

**UNIVERSITY OF CENTRAL
OKLAHOMA**

**ANNUAL FINANCIAL
STATEMENTS AND
INDEPENDENT AUDITOR'S
REPORTS AS OF AND FOR THE
YEAR ENDED JUNE 30, 2014**

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

AUDITED FINANCIAL STATEMENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	14
Notes to Financial Statements	16

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Supplemental Retirement Annuity Plan and Other Post Employment Insurance Benefits (Unaudited)	54
---	----

OTHER SUPPLEMENTARY INFORMATION

Supplementary Schedule--2014 Combining Statement of Net Position.....	55
Supplementary Schedule--2014 Combining Statement of Revenues, Expenses, and Changes in Net Position	56

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

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	57
Independent Auditor's 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	59
Schedule of Expenditures of Federal Awards.....	61
Notes to Schedule of Expenditures of Federal Awards.....	64
Schedule of Findings and Questioned Costs.....	66
Summary Schedule of Prior Audit Findings.....	68

INDEPENDENT AUDITOR'S REPORT

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 the University of Central Oklahoma (the "University"), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, that comprise the statement of net position as of June 30, 2014, and the related 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University's discretely presented component units, the University of Central Oklahoma Foundation, Inc. (the "University Foundation"), the University of Central Oklahoma Alumni Association (the "Alumni Association"), and the KCSC Classical Radio Foundation (the "KCSC Foundation"). We also did not audit the financial statements of UCO Student Housing Foundation (the "Housing Foundation"), a blended component unit that comprises 12% of total assets and 5% of total revenues as of June 30, 2014. Those financial statements 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 the University Foundation, the Alumni Association, the KCSC Foundation and the Housing Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University Foundation were audited by other auditors and were not audited in accordance with *Governmental 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 basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units, the University Foundation, the Alumni Association, the KCSC Foundation and the blended component unit, the Housing Foundation, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements of the University are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of RUSO that is attributable to the transactions of the University. They do not purport to, and do not present fairly the financial position of RUSO as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 are not a required part of the basic financial statements. The accompanying supplementary combining schedules are the responsibility of management and were derived from and relate 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 31, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 31, 2014

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:

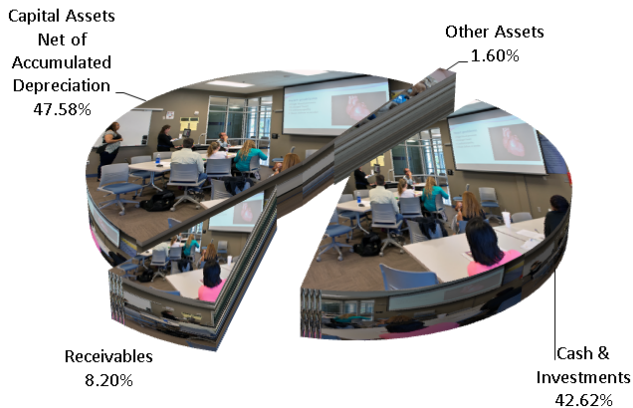
CONDENSED STATEMENT OF NET POSITION (In Thousands)			
	June 30,	2014	2013
Assets			
Current Assets	\$	140,049	\$ 103,296
Capital Assets		132,702	128,908
Other Assets		6,178	5,732
Total Assets		278,929	237,936
Deferred Outflows of Resources			
		-	-
Liabilities			
Current Liabilities		24,481	22,791
Noncurrent Liabilities		106,524	83,853
Total Liabilities		131,005	106,644
Deferred Inflows of Resources			
		-	-
Net Assets:			
Net Investment in Capital Assets		38,515	43,115
Restricted		28,669	16,206
Unrestricted		80,740	71,971
Total Net Position	\$	147,924	\$ 131,292



Assets are what UCO owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Assets are categorized as either current, to be exhausted during the next twelve months or noncurrent, more than twelve months.

In fiscal year 2014, total assets of the institution increased by \$41 million or 17.2% over fiscal year 2013. 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 restricted cash and investments of \$32.3 million, an increase in cash and cash equivalents of \$6.3 million, an increase in capital assets of \$3.8 million, a \$0.6 million increase in prepaid pension and OPEB asset and a reduction of \$2.1 million in accounts receivable and other assets. The university financed 3 new capital projects during the year. One of these projects was for a new on campus housing facility. The total financed portion of these projects was \$28 million with unspent cash at June 30, 2014 of \$27.2 million. Cash has also been accumulated to fund upgrades and renovations to campus facilities. This cash is now restricted for capital projects in progress.

ASSETS



Derived 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.

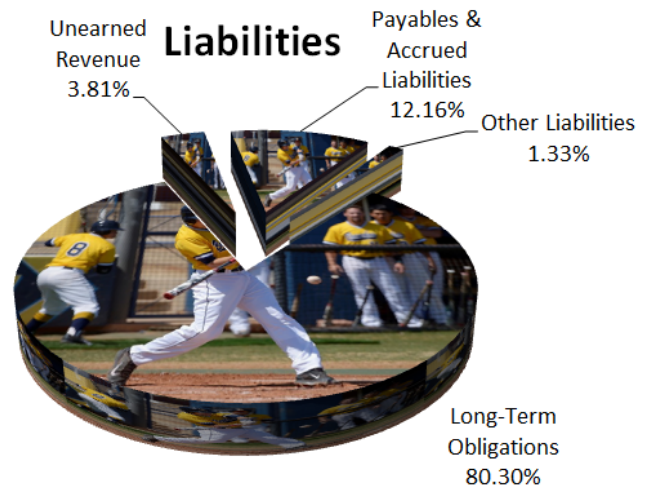


There are no deferred outflows of resources for 2014 or 2013, respectively.



Liabilitys 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 2014, total liabilitys of the institution for the year increased by \$24.4 million or 22.8% from fiscal year 2013. The most significant changes were an increase in outstanding debt of \$23.2 million, an increase in accounts payable of \$0.8 million, an increase in accrued payables and benefits of \$0.5 million, an increase in accrued compensation and deposit funds of \$0.4 million and a decrease in other liabilitys of \$0.1 million. Outstanding debt net change of \$23.2 million is from 3 new debt financing issues (\$28.3m) and 2 refinanced issues (\$2.0m) less principal payments (\$-4.6) and refinanced debt for the year (\$-2.5).

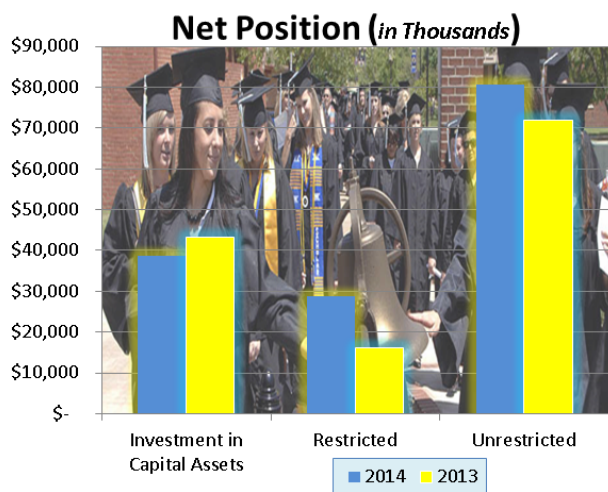


Deferred Inflows of Resources refer to certain transactions that do not qualify as a liability in the current period that are the result of an acquisition of net assets in one period that are applicable to future periods.

There are no deferred inflows of resources for 2014 or 2013, respectively.

Net 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 2014, the combination of total assets, deferred outflows, total liabilities and deferred inflows nets to an increase in total net position of \$16.6 million or 12.66%.



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 non-operating. A public university's dependency on state aid (appropriations) and gifts will result in operating deficits (losses). The Governmental Accounting Standards Board (GASB) requires state appropriations and gifts to be classified as nonoperating revenues.

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



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

CONDENSED STATEMENT OF REVENUES, AND CHANGES IN NET POSITION (In Thousands)			
	June 30,	2014	2013
Operating Revenues	\$	112,554	\$ 106,055
Operating Expenses		188,550	180,818
Operating Loss		(75,996)	(74,763)
Non Operating Revenues (Expenses)		89,289	88,226
Income (Loss) Before Other Revenues, Expenses, Gains or Losses		13,293	13,463
Other Revenue, Expenses, Gains, or Losses		3,339	2,951
Change in Net Position		16,632	16,414
Net Position - End of Year	\$	147,924	\$ 131,292

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.



2014 operating revenues of \$112.5 million increased \$6.5 million or 6.1% when compared to the 2013 prior year. The increase came from a \$6.8 million increase in Tuition and Fees and \$0.3 million in Other Operating Revenues, offset by decreases in Business Enterprises of \$0.4 million, and \$0.2 Grants and Contracts.

