



**UNIVERSITY OF  
CENTRAL OKLAHOMA**

**June 30, 2013**

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

AUDITED FINANCIAL STATEMENTS

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## Independent Auditors' Report

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

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

We have audited the accompanying financial statements of University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, as of June 30, 2013, and the statements of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 3% as of June 30, 2013, and total revenues of 4% for the year 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, 2013. The Housing Foundation's financial statements reflect total assets of 3% as of June 30, 2013, and total revenues of 1% for the year then ended. The financial statements of the Alumni Association, KCSC Foundation, and the Housing Foundation were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is 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, the KCSC Foundation, and the University of Central Oklahoma Foundation, Inc. (the "University Foundation") were not audited in accordance with Government Auditing Standards.

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

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

## Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of University of Central Oklahoma and its discretely presented component units as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note A to the financial statements, in 2013 the University adopted several new accounting pronouncements issued by the Governmental Accounting Standards Board, including GASB Statements No. 63 and 65. The provisions of GASB Statements No. 63 and 65 required the University to retroactively restate its 2012 financial statements upon adoption. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying Supplementary Combining Schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Supplementary Combining Schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the accompanying Supplementary Combining Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, 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* in considering the University's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 30, 2013

# MANAGEMENT'S DISCUSSION & ANALYSIS

## 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 Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. All dollar amounts in this MD&A are presented in thousands of dollars.

## STATEMENT OF NET POSITION

The Statement of Net Position 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 Position provides a picture of the net position (assets and deferred outflow of resources minus liabilities and deferred inflow of resources) and their availability to pay expenses of UCO. The change in net position 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 position at:

CONDENSED STATEMENT OF NET POSITION (In Thousands)			
June 30,	2013	2012	
<b>Assets</b>			
Current Assets	\$ 103,296	\$ 89,641	
Capital Assets	128,908	130,950	
Other Assets	5,732	4,335	
<b>Total Assets</b>	<b>237,936</b>	<b>224,926</b>	
<b>Deferred Outflows of Resources</b>			
	-	-	
<b>Liabilities</b>			
Current Liabilities	22,791	21,675	
Noncurrent Liabilities	83,853	88,373	
<b>Total Liabilities</b>	<b>106,644</b>	<b>110,048</b>	
<b>Deferred Inflows of Resources</b>			
	-	-	
<b>Net Assets:</b>			
Net Investment in Capital Assets	43,115	39,548	
Restricted	16,206	13,596	
Unrestricted	71,971	61,734	
<b>Total Net Position</b>	<b>\$ 131,292</b>	<b>\$ 114,878</b>	

Blended component unit operating expense and assets were restated to comply with GASB 65 in year 2012 for elimination of bond issuance assets and expense in the amount of \$161,636.



**A**ssets 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.

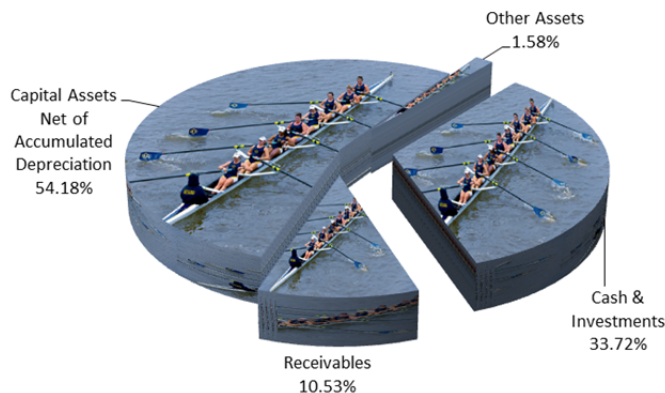
In fiscal year 2013, total assets of the institution increased by \$13 million or 5.8% over fiscal year 2012. A review of the Statement of Net Position will reveal that there are many fluctuating variables, but the increase was primarily due to an increase in cash and cash equivalents of \$11.3 million and an increase in accounts receivables of \$6.2 million, and a \$1.3 million increase in prepaid pension and OPEB asset, a reduction of \$3.4 million in restricted cash and investments, and a \$2.5 million reduction in capital and other assets. Half of the increase



# MANAGEMENT'S DISCUSSION & ANALYSIS

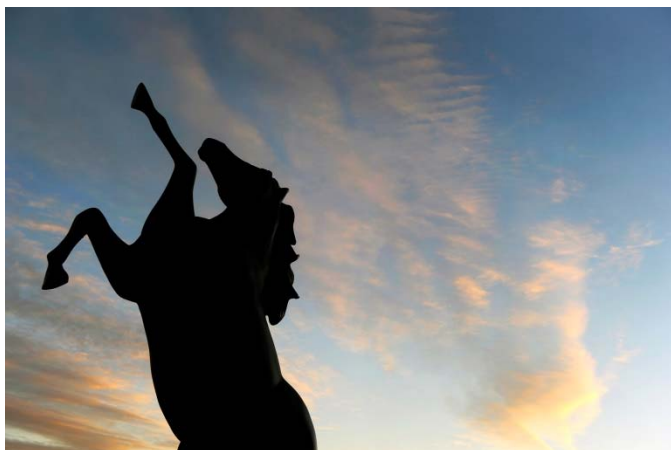
related to accounts receivable was attributable to timing of billing of guaranteed funds from the Oklahoma Promise program.

## ASSETS



**D**eferred Outflows of Resources refer to certain transactions that do not qualify as an asset in the current period that are the result of the consumption of net assets in one period that are applicable to future periods.

There are no deferred outflows of resources for 2013 or 2012, respectively.

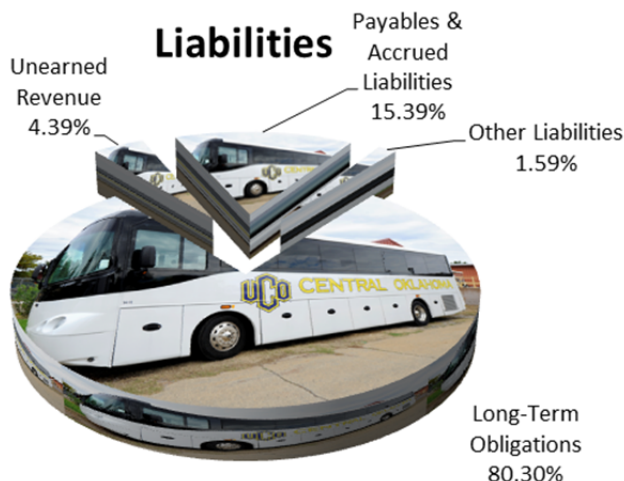


**L**iabilitys are what the University owes to others or what it has collected from others before it has provided the related services. Liabilitys are also categorized as either current or noncurrent. Current liabilitys are amounts becoming due and payable within the next year.

In fiscal year 2013, total liabilitys of the institution for the year decreased by \$3.4 million or 3.1% from fiscal year 2012. The most significant changes were an increase in unearned revenues of

\$0.8 million, an increase in accrued employee compensation of \$0.7 million, a decrease in outstanding debt of \$4.6 million and a decrease in other liabilitys of \$0.3 million.

## Liabilities



**D**eferred Inflows of Resources refer to certain transactions that do not qualify as a liability in the current period that are the result of an acquisition of net assets in one period that are applicable to future periods.

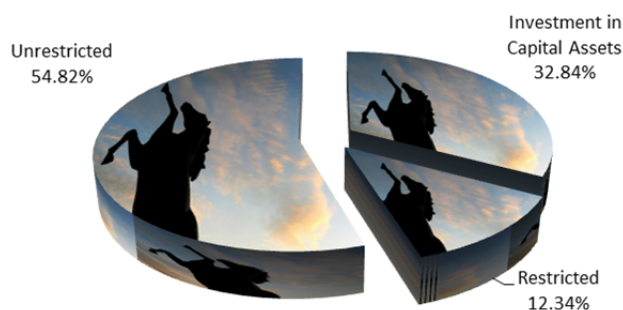
There are no deferred inflows of resources for 2013 or 2012, respectively.

**N**et position is divided into three categories. Invested in capital assets, net of related debt represents the historical cost of capital assets reduced by the balance of related outstanding debt and accumulated depreciation. Restricted net assets include amounts that have been restricted for use by an external party and are further broken down into nonexpendable and expendable. Restricted expendable net assets include amounts restricted by external parties for such things as debt service, student loans and capital projects. Finally, unrestricted net assets include amounts institutionally designated or committed to support specific academic and research programs, and for working capital requirements.

In the fiscal year 2013, the combination of total assets, deferred outflows, total liabilitys and deferred inflows nets to an increase in total net position of \$16.4 million or 14.29%.



## Net Position



## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. 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 position, for the year ended June 30:

CONDENSED STATEMENT OF REVENUES, AND CHANGES IN NET POSITION (In Thousands)		
June 30,	2013	2012
Operating Revenues	\$ 106,055	\$ 95,912
Operating Expenses	180,818	178,788
Operating Loss	(74,763)	(82,876)
Non Operating Revenues (Expenses)	88,226	87,114
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	13,463	4,238
Other Revenue, Expenses, Gains, or Losses	2,951	3,178
Change in Net Position	16,414	7,416
Net Position - End of Year	\$ 131,292	\$ 114,878
Blended component unit operating expense and assets were restated to comply with GASB 65 in year 2012 for elimination of bond issuance assets and expense in the amount of \$161,636.		

## Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

2013 operating revenues of \$106 million increased \$10.1 million or 10.6% when compared to the 2012 prior year. The increases came primarily from increases in Tuition and Fees of \$10.2 million and Auxiliary Enterprises of \$1.3 million. There were also decreases in Other Operating Revenues of \$1.1 million and Federal, State and Local Grants and Contracts of \$0.3 million.

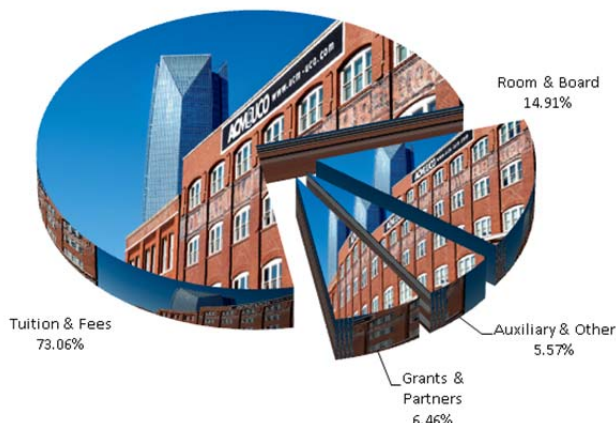
The following table summarizes the operating revenues of the University of Central Oklahoma for the last two years:

Operating Revenues (In Thousands)		
June 30,	2013	2012
Tuition & Fees, Net of scholarships, discounts, and allowances.	\$ 77,479	\$ 67,246
Grants and Contracts	6,849	7,228
Sales & Services of auxiliary services	19,029	17,648
Other Operating Revenues	2,698	3,790
Total Operating Revenues	\$ 106,055	\$ 95,912



# MANAGEMENT'S DISCUSSION & ANALYSIS

Operating Revenue Fiscal Year 2013



## Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their functional classification on the statement of revenues, expenses, and changes in net assets.



In 2013, operating expenses of \$180.8 million increased \$2.0 million or 1.1% when compared to the 2012 prior year. Compensation & Benefits increased \$4.8 million along with a \$0.8 million increase in other operating expenses. Supplies & Materials and Contractual Services were down \$2.6 million and 1.1 million respectively, largely due to no new major construction.

The following table summarizes the operating expenses of the University of Central Oklahoma for the last two years:

	Operating Expenses (In Thousands)	
	June 30, 2013	2012
Compensation & employee benefits	\$ 111,143	\$ 106,354
Contractual services	3,732	4,867
Supplies & materials	18,766	21,322
Depreciation	8,260	8,077
Utilities	2,838	3,046
Scholarships & fellowships	18,185	18,007
Other operating expenses	17,894	17,125
<b>Total Operating Expenses</b>	<b>\$ 180,818</b>	<b>\$ 178,798</b>

Blended component unit operating expense and assets were restated to comply with GASB 65 in year 2012 for elimination of bond issuance assets and expense in the amount of \$161,636.

## 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:

Nonoperating revenues (expenses) of \$88.2 million in 2013 increased \$1.1 million or 1.3% when compared to 2012 prior year.

The following table summarizes the nonoperating revenues and expenses for the University of Central Oklahoma for the last two years:

	Nonoperating Revenues and Expenses (In Thousands)	
	June 30, 2013	2012
State appropriations	\$ 63,359	\$ 62,368
Federal student aid	22,496	22,793
OTRS On-behalf contributions	5,627	5,095
Gifts	109	212
Investment income	435	475
Interest expense	(3,800)	(3,829)
<b>Net Operating Revenues (Expenses)</b>	<b>\$ 88,226</b>	<b>\$ 87,114</b>

## 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





# MANAGEMENT'S DISCUSSION & ANALYSIS

net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

The following summarizes the University of Central Oklahoma's cash flow for the years ending:

Condensed Statement of Cash Flows (In Thousands)		
June 30,	2013	2012
Cash provided (used) by:		
Operating activities	\$ (67,042)	\$ (71,373)
Noncapital financing activities	85,855	85,160
Investing activities	1,630	1,665
Capital and related financing activities	(11,330)	(6,887)
Net Change in Cash	9,113	8,565
Cash, beginning of year	67,797	59,232
Cash, ending of year	\$ 76,910	\$ 67,797



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2013, the University of Central Oklahoma had \$128.9 million in capital assets, net of accumulated depreciation compared to the prior years of 2012 with a net value of \$130.9 million. The year 2013 reflects an increase of \$3.0 million in building and land improvements attributable to completion of construction and renovation projects along with \$1.8 million in capitalizable equipment purchases and \$1.4 million in new construction. These increases were offset by \$8.2 million in depreciation and asset retirements

The following table summarizes UCO's capital assets, net of accumulated depreciation:

Capital Assets, Net (In Thousands)		
June 30,	2013	2012
Land	\$ 3,054	\$ 3,044
Capitalized Collections	4,726	4,726
Buildings	169,409	167,165
Infrastructure and Improvements	11,590	10,824
Equipment and Furniture	34,091	32,800
Library Resources	17,787	17,787
Construction in Progress	6,383	5,406
Total Capital Assets	247,040	241,752
Accumulated Depreciation	(118,132)	(110,802)
Total Capital Assets, Net	\$ 128,908	\$ 130,950



### Debt Administration

As of June 30, 2013, the University of Central Oklahoma had \$85.0 million of debt compared to \$89.6 million in 2012 in outstanding bonds, capital leases, and notes payable. This represents a decrease of \$4.6 million from 2013 to 2012. In 2012, the Commons housing unit and the Oklahoma Hardware building were acquired representing the majority of the increase in capital leases.

The following summarizes the outstanding long-term debt as of:

Long Term Debt (In Thousands)		
June 30,	2013	2012
Revenue Bonds	\$ 34,335	\$ 36,260
Capital Leases	45,514	47,702
Notes Payable	5,200	5,645
Total Long Term Debt	\$ 85,049	\$ 89,607

## ECONOMIC OUTLOOK

The outlook of the State of Oklahoma's economy still remains positive. Collection of state revenues has been rising steadily since the 2008 recession. The uncertainty of the federal government operations and the debt ceiling are a concern for the state that could have negative effects on the dollar, interest rates,



personal investments and consumption of goods as well as state investments in federal securities.

State revenues reflected a 1.59% increase for the 2013 fiscal year over the prior year while mandatory costs increased at 13%. State funding represented 31% of the total funding for 2013. Future State revenues for higher education are expected to remain relatively flat in the foreseeable future.

UCO is developing partnerships with local entities to further develop new revenue streams as well as setting a goal to increase federal funding over the next five years. Both of these projects are in the beginning stages and it will be several years before the goals are reached.

Student revenues continue to climb through a combination of increased tuition rates, increase in credit hour production, academic fee assessments, and changing demographic of enrolling students. While some colleges and universities in Oklahoma have seen a drop in enrollment with the improved economy, UCO has continued to hold its numbers, even exhibiting some minimal growth. More importantly, the mix of student enrollment has been trending toward an increase of non-resident students who provide our highest contribution margin.

The architecture of a new strategic vision supported by concentrated university planning is paving the way for an even more progressive future for UCO. This year brings us a new Provost, a stronger more consolidated division of Student Affairs and the second year of action under our President. The university is well-positioned for growth and continues to focus on the effectiveness of its resources.



STATEMENT OF NET POSITION

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

	<u>University</u>	<u>Aggregate Discretely Presented Component Units</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 68,022,285	\$ 357,704
Restricted cash and cash equivalents	8,888,095	-
Restricted Investments	1,992,077	689,000
Investments held by others	454,288	168,418
Accounts receivable, net	23,358,589	-
Interest receivable	53,649	12,191
Prepaid expenses	8,301	4,546
Inventories	313,654	-
Contributions receivable	-	4,381,365
Current portion of student loans receivable, net	<u>205,000</u>	<u>-</u>
TOTAL CURRENT ASSETS	103,295,938	5,613,224
NONCURRENT ASSETS		
Restricted investments	427,842	28,641,057
Investments held by others	440,013	277,889
Student loans receivable, net	1,427,148	5,773
Other assets	52,096	50,000
Prepaid pension and OPEB asset	3,384,543	-
Capitalized collections	4,725,870	-
Capital assets, net	<u>124,182,218</u>	<u>1,991,443</u>
TOTAL NONCURRENT ASSETS	<u>134,639,730</u>	<u>30,966,162</u>
TOTAL ASSETS	<u>\$ 237,935,668</u>	<u>\$ 36,579,386</u>

