Deferred Revenue: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Compensated Absences: Employees' vacation pay and compensatory time are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses and changes in net assets.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets: The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net assets – expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Restricted net assets – nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets--Continued: When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Income Taxes: The University, as a political subdivision of the State, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the University may be subject to income taxes on unrelated business income under the Internal Revenue Code Section 511(a)(2)(B). The discretely presented component units of the University are generally exempt from federal income taxes under applicable provisions of Section 501 of the Internal Revenue Code. The component units are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income taxes is included in the financial statements.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Classification of Revenues: The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, local grants and contracts, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) interest on institutional student loans, and (4) certain federal, state and local grants and contracts.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations, certain governmental and other pass-through grants, and investment income.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs are recorded as non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Reclassifications and Restatements: Certain reclassifications have been made to the 2010 financial statements to conform with 2011 financial statement presentation. During the fiscal year ended June 30, 2011, the University determined payroll and benefits had not been properly accrued for certain faculty whose contracts are paid out after June 30 for services provided before June 30 of each year. The net assets as of July 1, 2009 have been restated, as shown in the table below. No adjustments have been recorded to the change in net assets as previously reported in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2010 as the impact to the change in net assets for that time period is not significant to the University's financial statements.

	<u>Invested in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net assets as previously reported July 1, 2009	\$ 27,552,410	\$ 22,868,306	\$ 39,097,101	\$ 89,517,817
Restatement adjustment:				
Increase accrued payroll and benefits	-	-	(2,376,380)	(2,376,380)
Restated net assets at July 1, 2009	27,552,410	22,868,306	36,720,721	87,141,437
Reclassification	3,489,487	(3,489,487)	-	-
Change in net assets for the year ended June 30, 2010	<u>2,102,823</u>	<u>1,035,134</u>	<u>7,359,714</u>	<u>10,497,671</u>
Restated net assets at June 30, 2010	<u>\$ 33,144,720</u>	<u>\$ 20,413,953</u>	<u>\$ 44,080,435</u>	<u>\$ 97,639,108</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS

Deposits: *Custodial credit risk* for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. Generally, the University deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state's name. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations.

The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the University deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name.

Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the OST; (e) collateralized certificates of deposit; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

At June 30, 2011 and 2010, the carrying amount of all University and blended component unit deposits with the OST and other financial institutions was \$59,214,671 and \$49,168,385, respectively. These amounts consisted of deposits with the OST (\$58,796,858 and \$48,799,485) and U.S. financial institutions (\$417,813 and \$388,900). The University also maintains petty cash funds totaling \$17,930 in 2011 and \$17,730 in 2010. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$17,854,917 in 2011 and \$15,062,558 in 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: For financial reporting purposes, deposits with the OST that are invested in OK INVEST are classified as cash equivalents. The distribution of deposits in OK INVEST is as follows:

OK INVEST Portfolio	June 30, 2011	
	Cost	Market
U.S. agency securities	\$ 6,521,240	\$ 6,573,523
Money market mutual funds	1,963,051	1,963,051
Certificates of deposit	843,059	843,059
Tri-party repurchase agreements	1,204,868	1,204,868
Mortgage backed agency securities	6,476,886	6,762,936
Municipal bonds	355,884	385,388
Foreign bonds	66,384	66,384
Commercial paper	165,942	165,958
U.S. Treasury obligations	257,603	305,230
Totals	<u>\$ 17,854,917</u>	<u>\$ 18,270,397</u>

OK INVEST Portfolio	June 30, 2010	
	Cost	Market
U.S. agency securities	\$ 5,771,361	\$ 5,868,262
Money market mutual funds	1,318,437	1,318,437
Certificates of deposit	856,735	856,735
Tri-party repurchase agreements	965,981	965,981
Mortgage backed agency securities	5,328,812	5,560,347
Municipal bonds	324,540	347,980
Foreign bonds	60,375	59,699
U.S. Treasury obligations	436,317	461,837
Totals	<u>\$ 15,062,558</u>	<u>\$ 15,439,278</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report and who have funds deposited with the State Treasurer are allowed to participate in OK INVEST. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: Guidelines in the investment policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at [www.ok.gov/treasurer/](http://www.ok.gov/treasurer/). The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. *Interest rate risk* is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. *Liquidity risk* is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. *U.S. Government securities risk* is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the Federal Deposit Insurance Corporation or any other government agency.

The University Foundation maintains cash in bank deposit accounts that, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash or cash equivalents.



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments: Investment *credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the University's investments are managed by the State Treasurer. In accordance with state statutes, the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) prime commercial paper; and (h) repurchase agreements. *Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes. Neither the University nor State statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. *Concentration of credit risk* is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Neither the University's investment policy nor State statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. *Custodial credit risk* for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2011 and 2010, none of the University's investments were subject to custodial credit risk.

The University component units have funds invested with Merrill Lynch and other local banking institutions. The majority of marketable securities are combined in common investment pools and invested on the basis of a total return policy to provide income and improve opportunities to realize appreciation in investment values. At June 30, 2011 and 2010, respectively, \$0 and \$3,034,813 are classified as current and \$21,495,548 and \$14,152,732 are classified as noncurrent on the statement of net assets.

Bond Fund Cash and Investments: Certain non-pooled cash and investments are restricted in purpose by policies incorporated in applicable bond indentures. *Credit risk* policy generally restricts investing to cash, investments fully insured by the FDIC and U.S. government and agency securities or mutual funds investing in these types of securities.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Bond Fund Cash and Investments--Continued: There may be some variance among the investments authorized by the specific bond indentures of University bond issues. A trustee bank generally provides the management of restricted, non-pooled investments. *Custodial credit risk* is not addressed by bond indentures. *Interest rate risk* in bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which the funds are deposited (i.e. construction, reserve, operations and maintenance, etc.) Concentration of credit risk is not addressed. Concentration of credit risk is not addressed.

At June 30, 2011 and 2010, the University had investments in restricted bond funds totaling \$5,710,534 and \$9,156,364. At June 30, 2011 and 2010, respectively, \$2,954,743 and \$5,846,704 are classified as current and \$2,755,791 and \$3,309,660 are classified as noncurrent on the statement of net assets. The fair market value of these funds approximated their carrying value at June 30, 2011 and 2010. The invested bond funds are not subject to maturity dates and are due on demand. According to Standard and Poor's rating service, the funds had an average credit rating of AAAM at June 30, 2011.

All investments for the University, including its blended component unit, and discrete component units at June 30, 2011 and 2010, respectively, were as follows:

2011	University Investments	Component Unit Investments
Cash and cash equivalent funds	\$ 5,269,949	\$ 1,429,490
Guaranteed investment contract	440,585	-
Government securities	-	1,974,807
Corporate bonds	-	1,143,124
Mutual funds	-	9,997,205
Equity Securities	-	7,782,195
	<u>\$ 5,710,534</u>	<u>\$ 22,326,821</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Bond Fund Cash and Investments--Continued:

2010	University Investments	Component Unit Investments
Cash and cash equivalent funds	\$ 8,764,351	\$ 941,552
Guaranteed investment contract	392,013	-
Certificate of deposit	-	3,636,793
Government securities	-	2,585,534
Corporate bonds	-	1,169,418
Mutual funds	-	4,336,237
Equity Securities	-	5,187,383
Other	-	63,092
	<u>\$ 9,156,364</u>	<u>\$ 17,920,009</u>

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011 and 2010:

2011	University Investments	Component Unit Investments
Student tuition and fees	\$ 17,414,093	\$ -
Auxiliary enterprises and other operating activities	5,697,230	-
Federal, state, and private grants and contracts	1,575,478	-
Contributions receivable	-	2,798,861
	24,686,801	2,798,861
Less allowance for doubtful accounts	(10,123,097)	(29,309)
Net accounts receivable	<u>\$ 14,563,704</u>	<u>\$ 2,769,552</u>
2010	University Investments	Component Unit Investments
Student tuition and fees	\$ 10,172,374	\$ -
Auxiliary enterprises and other operating activities	11,067,524	-
Federal, state, and private grants and contracts	1,886,959	-
Contributions receivable	-	485,601
	23,126,857	485,601
Less allowance for doubtful accounts	(8,846,305)	(7,819)
Net accounts receivable	<u>\$ 14,280,552</u>	<u>\$ 477,782</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE D--NOTES RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2011 and 2010. Under this Program, the federal government provides funds for approximately 90% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to a maximum of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993 under the Federal Perkins Loan Program. No reimbursements are guaranteed for loans originated after this date.