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

Operating Revenues (In Thousands)			
June 30,	2014		2013
Tuition & Fees, Net of scholarships, discounts, and allowances.	\$ 84,307		\$ 77,479
Grants and Contracts	6,623		6,849
Sales & Services of auxiliary services	17,771		18,128
Other Operating Revenues	3,853		3,599
Total Operating Revenues	\$ 112,554		\$ 106,055

In 2014, operating expenses of \$188.6 million increased \$7.7 million or 4.3% when compared to the 2013 prior year. Compensation and Benefits increased \$7.2 million. Other Operating Expenses increased \$2.0 million, Contractual Services increased \$0.05 million and Scholarships increased \$0.5 million. Supplies & Materials were down \$2.5 million.

Supplies and Materials decreases are largely due to completion of major construction and renovation projects that were capitalized during the year and increases in work in progress. Compensation and Benefits continue to increase as the university strives to raise salaries to meet market demands. The effects of the Affordable Care Act are reflected in benefit increases along with the mandate of the Supplemental Retirement (SRA) plan funding of 80% by the year 2022. An additional \$1.0 million was paid toward the SRA plan in 2014. Benefits increased by a total of \$3.9 million and salaries increased by \$3.3 million.

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

Operating Expenses (In Thousands)			
June 30,	2014		2013
Compensation & employee benefits	\$ 118,370		\$ 111,143
Contractual services	4,255		3,732
Supplies & materials	16,286		18,766
Depreciation	8,724		8,260
Utilities	3,220		2,838
Scholarships & fellowships	18,636		18,185
Other operating expenses	19,059		17,894
Total Operating Expenses	\$ 188,550		\$ 180,818

Operating Revenue Fiscal Year 2014



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 \$89.3 million in 2014 increased \$1.1 million or 1.2% when compared to 2013 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,	2014		2013
State appropriations	\$ 64,429		\$ 63,359
Federal student aid	22,491		22,496
OTRS On-behalf contributions	5,795		5,627
Gifts	24		109
Investment income	507		435
Interest expense	(3,957)		(3,800)
Net Operating Revenues (Expenses)	\$ 89,289		\$ 88,226

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.



STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides additional information about UCO's financial results by reporting the major sources and uses of cash. This statement will assist in evaluating UCO's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of UCO. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related assets. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net 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,	2014	2013
Cash provided (used) by:		
Operating activities	\$ (59,032)	\$ (67,042)
Noncapital financing activities	86,920	85,855
Investing activities	(26,309)	1,630
Capital and related financing activities	10,210	(11,330)
Net Change in Cash	11,789	9,113
Cash, beginning of year	76,910	67,797
Cash, ending of year	\$ 88,699	\$ 76,910

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the University of Central Oklahoma had \$132.7 million in capital assets, net of accumulated depreciation compared to the prior years of 2013 with a net value of \$128.9 million. The year 2014 reflects an increase of \$5.1 million in building and land improvements attributable to completion of construction and renovation projects along with \$1.1 million in capitalizable equipment purchases and \$5.3 million in new construction. These increases were offset by \$7.7 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,	2014	2013
Land	\$ 3,054	\$ 3,054
Capitalized Collections	4,767	4,726
Buildings	174,317	169,409
Infrastructure and Improvements	11,829	11,590
Equipment and Furniture	35,112	34,091
Library Resources	17,787	17,787
Construction in Progress	11,672	6,383
Total Capital Assets	258,538	247,040
Accumulated Depreciation	(125,836)	(118,132)
Total Capital Assets, Net	\$ 132,702	\$ 128,908



Debt Administration

As of June 30, 2014, the University of Central Oklahoma had \$108.3 million of debt compared to \$85.0 million in 2013 in outstanding bonds, capital leases, and notes payable. This represents an increase of \$23.3 million from 2014 to 2013. The university is using a strategy of fee revenues, business enterprises funds and debt financing in order to finance the capital needs of the campus. The largest of the projects is a new housing facility in the location of the former East Hall. The new facility will be 120,000 square feet and will have 440 beds. The total project cost is expected to be \$28 million and \$24 million was financed. The rent revenues of the project will be used to pay the annual debt service of the project. The university also refinanced \$2.5 million of existing debt during the year to increase cash flow.

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

Long Term Debt (In Thousands)			
June 30,	2014		2013
Revenue Bonds	\$	31,270	\$ 34,335
Capital Leases		72,347	45,514
Notes Payable		4,730	5,200
Total Long Term Debt	\$	108,347	\$ 85,049

FUTURE OUTLOOK

The outlook of the State of Oklahoma's economy still remains positive. Collection of state revenues has exceeded the prior year and the budgeted revenues forecast for the first quarter of fiscal year 2015. This trend while positive cannot predict the remainder of the year. The upcoming state elections, continued revenues exceeding projections and ongoing increases in off-the-top apportionments of state funds are all uncertainties that could change the economic landscape. Federal government's legislative decisions such as the Affordable Health Care Act continue to have an effect to ongoing operations of the state and the university.

The 2015 state revenue budget was based on a slightly lower estimate than the prior year. Mandatory costs for the university increased at 58% between fiscal years 2013 and 2014. State funding represented 26.7% of the total funding for 2014. Future State revenues for higher education are expected to remain relatively flat in the foreseeable future.

UCO has been working toward a goal of \$10 million in grant funding. During 2015, UCO has been awarded several large grants including two from the Department of Education (\$7.7 million over 5 years and \$5 million over 7 years) and two from N.S.F. (\$242 thousand over 3 years and \$305 thousand over 1 year).

The university hired Dr. Don Chrusciel as the new Vice President of Administration in February 2014. Mr. Chrusciel comes to UCO from Iowa State. He earned his Ph. D from Iowa State University, holds a MBA from California State University and a Master's Degree in management of information systems from UW-Milwaukee. Dr. Chrusciel has been tasked with reforming the university budget model. The university is undertaking steps to move toward a type of responsibility centered budget model. We expect this change in financial management philosophy to positively affect our culture. Our efforts will be focused on our students while balancing the increasing need for revenue and continuously prioritize our expenditures. The goal for implementation will be for the fiscal year 17 budget.

The university still relies upon the ability to set tuition in order to provide the services required by students, faculty and staff. This factor is discussed annually by the legislature. Changes in tuition setting could have an adverse impact to the University. Currently there is a political tuition setting cap of which the university monitors. The ability to attract students using tuition discounting has not been a major factor due to UCO's location and low cost of

tuition compared to other major institutions. UCO's credit hour production for 2015 has remained flat from 2014. This is expected to continue for 2016.

The State has set a goal of increasing the number of graduates per institution. The university is measured against existing graduation numbers and State Regents have revised a small portion of appropriations funding based on meeting these goals. With this goal in mind, the university began our Broncho Advantage program that enables us to discount out of state tuition for the State of Texas. This new program is being monitored for effectiveness. Success of the program will lead to expanding the program to other surrounding states.

The university will open the new housing facility the fall of 2015. Based on this new facility, the university will terminate an off campus property lease reducing the number of beds by 300. There will be a net gain of 140 beds with this change. UCO is also expanding in the downtown Oklahoma City area. A lease has been signed to rent 9,694 square feet in the Carnegie Building. Existing classes are being expanded to attract new students in the metropolitan area. This project aligns with the mission of the university to be a metropolitan university and to take advantage of the growth in the downtown area. A new course fee will offset the costs of providing classes in this area. UCO also has many plans in the works for major facility and infrastructure upgrades. Many of these projects will be financed utilizing the state's master lease program. The majority of all financed projects are directly funded by a revenue stream. A planned \$9 million dollar upgrade to the campus network infrastructure will alleviate the overloaded wired and wireless networks and deliver faster and better connectivity for faculty, staff and students. A new phone system is also part of this upgrade that includes voice over internet protocol capabilities. All areas of the university are creating plans for facility upgrades and expansions, including athletics, colleges and administration. Prioritizing these plans and evaluating the university tolerance for debt is the responsibility of the University Planning Council (UPC). When completed, a new strategic plan will guide the UPC in making these decisions. 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, 2014