## STATEMENT OF NET POSITION--Continued

## UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

	<u>University</u>	<u>Aggregate Discretely Presented Component Units</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 5,497,902	\$ 65,980
Line of credit	-	694,355
Accrued payroll and benefits	4,904,653	-
Accrued interest payable	168,510	-
Unearned Revenue	4,684,859	-
Deposits held in custody for others	1,697,261	168,388
Current portion of noncurrent liabilities	<u>5,837,653</u>	<u>49,161</u>
TOTAL CURRENT LIABILITIES	22,790,838	977,884
NONCURRENT LIABILITIES, net of current portion		
Accrued compensated absences	1,641,423	-
Federal loan program contributions refundable	1,284,795	-
Bonds payable	32,340,000	-
Notes payable	4,730,000	684,142
ODFA master lease obligation	27,864,957	-
Lease obligation payable to state agency	<u>15,992,153</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>83,853,328</u>	<u>684,142</u>
TOTAL LIABILITIES	<u>\$ 106,644,166</u>	<u>\$ 1,662,026</u>
NET POSITION		
Net investment in capital assets	\$ 43,115,127	\$ -
Restricted for:		
Nonexpendable	775,897	18,687,786
Expendable:		11,617,064
Scholarships, research, instruction, and other	2,517,860	-
Loans	796,993	-
Capital projects	5,664,292	-
Debt service	6,451,264	-
Unrestricted	<u>71,970,069</u>	<u>4,612,510</u>
TOTAL NET POSITION	<u>\$ 131,291,502</u>	<u>\$ 34,917,360</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

	<u>University</u>	<u>Aggregate Discretely Presented Component Units</u>
<b>OPERATING REVENUES</b>		
Student tuition and fees (included in fees are \$3,907,181 of revenues dedicated for bond repayments)	\$ 100,035,333	\$ -
Less: scholarship, discounts, and allowances	<u>(22,556,332)</u>	<u>-</u>
Net student revenues	77,479,001	-
Federal grants and contracts	2,735,928	-
State and local grants and contracts	4,112,650	-
Bookstore operations	1,117,942	-
Housing and food service revenues (\$1,592,658 pledged as security on 2001 UCO Student Housing Foundation Bonds)	15,815,333	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments)	2,095,711	-
Interest earned on loans to students	34,290	-
Other operating revenues	<u>2,663,949</u>	<u>132,976</u>
TOTAL OPERATING REVENUES	106,054,804	132,976
<b>OPERATING EXPENSES</b>		
Compensation and employee benefits	111,143,365	132,855
Contractual services	3,732,312	65,394
Supplies and materials	18,765,665	15,071
Depreciation	8,259,811	65,302
Utilities	2,838,432	-
Scholarships and fellowships	18,185,048	798,255
Other operating expenses	<u>17,893,803</u>	<u>895,339</u>
TOTAL OPERATING EXPENSES	<u>180,818,436</u>	<u>1,972,216</u>
OPERATING INCOME (LOSS)	(74,763,632)	(1,839,240)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

	University	Aggregate Discretely Presented Component Units
NONOPERATING REVENUES (EXPENSES)		
State appropriations	63,358,533	-
Federal funded student aid	22,496,085	-
OTRS on-behalf contributions	5,627,407	-
Gifts	109,309	6,277,638
Net/investment income	435,361	773,125
Interest expense	(3,800,494)	(27,982)
NET NONOPERATING REVENUES (EXPENSES)	<u>88,226,201</u>	<u>7,022,781</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSES	13,462,569	5,183,541
State appropriations restricted for capital purposes	1,476,796	-
OCIA on-behalf state appropriations	<u>1,474,049</u>	<u>-</u>
CHANGE IN NET POSITION	16,413,414	5,183,541
NET POSITION, BEGINNING OF YEAR ( <i>Restated</i> )	<u>114,878,088</u>	<u>29,733,819</u>
NET POSITION, END OF YEAR	<u>\$ 131,291,502</u>	<u>\$ 34,917,360</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 77,943,667
Grants and contracts	6,506,459
Auxiliary enterprises and other receipts	16,001,232
Interest collected on loans to students	34,290
Payments to employees for salaries and benefits	(106,178,954)
Payments to suppliers and others	(61,464,622)
Collection of loans issued to students	<u>115,276</u>
NET CASH USED IN OPERATING ACTIVITIES	(67,042,652)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State and federal aid	85,854,618
Direct loan receipts	64,660,617
Direct loan disbursements	<u>(64,660,617)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	85,854,618

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	1,372,276
Purchases of investments	(164,521)
Interest income received	<u>421,991</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,629,746

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash paid for capital assets	(6,271,832)
Capital appropriations and gifts received	1,586,105
Payments on capital debt and leases	(3,890,192)
Interest paid on capital debt and leases	<u>(2,753,275)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,329,194)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 9,112,518

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 67,797,862

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 76,910,380

STATEMENT OF CASH FLOWS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

RECONCILIATION OF OPERATING LOSS TO  
NET CASH USED IN OPERATING ACTIVITIES

Operating Loss	\$ (74,763,632)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	8,259,811
Loss on disposal of fixed assets	50,780
Amortization	2,935
On-behalf contributions to teachers' retirement system	5,627,407
Changes in assets and liabilities:	
Accounts receivable	(6,225,888)
Prepaid pension asset	(1,333,906)
Inventories	118,093
Student loans receivable	115,276
Prepaid expense	(2,202)
Accounts payable	(83,647)
Accrued payroll and benefits	(29,772)
Student and other deposits	(140,220)
Unearned revenues	844,812
Federal loan program contributions refundable	(183,181)
Accrued compensated absences	<u>700,682</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (67,042,652)</u>

NONCASH INVESTING, NONCAPITAL FINANCING  
AND CAPITAL AND RELATED FINANCING ACTIVITIES

Interest on capital debt paid by State Agency on behalf of the University	<u>\$ 806,646</u>
Principal on capital debt paid by State Agency on behalf of the University	<u>\$ 667,403</u>

RECONCILIATION OF CASH AND CASH  
EQUIVALENTS TO THE STATEMENTS OF NET POSITION

Current assets:	
Cash and cash equivalents	\$ 68,022,285
Restricted cash and cash equivalents	<u>8,888,095</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 76,910,380</u>

See notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

### UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

#### 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*, GASB No. 39, *Determining Whether Certain Organizations Are Component Units--an Amendment of GASB Statement No. 14*, and GASB No. 61, *The Financial Reporting Entity "Omnibus", an Amendment of GASB Statements No. 14 and No. 34*, 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. 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, 2013

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 (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, 2013

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 position classified between current and noncurrent assets and liabilities and deferred outflows and inflows of resources; a statement of revenues, expenses, and changes in net position, 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.

Cash Equivalents: For purposes of the statement 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 position.

The University Foundation investments consist of cash and cash equivalents, governmental securities, corporate bonds, mutual funds, common and preferred stocks, and pooled funds. 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, 2013

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

Accounts Receivable: Accounts receivable consist 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, to maintain sinking or reserve funds, or to purchase capital or other noncurrent assets are classified as restricted assets in the statement of net position.

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 20 to 40 years for buildings; 5 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 2013.

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 \$4,725,870 at June 30, 2013. No contributions were received during the year ended June 30, 2013. The University Foundation does not include either the cost or the value of its collections in the statement of net position, nor does it recognize gifts of collection items as revenues in the statement of revenues, expenses, and changes in net position.

Unearned Revenue: Unearned 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 statement of net position and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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

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 Position: The University's net position is classified as follows:

*Net Investment in capital assets:* 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 position - expendable:* Restricted expendable net position 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 position - nonexpendable:* Nonexpendable restricted net position 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 position:* Unrestricted net position 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect 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 non-operating 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.

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 position. 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.

Restatements: The University has chosen to early adopt GASB Statement No. 65, *Items Previously reported as Assets and Liabilities*. GASB Statement No. 65 requires government entities to recognize debt issuance costs as an expense in the period the costs are incurred instead of recognizing as an expense over the duration of the related debt. The adoption of GASB No. 65 required the University to reclassify \$161,636 of bond issuance costs to net position as of July 1, 2012. The University's net position was previously reported as \$115,039,724 and has been adjusted to \$114,878,088 as a result of adopting GASB No. 65.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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

New Accounting Pronouncements Adopted in Fiscal Year 2013: The University adopted several new accounting pronouncements during the year ended June 30, 2013 as follows:

- *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 University will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.
- *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 adoption of GASB No. 61 did not have an impact on the University's financial statement presentation.
- *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 adoption of GASB No. 62 did not have an impact on the University's financial position, or changes in financial position or cash flows, or its financial statement presentation.
- *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 adoption of GASB No. 63 did not have an impact on the University's financial position, or changes in financial position or cash flows, or its financial statement presentation.
- *Statement No. 65, Items Previously Reported as Assets and Liabilities.*  
GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The University has chosen to early adopt GASB Statement No. 65 in 2013. See restatements above for the impact to the University as a result of adopting GASB No. 65.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

*Fiscal Year Ended June 30, 2014*

- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The University has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

*Fiscal Year Ended June 30, 2015*

- Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*.

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its Net Position.

- Statement No. 69, *Government Combinations and Disposals of Government Operations*.

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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 obligations of the United States Government, its agencies, and instrumentalities; including agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, State of Israel bonds and various other investments, as allowed by law.