Amounts refundable to the U.S. Government upon cessation of the Program of approximately \$1,809,000 and \$1,841,000 at June 30, 2011 and 2010, respectively, are reflected in the accompanying statements of net assets as noncurrent liabilities. As the University determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans that, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

At June 30, 2011 and 2010, loans receivable consisted of the following:

2011	University Investments	Component Unit Investments
Total loans receivable	\$ 2,052,981	\$ 17,578
Less: allowance for uncollectible loans	156,932	-
Loans receivable, net	\$ 1,896,049	\$ 17,578
2010	University Investments	Component Unit Investments
Total loans receivable	\$ 2,258,439	\$ 22,517
Less: allowance for uncollectible loans	156,931	-
Loans receivable, net	\$ 2,101,508	\$ 22,517

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE E--CAPITAL ASSETS

Following are the changes in University capital assets for the year ended June 30, 2011:

	Balance <u>June 30, 2010</u>	Additions	Transfers	Retirements/ Adjustments	Balance <u>June 30, 2011</u>
Capital assets not being depreciated					
Land	\$ 2,211,228	\$ 165,495	\$ -	\$ -	\$ 2,376,723
Art Collections	4,544,290	-	-	-	4,544,290
Construction in-progress	<u>23,970,347</u>	<u>4,978,547</u>	<u>(13,719,055)</u>	-	<u>15,229,839</u>
Total capital assets not being depreciated	<u>\$ 30,725,865</u>	<u>\$ 5,144,042</u>	<u>\$ (13,719,055)</u>	<u>\$ -</u>	<u>\$ 22,150,852</u>
Other capital assets					
Non-major infrastructure networks	\$ 1,495,903	\$ -	\$ -	\$ -	\$ 1,495,903
Land improvements	8,708,810	274,290	-	-	8,983,100
Buildings	124,424,657	1,959,834	13,719,055	-	140,103,546
Furniture, fixtures and equipment	32,284,496	1,861,428	-	(1,371,724)	32,774,200
Library materials	<u>17,786,850</u>	-	-	-	<u>17,786,850</u>
Total other capital assets	184,700,716	4,095,552	13,719,055	(1,371,724)	201,143,599
Less accumulated depreciation for					
Non-major infrastructure networks	(1,176,973)	(74,795)	-	-	(1,251,768)
Land improvements	(5,758,355)	(329,518)	-	-	(6,087,873)
Buildings	(52,242,723)	(4,630,938)	-	-	(56,873,661)
Furniture, fixtures and equipment	(22,394,813)	(2,198,882)	-	1,288,880	(23,304,815)
Library materials	<u>(16,242,531)</u>	<u>(25,757)</u>	-	-	<u>(16,268,288)</u>
Total accumulated depreciation	(97,815,395)	(7,259,890)	-	1,288,880	(103,786,405)
Other capital assets, net	<u>\$ 86,885,321</u>	<u>\$ (3,164,338)</u>	<u>\$ 13,719,055</u>	<u>\$ (82,844)</u>	<u>\$ 97,357,194</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 30,725,865	\$ 5,144,042	\$ (13,719,055)	\$ -	\$ 22,150,852
Other capital assets, at cost	<u>184,700,716</u>	<u>4,095,552</u>	<u>13,719,055</u>	<u>(1,371,724)</u>	<u>201,143,599</u>
Total cost of capital assets	215,426,581	9,239,594	-	(1,371,724)	223,294,451
Less accumulated depreciation	<u>(97,815,395)</u>	<u>(7,259,890)</u>	-	1,288,880	(103,786,405)
Capital assets, net	<u>\$117,611,186</u>	<u>\$ 1,979,704</u>	<u>\$ -</u>	<u>\$ (82,844)</u>	<u>\$119,508,046</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE E--CAPITAL ASSETS--Continued

Following are the changes in University capital assets for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Retirements/ Adjustments	Balance June 30, 2010
Capital assets not being depreciated				
Land	\$ 2,201,502	\$ 9,726	\$ -	\$ 2,211,228
Art Collections	4,544,290	-	-	4,544,290
Construction in-progress	12,663,008	11,307,339	-	23,970,347
Total capital assets not being depreciated	<u>\$ 19,408,800</u>	<u>\$ 11,317,065</u>	<u>\$ -</u>	<u>30,725,865</u>
Other capital assets				
Non-major infrastructure networks	\$ 1,450,621	\$ 45,282	\$ -	1,495,903
Land improvements	8,637,301	71,509	-	8,708,810
Buildings	124,111,638	516,312	(203,293)	124,424,657
Furniture, fixtures and equipment	30,849,710	2,846,658	(1,411,872)	32,284,496
Library materials	17,786,850	-	-	17,786,850
Total other capital assets	182,836,120	3,479,761	(1,615,165)	184,700,716
Less accumulated depreciation for				
Non-major infrastructure networks	(1,102,178)	(74,795)	-	(1,176,973)
Land improvements	(5,465,974)	(292,381)	-	(5,758,355)
Buildings	(48,260,568)	(4,185,448)	203,293	(52,242,723)
Furniture, fixtures and equipment	(21,526,272)	(2,241,562)	1,373,021	(22,394,813)
Library materials	(16,216,774)	(25,757)	-	(16,242,531)
Total accumulated depreciation	(92,571,766)	(6,819,943)	1,576,314	(97,815,395)
Other capital assets, net	<u>\$ 90,264,354</u>	<u>\$ (3,340,182)</u>	<u>\$ (38,851)</u>	<u>86,885,321</u>
Capital asset summary:				
Capital assets not being depreciated	\$ 19,408,800	\$ 11,317,065	\$ -	30,725,865
Other capital assets, at cost	182,836,120	3,479,761	(1,615,165)	184,700,716
Total cost of capital assets	202,244,920	14,796,826	(1,615,165)	215,426,581
Less accumulated depreciation	(92,571,766)	(6,819,943)	1,576,314	(97,815,395)
Capital assets, net	<u>\$ 109,673,154</u>	<u>\$ 7,976,883</u>	<u>\$ (38,851)</u>	<u>\$ 117,611,186</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES

University long-term liability activity for the year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts due within one year
Bonds payable and capital lease obligations					
Revenue bonds payable	\$ 47,635,000	\$ -	\$ (2,035,000)	\$ 45,600,000	\$ 2,115,000
Capital lease obligations	25,376,764	788,000	(1,629,150)	24,535,614	577,342
Notes payable	<u>6,475,000</u>	<u>-</u>	<u>(405,000)</u>	<u>6,070,000</u>	<u>425,000</u>
Total bonds and capital leases	79,486,764	788,000	(4,069,150)	76,205,614	3,117,342
Other liabilities					
Accrued compensated absences	2,806,471	1,322,500	(1,502,530)	2,626,440	1,526,424
Federal loan program contributions	<u>1,840,863</u>	<u>-</u>	<u>(32,104)</u>	<u>1,808,759</u>	<u>-</u>
Total other liabilities	<u>4,647,334</u>	<u>1,322,500</u>	<u>(1,534,634)</u>	<u>4,435,199</u>	<u>1,526,424</u>
Total long-term liabilities	<u>\$ 84,134,098</u>	<u>\$ 2,110,500</u>	<u>\$ (5,603,784)</u>	<u>\$ 80,640,813</u>	<u>\$ 4,643,766</u>

University long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amounts due within one year
Bonds payable and capital lease obligations					
Revenue bonds payable	\$ 49,545,000	\$ -	\$ (1,910,000)	\$ 47,635,000	\$ 2,035,000
Capital lease obligations	26,176,102	1,058,000	(1,857,338)	25,376,764	778,312
Notes payable	<u>6,865,000</u>	<u>-</u>	<u>(390,000)</u>	<u>6,475,000</u>	<u>405,000</u>
Total bonds and capital leases	82,586,102	1,058,000	(4,157,338)	79,486,764	3,218,312
Other liabilities					
Accrued compensated absences	2,869,467	1,392,919	(1,455,915)	2,806,471	1,582,245
Federal loan program contributions	<u>1,868,797</u>	<u>-</u>	<u>(27,934)</u>	<u>1,840,863</u>	<u>-</u>
Total other liabilities	<u>4,738,264</u>	<u>1,392,919</u>	<u>(1,483,849)</u>	<u>4,647,334</u>	<u>1,582,245</u>
Total long-term liabilities	<u>\$ 87,324,366</u>	<u>\$ 2,450,919</u>	<u>\$ (5,641,187)</u>	<u>\$ 84,134,098</u>	<u>\$ 4,800,557</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable

Revenue bonds payable consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
University Center and Parking Revenue		
Refunding Bonds, Series 2003	\$ 11,590,000	\$ 12,335,000
Library Revenue Refunding Bonds, Series 2003	4,935,000	5,255,000
ODFA Public Facilities Financing Program		
Revenue Refund Bonds, Series 2003	1,810,000	2,045,000
Wellness Center Student Facilities Revenue Bonds, Series 2000	7,485,000	7,720,000
Wantland Stadium Facility Revenue Bonds, Series 2004	12,020,000	12,310,000
UCO Student Housing Foundation Revenue Bonds, Series 2001	<u>7,760,000</u>	<u>7,970,000</u>
	<u>\$ 45,600,000</u>	<u>\$ 47,635,000</u>

University Center and Parking Revenue Refunding Bonds, Series 2003

The University Center and Parking Revenue Bonds, issued June 1, 2003, are secured by and payable both as to principal and interest from the student facility fee, parking fee, gross receipts from operations of auxiliary enterprises, and all monies in funds and accounts held by the trustee bank and are available for such payment.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 9,690,000	Serial	Final 6/1/2016	\$ 710,000 to 875,000	2.00% to 3.60%	Semiannual
\$ 7,500,000	Term	6/1/2019	\$ 2,820,000	4.00%	Semiannual
		6/1/2022	3,195,000	5.00%	Semiannual
		6/1/2023	1,485,000	4.125%	Semiannual
<u>\$ 17,190,000</u>					