	University	Aggregate Discretely Presented Component Units
ASSETS	<u>University</u>	<u>Units</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 74,358,035	\$ 329,450
Restricted cash and cash equivalents	14,341,831	-
Restricted investments	1,887,829	689,000
Investments held by others	27,374,059	320,046
Accounts receivable, net	21,567,985	-
Interest receivable	-	3,732
Other receivable	-	6,143
Prepaid expenses	8,265	-
Inventories	355,718	-
Contributions receivable	-	3,288,425
Current portion of student loans receivable, net	155,280	-
TOTAL CURRENT ASSETS	<u>140,049,002</u>	<u>4,636,796</u>
NONCURRENT ASSETS		
Restricted investments	440,192	32,465,148
Investments held by others	481,789	302,405
Student loans receivable, net	1,145,408	-
Other assets	49,161	74,401
Prepaid pension and OPEB assets	4,061,415	-
Capitalized collections	4,767,370	-
Capital assets, net	127,934,895	3,181,675
TOTAL NONCURRENT ASSETS	<u>138,880,230</u>	<u>36,023,629</u>
TOTAL ASSETS	<u>\$ 278,929,232</u>	<u>\$ 40,660,425</u>

STATEMENT OF NET POSITION--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

	University	Aggregate Discretely Presented Component Units
	<u>University</u>	<u>Units</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 6,312,995	\$ 163,488
Line of credit	-	616,601
Accrued payroll and benefits	5,450,715	-
Accrued interest payable	154,159	-
Unearned revenue	4,988,163	-
Deposits held in custody for others	1,740,321	320,046
Current portion of noncurrent liabilities	5,834,736	45,472
TOTAL CURRENT LIABILITIES	<u>24,481,089</u>	<u>1,145,607</u>
NONCURRENT LIABILITIES,		
net of current portion		
Accrued compensated absences	1,989,148	-
Federal loan program contributions refundable	668,202	-
Bonds payable	29,475,000	-
Notes payable	4,240,000	638,669
ODFA master lease obligation	54,977,028	-
Lease obligation payable to state agency	15,174,426	-
TOTAL NONCURRENT LIABILITIES	<u>106,523,804</u>	<u>638,669</u>
TOTAL LIABILITIES	<u>\$ 131,004,893</u>	<u>\$ 1,784,276</u>
NET POSITION		
Net investment in capital assets	\$ 38,514,632	\$ -
Restricted for:		
Nonexpendable	706,701	19,235,267
Expendable:		14,705,532
Scholarships, research, instruction and other	416,783	-
Loans	896,951	-
Capital projects	15,747,180	-
Debt service	10,901,684	-
Unrestricted	80,740,408	4,935,350
TOTAL NET POSITION	<u>\$ 147,924,339</u>	<u>\$ 38,876,149</u>

See accompanying notes to these financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2014

	University	Aggregate Discretely Presented Component Units
	<u>University</u>	<u>Units</u>
OPERATING REVENUES		
Student tuition and fees (included in fees are \$7,489,406 of revenues dedicated for bond repayments)	\$ 108,173,918	\$ -
Less funded student aid	(23,867,385)	-
Net student revenues	<u>84,306,533</u>	<u>-</u>
Federal grants and contracts	2,946,544	-
State and local grants and contracts	3,676,940	-
Bookstore operations	405,951	-
Housing and food service revenues (\$4,380,775 pledged as security on 2001 UCO Student Housing Foundation Bonds and 2011B Master Lease Bonds	15,187,874	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments.)	2,176,807	-
Interest earned on loans to students	28,019	-
Other operating revenues	3,825,162	171,250
TOTAL OPERATING REVENUES	<u>112,553,830</u>	<u>171,250</u>
OPERATING EXPENSES		
Compensation and employee benefits	118,369,849	84,246
Contractual services	4,254,681	205,250
Supplies and materials	16,285,662	17,059
Depreciation	8,724,017	71,028
Utilities	3,219,968	-
Scholarships and fellowships	18,635,743	804,610
Other operating expenses	19,059,391	851,089
TOTAL OPERATING EXPENSES	<u>188,549,311</u>	<u>2,033,282</u>
OPERATING INCOME (LOSS)	<u>(75,995,481)</u>	<u>(1,862,032)</u>

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

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2014

	University	Aggregate Discretely Presented Component Units
	<u>University</u>	<u>Units</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	64,429,198	-
Federal funded student aid	22,491,032	-
OTRS on-behalf contributions	5,794,558	-
Gifts	24,605	2,839,010
Investment income	507,355	3,014,483
Interest expense	(3,957,096)	(32,672)
NET NONOPERATING REVENUE (EXPENSES)	<u>89,289,652</u>	<u>5,820,821</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	13,294,171	3,958,789
State appropriations restricted for capital purposes	1,692,403	-
OCIA on-behalf state appropriations	<u>1,646,263</u>	<u>-</u>
CHANGE IN NET POSITION	16,632,837	3,958,789
NET POSITION, BEGINNING OF YEAR	<u>131,291,502</u>	<u>34,917,360</u>
NET POSITION, END OF YEAR	<u>\$ 147,924,339</u>	<u>\$ 38,876,149</u>

See accompanying notes to these financial statements.

STATEMENT OF CASH FLOWS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 82,379,867
Grants and contracts	5,981,096
Auxiliary enterprises and other receipts	25,672,199
Interest collected on loans to students	28,019
Payments to employees for salaries and benefits	(112,719,997)
Payments to suppliers and others	(60,704,400)
Loans issued to students	(242,943)
Collections of loans issued to students	574,403
NET CASH USED IN OPERATING ACTIVITIES	<u>(59,031,756)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and federal aid	86,920,230
Other student financial assistance received	(62,240,178)
Other student financial assistance disbursed	62,240,178
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>86,920,230</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	343,897
Purchases of investments	(27,213,546)
Interest income received	561,004
NET CASH USED IN INVESTING ACTIVITIES	<u>(26,308,645)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for fixed assets	(12,483,150)
Capital appropriations received	1,692,403
Proceeds of capital debt and leases	30,385,634
Payments on capital debt and leases	(6,249,536)
Interest paid on capital debt and leases	(3,135,694)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>10,209,657</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,789,486
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>76,910,380</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 88,699,866</u></u>

STATEMENT OF CASH FLOWS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2014

RECONCILIATION OF OPERATING LOSS TO
NET CASH USED IN OPERATING ACTIVITIES

Operating Loss	\$ (75,995,481)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	8,724,017
Loss on disposal of fixed assets	(35,044)
On-behalf contributions to teachers' retirement system	5,794,558
Changes in assets and liabilities	
Accounts receivable	1,529,127
Prepaid pension asset	(676,872)
Prepaid expense	36
Inventories	(42,064)
Student loans receivable	331,460
Accounts payable	1,076,570
Accrued payroll and benefits	546,062
Student and other deposits	43,060
Deferred revenues	303,304
Federal loan program contributions refundable	(616,593)
Accrued compensated absences	(13,896)
	<u>(59,031,756)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(59,031,756)</u>

NONCASH INVESTING, NONCAPITAL FINANCING AND
CAPITAL AND RELATED FINANCING ACTIVITIES

Interest on capital debt paid by State Agency on behalf of the University	832,818
Principal on capital debt paid by State Agency on behalf of the University	<u>813,445</u>
Total noncash investing, noncapital financing and capital and related financing activities	<u>1,646,263</u>

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

Current assets	
Cash and cash equivalents	74,358,035
Restricted cash and cash equivalents	<u>14,341,831</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 88,699,866</u>

See accompanying notes to these financial statements.

NOTES TO FINANCIAL STATEMENTS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: University of Central Oklahoma (the "University") is a regional University operating under the jurisdiction of the Regional University System of Oklahoma and the Oklahoma State Regents for Higher Education.

Reporting Entity: University of Central Oklahoma is one of six institutions of higher education in Oklahoma that comprise part of the Regional University System of Oklahoma, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage the Regional University System of Oklahoma; which consist of six institutions and an administrative office. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, University of Central Oklahoma is considered an organizational unit of the Regional University System of Oklahoma reporting entity for financial reporting purposes due to the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Blended Component Unit: Based on Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

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.

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

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

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

KCSC Classical Radio Foundation ("KCSC Foundation") is a 501(c) (3) organization created to support the University's KUCO (formerly, 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

Discretely Presented Component Units--Continued:

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 authorities 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.

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

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.

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 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

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 \$4,767,370 at June 30, 2014. Contributions valuing \$41,500 were received during the year ended June 30, 2014. 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.

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, (2) associated bond issue discount and bond premiums and (3) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

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

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

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

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

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

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, student aid revenues, and other revenue sources that are defined as 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net 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.

New Accounting Pronouncements Adopted in Fiscal Year 2014:

The University adopted the following accounting pronouncement during the year ended June 30, 2014 as follows:

- *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. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The adoption of GASB No. 70 did not have an impact on the University's financial position, or changes in financial position or cash flows.