At June 30, 2013 the carrying amount of all University and blended component unit deposits with the OST and other financial institutions was \$76,892,450. These amounts consisted of deposits with the OST (\$76,356,187) and U.S. financial institutions (\$536,263). The differences between the bank balance of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in transit. The University also maintains petty cash funds totaling \$17,930. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$21,534,937 at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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, 2013	
	Cost	Market
U.S. agency securities	\$ 8,465,017	\$ 8,429,229
Money market mutual funds	2,020,769	2,020,769
End of Day Commercial Paper Sweep	452,627	452,627
Certificates of deposit	550,122	550,122
Mortgage backed agency securities	9,253,642	9,299,070
Municipal bonds	362,793	401,586
Foreign bonds	170,099	169,998
U.S. Treasury obligations	259,868	317,127
TOTALS	<u>\$ 21,534,937</u>	<u>\$ 21,640,528</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.

Guidelines in the investment policy address credit quality requirements and 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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 Foundation 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments--Continued: *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, 2013 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, 2013, \$800,581 is classified as current (of which \$111,581 is included in cash and cash equivalents), and \$28,641,057 is classified as noncurrent on the statement of net position.

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. 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Bond Fund Cash and Investments--Continued: At June 30, 2013, the University had investments in restricted bond funds totaling \$3,314,220. At June 30, 2013, \$2,446,365 is classified as current, and \$867,855 is classified as noncurrent on the statement of net position. The fair market value of these funds approximated their carrying value at June 30, 2013. 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, 2013.

All investments for the University, including its blended component unit, and discrete component units at June 30, 2013, were as follows:

2013	University Investments	Component Unit Investments
Cash and cash equivalent funds	\$ 2,874,207	\$ 2,474,991
Guaranteed investment contract	440,013	-
Mutual funds	-	26,359,078
Equity Securities	-	664,406
	<u>\$ 3,314,220</u>	<u>\$ 29,498,475</u>

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2013:

2013	University Receivables	Component Unit Receivables
Student tuition and fees	\$ 24,233,653	\$ -
Auxiliary enterprises and other operating activities	7,074,841	-
Federal, state, and private grants and contracts	4,897,496	-
Contributions receivable	-	4,793,298
	36,205,990	4,793,298
Less: allowance for doubtful accounts	(12,847,401)	(411,933)
Net accounts receivable	<u>\$ 23,358,589</u>	<u>\$ 4,381,365</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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, 2013. 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 \$1,285,000 at June 30, 2013 are reflected in the accompanying statement of net position 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, 2013 loans receivable consisted of the following:

2013	University Loans	Component Unit Loans
Total loans receivable	\$ 1,789,079	\$ 5,773
Less: allowance for uncollectible loans	156,931	-
Loans receivable, net	\$ 1,632,148	\$ 5,773

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE E--CAPITAL ASSETS

Following are the changes in University capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2013
Capital assets not being depreciated					
Land	\$ 3,044,332	\$ 9,405	\$ -	\$ -	\$ 3,053,737
Art Collections	4,725,870	-	-	-	4,725,870
Construction in-progress	5,406,327	1,432,138	(430,534)	(24,952)	6,382,979
Total capital assets not being depreciated	<u>\$ 13,176,529</u>	<u>\$ 1,441,543</u>	<u>\$ (430,534)</u>	<u>\$ (24,952)</u>	<u>\$ 14,162,586</u>
Other capital assets					
Non-major infrastructure networks	\$ 1,495,903	\$ -	\$ -	\$ -	\$ 1,495,903
Land improvements	9,328,707	766,636	-	-	10,095,343
Buildings	167,162,427	2,244,669	-	-	169,407,096
Furniture, fixtures, and equipment	32,801,676	1,850,846	430,534	(992,405)	34,090,651
Library materials	17,786,850	-	-	-	17,786,850
Total other capital assets	228,575,563	4,862,151	430,534	(992,405)	232,875,843
Less: accumulated depreciation for					
Non-major infrastructure networks	(1,326,563)	(74,795)	-	-	(1,401,358)
Land improvements	(6,450,743)	(401,202)	-	-	(6,851,945)
Buildings	(62,144,449)	(5,378,938)	-	2,252	(67,521,135)
Furniture, fixtures, and equipment	(24,586,509)	(2,379,119)	-	929,528	(26,036,100)
Library materials	(16,294,046)	(25,757)	-	-	(16,319,803)
Total accumulated depreciation	(110,802,310)	(8,259,811)	-	931,780	(118,130,341)
Other capital assets, net	<u>\$ 117,773,253</u>	<u>\$ (3,397,660)</u>	<u>\$ 430,534</u>	<u>\$ (60,625)</u>	<u>\$ 114,745,502</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 13,176,529	\$ 1,441,543	\$ (430,534)	\$ (24,952)	\$ 14,162,586
Other capital assets, at cost	228,575,563	4,862,151	430,534	(992,405)	232,875,843
Total cost of capital assets	241,752,092	6,303,694	-	(1,017,357)	247,038,429
Less: accumulated depreciation	(110,802,310)	(8,259,811)	-	931,780	(118,130,341)
Capital assets, net	<u>\$ 130,949,782</u>	<u>\$ (1,956,117)</u>	<u>\$ -</u>	<u>\$ (85,577)</u>	<u>\$ 128,908,088</u>

Capital assets acquired with funds under capital lease programs are included in the above capital assets.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE F--LONG-TERM LIABILITIES

University long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Bonds payable and capital lease obligations:					
Revenue bonds payable	\$ 36,260,000	\$ -	\$ (1,925,000)	\$ 34,335,000	\$ 1,995,000
Capital lease obligations	47,701,897	-	(2,187,593)	\$ 45,514,304	1,657,194
Notes payable	5,645,000	-	(445,000)	\$ 5,200,000	470,000
Total bonds and capital leases	89,606,897	-	(4,557,593)	85,049,304	4,122,194
Other liabilities:					
Accrued compensated absences	2,656,201	700,681	-	3,356,882	1,715,459
Federal loan program contributions refundable	1,467,976	-	(183,181)	1,284,795	-
Total other liabilities	4,124,177	700,681	(183,181)	4,641,677	1,715,459
Total long-term liabilities	<u>\$ 93,731,074</u>	<u>\$ 700,681</u>	<u>\$ (4,740,774)</u>	<u>\$ 89,690,981</u>	<u>\$ 5,837,653</u>

Revenue Bonds Payable: Revenue bonds payable consisted of the following at June 30, 2013:

University Center and Parking Revenue Refunding Bonds, Series 2003	\$ 10,025,000
Library Revenue Refunding Bonds, Series 2003	4,270,000
ODFA Public Facilities Financing Program Revenue Refund Bonds, Series 2003	1,325,000
Wantland Stadium Facility Revenue Bonds, Series 2004	11,410,000
UCO Student Housing Foundation Revenue Bonds, Series 2001	7,305,000
	<u>\$ 34,335,000</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.

Original Amount	Bond Type	Installment Date	Installment Amount	Interest Rate	Interest Due
\$ 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, 2013

NOTE F--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--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	\$ 280,000 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>\$ 4,150,000</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

UCO Student Housing Foundation Revenue Bonds Series 2001A: 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	7/1/2031	\$ 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.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 3,075,000	Serial	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
		6/1/2034	\$ 6,895,000	5.00%	Semiannual
<u>\$ 3,075,000</u>					

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE F--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--Continued: 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:			
2014	\$ 1,995,000	\$ 1,519,025	\$ 3,514,025
2015	2,055,000	1,448,018	3,503,018
2016	2,145,000	1,373,407	3,518,407
2017	2,220,000	1,290,980	3,510,980
2018	2,305,000	1,201,106	3,506,106
2019 - 2023	12,080,000	4,504,922	16,584,922
2024 - 2028	5,250,000	2,237,443	7,487,443
2029 - 2033	5,435,000	929,647	6,364,647
2034 - 2038	850,000	42,500	892,500
	<u>\$ 34,335,000</u>	<u>\$ 14,547,048</u>	<u>\$ 48,882,048</u>

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 2013</u>
\$ 8,905,000	4/1/2002	Semi Annual	\$ 310,000 to \$705,000	5.20%	40	\$ 5,200,000

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2014	\$ 470,000	\$ 274,450	\$ 744,450
2015	490,000	250,363	740,363
2016	515,000	225,250	740,250
2017	545,000	198,856	743,856
2018	570,000	170,925	740,925
2019 - 2023	2,610,000	360,125	2,970,125
	<u>\$ 5,200,000</u>	<u>\$ 1,479,969</u>	<u>\$ 6,679,969</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE F--LONG-TERM LIABILITIES--Continued

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 outstanding balance of the 2004A lease obligation is \$619,977 at June 30, 2013.

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 \$15,460,833 at June 30, 2013.

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, 2013, the University has drawn down 100% 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.

During the year ended June 30, 2013 OCIA made lease principal and interest payments totaling \$1,474,049 on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the University's statement of revenues, expenses, and changes in net position.