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES--Continued

Library Revenue Refunding Bonds, Series 2003

The Library Revenue Bonds, issued June 1, 2003, are secured by and payable both as to principal and interest from gross receipts from a library fee and all monies in funds and accounts held by the trustee bank available for such payment.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 4,150,000	Serial	Final 6/1/2016	\$ 305,000 to 375,000	2.00% to 3.60%	Semiannual
3,185,000	Term	6/1/2019	\$ 1,200,000	4.00%	Semiannual
		6/1/2022	\$ 1,355,000	5.00%	Semiannual
		6/1/2023	\$ 630,000	4.125%	Semiannual
<u>\$ 7,335,000</u>					

Oklahoma Development Finance Authority (ODFA) Public Facilities Financing Program Revenue Refunding Bonds, Series 2003A

The ODFA Series 2003A Bonds, issued June 1, 2003, are secured by and payable both as to principal and interest from the University's Section 13 and New College Funds received from the State of Oklahoma and all monies in funds and accounts held by the trustee bank and available for such payment.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 3,635,000	Serial	Final 6/1/2018	\$ 220,000 to 275,000	2.00% to 4.00%	Semiannual

Wellness Center Student Facilities Revenue Bonds Series 2000

The Wellness Center Student Facilities Revenue Bonds, issued August 22, 2000, are secured by and payable both as principal and interest from, gross receipts of a \$2.30 per credit hour Student Facility Fee equal to at least 1.25 times the annual debt service requirement and funds held by the trustee bank.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 1,515,000	Serial	Final 8/1/2010	\$ 80,000 to 235,000	4.50% to 5.15%	Semiannual
7,485,000	Term	8/1/2015	\$ 1,565,000	5.40%	Semiannual
		8/1/2020	\$ 2,395,000	5.60%	Semiannual
		8/1/2025	\$ 3,525,000	5.70%	Semiannual
<u>\$ 9,000,000</u>					

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES--Continued

UCO Student Housing Foundation Revenue Bonds Series 2001A and 2001B

The Student Housing Foundation Revenue Bonds, issued April 19, 2001, are secured by and payable both as to principal and interest from general revenues and the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the UCO Student Housing Foundation's operation of the project.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 8,305,000	Serial	6/1/2031	\$ 150,000 to 615,000	Variable	Semiannual

Regional University System of Oklahoma Student Facilities Revenue Bonds (Wantland Stadium Revenue Bonds)

The Wantland Stadium Facility Revenue Bonds, issued July 7, 2004, are secured by a facility fee of \$3 per credit hour which is pledged for debt service requirements on these bonds. The University has also recorded an asset for its pro-rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2011 and 2010, the unamortized bond issuance costs totaled \$161,920 and \$168,960, respectively.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Taxable</u>
\$ 685,000	Serial	Final 6/1/2010	\$ 220,000 to 240,000	4.20% to 5.00%	Semiannual	X
3,075,000	Term	6/1/2019	\$ 290,000 to 400,000	3.65% to 4.60%	Semiannual	
9,235,000	Term	6/1/2024	\$ 2,340,000	5.50%	Semiannual	
		6/1/1934	\$ 6,895,000	5.00%	Semiannual	
<u>\$ 12,995,000</u>						

The scheduled maturities of University revenue bonds payable are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2012	\$ 2,115,000	\$ 2,058,573	\$ 4,173,573
2013	2,210,000	1,982,023	4,192,023
2014	2,305,000	1,900,780	4,205,780
2015	2,395,000	1,812,223	4,207,223
2016	2,515,000	1,718,442	4,233,442
2017 - 2021	13,555,000	6,889,206	20,444,206
2022 - 2026	11,955,000	3,483,334	15,438,334
2027 - 2031	6,120,000	1,480,780	7,600,780
2032 - 2036	2,430,000	247,000	2,677,000
	<u>\$ 45,600,000</u>	<u>\$ 21,572,361</u>	<u>\$ 67,172,361</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES--Continued

Notes Payable

The University has one note payable for environmental control equipment.

<u>Original Amount</u>	<u>Date</u>	<u>Frequency</u>	<u>Installment Amount</u>	<u>Effective Interest Rate</u>	<u>Number of Installments</u>	<u>Balance 2011</u>	<u>Balance 2010</u>
\$ 8,905,000	4/1/2002	Monthly	\$ 61,908	5.20%	240	\$ 6,070,000	\$ 6,475,000

Future minimum principal and interest payments under the notes payable obligations are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 425,000	\$ 317,019	\$ 742,019
2013	445,000	297,256	742,256
2014	470,000	274,450	744,450
2015	490,000	250,363	740,363
2016	515,000	225,250	740,250
2017 - 2021	3,020,000	692,013	3,712,013
2022 - 2026	705,000	37,894	742,894
	<u>\$ 6,070,000</u>	<u>\$ 2,094,245</u>	<u>\$ 8,164,245</u>

Capital Lease Obligations

Oklahoma Capitol Improvement Authority Leases

In September 1999, the Oklahoma Capitol Improvement Authority (OCIA) issued its OCIA Bond Issues, Series 1999A. Of the total bond indebtedness, the State Regents for Higher Education allocated \$2,500,000 for the 1999 Series to the University. In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. The amortization of the 1999A bond issue ended in 2010. Consequently, the lease agreement no longer secures the 1999A bond issue but now acts as security for the 2004A bond issue over the term of the lease through the year 2020. The outstanding balance of the 2004A lease obligation is \$784,851 and \$861,542 at June 30, 2011 and 2010, respectively.

In April 2006, OCIA issued its OCIA Bond Issues, Series 2006D. The University was allocated \$19,805,623 of this total issue by the State Regents. The outstanding balance of the 2006D lease obligation is \$16,989,191 and \$17,840,029 at June 30, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

Oklahoma Capitol Improvement Authority Leases--Continued

Concurrently with the allocations, the University entered into lease agreements with OCIA, which included for the six projects being funded by the OCIA bonds. The lease agreements provide for the University to make specified monthly payments over the varying terms for the specific projects, ranging from 10 to 30 years. The proceeds of the bonds and subsequent lease are to provide for capital improvements, furniture and equipment at the University.

Through June 30, 2011, the University has drawn down 100% of the 1999 Series and 92% of 2006D Series of its total allotment for expenses incurred in connection with specific projects. These expenses are being recorded as capital assets or operating expenses, in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayment made during the fiscal years. The University has also recorded an asset for its pro-rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2011 and 2010, the unamortized bond issuance costs totaled \$88,235 and \$94,785 respectively.

During the years ended June 30, 2011 and 2010, OCIA made lease principal and interest payments totaling \$1,862,236 and \$2,154,747, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the University's statements of revenues, expenses and changes in net assets.

Oklahoma Development Finance Authority Master Lease Program

The Oklahoma Development Finance Authority (ODFA) issued the ODFA Master Lease Revenue Bonds. ODFA issues bonds to fund capital improvements at state colleges and universities in Oklahoma. ODFA allocates the bond proceeds to colleges and universities in the form of financing leases. The University has recorded capital improvements funded by the leases and the resulting capital lease obligations in its statement of net assets. At June 30, 2011 and 2010, the unamortized bond issuance costs totaled \$59,000 and \$60,250, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

Oklahoma Development Finance Authority Master Lease Program--Continued

The lease agreements calls for monthly payments to ODFA in an amount that equals debt service requirements on the portion of the bonds used to finance the leases. After payment of bond closing costs, the net bond proceeds were deposited into ODFA trust accounts as required by the bond indentures. At June 30, 2011 and 2010, trust accounts balances total \$768,026 and \$485,338, respectively, and are included with Restricted Investments on the University's statement of net assets.

<u>Bond Series</u>	<u>UCO's Allocated Amount</u>	<u>Final Payment</u>
2004A	\$ 1,825,000	6/1/2024
2005A	2,405,000	6/1/2025
2006B	1,508,000	5/15/2011
2007A	151,000	5/15/2012
2007C	2,020,000	12/1/2027
2009B	1,058,000	12/1/2029
2011A	788,000	6/1/2021

Monies in the acquisition funds are restricted for the projects being funded by the Series 2011A. Debt service reserve funds are restricted for the payment of principal and interest pursuant to the agreements. Future minimum lease payments under the University's capital lease obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2012	\$ 577,341	\$ 1,196,366	\$ 1,773,707
2013	545,613	1,174,237	1,719,850
2014	562,193	1,155,609	1,717,802
2015	574,896	1,134,356	1,709,252
2016	559,407	1,114,489	1,673,896
2017-2021	2,337,974	5,253,759	7,591,733
2022-2026	1,825,000	4,781,703	6,606,703
2027-2031	564,000	4,497,767	5,061,767
2032-2033	16,989,191	1,258,321	18,247,512
	<u>\$ 24,535,615</u>	<u>\$ 21,566,607</u>	<u>\$ 46,102,222</u>

Total interest costs incurred in 2011 was \$3,620,921 of which \$52,484 was capitalized. Total interest costs incurred in 2010 was \$3,588,688 of which \$18,451 was capitalized.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE F--LONG-TERM LIABILITIES--Continued

Other Leases

The University has entered into a lease agreement with its component unit, the University Foundation, to lease their music building for a period of 25 years in the amount of \$6,689 per month. The lease commenced in January 2002 and will terminate at the end of the 300th month. In accordance with the agreement, the monthly rent adjusts every 5 years to mirror the change in the interest rate paid by the Foundation. In addition, the University agreed to pay the Foundation an additional sum of \$1,200 per year plus the EEDA's annual administrative fee which is 1/8th of 1% of the declining principal balance of the loan on the property. This lease may be cancelled at the end of any year should funding for the lease not be approved by the Regional University System of Oklahoma and budgeted and approved by the University's administration.