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:

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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 was issued January 2014. 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS - Continued

Deposits -Continued

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, 2014 the carrying amount of all University and blended component unit deposits with the OST and other financial institutions was \$88,681,936. These amounts consisted of deposits with the OST (\$88,552,584) and U.S. financial institutions (\$129,352). 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 in 2014. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$28,795,148 in 2014.

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:

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS - Continued

Deposits -Continued

OK INVEST Portfolio	June 30, 2014	
	Cost	Market
U.S. agency securities	\$ 13,211,305	\$ 13,185,619
Money market mutual funds	1,390,282	1,390,282
End of Day Commercial Paper Sweep	605,966	605,966
Certificates of deposit	747,478	747,478
Mortgage backed agency securities	11,829,316	12,073,406
Municipal bonds	441,767	489,253
Foreign bonds	226,212	226,212
U.S. Treasury obligations	342,822	424,388
TOTALS	<u>\$ 28,795,148</u>	<u>\$ 29,142,604</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/documents/OKInvest%20Info%20Stmnt%200711.pdf. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS - Continued

Deposits -Continued

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. *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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS - Continued

Investments -Continued

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 no more than 35% 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, 2014 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, 2014, \$796,915 is classified as current (of which \$107,915 is included in cash and cash equivalents), and \$32,465,148 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.

At June 30, 2014, the University had investments in restricted bond funds totaling \$30,183,869 and \$29,261,888 is classified as current, and \$921,981 is classified as noncurrent on the statement of net position. The fair market value of these funds approximated their carrying value at June 30, 2014. 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, 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments -Continued

All investments for the University, including its blended component unit, and discrete component units at June 30, 2014 were as follows:

2014	University Investments	Component Unit Investments
Cash and cash equivalent funds	\$ 29,702,080	\$ 2,319,219
Guaranteed investment contract	481,789	302,405
Certificate of deposit	-	689,000
Mutual funds	-	29,687,095
Equity Securities	-	778,880
	<u>\$ 30,183,869</u>	<u>\$ 33,776,599</u>

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2014:

2014	University Receivables	Component Unit Receivables
Student tuition and fees	\$ 23,869,438	\$ -
Auxiliary enterprises and other operating activities	7,207,606	-
Federal, state, and private grants and contracts	5,705,717	-
Contributions receivable	-	3,612,253
	<u>36,782,761</u>	<u>3,612,253</u>
Less: allowance for doubtful accounts	<u>(15,214,776)</u>	<u>(323,827)</u>
NET ACCOUNTS RECEIVABLE	<u>\$ 21,567,985</u>	<u>\$ 3,288,425</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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, 2014. 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 \$960,500 at June 30, 2014, is reflected in the accompanying statements 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, 2014, loans receivable consisted of the following:

2014	University Loans	Component Unit Loans
Total loans receivable	\$ 1,457,618	\$ -
Less: allowance for uncollectible loans	<u>(156,930)</u>	<u>-</u>
Loans Receivable, Net	<u>\$ 1,300,688</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE E--CAPITAL ASSETS

Following are the changes in University capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2014
Capital assets not being depreciated					
Land	\$ 3,053,737	\$ -	\$ -	\$ -	\$ 3,053,737
Art collections	4,725,870	41,500	-	-	4,767,370
Construction in-progress	6,382,979	5,288,958	-	-	11,671,937
Total capital assets not being depreciated	<u>\$ 14,162,586</u>	<u>\$ 5,330,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,493,044</u>
Other capital assets					
Non-major infrastructure networks	\$ 1,495,903	\$ -	\$ -	\$ -	\$ 1,495,903
Land improvements	10,095,343	237,308	-	-	10,332,651
Buildings	169,407,096	4,907,662	2,057	-	174,316,815
Furniture, fixtures, and equipment	34,090,651	2,090,449	-	(1,068,364)	35,112,736
Library materials	17,786,850	-	-	-	17,786,850
Total other capital assets	<u>232,875,843</u>	<u>7,235,419</u>	<u>2,057</u>	<u>(1,068,364)</u>	<u>239,044,955</u>
Less: accumulated depreciation for					
Non-major infrastructure networks	(1,401,358)	(74,795)	-	-	(1,476,153)
Land improvements	(6,851,945)	(409,195)	-	-	(7,261,140)
Buildings	(67,521,135)	(5,683,147)	(2,052)	-	(73,206,334)
Furniture, fixtures, and equipment	(26,036,100)	(2,531,122)	-	1,020,681	(27,546,541)
Library materials	(16,319,803)	(25,758)	(5)	-	(16,345,566)
Total accumulated depreciation	<u>(118,130,341)</u>	<u>(8,724,017)</u>	<u>(2,057)</u>	<u>1,020,681</u>	<u>(125,835,734)</u>
Other capital assets, net	<u>\$ 114,745,502</u>	<u>\$ (1,488,598)</u>	<u>\$ -</u>	<u>\$ (47,683)</u>	<u>\$ 113,209,221</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 14,162,586	\$ 5,330,458	\$ -	\$ -	\$ 19,493,044
Other capital assets, at cost	<u>232,875,843</u>	<u>7,235,419</u>	<u>2,057</u>	<u>(1,068,364)</u>	<u>239,044,955</u>
Total cost of capital assets	247,038,429	12,565,877	2,057	(1,068,364)	258,537,999
Less: accumulated depreciation	<u>(118,130,341)</u>	<u>(8,724,017)</u>	<u>(2,057)</u>	<u>1,020,681</u>	<u>(125,835,734)</u>
Capital assets, net	<u>\$ 128,908,088</u>	<u>\$ 3,841,860</u>	<u>\$ -</u>	<u>\$ (47,683)</u>	<u>\$ 132,702,265</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, 2014

NOTE F--LONG-TERM LIABILITIES

University long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year
Bonds payable and capital lease obligations					
Revenue bonds payable	\$ 34,335,000	\$ -	\$(3,065,000)	\$ 31,270,000	\$1,795,000
Capital lease obligations	45,514,304	30,361,028	(3,527,982)	72,347,350	2,195,896
Notes payable	<u>5,200,000</u>	<u>-</u>	<u>(470,000)</u>	<u>4,730,000</u>	<u>490,000</u>
Total bonds and capital leases	<u>85,049,304</u>	<u>30,361,028</u>	<u>(7,062,982)</u>	<u>108,347,350</u>	<u>4,480,896</u>
Other liabilities					
Accrued compensated absences	3,356,882	961,837	(975,731)	3,342,988	1,353,840
Federal loan program contributions refundable	<u>1,284,795</u>	<u>-</u>	<u>(616,593)</u>	<u>668,202</u>	<u>-</u>
Total other liabilities	<u>4,641,677</u>	<u>961,837</u>	<u>(1,592,324)</u>	<u>4,011,190</u>	<u>1,353,840</u>
Total long-term liabilities	<u>\$ 89,690,981</u>	<u>\$31,322,865</u>	<u>\$(8,655,306)</u>	<u>\$112,358,540</u>	<u>\$5,834,736</u>

Revenue Bonds Payable

Revenue bonds payable consisted of the following at June 30, 2014:

	<u>June 30, 2014</u>
University Center and Parking Revenue	
Refunding Bonds, Series 2003	\$ 9,210,000
Library Revenue Refunding Bonds, Series 2003	3,920,000
Wantland Stadium Facility Revenue Bonds, Series 2004	11,085,000
UCO Student Housing Foundation Revenue Bonds, Series 2001	7,055,000
	<u>\$ 31,270,000</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE F--LONG-TERM LIABILITIES— Continued

Revenue Bonds Payable--Continued

University Center and Parking Revenue Refunding Bonds, Series 2003

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

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

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>\$ 7,335,000</u>					

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE F--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--Continued

Oklahoma Development Finance Authority (ODFA) Public Facilities Financing Program Revenue Refunding Bonds, Series 2003A Refinanced with ODFA 2014A Real Property Master Lease

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

In March, 2014, the ODFA issued Bond Series 2014A to refund the Series2003A Master Lease Revenue Bonds. As a result, the total liability of the remaining 2003A bonds combined with the new 2014A bond issues will be less than the original outstanding liability for the 2003A bonds. This lease restructuring did not result in a significant deferred restructuring charge. A comparison of the present value of the total debt service costs of the 2003A Bonds versus the 2014A Bonds resulted in an economic gain of approximately \$358,000.

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE F--LONG-TERM LIABILITIES— Continued

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

Years Ending June 30:	Principal	Interest	Total
2015	\$ 1,795,000	\$ 1,407,193	\$ 3,202,193
2016	1,880,000	1,342,007	3,222,007
2017	1,950,000	1,269,518	3,219,518
2018	2,030,000	1,190,106	3,220,106
2019	2,115,000	1,106,600	3,221,600
2020 - 2024	10,910,000	3,941,895	14,851,895
2025 - 2029	5,525,000	1,992,649	7,517,649
2030 - 2034	5,065,000	673,369	5,738,369
	<u>\$ 31,270,000</u>	<u>\$ 12,923,337</u>	<u>\$ 44,193,337</u>

Notes Payable

The University has one note payable for environmental control equipment.