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 position.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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, 2013, trust accounts balances total \$177,764 and are included with Restricted Investments on the University's statement of net position.

Bond Series	UCO's Allocated Amount	Final Payment	June 30, 2013
2004A	\$ 1,825,000	6/1/2024	\$ 1,175,000
2005A	2,035,000	6/1/2025	1,400,000
2007C	2,020,000	12/1/2027	1,652,000
2009B	1,058,000	12/1/2029	941,000
2011A	788,000	6/1/2021	547,000
2011A (RP)	7,685,000	6/1/2026	7,170,000
2011B	10,815,000	6/1/2028	10,090,000
2011C	6,597,000	6/1/2041	6,370,000

Monies in the acquisition funds are restricted for the projects being funded by the Series 2011A, 2011A(RP), 2011B, and 2011C. 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:

Years Ending June 30:	Principal	Interest	Total
2014	\$ 1,657,193	\$ 2,048,616	\$ 3,705,809
2015	1,719,896	1,996,420	3,716,316
2016	1,747,407	1,943,354	3,690,761
2017	1,610,189	1,883,968	3,494,157
2018	1,669,306	1,825,924	3,495,230
2019-2023	9,010,479	8,108,586	17,119,065
2024-2028	8,469,000	6,148,901	14,617,901
2029-2033	15,545,637	4,347,821	19,893,458
2034-2038	2,885,197	718,845	3,604,042
2039-2043	1,200,000	103,960	1,303,960
	\$ 45,514,304	\$ 29,126,395	\$ 74,640,699

Total interest costs incurred in 2013 were \$3,652,682, none of which was capitalized.

## NOTES TO FINANCIAL STATEMENTS--Continued

### UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

#### 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 \$5,299 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 insurance. The lease commenced in May 2005. This lease automatically renews for a term of one year through May 2015, unless notified in writing sixty days in advance of the anniversary date. Monthly rental payments were \$1,602 at June 30, 2013.

The University has entered into a lease agreement with its component unit, the University Foundation, to lease the building and grounds located at 912 N. Chowning, Edmond, Oklahoma for a period of one year. The lease calls for monthly rental payments. The lease commenced in October 2012. This lease automatically renews for a term of one year through September 2022, unless notified in writing sixty days in advance of the anniversary date. Monthly rental payments were \$8,000 at June 30, 2013.

#### 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, a defined contribution 403(b) plan, and the Supplemental Retirement Annuity ("SRA"), a single employer defined benefit plan available to employees hired prior to July 1, 1995. Effective July 1, 2012, the Board of Regents adopted a retirement plan for the President of the University. The University does not currently maintain the accounting records, hold the investments for, or administer these plans. The retirement plan for the President of the University has a Section 415(m) feature which, when utilized, will be administered by the University.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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 of 8.55% 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 2013. Amounts of the compensation in excess of \$10,000 for the employee's contributions were paid directly by the University to the OTRS.

The University's contributions to the OTRS for the years ended June 30, 2013, 2012 and 2011 were approximately \$11,236,000, \$10,105,000, and \$9,804,000, respectively. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2013, 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 year ended June 30, 2013, total amounts contributed to the OTRS by the State of Oklahoma on behalf of the University were approximately \$5,627,000. These on-behalf payments have been recorded as both revenues and expenses of the current funds in the financial statements in the statement of revenues, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE G--RETIREMENT PLANS--Continued

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.

Annual Pension Cost & Net Pension Obligation (Asset): Annual pension cost and net pension obligation (asset) of the SRA as of June 30, 2013, is as follows:

Annual required contribution	\$ 929,137
Interest on net pension obligation (asset)	(164,051)
Adjustment to annual required contribution	<u>208,862</u>
Annual pension cost	973,948
Contributions made	<u>(1,112,880)</u>
Increase in net pension obligation	(138,932)
Net pension obligation (asset) at beginning of year	<u>(2,050,637)</u>
Net pension obligation (asset) at end of year	<u>\$ (2,189,569)</u>

The annual required contribution for 2013 was determined as part of an actuarial valuation on June 30, 2013, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 6.5% per year to determine the present value of future benefit payments, (b) retirement at age 63, (c) an 8% rate of return on investments, (d) projected salary increases of 2.5% per year, and (e) an 3.5% 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 17,532,470
Actuarial value of plan assets	<u>5,540,907</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 11,991,563</u>
Funded Ratio (actuarial value of plan assets/AAL)	31.6%
Covered Payroll (active plan members)	\$ 10,124,926
UAAL as a percentage of covered payroll	118.4%

The schedule of funding progress, presented as required supplementary information, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Trend Information

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation (Asset)</u>
2013	\$ 973,948	114.3%	\$ (2,189,569)
2012	1,010,549	100.2%	(2,050,637)
2011	1,110,001	91.3%	(2,048,306)

Retirement Plan for President of the University of Central Oklahoma

Plan Description: The plan is a single employer defined benefit retirement plan administered by the University's Board of Regents. The plan was established during fiscal year 2013 with an effective date of July 1, 2012. The purpose of the plan is to provide supplemental retirement benefits to offset years capped at \$40,000 by Oklahoma Teachers' Retirement System. Eligibility for the plan is limited to the President of the University. The University's Board of Regents has the authority to amend the plan and the benefits provided. The plan 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 plan rests with the University's Board of Regents. Eligible employees are not required nor permitted to make contributions to the plan. The University shall determine the amount of contributions to fund the plan under the advice of the plan's actuary. The plan has not had an actuarial study performed for fiscal year 2013; however, an estimated contribution requirement of \$115,000 was determined for the fiscal year by the University. As of June 30, 2013 the University has not contributed to the plan.



NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE G--RETIREMENT PLANS--Continued

Retirement Plan for the President of the University of Central Oklahoma--Continued

Annual Cost and Net Obligation: Annual pension cost and net pension obligation, estimated, of the plan for 2013 is as follows:

	<u>2013</u>
Annual required contribution	\$ 115,000
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension cost	115,000
Contribution made	<u>-</u>
Decrease (Increase) in net pension obligation	115,000
Net pension obligation at beginning of year	<u>-</u>
Net pension obligation at end of year	<u><u>\$ 115,000</u></u>

The estimate of the annual required contribution includes a 7% rate of return on investments, a 0% projected salary increase, and use of the RP-2000 White Collar Healthy Mortality Table.

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation (Asset)</u>
2013	\$ 115,000	0%	\$ 115,000

Trend information and information related to the funded status and funding progress of the plan will be provided in subsequent years.

Section 415(M) Plan for the President of the University of Central Oklahoma

Plan Description: The 415(m) Retirement Plan is a qualified excess benefit plan authorized under Section 415(m) of the Internal Revenue Code. The plan was established during fiscal year 2013 with an effective date of July 1, 2012. This plan is a single employer defined benefit plan, providing benefits to those employees determined eligible for the plan. The plan is designed to pay those accrued benefits that have, during a plan year, been determined that the annual benefit under the Qualified Plan, *the Retirement Plan for the President of the University of Central Oklahoma*, has exceeded the limits imposed by Section 415(b) of the Internal Revenue Code. Eligibility for the plan is limited to the President of the University. The University's Board of Regents has the authority to amend the plan and the benefits provided. The plan does not issue a stand-alone financial report, nor is it included in the financial report of another entity.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE G--RETIREMENT PLANS--Continued

Section 415(M) Plan for the President of the University of Central Oklahoma--Continued

Funding Policy: The authority to establish and amend eligible employees' and employer contribution obligations to the plan rests with the University's Board of Regents. Eligible employees are not required nor permitted to make contributions to the plan. The University shall determine the amount of contributions to fund the plan under the advice of the plan's actuary. As described in the *Retirement Plan for the President of the University of Central Oklahoma*, the University has not had an actuarial study performed but did estimate the fiscal year's pension cost and net pension obligation for June 30, 2013. As of June 30, 2013 the University has not contributed to the plan.

Trend information and information related to the funded status and funding progress of the plan will be provided in subsequent years.

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, 2013, there were a total of 825 participants in the plan. The retirement insurance program was adopted by the Board of Regents in 1985. In March 2008, the Retire 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 limited future liability.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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

Postemployment Healthcare Plan--Continued

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.

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, 2013, 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 9.5%.

Annual OPEB Cost and Net OPEB Obligation (Asset): Annual OPEB cost and net OPEB obligation (asset) for 2013 are as follows:

Annual required contribution	\$ 551,492
Interest on prior year net OPEB obligation (asset)	<u>8,663</u>
Annual OPEB cost	560,155
Contributions made	<u>(936,774)</u>
Increase (decrease) in net OPEB obligation	(376,619)
OPEB obligation (asset) at beginning of year	<u>(818,355)</u>
OPEB obligation (asset) at end of year	<u>\$ (1,194,974)</u>

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.

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2013	\$ 560,155	100%	\$ (1,194,974)
6/30/2012	572,780	100%	(818,355)
6/30/2011	626,443	100%	(398,096)

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 6,073,170
Actuarial value of plan assets	<u>3,447,135</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>2,626,035</u>
Funded Ratio (actuarial value of plan assets/AAL)	56.8%
Covered Payroll (active plan members)	\$ 62,316,076
UAAL as a percentage of covered payroll	4.2%

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 \$1,274,053 during the year ended June 30, 2013, 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 statement of revenues, expenses, and changes in net position. 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 \$16,010,000 at June 30, 2013.