The University has entered into a lease agreement with its component unit, the University Foundation, to lease the building and grounds located at 400 N. Littler, 115 and 117 E. 4<sup>th</sup> and 29 S.E.4th, Edmond, Oklahoma for a period of one year. The lease calls for monthly rental payments plus reimburse the Foundation for related property taxes and insurance. The lease commenced in May 2005. This lease automatically renews for a term of one year through May 2013, unless notified in writing sixty days in advance of the anniversary date. Monthly rental payments were \$2,420 and \$2,432 at June 30, 2011 and 2010, respectively.

NOTE G--RETIREMENT PLANS

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System ("OTRS"), which is a State of Oklahoma public employees retirement system, the Teachers' Insurance Annuity Association, which is a defined contribution plan, and the Supplemental Retirement Annuity ("SRA"), a single employer defined benefit plan available to employees hired prior to July 1, 1995. The University does not maintain the accounting records, hold the investments for, or administer these plans.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

The University contributes to the Oklahoma Teachers' Retirement System (OTRS), a cost-sharing multiple-employer defined benefit pension plan sponsored by the State. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of OTRS. OTRS is not required to provide for a cost-of living adjustment. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152-3524, or by calling (405) 521-2387.

Funding Policy

The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 7.55% from January 1, 2008 through December 31, 2008, 8.05% from January 1, 2009 through December 31, 2009 and 8.55% from January 1, 2010 through June 30, 2011. The contribution rate is applied to annual compensation and is determined by State statute. Employees' contributions are also determined by State statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2011, 2010 and 2009, respectively. Percentages of the compensation in excess of \$15,000 for the employee's contributions were paid directly by the University to the OTRS for 2011, 2010 and 2009, respectively.

The University's contributions to the OTRS for the years ended June 30, 2011, 2010, and 2009, were approximately \$9,804,000, \$9,230,000, and \$8,752,000, respectively. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System (OTRS)--Continued

Funding Policy--Continued:

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2011, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the State on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2011 and 2010, total amounts contributed to the OTRS by the State of Oklahoma on behalf of the University were approximately \$4,587,000 and \$3,906,000, respectively. These on-behalf payments have been recorded as both revenues and expenses of the current funds in the financial statements in the statements of revenues, expenses and changes in net assets.

Supplemental Retirement Annuity (SRA)

Plan Description

The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1995, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a standalone financial report, nor is it included in the financial report of another entity.

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis. Under a policy adopted by the Board of Regents in December 2002, the Plan must achieve 80% funding of the pension benefit obligation by December 1, 2022.



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)--Continued

Annual Pension Cost & Net Pension Obligation (Asset)

Annual pension cost and net pension obligation (asset) of the SRA as of June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 1,063,119	\$ 1,057,660
Interest on net pension obligation (asset)	(171,634)	(179,764)
Adjustment to annual required contribution	<u>218,516</u>	<u>228,867</u>
Annual pension cost	1,110,001	1,106,763
Contributions made	<u>(1,012,881)</u>	<u>(1,005,141)</u>
Increase in net pension obligation	97,120	101,622
Net pension obligation (asset) at beginning of year	<u>(2,145,426)</u>	<u>(2,247,048)</u>
Net pension obligation (asset) at end of year	<u>\$ (2,048,306)</u>	<u>\$ (2,145,426)</u>

The annual required contribution for 2011 and 2010 were determined as part of an actuarial valuation on June 30, 2011 and 2010, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 8% per year to determine the present value of future benefit payments; (b) retirement at age 65; (c) an 8% rate of return on investments; (d) projected salary increases of 3.5% per year; and (e) an 8% interest rate for post-retirement individual annuity settlement benefits. The value of the SRA assets is based on the TIAA-CREF group annuity account asset value. The unfunded actuarial accrued liability is being amortized over twenty years as a level dollar amount on a closed basis.

Trend Information

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2011	\$ 1,110,001	91.3%	\$ (2,048,306)
2010	1,106,763	90.8%	(2,145,426)
2009	1,012,839	99.2%	(2,247,048)

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)--Continued

Fund Status and Fund Progress

The funded status of the plan as of June 30 was as follows:

	<u>2011</u>	<u>2010</u>
Actuarial accrued liability (AAL)	\$ 14,857,697	\$ 15,086,417
Actuarial value of plan assets	<u>5,520,352</u>	<u>5,009,966</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 9,337,345</u>	<u>\$ 10,076,451</u>
Funded Ratio (actuarial value of plan assets/AAL)	37.2%	33.2%
Covered Payroll (active plan members)	\$ 11,972,262	\$ 13,621,881
UAAL as a percentage of covered payroll	78.0%	74.0%

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS (OPEB)

Postemployment Healthcare Plan

Plan Description

The University's postemployment healthcare plan is an agent multiple-employer defined benefit plan administered by the Regional University System of Oklahoma Board of Regents ("RUSO"). The plan provides medical and life insurance benefits to eligible retired employees until age 65. A retiring employee must have been employed full-time in the Regional University System of Oklahoma for not less than ten years immediately preceding the date of retirement; been a member of the Oklahoma Teachers' Retirement System during that time; and elected to receive a vested benefit under the provision of the Oklahoma Teachers' Retirement System. As of June 30, 2011, there were a total of 1,115 participants in the plan. The retirement insurance program was adopted by the Board of Regents in 1985. In March 2008, the Retiree Medical Trust for Regional University system of Oklahoma was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan, and is administered by The Bank of Oklahoma, N.A. Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were made from current operating funds. In 2009, the board voted to eliminate this benefit for anyone hired after July 1, 2009, which will affect future years.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS (OPEB)--Continued

Postemployment Healthcare Plan--Continued

Funding Policy

The contribution requirements of the University are established and may be amended by the RUSO. The University is required to contribute the *annual required contribution (ARC)* of the employer, in an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost

The University's annual required contributions were \$626,443 and \$613,300, in 2011 and 2010, respectively. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at June 30, 2011 and 2010 are as follows:

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 626,443	100%	\$ -
6/30/2010	613,300	100%	-
6/30/2009	557,439	100%	-

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS (OPEB)--Continued

Postemployment Healthcare Plan--Continued

Funded Status and Funding Progress

The funded status of the plan as of June 30, was as follows:

	<u>2011</u>	<u>2010</u>
Actuarial accrued liability (AAL)	\$ 5,611,802	\$ 5,371,791
Actuarial value of plan assets	<u>2,065,248</u>	<u>1,241,612</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,546,554</u>	<u>\$ 4,130,179</u>
Funded Ratio (actuarial value of plan assets/AAL)	36.8%	23.1%
Covered Payroll (active plan members)	\$ 70,446,439	\$ 67,966,227
UAAL as a percentage of covered payroll	5.0%	6.1%

Actuarial Method and Assumptions

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the June 30, 2011 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 7.0% investment rate of return and an annual healthcare cost inflationary increase of 8.5%.

## NOTES TO FINANCIAL STATEMENTS--Continued

### UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

#### NOTE I--FUNDS HELD IN TRUST BY OTHERS

##### Beneficial Interest in State School Land Funds

The University has a beneficial interest in the Section Thirteen Fund State Educational Institutions and the New College Fund administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by Section Thirteen Fund State Educational Institutions assets and 100% of the distributions of income produced by the University of Central Oklahoma's New College Fund. The University received \$971,515 and \$963,950 during the years ended June 30, 2011 and 2010, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as restricted capital gifts in the statements of revenues, expenses and changes in net assets. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total cost basis trust reserve for University of Central Oklahoma, held in trust by the commissioners of Land Office, was approximately \$14,497,000 and \$13,493,000 at June 30, 2011 and 2010, respectively.

##### Oklahoma State Regents Endowment Trust Fund

The University participates in the Oklahoma State Regents' Endowment Program (the "Endowment Program"). Under the Endowment Program, the State matches contributions received. Such contributions generally come from private donations through the Foundation, for endowed chairs, lectureships, fellowships, and similar activities. The State matched amounts, plus any retained accumulated earnings, totaled approximately \$1,642,000 and \$1,091,000 at June 30, 2011 and 2010, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of 4.5% of the three-year average of the June 30<sup>th</sup> market values on these funds. As legal title of the State Regents matching endowment funds is retained by the Oklahoma State Regents, the funds available for distribution are approximately \$79,000 and \$73,000 at June 30, 2011 and 2010, respectively.

#### NOTE J--COMMITMENTS AND CONTINGENCIES

The University conducts certain programs pursuant to various grants and contracts, which are subject to audit by federal and state agencies. Costs questioned as a result of these audits, if any, may result in refunds to these governmental agencies from various sources of the University.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE K--RISK MANAGEMENT

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2011 will not have material adverse impact to the University.