Original Amount	Date	Frequency	Installment Amount	Effective Interest Rate	Number of Installments	Balance 2014
\$ 8,905,000	4/1/2002	Semi Annual	\$ 425,000 to \$725,000	5.20%	40	\$ 4,730,000

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

Years Ending June 30:	Principal	Interest	Total
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	600,000	140,288	740,288
2020 - 2023	2,010,000	219,838	2,229,838
	<u>\$ 4,730,000</u>	<u>\$ 1,205,520</u>	<u>\$ 5,935,520</u>

Capital Lease Obligations

Oklahoma Capitol Improvement Authority Leases

In September 1999, the Oklahoma Capitol Improvement Authority (OCIA) issued its OCIA Bond Issues, Series 1999A. Of the total bond indebtedness, the State Regents for Higher Education allocated \$2,500,000 for the 1999 Series to the University.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE F--LONG-TERM LIABILITIES— Continued

Capital Lease Obligations--Continued

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 \$531,320 at June 30, 2014.

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 \$14,736,045 at June 30, 2014.

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, 2014, 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, 2014, OCIA made lease principal and interest payments totaling \$1,646,263, 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. At June 30, 2014, the unamortized bond issuance costs totaled \$357,028.

Oklahoma Development Finance Authority Master Lease Program--Continued

The lease agreements call for monthly payments to ODFA in an amount that equals debt service requirements on the portion of the bonds used to finance the leases.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE F--LONG-TERM LIABILITIES— Continued

Capital Lease Obligations--Continued

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, 2014, trust accounts balances total \$27,373,971 and are included with Restricted Investments on the University's statement of net position.

Bond Series	UCO's Allocated Amount	Final Payment	June 30, 2014
2004A (refinanced 2014A)	\$ 1,825,000	6/1/2024	\$ -
2005A	2,035,000	6/1/2025	1,305,000
2007C	2,020,000	12/1/2027	1,570,000
2009B	1,058,000	12/1/2029	900,000
2011A	788,000	6/1/2021	422,000
2011A (RP)	7,685,000	6/1/2026	6,713,000
2011B	10,815,000	6/1/2028	9,575,000
2011C	6,597,000	6/1/2041	6,247,000
2014A	1,484,000	6/1/2024	1,484,000
2014A (RP)	24,924,000	6/1/2043	24,924,000
2014C	3,596,000	6/1/2039	3,596,000

Monies in the acquisition funds are restricted for the projects being funded by the Series 2011A, 2011A(RP), 2011B, 2011C, 2014A, 2014A(RP) and 2014C. 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
2015	\$ 2,195,896	\$ 3,157,791	\$ 5,353,687
2016	2,728,407	3,084,013	5,812,420
2017	2,614,189	2,999,913	5,614,102
2018	2,696,333	2,915,699	5,612,032
2019	2,470,571	2,817,449	5,288,020
2020-2024	12,846,909	12,555,970	25,402,879
2025-2029	11,143,000	9,855,136	20,998,136
2030-2034	21,384,045	6,515,750	27,899,796
2035-2039	8,167,000	2,532,333	10,699,333
2040-2044	6,101,000	659,985	6,760,985
	<u>\$ 72,347,350</u>	<u>\$ 47,094,039</u>	<u>\$ 119,441,389</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

Total interest costs incurred in 2014 were \$3,820,089, none of which was capitalized.

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2014, include the following:

	<u>June 30, 2014</u>
Equipment	\$ 8,409,557
Building	49,676,981
Work in progress	8,811,646
Less: Accumulated Depreciation	<u>12,025,348</u>
	<u>\$ 54,872,836</u>

Amortization of leased building and equipment under capital assets is included with depreciation expenses.

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. 4th, 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 \$1,824 at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE F – LONG-TERM LIABILITIES--Continued

Other Leases--Continued

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, 2014.

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,
- Voluntary defined contribution plans,
- a Supplemental Retirement Annuity ("SRA"), a single employer defined benefit plan available to employees hired prior to July 1, 1995,
- a Retirement Plan for the President of UCO, and
- a Section 415(M) plan for the President of UCO.

The University does not currently maintain the accounting records, hold the investments for, or administer these plans. The Section 415(m) plan, when utilized, will be administered by the University.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

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 2014. Amounts of the compensation in excess of \$10,000 for the employee's contributions were paid directly by the University to the OTRS.

Funding Policy--Continued

The University's contributions to the OTRS for the years ended June 30, 2014, 2013, and 2012, were approximately \$11,589,000, \$11,236,000, and \$10,105,000, 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 2014, 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, 2014, total amounts contributed to the OTRS by the State of Oklahoma on behalf of the University were approximately \$5,795,000. These on-behalf payments have been recorded as both revenues and expenses of the current funds in the financial statements in the statements of revenues, expenses, and changes in net position.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

Voluntary Defined Contribution Plans

Employees may voluntarily contribute to tax deferred annuities 403(b) and/or 457(b) retirement savings programs. Both 403(b) and 457(b) plans offer a Roth, after tax option. Contributions to these plans are not considered part of the University's retirement program.

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, 2014 is as follows:

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)--Continued

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>(1,088,948)</u>
Increase in net pension obligation	(115,000)
Net pension obligation (asset) at beginning of year	<u>(2,189,569)</u>
Net pension obligation (asset) at end of year	<u><u>\$ (2,304,569)</u></u>

The annual required contribution for 2014 was determined as part of a biennial 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) a 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.

Fund Status and Fund Progress

The funded status of the plan as of June 30, 2014 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><u>\$ 11,991,563</u></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%

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

Supplemental Retirement Annuity (SRA)--Continued

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

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2014	\$ 973,948	114.3%	\$ (2,189,569)
2013	973,948	114.3%	(2,189,569)
2012	1,010,549	100.2%	(2,050,637)

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 2014; however, an estimated contribution

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

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

Funding Policy--continue

requirement of \$115,000 was determined for the fiscal year by the University. As of June 30, 2014, the University has contributed \$230,000 to the plan.

Annual Cost and Net Obligation

Annual pension cost and net pension obligation, estimated, of the plan for 2014 is as follows:

	2014
Annual required contribution	\$ 115,000
Interest on net pension obligation	(1,010)
Adjustment to annual required contribution	-
Annual pension cost	113,990
Contributions made	<u>(230,000)</u>
Decrease (Increase) in net pension obligation	(116,010)
Net pension obligation at beginning of year	-
Net pension obligation(asset) at end of the year	<u><u>\$ (116,010)</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.

Fund Status and Fund Progress: The funded status of the plan as of June 30, 2014 was as follows:

Accrued liability (AL)	\$ 230,000
Value of plan assets	231,010
Unfunded accrued liability (UAL)	<u>\$ (1,010)</u>
Funded Ratio (value of plan assets/AL)	100.4%

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE G--RETIREMENT PLANS--Continued

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

Trend Information

<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>
2014	\$ 115,000	100%	\$ 230,000
2013	115,000	100%	115,000

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 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. 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, 2014.

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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, 2014, 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 Retiree Medical Trust for Regional University system of Oklahoma was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan and is administered by The Bank of Oklahoma, N.A. Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were made from current operating funds. In 2009, the board voted to eliminate this benefit for anyone hired after July 1, 2009, which limits the 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

Postemployment Healthcare Plan--Continued

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. For the June 30, 2014, 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 9.0%.

Annual OPEB Cost and Net OPEB Obligation (Asset): Annual OPEB cost and net OPEB obligation (asset) for 2014 is as follows:

	<u>2014</u>
Annual required contribution	\$ 444,379
Interest on prior year net OPEB obligation (asset)	<u>12,651</u>
Annual OPEB cost	457,030
Contributions made	<u>(902,892)</u>
Increase (decrease) in net OPEB obligation	(445,862)
OPEB obligation (asset) at beginning of year	<u>(1,194,974)</u>
OPEB obligation (asset) at end of year	<u><u>\$(1,640,836)</u></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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

Postemployment Healthcare Plan--Continued

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation (Asset)
6/30/2014	\$ 457,030	100%	\$ (1,640,836)
6/30/2013	\$ 560,155	100%	(1,194,974)
6/30/2012	\$ 572,780	100%	(818,355)

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014 was as follows:

	<u>2014</u>
Actuarial accrued liability (AAL)	\$ 6,224,938
Actuarial value of plan assets	<u>4,381,231</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,843,707</u>
Funded Ratio (actuarial value of plan assets/AAL)	70.4%
Covered Payroll (active plan members)	\$ 62,316,076
UAAL as a percentage of covered payroll	3.0%

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 \$1,004,850 during the year ended June 30, 2014 which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as restricted capital gifts in the statements of revenues, expenses, and changes in net position. State law prohibits the distribution of any

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

Beneficial Interest in State School Land Funds--Continued

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 \$17,276,000 and \$16,010,000 at June 30, 2014 and 2013, respectively.