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 \$2,184,000 at June 30, 2013, 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 \$146,000 at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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.

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, 2013, 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE L--CONDENSED COMBINING FINANCIAL INFORMATION

The financial statements of the University include the financial statements of the Housing Foundation as a blended component unit. Following is condensed combining financial information of the University and it blended component unit.

CONDENSED COMBINED STATEMENT OF NET POSITION

ASSETS	University	Housing Foundation	Total
Current assets	\$ 100,655,723	\$ 2,640,215	\$ 103,295,938
Capital assets	119,217,448	4,964,770	124,182,218
Other assets	9,977,574	479,938	10,457,512
TOTAL ASSETS	\$ 229,850,745	\$ 8,084,923	\$ 237,935,668
LIABILITIES			
Current liabilities	\$ 22,086,827	\$ 704,011	\$ 22,790,838
Long-term liabilities	76,798,328	7,055,000	83,853,328
TOTAL LIABILITIES	\$ 98,885,155	\$ 7,759,011	\$ 106,644,166
NET ASSETS			
Unrestricted	\$ 71,775,942	\$ 194,127	\$ 71,970,069
Restricted: nonexpendable	775,897	-	775,897
Restricted: expendable	13,010,490	2,419,919	15,430,409
Invested in capital assets, net of debt	45,403,261	(2,288,134)	43,115,127
TOTAL NET POSITION (DEFICIENCY)	\$ 130,965,590	\$ 325,912	\$ 131,291,502

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE L--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

CONDENSED COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>University</u>	<u>Housing Foundation</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 77,479,001	\$ -	\$ 77,479,001
Other operating revenues	<u>26,887,220</u>	<u>1,688,583</u>	<u>28,575,803</u>
TOTAL OPERATING REVENUES	104,366,221	1,688,583	106,054,804
<b>OPERATING EXPENSES</b>			
Compensation and employee benefits	111,143,365	-	111,143,365
Depreciation expense	8,082,498	177,313	8,259,811
Other operating expenses	<u>60,596,164</u>	<u>819,096</u>	<u>61,415,260</u>
TOTAL OPERATING EXPENSES	<u>179,822,027</u>	<u>996,409</u>	<u>180,818,436</u>
NET OPERATING INCOME	(75,455,806)	692,174	(74,763,632)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriations	68,985,940	-	68,985,940
Federal funded student aid	22,496,085		22,496,085
Interest expense	(3,652,682)	(147,812)	(3,800,494)
Other nonoperating revenues (expenses)	<u>544,585</u>	<u>85</u>	<u>544,670</u>
NET NONOPERATING REVENUES (EXPENSES)	<u>88,373,928</u>	<u>(147,727)</u>	<u>88,226,201</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	12,918,122	544,447	13,462,569
<b>CAPITAL APPROPRIATIONS</b>			
	<u>2,950,845</u>	<u>-</u>	<u>2,950,845</u>
CHANGE IN NET POSITION	15,868,967	544,447	16,413,414
NET POSITION, BEGINNING OF YEAR	<u>115,096,623</u>	<u>(218,535)</u>	<u>114,878,088</u>
NET POSITION, END OF YEAR	<u>\$ 130,965,590</u>	<u>\$ 325,912</u>	<u>\$ 131,291,502</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE L--CONDENSED COMBINING FINANCIAL INFORMATION--Continued

CONDENSED COMBINED STATEMENT OF CASH FLOWS

	<u>University</u>	<u>Housing Foundation</u>	<u>Total</u>
Net cash provided (used) by			
Operating activities	\$ (66,208,244)	\$ (834,408)	\$ (67,042,652)
Noncapital financing activities	85,854,618	-	85,854,618
Capital and related financing activities	1,864,746	(235,000)	1,629,746
Investing activities	<u>(12,342,071)</u>	<u>1,012,877</u>	<u>(11,329,194)</u>
NET INCREASE IN CASH	9,169,049	(56,531)	9,112,518
CASH, BEGINNING OF YEAR	<u>67,205,068</u>	<u>592,794</u>	<u>67,797,862</u>
CASH, END OF YEAR	<u>\$ 76,374,117</u>	<u>\$ 536,263</u>	<u>\$ 76,910,380</u>

The Housing Foundation also meets the definition of a Segment as defined by GASB Statement No. 34. The Housing Foundation operates the student housing facility known as the University Suites II which were funded by the issuance of revenue bonds and are outstanding. Revenues pledged for the revenue bonds include all room rentals and other revenues generated from the housing facility



## REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

**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)
6/30/2007	\$ 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%
6/30/2012	5,314,922	14,486,394	9,171,472	36.7%	11,015,029	83.3%
6/30/2013	5,540,907	17,532,470	11,991,563	31.6%	10,124,926	118.4%

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

The actuarial valuation for the Supplemental Retirement Annuity Plan as of June 30, 2013, reflects changes in actuarial assumptions used to more accurately reflect management's expectation of the actuarial accrued liability based upon current economic conditions. See Note G for a description of assumptions used.

**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)
6/30/2009	\$ 944,691	\$ 5,371,791	\$ 4,427,100	17.6%	\$ 57,660,935	7.7%
6/30/2010	1,241,612	5,611,802	4,370,190	22.1%	67,966,227	6.4%
6/30/2011	2,065,248	6,133,462	4,068,214	33.7%	70,446,439	5.8%
6/30/2012	2,688,141	6,338,224	3,650,083	42.4%	60,799,372	6.0%
6/30/2013	3,447,135	6,073,170	2,626,035	56.8%	62,316,076	4.2%

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

## OTHER SUPPLEMENTARY INFORMATION

SUPPLEMENTARY SCHEDULE - COMBINING STATEMENT OF NET POSITION

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

	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	\$ 67,486,022	\$ 536,263	\$ 68,022,285	\$ 30,132	\$ 215,991	\$ 111,581	\$ 357,704
Restricted cash and cash equivalents	8,888,095	-	8,888,095	-	-	-	-
Restricted Investments	-	1,992,077	1,992,077	-	-	689,000	689,000
Investments held by others	454,288	-	454,288	-	168,418	-	168,418
Accounts receivable, net	23,255,015	103,574	23,358,589	-	-	-	-
Interest receivable	53,649	-	53,649	10,925	-	1,266	12,191
Prepaid expenses	-	8,301	8,301	4,546	-	-	4,546
Inventories	313,654	-	313,654	-	-	-	-
Contributions receivable	-	-	-	4,381,365	-	-	4,381,365
Current portion of student loans receivable, net	205,000	-	205,000	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>100,655,723</b>	<b>2,640,215</b>	<b>103,295,938</b>	<b>4,426,968</b>	<b>384,409</b>	<b>801,847</b>	<b>5,613,224</b>
<b>NONCURRENT ASSET</b>							
Restricted investments	-	427,842	427,842	28,641,057	-	-	28,641,057
Investments held by others	440,013	-	440,013	277,889	-	-	277,889
Student loans receivable, net	1,427,148	-	1,427,148	5,773	-	-	5,773
Other assets	-	52,096	52,096	-	-	50,000	50,000
Prepaid pension and OPEB asset	3,384,543	-	3,384,543	-	-	-	-
Capitalized collections	4,725,870	-	4,725,870	-	-	-	-
Capital assets, net	119,217,448	4,964,770	124,182,218	1,991,376	67	-	1,991,443
<b>TOTAL NONCURRENT ASSETS</b>	<b>129,195,022</b>	<b>5,444,708</b>	<b>134,639,730</b>	<b>30,916,095</b>	<b>67</b>	<b>50,000</b>	<b>30,966,162</b>
<b>TOTAL ASSETS</b>	<b>\$ 229,850,745</b>	<b>\$ 8,084,923</b>	<b>\$ 237,935,668</b>	<b>\$ 35,343,063</b>	<b>\$ 384,476</b>	<b>\$ 851,847</b>	<b>\$ 36,579,386</b>
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable	\$ 5,205,794	\$ 292,108	\$ 5,497,902	\$ 65,980	\$ -	\$ -	\$ 65,980
Line of Credit	-	-	-	694,355	-	-	694,355
Accrued payroll and benefits	4,904,653	-	4,904,653	-	-	-	-
Accrued interest payable	168,510	-	168,510	-	-	-	-
Unearned revenue	4,522,956	161,903	4,684,859	-	-	-	-
Deposits held in custody for others	1,697,261	-	1,697,261	168,388	-	-	168,388
Current portion of noncurrent liabilities	5,587,653	250,000	5,837,653	49,161	-	-	49,161
<b>TOTAL CURRENT LIABILITIES</b>	<b>22,086,827</b>	<b>704,011</b>	<b>22,790,838</b>	<b>977,884</b>	<b>-</b>	<b>-</b>	<b>977,884</b>
<b>NONCURRENT LIABILITIES, net of current portion</b>							
Accrued compensated absences	1,641,423	-	1,641,423	-	-	-	-
Federal loan program contributions refundable	1,284,795	-	1,284,795	-	-	-	-
Bonds payable	25,285,000	7,055,000	32,340,000	-	-	-	-
Notes payable	4,730,000	-	4,730,000	684,142	-	-	684,142
ODFA master lease obligation	27,864,957	-	27,864,957	-	-	-	-
Lease obligation payable to state agency	15,992,153	-	15,992,153	-	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>76,798,328</b>	<b>7,055,000</b>	<b>83,853,328</b>	<b>684,142</b>	<b>-</b>	<b>-</b>	<b>684,142</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 98,885,155</b>	<b>\$ 7,759,011</b>	<b>\$ 106,644,166</b>	<b>\$ 1,662,026</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,662,026</b>
<b>NET POSITION</b>							
Net investment in capital assets	\$ 45,403,261	\$ (2,288,134)	\$ 43,115,127	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Nonexpendable	775,897	-	775,897	18,687,786	-	-	18,687,786
Expendable:				11,562,469	-	54,595	11,617,064
Scholarships, research, instruction, and other	2,517,860	-	2,517,860	-	-	-	-
Loans	796,993	-	796,993	-	-	-	-
Capital projects	5,664,292	-	5,664,292	-	-	-	-
Debt service	4,031,345	2,419,919	6,451,264	-	-	-	-
Unrestricted	71,775,942	194,127	71,970,069	3,430,782	384,476	797,252	4,612,510
<b>TOTAL NET POSITION</b>	<b>\$ 130,965,590</b>	<b>\$ 325,912</b>	<b>\$ 131,291,502</b>	<b>\$ 33,681,037</b>	<b>\$ 384,476</b>	<b>\$ 851,847</b>	<b>\$ 34,917,360</b>