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased on a limited basis for special events and large dollar items that are under the State Risk deductibles. The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for tort, property, and liability insurance coverage.

The Oklahoma Risk Management Pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts. The University also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interlocal Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through the State Insurance Fund. CALM is a political subdivision of the State and is governed by a Board of Trustees elected from members of the participating colleges and universities.

NOTE L--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE L--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED--Continued

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

The University is currently evaluating the effects that the above GASB Pronouncements will have on its financial statements.

NOTE M--SEGMENT INFORMATION

The following financial information represents an identifiable activity for which revenue bonds are outstanding and for which segment information is to be reported, as required by GASB Statement No. 34, as amended. The bonds were issued to construct a student housing facility for the University.

UCO Student Housing Foundation- Series 2001

The UCO Student Housing Foundation operated the student housing facility known as the University Suites II. Revenues pledged include all room rentals and other revenues generated from the housing facility.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE M--SEGMENT INFORMATION--Continued

**Condensed Statement of Net Assets**

	Student Housing 2011	Student Housing 2010
<b>ASSETS</b>		
Current assets	\$ 470,615	\$ 737,868
Capital assets	5,319,396	5,474,766
Other assets	<u>2,926,048</u>	<u>2,610,828</u>
<b>TOTAL ASSETS</b>	<u>8,716,059</u>	<u>8,823,462</u>
<b>LIABILITIES</b>		
Current liabilities	1,367,906	1,353,055
Long-term liabilities	<u>7,482,034</u>	<u>7,760,000</u>
<b>TOTAL LIABILITIES</b>	<u>8,849,940</u>	<u>9,113,055</u>
<b>NET ASSETS</b>		
Unrestricted	2,248,757	2,205,641
Invested in capital assets, net of debt	<u>(2,382,638)</u>	<u>(2,495,234)</u>
<b>TOTAL NET ASSETS (DEFICIENCY)</b>	<u>\$ (133,881)</u>	<u>\$ (289,593)</u>

**Condensed Statement of Revenues Expenses and Changes in Net Assets**

	Student Housing 2011	Student Housing 2010
<b>OPERATING REVENUES</b>	\$ 1,600,569	\$ 1,629,845
Depreciation expense	(188,161)	(176,605)
Other operating expenses	<u>(981,017)</u>	<u>(1,197,702)</u>
<b>NET OPERATING INCOME</b>	431,391	255,538
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	229	57
Interest expense	<u>(275,908)</u>	<u>(127,182)</u>
<b>NET NONOPERATING EXPENSES</b>	(275,679)	(127,125)
Change in net assets	155,712	128,413
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(289,593)</u>	<u>(418,006)</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (133,881)</u>	<u>\$ (289,593)</u>



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE M--SEGMENT INFORMATION--Continued

**Condensed Statement of Cash Flows**

	Student Housing 2011	Student Housing 2010
Net cash provided by operating activities	\$ 504,052	\$ 746,046
Net cash provided by bond activities	-	-
Net cash flows used by noncapital financing activities	-	-
Net cash flows used by capital and related financing activities	(210,000)	(185,000)
Net cash provided by investing activities	<u>(265,139)</u>	<u>(633,850)</u>
Net increase in cash	28,913	(72,804)
CASH, BEGINNING OF YEAR	<u>388,900</u>	<u>461,704</u>
CASH, END OF YEAR	<u>\$ 417,813</u>	<u>\$ 388,900</u>

REQUIRED SUPPLEMENTARY  
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

**SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT ANNUITY PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2006	\$ 4,790,261	\$ 13,357,666	\$ 8,567,405	35.9%	\$ 16,113,514	53.2%
6/30/2007	5,387,069	14,791,448	9,404,379	36.4%	15,958,108	58.9%
6/30/2008	5,279,537	13,981,155	8,701,618	37.8%	15,644,334	55.6%
6/30/2009	4,719,473	14,470,846	9,751,373	32.6%	15,140,727	64.4%
6/30/2010	5,009,966	15,086,417	10,076,451	33.2%	13,621,881	74.0%
6/30/2011	5,520,352	14,857,697	9,337,345	37.2%	11,972,262	78.0%

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2008	\$ 666,000	\$ 5,112,000	\$ 4,446,000	13.0%	\$ 51,210,330	8.7%
6/30/2009	944,691	5,371,791	4,427,100	17.6%	57,660,935	7.7%
6/30/2010	1,241,612	5,371,791	4,130,179	23.1%	67,966,227	6.1%
6/30/2011	2,065,248	5,611,802	3,546,554	36.8%	70,446,439	5.0%

The actuarial liability is based on the projected unit credit method.

OTHER SUPPLEMENTARY  
INFORMATION

SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

	Primary Government			Discrete Component Units			
	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 48,885,627	\$ 417,813	\$ 49,303,440	\$ 371,512	\$ 155,030	\$ 41,674	\$ 568,216
Restricted cash and cash equivalents	9,929,161	-	9,929,161	-	-	-	-
Restricted Investments	2,954,743	-	2,954,743	-	-	652,000	652,000
Investments held by others	-	-	-	-	179,273	-	179,273
Accounts receivable, net	14,516,278	47,426	14,563,704	-	-	-	-
Interest receivable	36,302	-	36,302	44,583	-	1,706	46,289
Loan receivable	-	-	-	-	-	-	-
Prepaid expenses	723	5,376	6,099	4,089	-	-	4,089
Inventories	352,711	-	352,711	-	-	-	-
Contributions receivable	-	-	-	2,769,552	-	-	2,769,552
Current portion of student loans receivable, net	205,000	-	205,000	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>76,880,545</b>	<b>470,615</b>	<b>77,351,160</b>	<b>3,189,736</b>	<b>334,303</b>	<b>695,380</b>	<b>4,219,419</b>
<b>NONCURRENT ASSET</b>							
Restricted investments	-	2,755,791	2,755,791	21,495,548	-	-	21,495,548
Investments held by others	-	-	-	273,233	-	-	273,233
Student loans receivable, net	1,691,049	-	1,691,049	-	-	-	-
Other assets	309,155	228,223	537,378	17,578	-	-	17,578
Prepaid pension asset	2,048,306	-	2,048,306	-	-	-	-
Capitalized collections	4,544,290	-	4,544,290	-	-	-	-
Capital assets, net	109,644,360	5,319,396	114,963,756	1,595,529	582	-	1,596,111
<b>TOTAL NONCURRENT ASSETS</b>	<b>118,237,160</b>	<b>8,303,410</b>	<b>126,540,570</b>	<b>23,381,888</b>	<b>582</b>	<b>-</b>	<b>23,382,470</b>
<b>TOTAL ASSETS</b>	<b>\$ 195,117,705</b>	<b>\$ 8,774,025</b>	<b>\$ 203,891,730</b>	<b>\$ 26,571,624</b>	<b>\$ 334,885</b>	<b>\$ 695,380</b>	<b>\$ 27,601,889</b>
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 3,785,216	\$ 1,147,906	\$ 4,933,122	\$ 37,208	\$ -	\$ 22,225	\$ 59,433
Accrued payroll and benefits	5,289,847	-	5,289,847	-	-	-	-
Accrued interest payable	361,826	-	361,826	-	-	-	-
Deferred revenue	3,519,388	-	3,519,388	-	-	-	-
Deposits held in custody for others	1,514,066	-	1,514,066	179,243	-	-	179,243
Current portion of noncurrent liabilities	4,423,766	220,000	4,643,766	39,167	-	-	39,167
<b>TOTAL CURRENT LIABILITIES</b>	<b>18,894,109</b>	<b>1,367,906</b>	<b>20,262,015</b>	<b>255,618</b>	<b>-</b>	<b>22,225</b>	<b>277,843</b>
<b>NONCURRENT LIABILITIES,</b>							
net of current portion:							
Accrued compensated absences	1,100,015	-	1,100,015	-	-	-	-
Federal loan program contributions refundable	1,808,759	-	1,808,759	-	-	-	-
Bonds payable	35,945,000	7,540,000	43,485,000	-	-	-	-
Notes payable	5,645,000	-	5,645,000	809,360	-	-	809,360
ODFA master lease obligation	6,184,230	-	6,184,230	-	-	-	-
Lease obligation payable to state agency	17,774,042	-	17,774,042	-	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>68,457,046</b>	<b>7,540,000</b>	<b>75,997,046</b>	<b>809,360</b>	<b>-</b>	<b>-</b>	<b>809,360</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 87,351,155</b>	<b>\$ 8,907,906</b>	<b>\$ 96,259,061</b>	<b>\$ 1,064,978</b>	<b>\$ -</b>	<b>\$ 22,225</b>	<b>\$ 1,087,203</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 45,728,856	\$ (2,382,638)	\$ 43,346,218	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Nonexpendable	672,351	-	672,351	14,587,263	-	-	14,587,263
Expendable:				7,501,920	-	-	7,501,920
Scholarships, research, instruction and other	3,363,420	-	3,363,420	-	-	-	-
Loans	358,441	-	358,441	-	-	-	-
Capital projects	5,012,217	-	5,012,217	-	-	-	-
Debt service	2,901,970	-	2,901,970	-	-	-	-
Unrestricted	49,729,295	2,248,757	51,978,052	3,417,463	334,885	673,155	4,425,503
<b>TOTAL NET ASSETS</b>	<b>\$ 107,766,550</b>	<b>\$ (133,881)</b>	<b>\$ 107,632,669</b>	<b>\$ 25,506,646</b>	<b>\$ 334,885</b>	<b>\$ 673,155</b>	<b>\$ 26,514,686</b>

See notes to financial statements.

SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2011

	Primary Government			Discrete Component Units			
	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total
<b>OPERATING REVENUES</b>							
Student tuition and fees (included in fees are \$4,253,785 of revenues dedicated for bond repayments)	\$ 79,027,484	\$ -	\$ 79,027,484	\$ -	\$ -	\$ -	\$ -
Less scholarship, discounts and allowances	(20,985,300)	-	(20,985,300)	-	-	-	-
Net student revenues	58,042,184	-	58,042,184	-	-	-	-
Federal grants and contracts	3,414,919	-	3,414,919	-	-	-	-
State and local grants and contracts	5,813,536	-	5,813,536	-	-	-	-
Bookstore operations	1,321,731	-	1,321,731	-	-	-	-
Housing and food service revenues (\$1,023,494 pledged as security on 2001 UCO Student Housing Foundation Bonds)	10,528,857	1,535,502	12,064,359	-	-	-	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments.)	1,767,101	-	1,767,101	-	-	-	-
Interest earned on loans to students	29,320	-	29,320	-	-	-	-
Other operating revenues	3,448,408	65,067	3,513,475	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>84,366,056</b>	<b>1,600,569</b>	<b>85,966,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>							
Compensation and employee benefits	102,947,653	-	102,947,653	-	-	-	-
Contractual services	4,425,015	36,658	4,461,673	137,911	6,138	10,797	154,846
Supplies and materials	16,318,209	230,608	16,548,817	86,919	4,956	-	91,875
Depreciation	7,083,285	176,605	7,259,890	48,393	266	-	48,659
Utilities	2,295,334	108,886	2,404,220	-	-	-	-
Scholarships and fellowships	20,495,364	-	20,495,364	-	-	-	-
Other operating expenses	16,070,297	616,421	16,686,718	2,184,397	75,328	54,501	2,314,226
<b>TOTAL OPERATING EXPENSES</b>	<b>169,635,157</b>	<b>1,169,178</b>	<b>170,804,335</b>	<b>2,457,620</b>	<b>86,688</b>	<b>65,298</b>	<b>2,609,606</b>
Net operating income (loss)	(85,269,101)	431,391	(84,837,710)	(2,457,620)	(86,688)	(65,298)	(2,609,606)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	61,731,197	-	61,731,197	-	-	-	-
State appropriations - ARRA funds	3,725,998	-	3,725,998	-	-	-	-
Federal funded student aid	24,266,923	-	24,266,923	-	-	-	-
OTRS on-behalf contributions	4,587,040	-	4,587,040	-	-	-	-
Gifts	-	-	-	7,007,799	137,311	110,373	7,255,483
Investment income	508,323	229	508,552	2,262,218	21,022	3,777	2,287,017
Interest expense	(3,292,529)	(275,908)	(3,568,437)	-	-	-	-
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>91,526,952</b>	<b>(275,679)</b>	<b>91,251,273</b>	<b>9,270,017</b>	<b>158,333</b>	<b>114,150</b>	<b>9,542,500</b>
Income (loss) before other revenues, expenses, gains and losses	6,257,851	155,712	6,413,563	6,812,397	71,645	48,852	6,932,894
State appropriations restricted for capital purposes	1,717,762	-	1,717,762	-	-	-	-
OCIA on-behalf state appropriations	1,862,236	-	1,862,236	-	-	-	-
Gifts	-	-	-	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>9,837,849</b>	<b>155,712</b>	<b>9,993,561</b>	<b>6,812,397</b>	<b>71,645</b>	<b>48,852</b>	<b>6,932,894</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>97,928,701</b>	<b>(289,593)</b>	<b>97,639,108</b>	<b>18,694,249</b>	<b>263,240</b>	<b>624,303</b>	<b>19,581,792</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 107,766,550</b>	<b>\$ (133,881)</b>	<b>\$ 107,632,669</b>	<b>\$ 25,506,646</b>	<b>\$ 334,885</b>	<b>\$ 673,155</b>	<b>\$ 26,514,686</b>

See notes to financial statements.

SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2010

	Primary Government			Discrete Component Units			
	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 40,342,132	\$ 388,900	\$ 40,731,032	\$ 311,692	\$ 103,928	\$ 79,268	\$ 494,888
Restricted cash and cash equivalents	8,455,083	-	8,455,083	-	-	-	-
Restricted Investments	5,705,866	140,838	5,846,704	3,034,813	-	574,000	3,608,813
Investments held by others	-	-	-	-	158,464	-	158,464
Accounts receivable, net	14,077,799	202,754	14,280,553	-	-	-	-
Interest receivable	39,980	-	39,980	39,948	-	252	40,200
Prepaid expenses	723	5,376	6,099	4,144	-	-	4,144
Inventories	32,840	-	32,840	-	-	-	-
Contributions receivable	-	-	-	477,782	-	-	477,782
Current portion of student loans receivable, net	105,000	-	105,000	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>68,759,423</b>	<b>737,868</b>	<b>69,497,291</b>	<b>3,868,379</b>	<b>262,392</b>	<b>653,520</b>	<b>4,784,291</b>
<b>NONCURRENT ASSETS</b>							
Restricted investments	938,610	2,371,050	3,309,660	14,152,732	-	-	14,152,732
Investments held by others	-	-	-	236,645	-	-	236,645
Student loans receivable, net	1,996,508	-	1,996,508	-	-	-	-
Other assets	323,994	239,778	563,772	22,517	-	-	22,517
Prepaid pension asset	2,145,426	-	2,145,426	-	-	-	-
Capitalized collections	4,544,290	-	4,544,290	-	-	-	-
Capital assets, net	107,592,130	5,474,766	113,066,896	1,656,102	848	-	1,656,950
<b>TOTAL NONCURRENT ASSETS</b>	<b>117,540,958</b>	<b>8,085,594</b>	<b>125,626,552</b>	<b>16,067,996</b>	<b>848</b>	<b>-</b>	<b>16,068,844</b>
<b>TOTAL ASSETS</b>	<b>\$ 186,300,381</b>	<b>\$ 8,823,462</b>	<b>\$ 195,123,843</b>	<b>\$ 19,936,375</b>	<b>\$ 263,240</b>	<b>\$ 653,520</b>	<b>\$ 20,853,135</b>
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 3,347,803	\$ 1,143,055	\$ 4,490,858	\$ 197,182	\$ -	\$ 29,217	\$ 226,399
Accrued payroll and benefits	5,011,425	-	5,011,425	-	-	-	-
Accrued interest payable	370,357	-	370,357	-	-	-	-
Deferred revenue	2,983,033	-	2,983,033	-	-	-	-
Deposits held in custody for others	494,964	-	494,964	158,302	-	-	158,302
Current portion of noncurrent liabilities	4,590,557	210,000	4,800,557	37,494	-	-	37,494
<b>TOTAL CURRENT LIABILITIES</b>	<b>16,798,139</b>	<b>1,353,055</b>	<b>18,151,194</b>	<b>392,978</b>	<b>-</b>	<b>29,217</b>	<b>422,195</b>
<b>NONCURRENT LIABILITIES</b>							
net of current portion							
Accrued compensated absences	1,224,225	-	1,224,225	-	-	-	-
Federal loan program contributions refundable	1,840,864	-	1,840,864	-	-	-	-
Bonds payable	37,840,000	7,760,000	45,600,000	-	-	-	-
Notes payable	6,070,000	-	6,070,000	849,148	-	-	849,148
ODFA master lease obligation	5,973,572	-	5,973,572	-	-	-	-
Lease obligation payable to state agency	18,624,880	-	18,624,880	-	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>71,573,541</b>	<b>7,760,000</b>	<b>79,333,541</b>	<b>849,148</b>	<b>-</b>	<b>-</b>	<b>849,148</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 88,371,680</b>	<b>\$ 9,113,055</b>	<b>\$ 97,484,735</b>	<b>\$ 1,242,126</b>	<b>\$ -</b>	<b>\$ 29,217</b>	<b>\$ 1,271,343</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	\$ 35,639,954	\$ (2,495,234)	\$ 33,144,720	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Nonexpendable	659,161	-	659,161	13,223,599	-	-	13,223,599
Expendable:				3,235,065	-	4,765	3,239,830
Scholarships, research, instruction and other	4,185,720	-	4,185,720	-	-	-	-
Loans	348,410	-	348,410	-	-	-	-
Capital projects	1,039,784	-	1,039,784	-	-	-	-
Debt service	14,180,878	-	14,180,878	-	-	-	-
Unrestricted	41,874,794	2,205,641	44,080,435	2,235,585	263,240	619,538	3,118,363
<b>TOTAL NET ASSETS</b>	<b>\$ 97,928,701</b>	<b>\$ (289,593)</b>	<b>\$ 97,639,108</b>	<b>\$ 18,694,249</b>	<b>\$ 263,240</b>	<b>\$ 624,303</b>	<b>\$ 19,581,792</b>

See notes to financial statements.

SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2010

	Primary Government			Discrete Component Units			
	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total
<b>OPERATING REVENUES</b>							
Student tuition and fees (included in fees are \$3,724,952 of revenues dedicated for bond repayments)	\$ 70,040,850	\$ -	\$ 70,040,850	\$ -	\$ -	\$ -	\$ -
Less scholarship, discounts and allowances	(18,442,726)	-	(18,442,726)	-	-	-	-
Net student revenues	51,598,124	-	51,598,124	-	-	-	-
Federal grants and contracts	3,246,632	-	3,246,632	-	-	-	-
State and local grants and contracts	5,810,036	-	5,810,036	-	-	-	-
Bookstore operations	1,031,191	-	1,031,191	-	-	-	-
Housing and food service revenues (\$1,391,720 pledged as security on 2001 UCO Student Housing Foundation Bonds)	8,973,514	1,391,720	10,365,234	-	-	-	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments.)	2,264,008	-	2,264,008	-	-	-	-
Interest earned on loans to students	18,749	-	18,749	-	-	-	-
Other operating revenues	4,196,120	238,125	4,434,245	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>77,138,374</b>	<b>1,629,845</b>	<b>78,768,219</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>							
Compensation and employee benefits	98,348,469	-	98,348,469	-	-	-	-
Contractual services	3,860,750	22,482	3,883,232	38,864	6,448	10,700	56,012
Supplies and materials	16,109,204	317,204	16,426,408	59,231	3,819	-	63,050
Depreciation	6,440,045	176,605	6,616,650	47,399	266	-	47,665
Utilities	2,586,088	97,529	2,683,617	-	-	-	-
Scholarships and fellowships	15,087,260	-	15,087,260	-	-	-	-
Other operating expenses	13,760,874	760,487	14,521,361	2,163,750	98,985	21,419	2,284,154
<b>TOTAL OPERATING EXPENSES</b>	<b>156,192,690</b>	<b>1,374,307</b>	<b>157,566,997</b>	<b>2,309,244</b>	<b>109,518</b>	<b>32,119</b>	<b>2,450,881</b>
Net operating income (loss)	(79,054,316)	255,538	(78,798,778)	(2,309,244)	(109,518)	(32,119)	(2,450,881)
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	60,909,102	-	60,909,102	-	-	-	-
State appropriations - ARRA funds	4,286,658	-	4,286,658	-	-	-	-
Federal funded student aid	18,894,687	-	18,894,687	-	-	-	-
OTRS on-behalf contributions	3,905,924	-	3,905,924	-	-	-	-
Gifts	-	-	-	1,656,118	114,376	54,388	1,824,882
Investment income	827,995	57	828,052	1,146,067	12,690	4,820	1,163,577
Interest expense	(3,443,055)	(127,182)	(3,570,237)	-	-	-	-
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>85,381,311</b>	<b>(127,125)</b>	<b>85,254,186</b>	<b>2,802,185</b>	<b>127,066</b>	<b>59,208</b>	<b>2,988,459</b>
Income (loss) before other revenues, expenses, gains and losses	6,326,995	128,413	6,455,408	492,941	17,548	27,089	537,578
State appropriations restricted for capital purposes	1,721,978	-	1,721,978	-	-	-	-
OCIA on-behalf state appropriations	2,154,747	-	2,154,747	-	-	-	-
Gift of capital assets	165,538	-	165,538	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>10,369,258</b>	<b>128,413</b>	<b>10,497,671</b>	<b>492,941</b>	<b>17,548</b>	<b>27,089</b>	<b>537,578</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>87,559,443</b>	<b>(418,006)</b>	<b>87,141,437</b>	<b>18,201,308</b>	<b>245,692</b>	<b>597,214</b>	<b>19,044,214</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 97,928,701</b>	<b>\$ (289,593)</b>	<b>\$ 97,639,108</b>	<b>\$ 18,694,249</b>	<b>\$ 263,240</b>	<b>\$ 624,303</b>	<b>\$ 19,581,792</b>

See notes to financial statements.



REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
AND OMB CIRCULAR A-133

Independent Auditors' 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

Board of Regents  
Regional University System of Oklahoma  
University of Central Oklahoma  
Oklahoma City, Oklahoma

We have audited the financial statements of the University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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. Other auditors audited the financial statements of the University of Central Oklahoma Alumni Association and the KCSC Classical Radio Foundation, discretely presented component units of the University, and the UCO Student Housing Foundation, blended component unit, as described in our report on the University's financial statements. The financial statements of the UCO Student Housing Foundation, the University of Central Oklahoma Foundation, Inc., the University of Central Oklahoma Alumni Association and the KCSC Classical Radio Foundation were not audited in accordance with *Government Auditing Standards*.

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' internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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*.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 31, 2011

Independent Auditors' Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and Internal  
Control Over Compliance in Accordance with OMB Circular A-133 and on  
The Schedule of Expenditures of Federal Awards

Board of Regents  
Regional University System of Oklahoma  
University of Central Oklahoma  
Oklahoma City, Oklahoma

Compliance

We have audited the University of Central Oklahoma's (the "University") compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The University's major federal programs are identified in the summary of auditors' 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 the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## 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 the 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 and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University and have issued our report thereon dated October 31, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report is intended solely for the use of the Board of Regents, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 31, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2011

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
U. S. Department of Education			
Student Financial Aid-Cluster			
Federal Pell Grant Program	84.063	N/A	\$ 22,252,145
Federal Supplemental Education Opportunity Grant	84.007	N/A	292,123
Federal Work-Study Program	84.033	N/A	393,831
Federal Family Education Loans	84.032	N/A	334,502
Federal Perkins Loan Program	84.038	N/A	25,003
Federal Academic Competitiveness Grant FACG	84.375	N/A	798,225
Federal National SMART Grant (FNSG)	84.376	N/A	302,688
Federal TEACH Grant/Loan	84.379	N/A	228,500
Direct Stafford Loans		N/A	59,417,539
Direct PLUS Loans		N/A	2,047,697
Plus Loans		N/A	400
Graduate Student Plus Loan		N/A	8,418
			<u>86,101,071</u>
TRIO Cluster			
Ronald E. McNair Post-Baccalaureate Achievement	84.217A	P217A080058	204,768
Upward Bound 2008 Grant	84.047A	P047A070044-08	318,061
Student Support Services (SSS) FY 07	84.042A	P042A060348	32,932
Student Support Services (SSS) FY 11 Traditional	84.042A	P042A100988	167,915
Student Support Services (SSS) FY 11 STEM	84.042A	P042A101239	143,557
Total TRIO Cluster			<u>867,233</u>
Other Direct Programs			
Project SEEDS - US Dept of Ed	84.195N	T195N070324	315,884
Passed through OSRHE			
NCLB Algebra and Pedagogy	84.367B	2011NCLB-ITQ Type A	551
Passed through Oklahoma Dept of Rehabilitation Services			
Edmond Regional Preschool Program	84.173	N/A	40,074
Passed through Oklahoma State Regents for Higher Education			
ARRA Federal Stimulus Funding-Government Services			
Fund Governance	84.394 ARRA	N/A	3,725,998
Total U.S. Department of Education			<u>91,050,811</u>
Other Programs			
U.S. Department of Agriculture			
Migratory Connectivity in the Yellow Rail	10.xxx	09-CS-11080900-002	48
Total U.S. Department of Agriculture			<u>48</u>
Department of the Army-Fort Sill Military Reservation			
Black-Capped Vireo Survey	52.212		1,227
Black Swamp Bird Observatory		N/A	12,754
Total Dept. of the Army-Fort Sill Military Reservation			<u>13,981</u>
U. S. Fish and Wildlife Service			
Soil Survey of OK Caves	15.657	F11AC00137	2,970
Total U.S. Fish and Wildlife Service			<u>2,970</u>
U.S. Department of Health & Human Services			
Scholarship for Disadvantaged Students (SDS)	93-925	7443839-03	49,500
Passed through Oklahoma Dept of Mental Health and Substance Abuse Services			
DMHSAS Specialty Substance Abuse Prevention	93.xxx		3,022