Oklahoma State Regents Endowment Trust Fund

The University participates in the Oklahoma State Regents' Endowment Program (the "Endowment Program"). Under the Endowment Program, the State matches contributions received. Such contributions generally come from private donations through the Foundation for endowed chairs, lectureships, fellowships, and similar activities. The State matched amounts, plus any retained accumulated earnings, totaled approximately \$2,314,000 at June 30, 2014, 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 30th 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 \$188,000 at June 30, 2014.

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

The University is a party in several lawsuits; however, University officials are of the opinion, based on advice of in-house legal counsel, that the ultimate outcome of all litigation will not have a 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE K--RISK MANAGEMENT--Continued

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for tort, property, and liability insurance coverage.

The Oklahoma Risk Management Pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The University also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an Interlocal Cooperative Act Agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through the State Insurance Fund. CALM is a political subdivision of the State and is governed by a Board of Trustees elected from members of the participating colleges and universities.

NOTE L -- CONDENSED FINANCIAL INFORMATION

The financial statements of the University include the financial statements of the Housing Foundation as a blended component unit. Following is condensed financial information of the University and its blended component unit for the year ending June 30, 2014.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE L -- CONDENSED FINANCIAL INFORMATION--Continued

CONDENSED STATEMENT OF NET POSITION

	<u>University</u>	<u>Housing Foundation</u>	<u>Total</u>
ASSETS			
Current assets	\$ 137,820,634	\$ 2,228,368	\$ 140,049,002
Capital assets	123,141,202	4,793,693	127,934,895
Other assets	<u>10,455,982</u>	<u>489,353</u>	<u>10,945,335</u>
TOTAL ASSETS	<u>271,417,818</u>	<u>7,511,414</u>	<u>278,929,232</u>
LIABILITIES			
Current liabilities	24,142,288	338,801	24,481,089
Long-term liabilities	<u>99,728,804</u>	<u>6,795,000</u>	<u>106,523,804</u>
TOTAL LIABILITIES	<u>123,871,092</u>	<u>7,133,801</u>	<u>131,004,893</u>
NET POSITION			
Unrestricted	80,478,670	261,738	80,740,408
Restricted: nonexpendable		-	-
Restricted: expendable	26,341,278	2,328,021	28,669,299
Invested in capital assets, net of debt	<u>40,726,778</u>	<u>(2,212,146)</u>	<u>38,514,632</u>
TOTAL NET POSITION	<u>\$ 147,546,726</u>	<u>\$ 377,613</u>	<u>\$ 147,924,339</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE L – CONDENSED FINANCIAL INFORMATION--Continued

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

	University	Housing Foundation	Total
OPERATING REVENUES			
Tuition and Fees	\$ 84,306,533	\$ -	\$ 84,306,533
Other operating revenues	<u>26,511,831</u>	<u>1,735,466</u>	<u>28,247,297</u>
TOTAL OPERATING REVENUE	110,818,364	1,735,466	112,553,830
OPERATING EXPENSES			
Compensation and employee benefits		-	
Depreciation expense	8,546,704	177,313	8,724,017
Other operating expenses	<u>179,326,248</u>	<u>499,046</u>	<u>179,825,294</u>
TOTAL OPERATING EXPENSES	<u>187,872,952</u>	<u>676,359</u>	<u>188,549,311</u>
NET OPERATING INCOME	(77,054,588)	1,059,107	(75,995,481)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(3,820,089)	(137,007)	(3,957,096)
Other nonoperating revenues (expenses)	<u>93,246,279</u>	<u>469</u>	<u>93,246,748</u>
NET NONOPERATING REVENUES (EXPENSES)	89,426,190	(136,538)	89,289,652
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	12,371,602	922,569	13,294,171
CAPITAL APPROPRIATIONS	<u>3,338,666</u>	-	<u>3,338,666</u>
CHANGE IN NET POSITION	15,710,268	922,569	16,632,837
NET POSITION, BEGINNING OF YEAR	<u>131,836,458</u>	<u>(544,956)</u>	<u>131,291,502</u>
NET POSITION, END OF YEAR	<u>\$147,546,726</u>	<u>\$ 377,613</u>	<u>\$ 147,924,339</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE L – CONDENSED FINANCIAL INFORMATION – Continued

CONDENSED STATEMENT OF CASH FLOWS

	University	Housing Foundation	Total
Net cash provided (used) by			
Operating activities	\$ (59,109,987)	\$ 78,231	\$ (59,031,756)
Noncapital financing activities	86,920,230	-	86,920,230
Capital and related financing activities	(25,921,638)	(387,007)	(26,308,645)
Investing activities	10,307,792	(98,135)	10,209,657
NET INCREASE IN CASH	12,196,397	(406,911)	11,789,486
CASH, BEGINNING OF YEAR	76,374,117	536,263	76,910,380
CASH, END OF YEAR	<u>\$ 88,570,514</u>	<u>\$ 129,352</u>	<u>\$ 88,699,866</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

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT ANNUITY PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a percentage of Covered Payroll (b-a)/c
6/30/2006	\$ 4,790,261	\$ 13,357,666	\$ 8,567,405	35.9%	\$ 16,113,514	53.2%
6/30/2007	5,387,069	14,791,448	9,404,379	36.4%	15,958,108	58.9%
6/30/2008	5,279,537	13,981,155	8,701,618	37.8%	15,644,334	55.6%
6/30/2009	4,719,473	14,470,846	9,751,373	32.6%	15,140,727	64.4%
6/30/2010	5,009,966	15,086,417	10,076,451	33.2%	13,621,881	74.0%
6/30/2011	5,520,352	14,857,697	9,337,345	37.2%	11,972,262	78.0%
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, reflected 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. 2014 amounts are reported based on a biennial actuarial report as of 6/30/2013.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT INSURANCE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll c	UAAL as a percentage of Covered Payroll (b-a)/c
6/30/2008	\$ 666,000	\$ 5,371,791	\$ 4,705,791	12.4%	\$ 51,210,330	9.2%
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%
6/30/2014	4,381,231	6,224,938	1,843,707	70.4%	62,316,076	3.0%