See notes to financial statements.

SUPPLEMENTARY SCHEDULE - COMBINING STATEMENT OF REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2013

	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 \$3,907,181 of revenues dedicated for bond repayments)	\$ 100,035,333	\$ -	\$ 100,035,333	\$ -	\$ -	\$ -	\$ -
Less: scholarship, discounts and allowances	(22,556,332)	-	(22,556,332)	-	-	-	-
Net student revenues	77,479,001	-	77,479,001	-	-	-	-
Federal grants and contracts	2,735,928	-	2,735,928	-	-	-	-
State and local grants and contracts	4,112,650	-	4,112,650	-	-	-	-
Bookstore operations	1,117,942	-	1,117,942	-	-	-	-
Housing and food service revenues (\$1,592,658 pledged as security on 2001 UCO Student Housing Foundation Bonds)	14,252,675	1,562,658	15,815,333	-	-	-	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments.)	2,095,711	-	2,095,711	-	-	-	-
Interest earned on loans to students	34,290	-	34,290	-	-	-	-
Other operating revenues	2,538,024	125,925	2,663,949	-	132,976	-	132,976
<b>TOTAL OPERATING REVENUES</b>	<b>104,366,221</b>	<b>1,688,583</b>	<b>106,054,804</b>	<b>-</b>	<b>132,976</b>	<b>-</b>	<b>132,976</b>
<b>OPERATING EXPENSES</b>							
Compensation and employee benefits	111,143,365	-	111,143,365	132,855	-	-	132,855
Contractual services	3,707,187	25,125	3,732,312	52,295	7,557	5,542	65,394
Supplies and materials	18,220,430	545,235	18,765,665	10,380	4,691	-	15,071
Depreciation	8,082,498	177,313	8,259,811	65,036	266	-	65,302
Utilities	2,718,998	119,434	2,838,432	-	-	-	-
Scholarships and fellowships	18,185,048	-	18,185,048	798,255	-	-	798,255
Other operating expenses	17,764,501	129,302	17,893,803	795,920	91,023	8,396	895,339
<b>TOTAL OPERATING EXPENSES</b>	<b>179,822,027</b>	<b>996,409</b>	<b>180,818,436</b>	<b>1,854,741</b>	<b>103,537</b>	<b>13,938</b>	<b>1,972,216</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(75,455,806)</b>	<b>692,174</b>	<b>(74,763,632)</b>	<b>(1,854,741)</b>	<b>29,439</b>	<b>(13,938)</b>	<b>(1,839,240)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriations	63,358,533	-	63,358,533	-	-	-	-
Federal funded student aid	22,496,085	-	22,496,085	-	-	-	-
OTRS on-behalf contributions	5,627,407	-	5,627,407	-	-	-	-
Gifts	109,309	-	109,309	6,133,819	-	143,819	6,277,638
Investment income	435,276	85	435,361	759,134	7,212	6,779	773,125
Interest expense	(3,652,682)	(147,812)	(3,800,494)	(27,982)	-	-	(27,982)
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<b>88,373,928</b>	<b>(147,727)</b>	<b>88,226,201</b>	<b>6,864,971</b>	<b>7,212</b>	<b>150,598</b>	<b>7,022,781</b>
<b>INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, AND LOSSES</b>	<b>12,918,122</b>	<b>544,447</b>	<b>13,462,569</b>	<b>5,010,230</b>	<b>36,651</b>	<b>136,660</b>	<b>5,183,541</b>
State appropriations restricted for capital purposes	1,476,796	-	1,476,796	-	-	-	-
OCIA on-behalf state appropriations	1,474,049	-	1,474,049	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>15,868,967</b>	<b>544,447</b>	<b>16,413,414</b>	<b>5,010,230</b>	<b>36,651</b>	<b>136,660</b>	<b>5,183,541</b>
<b>NET POSITION, BEGINNING OF YEAR (Restated)</b>	<b>115,096,623</b>	<b>(218,535)</b>	<b>114,878,088</b>	<b>28,670,807</b>	<b>347,825</b>	<b>715,187</b>	<b>29,733,819</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 130,965,590</b>	<b>\$ 325,912</b>	<b>\$ 131,291,502</b>	<b>\$ 33,681,037</b>	<b>\$ 384,476</b>	<b>\$ 851,847</b>	<b>\$ 34,917,360</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 in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2013, and related statement of revenue, expense, and changes in net position and cash flow for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2013. Our report was modified to include reference to other auditors who 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 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*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by the auditors of the UCO Student Housing Foundation.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 30, 2013



**Independent Auditors' Report**  
**on Compliance for Each Major Federal Program;**  
**Report on Internal Control Over Compliance; and Report on the**  
**Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the University of Central Oklahoma's (the "University") compliance, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

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

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on the 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the University as of and for the year ended June 30, 2013, and have issued our report thereon dated October 30, 2013, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Cole & Reed P.C.*

Oklahoma City, Oklahoma  
October 30, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2013

Federal Grantor / Pass-through Grantor /Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Student Financial Aid Cluster:			
Federal Pell Grant Program	84.063	N/A	\$ 21,511,665
Federal Supplemental Education Opportunity Grant	84.007	N/A	322,189
Federal Work-Study Program	84.033	N/A	392,249
Federal Perkins Loan Program	84.038	N/A	1,772,517
Federal TEACH Grant/Loan	84.379	N/A	270,648
Direct Stafford Loans		N/A	62,175,263
Direct PLUS Loans		N/A	2,485,354
			<u>88,929,884</u>
Trio Cluster:			
Ronald E. McNair Post-Baccalaureate Achievement	84.217A	P217A080058	76,673
Upward Bound 2008 Grant	84.047A	P047A070044-08	98,444
Student Support Services (SSS) FY 11 Traditional	84.042A	P042A100988	221,152
Student Support Services (SSS) FY 11 STEM	84.042A	P042A101239	220,861
Upward Bound Program 2012	84.047A	P047A120369-13	198,789
Upward Bound Math & Science Program	84.047M	P047M120111	122,955
Total TRIO Cluster			<u>938,874</u>
Other Direct Programs:			
Project SEEDS - US Dept of Ed	84.195N	T195N070324	26,596
Passed through National Commission on Teaching & America's Future FIPSE TLINC dissemination UTPA grant	84.116B	P1168100320	14,902
Passed through Oklahoma Dept of Rehabilitation Services Edmond Regional Preschool Program	84.173	N/A	42,124
Passed through Oklahoma State Regents for Higher Education Reading, Writing, and Thinking Oklahoma A+ Schools Prof Devlpmnt Leading the Change to Common Core State Standards	84.367B 84.367B	2012ESEA-NCLB-ITQ Type A 2013 ESEA-NCLB Title II Part A	15,305 34,373
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>90,002,060</u>
<b>OTHER PROGRAMS</b>			
U.S. Army Corps of Engineers:			
Black-capped Vireo Survey		DABT39-02-P-0083	1,947
Black Swamp Bird Observatory		N/A	661
Passed through Texas AGRILIFE Research (Texas A&M University)			
Department of the Army-Fort Sill Military Reservation:			
Black-capped Vireo Survey - Endangered Species, Fort Sill, OK	12.300	Prime #W9126G-12-2-0014, AGRILIFE # 06-504474-94580	15,068
Total U.S. Army Corps of Engineers			<u>17,676</u>
U. S. Department of the Interior, Fish & Wildlife Service:			
Soil Survey of OK Caves	15.657	F11AC00137	4,050
Fire Effects on Black-capped Vireo in Wichita Mtns NWR	15.650	F12AP00743	7,711
Status of Birds in Region 6	15.655	F12AP00725	9,688
Passed through Oklahoma Department of Wildlife Conservation:			
Population Size Estimations of the Mexican Free-tailed Bat	15.634	ODWC T-55-R-1	462
Assessing Black-capped Vireo Response to Wldfire	15.615	ODWC F13AP00196 (E-80-R-1)	7,830
Total U.S. Department of the Interior, Fish & Wildlife Service			<u>29,740</u>
U.S. Department of Health & Human Services:			
Administration for Children & Families Financial Assistance Award Passed through OK Partnership for School Readiness Foundation: SmartStart Personnel - ARRA	93.708 ARRA	90SC0008/01	40,813
Passed through The University of Oklahoma Health Sciences Center: OUHSC-Geriatric Education Centers	93.969	Prime #5UB4HP19197-02-00/Subaward TS20102005-17	9,305
Total U.S. Department of Health & Human Services			<u>50,119</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2013