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2011

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
Administration for Children & Families Financial Assistance Award			
Passed through OK Partnership for School Readiness Foundation			
SmartStart Personnel - ARRA	93.708 ARRA	90SC000801	55,205
Passed through The University of Oklahoma Health Sciences Center			
OUHSC-Geriatric Education Centers	93.969	6D31HP08844-01-01	232
OUHSC-Geriatric Education Centers	93.969	6UB4HP19197-01-01	8,303
Total U.S. Department of Health & Human Services			<u>116,262</u>
U.S. Department of Justice			
Forensic Science Congressional App FY09			
Forensic Science Congressional App FY10	16.710	2008WX0613	1,641
Forensic Science Congressional App FY10	16.738	2010DDBX0368	191,693
Passed through East Central University			
RUSO-VPP Violence Against Women	16.525		52,206
Forensic Science Congressional FY09	16.753	2006-DI-BX-0251	62,072
Total U.S. Department of Justice			<u>307,612</u>
Environmental Protection Agency			
Passed through Council for Environmental Education			
Growing Up WILD	NA	NA	2,700
Total Environmental Protection Agency			<u>2,700</u>
U.S. Department of Transportation			
Passed through Oklahoma Highway Safety Office			
2011 Oklahoma Highway Observation Study	20.600	NA	16,478
Total U.S. Department of Transportation			<u>16,478</u>
U.S. Department of Veterans Affairs			
Passed through US Olympic Committee			
US Paralympics Integrated Adaptive Sports Program - Regional Ctr of Excellence	NA	NA	34,379
US Paralympics Integrated Adaptive Sports Program - Endeavor Games	NA	NA	79,059
US Paralympics Integrated Adaptive Sports Program - Adventure Therapy II	NA	NA	1,570
Total U.S. Department of Veterans Affairs			<u>115,008</u>
National Center for Research Resources (NIH)			
Passed through OK Medical Research Foundation			
Therapeutic Evaluation of Magnetic Nanoprobes - ARRA	93.701 ARRA	5R21CA136642-02	29,700
Passed through University of Oklahoma Health Sciences Center			
INBRE Equipment Grant	93.389	P20RR016478-09	2,037
2010 Summer Mentor - Khandaker, M	93.389	5P20RR016478-10	1,279
2010 Summer Mentor - Seong, J	93.389	5P20RR016478-10	398
2011 Summer Mentor - Vaughan, M	93.389	5P20RR016478-10	3,024
INBRE MRI Flow Study	93.389	2P20RR016478-09	137,004
INBRE Enhancing Laser Immunotherapy	93.389	5P20RR016478-10	41,382
INBRE Environmental Contribution	93.389	5P20RR016478-10	38,640
INBRE Effect of Bitter Melon Leaf	93.389	5P20RR016478-10	22,707
INBRE Small Equipment (Khandaker)	93.389	5P20RR016478-10	12,574
INBRE Quantitative ultrasound image processing	93.389	5P20RR016478-10	18,176
INBRE Deans Council Chairman	93.389	5P20RR016478-10	55,340
INBRE Equipment 2011	93.389	5P20RR016478-10	28,327
INBRE Collaborative Study (Brennan)	93.389	5P20RR016478-11	3,600
INBRE Mini-grant (Abu-Abed)	93.389	5P20RR016478-11	12,123

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2011

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
INBRE Mini-grant (Vaughan)	93.389	5P20RR016478-11	771
Total National Center for Research Resources			<u>407,082</u>
National Endowment for the Humanities			
Passed through Oklahoma Humanities Council			
OHC - Living the Past	45.168	Y10.500	5,914
OHC - Teaching Civic Engagement	45.168	Y10.501	8,248
OHC - Annual American Indian Learners Conference	45.168	Y10.049	4,201
OHC - Gallery Development	45.129	Y10.050	4,989
OHC - Technology	45.129	Y10.100	2,500
Total National Endowment for the Humanities (NEH)			<u>25,852</u>
National Science Foundation			
Passed through Oklahoma State University			
EPSCoR STEP 2009	47.08	EPS-0814361	9,778
LS-OKAMP	47.076	HRD-0402640/AA-5-85105-UCO	8,950
LS-OKAMP STEM	47.076	HRD-0902027/AA-5-29849-UCO	12,948
EPSCoR SBIR National Conference OKC 2010	47.08	EPSCoR-2010-17	10,000
Biofuel Crop Pest Resistance	47.08	EPSCoR-2010-8	1,992
ph Dep Swelling of Composit Hydrog	47.08	EPSCoR-2010-15	9,323
SURE Step	47.076	DUE-0336392	3,310
NSF Natural History Museum Improvement Grant	47.074	DBI-0749664	12,719
NSF STEP 2009: STEM Double Bridge	47.076	DUE-0856396	375,401
REU Site: Ecology and Behavior of Honey Bees and Solitary Bees	47.074	DBI-0851651	79,938
SLL Multi-Purpose Building	47.074	DBI-0829392	200,706
MRI: Acquire Automated DNA Sequencer	47.074	DBI-0922892	278
Robert Noyce Planning Grant	47.076	DUE-1035344	22,920
S-STEM	47.076	DUE-0965864	94,507
Total National Science Foundation			<u>842,770</u>
Small Business Administration			
Passed through Southeastern Oklahoma State University			
Small Business Development Center 2011	59.037	N/A	47,238
Small Business Development Center 2010	59.037	N/A	84,149
Total Small Business Administration			<u>131,387</u>
Corporation for Public Broadcasting			
CPB-CSG 2011		N/A	21,861
CPB-NPPAG 2011		N/A	7,494
CPB-NPPAG 2010		N/A	32
CPB-CSG 2010		N/A	41,670
CPB-CSG 2009		N/A	6,740
CPB-NPPAG 2008		N/A	600
CPB-CSG 2008		N/A	29
Total Corporation for Public Broadcasting			<u>78,426</u>
Total Other Programs			<u>2,060,576</u>
Total Expenditures of Federal Awards			<u>\$ 93,111,387</u>

See notes to schedule of expenditures of federal awards.



NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards include the federal awards activity of the University of Central Oklahoma (the "University") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University began participation in the Direct Loan Program on July 1, 2010. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

NOTE C--LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2011. These loan balances outstanding are not included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2011, the University issued Perkins loans totaling \$25,003.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkin Loan Program	84.038	\$ 2,036,419
Nursing Student Loans	93.364	13,742

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

NOTE D--SUB-RECEIPIENTS

During the year ended June 30, 2011, the University provided federal awards to subrecipients.

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
National Science Foundation			
SURE Step	47.076	DUE-0856396	
Passed through to:			
East Central University		UCO-2009STEP-2-ECU	\$ 45,711
Langston University		UCO-2009STEP-2-LU	65,694
Northeastern State University		UCO-2009STEP-2-NSU	50,718
Rose State College		UCO-2011-GR.104	2,000
EPSCoR STEP 2009	47.08	EPS-0814361	
Passed through to:			
East Central University		UCO-2010-GR.100	2,000
Langston University		UCO-2010-GR.102	2,000
Northeastern State University		UCO-2010-GR.101	<u>1,778</u>
Total National Science Foundation Pass Through to Subrecipients			<u>\$ 169,901</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

**Section I--Summary of Auditors' Results**

*Financial statements*

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

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

The University's major programs were:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
National Science Foundation - SURE STEP	47.076
Passed through OSRHE - ARRA State Fiscal Stabilization Fund	84.394 ARRA
Project SEEDS	84.195N

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

None to be reported for the June 30, 2011 period.

**Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:**

None to be reported for the June 30, 2011 period.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

### **FINDING 2010-03**

Program CFDA No:

47.076

CFDA Program Title:

National Science Foundation – SURE-STEP

Federal Award Year:

June 30, 2010

Criteria: Students receiving stipend awards under this program are required to be majoring in Science Technology, Engineering or Mathematics.

Condition: Seven (7) students were found to not be majoring in one of the requiring disciplines noted above. All participants in the program were tested for this requirement.

Cause: Eligibility requirements of this program regarding students being properly enrolled in the required disciplines are not being effectively monitored.

Effect: Of the seven students that were not majoring in one of the required disciplines, three (3) students received stipend payments during the year ended June 30, 2010 totaling \$2,000.

Questioned Cost: \$2,000

Recommendation: Periodic reviews should be completed to ensure that participants enrolled in the program continue to be eligible to receive the respective benefits under the program.

Views of Responsible Official: The Manager for Grants Accounting has met with the prime awards' PI regarding participants eligibility requirements. The PI has developed a form approved by the auditor that will report this information. Students' eligibility will be verified throughout their participation in the program. Eligibility will be verified prior to any stipend payments and submitted to the Grants Accounting Office. Students not meeting eligibility will not receive stipend payments.

Auditor Follow-Up: No similar findings were noted in the current year.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2011

**FINDING 2010-04**

Program CFDA No:

47.076

CFDA Program Title:

National Science Foundation – SURE-STEP

Federal Award Year:

June 30, 2010

Criteria: As a pass through entity for the SURE STEP program, the University has a responsibility to monitor the eligibility of subrecipients.

Condition: The eligibility of program participants at subrecipient institutions is not currently being monitored. Students receiving stipend awards under this program are required to be majoring in Science Technology, Engineering or Mathematics.

Cause: The University's program coordinator for this program was not aware of the need to monitor participant eligibility at subrecipient institutions.

Effect: The University is not in compliance with requirement of the grant as it pertains to controls over subrecipient payments.

Recommendation: Periodic reviews of subrecipient program participants' eligibility should be completed to ensure that participants enrolled in the program continue to be eligible to receive the respective benefits under the program.

Views of Responsible Official: The Manager for Grants Accounting has met with PI for the prime award regarding subrecipient monitoring of program participants' eligibility. A request has been sent to each subrecipient asking that they provide this information for their participants. It will be reviewed to ensure they meet eligibility requirements of the prime award. In addition, an attachment is being added to the subawards to make this reporting a requirement for the subawardee.

Auditor Follow-Up: No similar findings were noted in the current year.