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, 2014

	Primary Government			Discrete Component Units			
	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total
Assets							
Current assets:							
Cash and cash equivalents	\$ 74,228,683	\$ 129,352	\$ 74,358,035	\$ 104,115	\$ 117,420	\$ 107,915	\$ 329,450
Restricted cash and cash equivalents	14,341,831	-	14,341,831	-	-	-	-
Restricted Investments	-	1,887,829	1,887,829	-	-	689,000	689,000
Investments held by others	27,374,059	-	27,374,059	-	320,046	-	320,046
Accounts receivable, net	21,365,063	202,922	21,567,985	-	-	-	-
Interest receivable	-	-	-	2,500	-	1,232	3,732
Other Receivable	-	-	-	-	-	6,143	6,143
Prepaid expenses	-	8,265	8,265	-	-	-	-
Inventories	355,718	-	355,718	-	-	-	-
Contributions receivable	-	-	-	3,288,425	-	-	3,288,425
Current portion of student loans receivable, net	155,280	-	155,280	-	-	-	-
Total current assets	137,820,634	2,228,368	140,049,002	3,395,040	437,466	804,290	4,636,796
Noncurrent assets:							
Restricted investments	-	440,192.00	440,192.00	32,465,148.00	-	-	32,465,148.00
Investments held by others	481,789	-	481,789	302,405	-	-	302,405
Student loans receivable, net	1,145,408	-	1,145,408	-	-	-	-
Other assets	-	49,161	49,161	-	-	74,401	74,401
Prepaid pension and OPEB assets	4,061,415	-	4,061,415	-	-	-	-
Capitalized collections	4,767,370	-	4,767,370	-	-	-	-
Capital assets, net	123,141,202	4,793,693	127,934,895	3,177,638	4,037	-	3,181,675
Total noncurrent assets	133,597,184	5,283,046	138,880,230	35,945,191	4,037	74,401	36,023,629
Total assets	\$ 271,417,818	\$ 7,511,414	\$ 278,929,232	\$ 39,340,231	\$ 441,503	\$ 878,691	\$ 40,660,425
Liabilities							
Current liabilities:							
Accounts payable	\$ 6,234,194	\$ 78,801	\$ 6,312,995	\$ 159,300	\$ -	\$ 4,188	\$ 163,488
Line of credit	-	-	-	616,601	-	-	616,601
Accrued payroll and benefits	5,450,715	-	5,450,715	-	-	-	-
Accrued interest payable	154,159	-	154,159	-	-	-	-
Unearned Revenue	4,988,163	-	4,988,163	-	-	-	-
Deposits held in custody for others	1,740,321	-	1,740,321	320,046	-	-	320,046
Current portion of noncurrent liabilities	5,574,736	260,000	5,834,736	45,472	-	-	45,472
Total current liabilities	24,142,288	338,801	24,481,089	1,141,419	-	4,188	1,145,607
Noncurrent liabilities, net of current portion:							
Accrued compensated absences	1,989,148	-	1,989,148	-	-	-	-
Federal loan program contributions refundable	668,202	-	668,202	-	-	-	-
Bonds payable	22,680,000	6,795,000	29,475,000	-	-	-	-
Notes payable	4,240,000	-	4,240,000	638,669	-	-	638,669
ODFA master lease obligation	54,977,028	-	54,977,028	-	-	-	-
Lease obligation payable to state agency	15,174,426	-	15,174,426	-	-	-	-
Total noncurrent liabilities	99,728,804	6,795,000	106,523,804	638,669	-	-	638,669
Total liabilities	\$ 123,871,092	\$ 7,133,801	\$ 131,004,893	\$ 1,780,088	\$ -	\$ 4,188	\$ 1,784,276
Net Position							
Net Investment in capital assets	\$ 40,726,778	\$ (2,212,146)	\$ 38,514,632	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Nonexpendable	706,701	-	706,701	19,235,267	-	-	19,235,267
Expendable:				14,625,079	-	80,453	14,705,532
Scholarships, research, instruction and other	416,783	-	416,783	-	-	-	-
Loans	896,951	-	896,951	-	-	-	-
Capital projects	15,747,180	-	15,747,180	-	-	-	-
Debt service	8,573,663	2,328,021	10,901,684	-	-	-	-
Unrestricted	80,478,670	261,738	80,740,408	3,699,797	441,503	794,050	4,935,350
Total net position	\$ 147,546,726	\$ 377,613	\$ 147,924,339	\$ 37,560,143	\$ 441,503	\$ 874,503	\$ 38,876,149

SUPPLEMENTARY SCHEDULE - COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
UNIVERSITY OF CENTRAL OKLAHOMA
Year Ended June 30, 2014

	Primary Government			Discrete Component Units			
	Student Housing		Total	University	Alumni	KCSC-FM	Total
	UCO	Foundation	University	Foundation	Association	Foundation	
Operating revenues							
Student tuition and fees (included in fees are \$7,489,406 of revenues dedicated for bond repayments)	\$ 108,173,918	\$ -	\$ 108,173,918	\$ -	\$ -	\$ -	\$ -
Less funded student aid	(23,867,385)	-	(23,867,385)	-	-	-	-
Net student revenues	84,306,533	-	84,306,533	-	-	-	-
Federal grants and contracts	2,946,544	-	2,946,544	-	-	-	-
State and local grants and contracts	3,676,940	-	3,676,940	-	-	-	-
Bookstore operations	405,951	-	405,951	-	-	-	-
Housing and food service revenues (\$4,380,775 pledged as security on 2001 UCO Student Housing Foundation Bonds and 2011B Master Lease Parking and University Center revenues (total revenues are dedicated as security for bond repayments.))	13,572,723	1,615,151	15,187,874	-	-	-	-
Interest earned on loans to students	2,176,807	-	2,176,807	-	-	-	-
Other operating revenues	28,019	-	28,019	-	-	-	-
	3,704,847	120,315	3,825,162	-	171,250	-	171,250
Total operating revenues	110,818,364	1,735,466	112,553,830	-	171,250	-	171,250
Operating expenses							
Compensation and employee benefits	\$ 118,369,849	\$ -	\$ 118,369,849	\$ 84,246	\$ -	\$ -	\$ 84,246
Contractual services	4,241,181	13,500	4,254,681	156,294	7,447	41,509	205,250
Supplies and materials	16,058,114	227,548	16,285,662	13,425	3,634	-	17,059
Depreciation	8,546,704	177,313	8,724,017	70,748	280	-	71,028
Utilities	3,082,240	137,728	3,219,968	-	-	-	-
Scholarships and fellowships	18,635,743	-	18,635,743	804,610	-	-	804,610
Other operating expenses	18,939,121	120,270	19,059,391	583,548	137,959	129,582	851,089
Total operating expenses	187,872,952	676,359	188,549,311	1,712,870	149,320	171,091	2,033,282
Net operating income (loss)	(77,054,588)	1,059,107	(75,995,481)	(1,712,870)	21,930	(171,091)	(1,862,032)
Nonoperating revenues (expenses)							
State appropriations	64,429,198	-	64,429,198	-	-	-	-
Federal funded student aid	22,491,032	-	22,491,032	-	-	-	-
OTRS on-behalf contributions	5,794,558	-	5,794,558	-	-	-	-
Gifts	24,605	-	24,605	2,651,138	-	187,872	2,839,010
Investment income	506,886	469	507,355	2,973,511	35,097	5,875	3,014,483
Interest expense	(3,820,089)	(137,007)	(3,957,096)	(32,672)	-	-	(32,672)
Net nonoperating revenues (expenses)	89,426,190	(136,538)	89,289,652	5,591,977	35,097	193,747	5,820,821
Income (loss) before other revenues, expenses, gains and losses	12,371,602	922,569	13,294,171	3,879,107	57,027	22,656	3,958,789
State appropriations restricted for capital purposes	1,692,403	-	1,692,403	-	-	-	-
OCIA on-behalf state appropriations	1,646,263	-	1,646,263	-	-	-	-
Change in net position	15,710,268	922,569	16,632,837	3,879,107	57,027	22,656	3,958,789
Net Position							
Net position at beginning of year	131,836,458	(544,956)	131,291,502	33,681,037	384,476	851,847	34,917,360
	131,836,458	(544,956)	131,291,502	33,681,037	384,476	851,847	34,917,360
Net position at end of year	\$ 147,546,726	\$ 377,613	\$ 147,924,339	\$ 37,560,144	\$ 441,503	\$ 874,503	\$ 38,876,149

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the University of Central Oklahoma (the "University"), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, that comprise the statement of net position as of June 30, 2014, and the related 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, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 31, 2014. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of the University of Central Oklahoma Foundation, Inc., 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, a 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* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities. In addition, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Arledge & Associates, P.C.

October 31, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133;
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"), a department of the Regional University System of Oklahoma (RUSO), which is a component unit of the State of Oklahoma, 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, 2014. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

Report on Internal Control over Compliance

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 31, 2014, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arlidge Associates, P.C.