Federal Grantor / Pass-through Grantor /Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
<b>OTHER PROGRAMS--Continued</b>			
U.S. Department of Justice:			
Forensic Science Congressional App FY10	16.738	2010DDBX0368	59,213
Passed through East Central University:			
RUSO-VPP Violence Against Women	16.525	2010-X3649-OK-WA	29,872
Total U.S. Department of Justice			<u>89,085</u>
Environmental Protection Agency:			
Passed through Council for Environmental Education:			
Growing Up WILD	NA	NA	401
Total Environmental Protection Agency			<u>401</u>
U.S. Department of Transportation:			
Passed through Oklahoma Highway Safety Office:			
2012-13 Oklahoma Highway Observation Study	20.600	OP-12-05-01-00/OP-13-05-01-00	84,579
Motor Vehicle Collision Data Analysis	20.600	OHSO TR-13-05-02-00	31,433
Total U.S. Department of Transportation			<u>116,012</u>
U.S. Department of Veterans Affairs:			
Passed through US Olympic Committee:			
US Paralympics Integrated Adaptive Sports Program - 2013 Endeavor Games	NA	NA	10,967
US Paralympics Integrated Adaptive Sports Program - Olympic Opportunity Fund	NA	NA	5,105
US Paralympics Integrated Adaptive Sports Program - Paralympic Veterans Program 2011-12	NA	NA	36,484
US Paralympics Integrated Adaptive Sports Program - Adventure Therapy III	NA	NA	4,926
US Paralympics Integrated Adaptive Sports Program - Paralympic Athlete Development Program 2012-13	NA	NA	37,772
Armed Forces Services Corporation:			
2012 Endeavor Games Consulting Agreement	NA	NA	9,587
Total U.S. Department of Veterans Affairs/Department of Defense			<u>104,841</u>
National Center for Research Resources (NIH):			
Passed through University of Oklahoma Health Sciences Center:			
INBRE Deans Council Chairman	93.859	5P20RR016478-11	62,654
INBRE Equipment 2011	93.859	5P20RR016478-10	29,900
INBRE Intelligen System for Clinical Guidance (Fu)	93.859	8P20GM103447-12/13	102,951
INBRE Cytotoxicity Screening (Rundle)	93.859	8P20GM103447-12	43,445
INBRE Equipment (Khandaker)	93.859	8P20GM103447-12	34,995
INBRE Research Day	93.859	8P20GM103447-12	15,000
INBRE Mini-grant (Khandaker)	93.859	8P20GM103447-13	4,802
INBRE Mini-grant (Bingabr)	93.859	8P20GM103447-13	152
INBRE Mini-grant (Bannish)	93.859	8P20GM103447-13	2,954
INBRE Research Opportunity Award 2013	93.859	8P20GM103447-13	8,859
Passed through East Central University:			
ECU Summer Mentor-2012 Mvaughan	93.859	5R25GM054938-10	506
ECU Summer Mentor-2013 Mvaughan	93.859	5R25GM054938-11	989
Total National Center for Research Resources			<u>307,206</u>
Corporation for National and Community Service (CNCS):			
Passed through Oklahoma Community Service Commission:			
Americorps Oklahoma in Action	94.006	N/A	18,298
Passed through Wisconsin Campus Compact - University of Wisconsin-Extension:			
Martin Luther King Service Day 2012	94.007	12 MKNWI001	187
Martin Luther King Service Day 2013	94.007	12 MKNWI001/PG13-67590-08	900
Total Corp for National and Community Service (CNCS)			<u>19,385</u>
National Endowment for the Humanities:			
Passed through Oklahoma Humanities Council:			
OHC - Gallery Development	45.129	Y10.050	11
OHC - Collaborative Storytelling	45.129	Y13.019	500
Total National Endowment for the Humanities			<u>511</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2013

Federal Grantor / Pass-through Grantor /Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
OTHER PROGRAMS--Continued			
National Science Foundation:			
Passed through Oklahoma State University:			
EPSCoR STEP 2009	47.081	EPS-0814361	7,873
LS-OKAMP STEM	47.076	HRD-0902027 / AA-5-29849-UCO	4,933
Mechanistic Studies of Dihydrodipicolinate Synthase-REU	47.081	EPS-0814361 / EPSCoR-2011-35	525
EPSCoR Research Day 2013	17.080	EPS 0814361	5,000
NSF STEP 2009: STEM Double Bridge	47.076	DUE-0856396	323,922
REU Site: Ecology and Behavior of Honey Bees and Solitary Bees	47.074	DBI-0851651	33,633
MRI: Acquire Automated DNA Sequencer	47.074	DBI-0922892	6,100
Robert Noyce Planning Grant	47.076	DUE-1035344	1,650
S-STEM	47.076	DUE-0965864	149,276
Passed through University of Illinois:			
Digitization Macrofungi Collection	47.074	EF-1205935 / 2012-02037-02	1,111
REU Site: Integrative Biological Studies of Honey Bees in the Republic of Turkey	47.076	DBI-1263327	47,244
Total National Science Foundation			<u>581,267</u>
Small Business Administration:			
Passed through Southeastern Oklahoma State University:			
Small Business Development Center 2012	59.037	1-603001-Z-0038-28	134,501
Small Business Development Jobs Act	59.037	1-603001-Z-0144	36,703
SBDC Supplemental 2012	59.037	1-603001-Z-0038-28	21,208
Small Business Development Center 2013	59.037	3-603001-A-0038-29	53,749
Total Small Business Administration			<u>246,162</u>
Corporation for Public Broadcasting:			
CPB-CSG 2011	N/A	N/A	7,072
CPB-NPPAG 2011	N/A	N/A	1,842
CPB-NPPAG 2012	N/A	N/A	13,736
CPB-CSG 2012	N/A	N/A	61,305
CPB NPPAG 2013	N/A	N/A	10,563
CPB CSG 2013	N/A	N/A	7,886
Total Corporation for Public Broadcasting			<u>102,404</u>
TOTAL OTHER PROGRAMS			<u>1,664,809</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 91,666,869</u>

See notes to expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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, 2013. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2013, the University issued Perkins loans totaling \$173,708.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkin Loan Program	84.038	\$ 1,772,517
Nursing Student Loans	93.364	13,742

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

NOTE D--SUB-RECIPIENTS

During the year ended June 30, 2013, the University provided federal awards to subrecipients.

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Subaward Number	Disbursements/ Expenditures
<b>NATIONAL SCIENCE FOUNDATION</b>			
NSF STEP 2009	47.076	DUE-0856396	
Passed-through to:			
East Central University		UCO-2009STEP-2-ECU Amend #2 &#3	\$ 24,572
Langston University		UCO-2009STEP-2-LU Amend #3	63,886
Northeastern State University		UCO-2009STEP-2-NSU Amend #2 &#3	57,924
Oklahoma City Community College		UCO-2012-GR.105	2,000
Comanche Nation College		UCO-2012-GR.107	2,000
Redlands Community College		UCO-2012-GR.106	2,000
 EPSCoR STEP 2009	 47.076	 EPS-0814361/EPSCoR-2008-27 Amend #3	
Passed-through to:			
Langston University		UCO-2012-GR.111	2,000
Northeastern State University		UCO-2012-GR.110	1,873
TOTAL NATIONAL SCIENCE FOUNDATION			<u>\$ 156,255</u>
 <b>US DEPARTMENT OF TRANSPORTATION NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</b>			
Passed-through from Oklahoma Highway Safety Office 2012 Highway Safety Observation Study Redesign	20.600		
Passed-through to:			
California State University-Fresno		UCO-2012-GR.101	\$ 15,000
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>\$ 15,000</u>



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

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

*Financial statements*

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material 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: *Unmodified*

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	*
TRIO Cluster	*
INBRE	93.859

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, 2013

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

None to be reported for the June 30, 2013, period.

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

None to be reported for the June 30, 2013, period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2013

No matters were reportable.