October 31, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2014

Federal Grantor / Pass-through Grantor /Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid-Cluster			
Federal Pell Grant Program	84.063	N/A	\$ 21,607,086
Federal Supplemental Education Opportunity Grant	84.007	N/A	286,443
Federal Work-Study Program	84.033	N/A	357,436
Federal Perkins Loan Program	84.038	N/A	1,441,056
Teacher Education Assistance for College and Higher Education Grants	84.379	N/A	240,067
Direct Stafford Loans		N/A	60,387,172
Direct PLUS Loans		N/A	<u>2,456,004</u>
Total Student Financial Aid			<u>86,775,264</u>
Trio Cluster			
Student Support Services (SSS) FY 11 Traditional	84.042A	P042A100988	211,982
Student Support Services (SSS) FY 11 STEM	84.042A	P042A101239	187,603
Upward Bound Program 2012	84.047A	P047A120369-13	272,897
Upward Bound Math & Science Program	84.047M	P047M120111-13	<u>266,154</u>
Total Trio Cluster			<u>938,636</u>
Other Direct Programs			
Passed through Oklahoma Dept of Rehabilitation Services			
Edmond Regional Preschool Program	84.173	N/A	45,052
Passed through Oklahoma State Regents for Higher Education			
Reading, Writing, and Thinking Oklahoma A+ Schools Prof Devlpmt	84.367B	2012ESEA-NCLB-ITQ Type A	(106)
Leading the Change to Common Core State Standards	84.367B	2013 ESEA-NCLB Title II Part A	<u>23,556</u>
Total Other Direct Programs			<u>68,502</u>
Total U.S. Department of Education			<u>87,782,402</u>
OTHER PROGRAMS			
U.S. Army Corps of Engineers			
Black-capped Vireo Survey		DABT39-02-P-0083	1,946
Black Swamp Bird Observatory		N/A	431
Passed through Texas AGRILIFE Research (Texas A&M University)			
Department of the Army-Fort Sill Military Reservation		Prime #W9126G-12-2-0014, AGRILIFE #	
Basic and Applied Scientific Research	12.300	06-504474-94580	<u>14,755</u>
Total U.S. Army Corps of Engineers			<u>17,132</u>
U. S. Department of the Interior, Fish & Wildlife Service			
Migratory Bird Monitoring, Assessment and Conservation	15.655	F12AP00725	9,816
Migratory Bird Joint Ventures	15.637	F13AP00308	7,755
Passed through Texas AGRILIFE Research (Texas A&M University)			
Cooperative Landscape Conservation	15.669	F11AC00765/06-S140614	10,086
Passed through Texas Parks and Wildlife Department			
State Wildlife Grants	15.634	TX T-98-1 / 447559	13,981
Passed through Oklahoma Department of Wildlife Conservation			
Cooperative Endangered Species Conservation Fund	15.615	ODWC F13AP00196 (E-80-R-1) /F13AP0078 (E-80-R-2)	<u>16,836</u>
Total U.S. Department of the Interior, Fish & Wildlife Service			<u>58,474</u>
U. S. Department of the State			
Passed through Institute of International Education			
Investing in People in The Middle East and Africa	19.021	Prime # SIZ-100-11-GR070	<u>1,167</u>
Total U.S. Department of State			<u>1,167</u>
U.S. Department of Health & Human Services			
Administration for Children & Families Financial Assistance Award			
Passed through OK Partnership for School Readiness Foundation			
ARRA - Head Start	93.708 ARRA	90SC0008/01	3,131
Adoption Opportunities	93.652	Prime # 90C01092	41,222
Passed through Oklahoma Department of Human Services			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	PO 09009823/ Mod # 509823	69,865
Health Resources and Service Administration- Bureau of Health Professions			
Passed through The University of Oklahoma Health Sciences Center		Prime #5UB4HP19197-04-00/Subaward	
OUHSC-Geriatric Education Centers	93.969	TS20102005-31	9,759

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2014

Federal Grantor / Pass-through Grantor /Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
U.S. Department of Health & Human Services (continued)			
National Institutes of Health - National Center for Research Resources (NIH) Discovery and Applied Research for Technological Innovations to improve Human Health	93.286	1R21EB015509-01A1	110,904
Passed through University of Oklahoma Health Sciences Center Biomedical Research and Research Training			
INBRE Deans Council Chairman	93.859	8P20GM103447-13/ RS20131215-13 & 2P20GM103447-14/ RS20132225-15	56,068
INBRE Equipment 2011	93.859	8P20GM103447-13/ RS20131215-13	21,623
INBRE Intelligent System for Clinical Guidance (Fu)	93.859	8P20GM103447-13/ RS20131215-09	85,162
INBRE Research Day	93.859	8P20GM103447-13/ RS20131215-15	15,000
INBRE Mini-grant (Khandaker)	93.859	8P20GM103447-13/ RS20131215-10	29,248
INBRE Mini-grant (Bingabr)	93.859	8P20GM103447-13/ RS20131215-12	24,143
INBRE Mini-grant (Bannish)	93.859	8P20GM103447-13/ RS20131215-11	24,393
INBRE Research Opportunity Award 2013	93.859	8P20GM103447-13/ RS20131215-14	4,256
Total U.S. Department of Health & Human Services			<u>494,774</u>
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	731
Total U.S. Department of Justice			<u>731</u>
U.S. Department of Transportation			
National Highway Traffic Safety Administration Passed through Oklahoma Highway Safety Office			
National Priority Safety Programs	20.616	OP-13-05-01-00 / M2OP-14-05-01-00/ST- MC-14-05-01-00	66,215
State and Community Highway Safety	20.600	OHSO TR-13-05-02-00 /TR-14-05-03-00	19,318
Total U.S. Department of Transportation			<u>85,533</u>
U.S. Department of Veterans Affairs			
Passed through US Olympic Committee			
VA Assistance to United States Paralympic Integrated Adaptive Sports Program			
US Paralympics Integrated Adaptive Sports Program	64.034	2014-PP-001	108,604
US Paralympics Integrated Adaptive Sports Program - 2013 Endeavor Games	64.034	NA	24,033
US Paralympics Integrated Adaptive Sports Program - Olympic Opportunity Fund	64.034	NA	13,259
US Paralympics Integrated Adaptive Sports Program - Paralympic Athlete Development Program 2012-13	64.034	NA	37,228
Total U.S. Department of Veterans Affairs/Department of Defense			<u>183,124</u>
Corporation for National and Community Service (CNCS)			
Passed through Oklahoma Community Service Commission			
AmeriCorps	94.006	N/A	3,376
Passed through Wisconsin Campus Compact - University of Wisconsin-Extension			
Program Development and Innovation Grants	94.007	12 MKNWI001/PG13-67590-08	100
Total Corp for National and Community Service (CNCS)			<u>3,476</u>
National Endowment for the Arts			
Promotion of the Arts - Grants to Organizations and Individuals	45.024	13-5100-7108	45,377
Total National Endowment for the Arts			<u>45,377</u>
National Science Foundation			
Passed through Oklahoma State University			
Office of Experimental Program to Stimulate Competitive Research	47.081	EPS-0814361/ EPSCoR-2008-27 Amend#4	7,962
Office of Cyberinfrastructure	47.080	IIA-1301789/ EPSCoR-2013-7	5,000
Education and Human Resources	47.076	HRD-0902027/AA-5-29849-UCO	23,484
Education and Human Resources	47.076	DUE-0856396	391,165
Education and Human Resources	47.076	DUE-0965864	63,052
Education and Human Resources	47.076	DBI-1263327	94,888

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2014

Federal Grantor / Pass-through Grantor /Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
National Science Foundation (continued)			
Passed through University of Illinois Biological Sciences	47.074	EF-1205935/2012-02037-02	12,696
Passed through Washington University Engineering Grants	47.041	CMMI-1265447/ WU-14-78	14,256
Total National Science Foundation			<u>612,503</u>
Small Business Administration			
Passed through Southeastern Oklahoma State University			
Small Business Development Center 2013	59.037	3-603001-A-0038-29	124,343
Small Business Development Center 2014	59.037	SBAHQ-14-B-0052/ 4-603001-EZ-0048	107,576
Small Business Development Center Supplemental 2014	59.037	SBAHQ-13-B-0049/3-603001-Z-0038	8,774
Total Small Business Administration			<u>240,693</u>
Corporation for Public Broadcasting			
CPB NPPAG 2013	N/A	N/A	12,841
CPB CSG 2013	N/A	N/A	59,147
CPB CSG Restricted 2014	N/A	N/A	14,124
CPB CSG Unrestricted 2014	N/A	N/A	21,118
Total Corporation for Public Broadcasting			<u>107,230</u>
Total Other Programs			<u>1,850,214</u>
Total Expenditures of Federal Awards			<u>\$ 89,632,616</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards includes the federal awards activity of the University of Central Oklahoma (the "University") and is presented on the cash 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. Reconciliation between the cash and accrual basis is available upon request.

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, 2014. These loan balances outstanding are included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2014, the University issued Perkins loans totaling \$237,693.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loan Program	84.038	\$ 1,441,056
Nursing Student Loans	93.364	13,742

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

NOTE D--SUB-RECIPIENTS

During the year ended June 30, 2014, the University provided federal awards to sub recipients.

UNIVERSITY OF CENTRAL OKLAHOMA
 SCHEDULE OF FEDERAL AWARDS
 PASSED THROUGH TO SUBRECIPIENTS
 Year Ended June 30, 2014

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number/ Subaward Number	Disbursement/ Expenditures
National Science Foundation NSF STEP 2009	47.076	DUE-0856396	
Passed through to:			
East Central University		UCO-2009STEP-2-ECU Amend #3 & #4	\$ 36,492
Langston University		UCO-2009STEP-2-LU Amend #4	65,627
Northeastern State University		UCO-2009STEP-2-NSU Amend #3 & #4	54,043
EPSCoR STEP 2009	47.080	EPS-0814361/EPSCoR-2008-27 Amend #4	
Passed through to:			
Langston University		UCO-2013-GR.111	2,000
Northeastern State University		UCO-2013-GR.110	1,962
Total National Science Foundation Pass Through to Subrecipients			<u>\$ 160,124</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
Education and Human Resources	47.076

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

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

SOUTHEASTERN OKLAHOMA STATE UNIVERSITY

June 30, 2014

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

None to report for the June 30, 2014, period.

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

None to report for the June 30, 2014, period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2014

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