

**UNIVERSITY OF
CENTRAL OKLAHOMA**

June 30, 2009

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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Independent Auditors' Report

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

We have audited the statement of net assets of the University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the University as of and for the year ended June 30, 2008, before they were restated for the matter discussed in Note A to the financial statements, were audited by other auditors whose report, dated November 7, 2008, expressed an unqualified opinion on those financial statements. We did not audit the financial statements of the University of Central Oklahoma Alumni Association (the "Alumni Association") or the KCSC Classical Radio Foundation (the "KCSC Foundation"), discretely presented component units of the University. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Alumni Association and the KCSC Foundation, is based 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 of material misstatement. The financial statements of the Alumni Association and the KCSC Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. The financial statements of the UCO Student Housing Foundation (the "Housing Foundation") and the University of Central Oklahoma Foundation, Inc. (the "University Foundation") were also not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Central Oklahoma and its discretely presented component units, the University Foundation, the Alumni Association and the KCSC Foundation., as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows for the years then ended in conformity with accounting principle generally accepted in the United States of America.

The previously issued financial statements as of and for the year ended June 30, 2008 have been restated. The independent auditors' report dated November 7, 2008, should not be relied upon insofar as it relates to the material misstatement, as described in Note A to the financial statements. We have audited the adjustments described in Note A that were applied to restate the 2008 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. Other Supplemental Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 29, 2009

OVERVIEW

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

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



As a part of the Leadership experience students "live" community through volunteering at this Habitat for Humanity project.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of UCO at the end of the fiscal year. From the data presented, readers of the statement are able to determine the assets available to continue the operations of UCO. They also are able to determine how much UCO owes vendors, investors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability to pay expenses of UCO.

The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The following table shows a condensed statement of net assets at June 30, 2009 and June 30, 2008:

CONDENSED STATEMENT OF NET ASSETS (In Thousands)		
June 30,	2009	2008
Assets		
Current Assets	\$ 70,218	\$ 63,659
Capital Assets	109,673	100,007
Other Assets	6,628	20,084
Total Assets	186,519	183,750
Liabilities		
Current Liabilities	14,350	15,371
Noncurrent Liabilities	82,651	86,567
Total Liabilities	97,001	101,939
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	27,552	27,131
Restricted	22,869	20,091
Unrestricted	39,097	34,589
Total Net Assets	\$ 89,518	\$ 81,811

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

Assets – increase of \$ 2.7 million

- Current assets increased in the current year by \$6.5 million due to the three major building projects restricted cash being categorized as current.
- Capital assets increased by \$9.5 million due to expenditures primarily for the Forensic Science Institute and Transformational Learning Center building projects in progress.
- Other noncurrent assets decreased by \$13.5 million largely due to the moving of restricted cash for the completion of the three building projects into the current category.

Major Projects Completed

(In Thousands)	
Campus Wide Wireless	\$ 1,632
Performance Contract IV	\$ 2,125

Liabilities – decreased \$4.9 million

- Current liabilities decreased by approximately \$1 million. This decrease is made up of normal operating fluctuations in such items as accounts payable, accrued payroll and benefits, deferred revenue and current portion of noncurrent liabilities (bonds, capital leases, and notes). This fluctuation is not considered to be unusual or represent a trend.

- Noncurrent liabilities decreased by approximately \$3.9 million during the year. This is attributable to current year payments of principle on long term obligations.
- No additional debt, short term or long term, was incurred in 2009.

Net Assets – increase of \$7.7 million

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

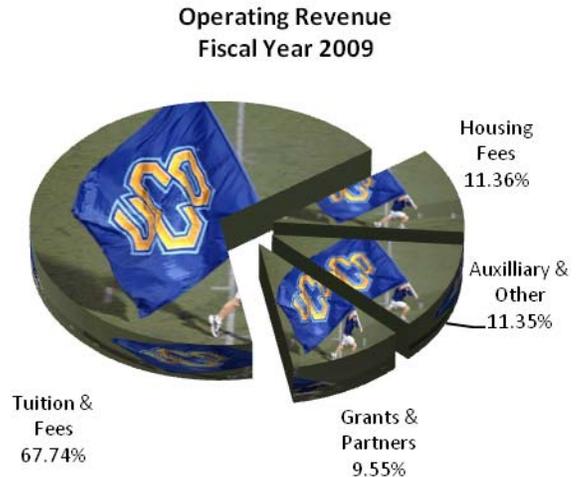
The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. A public university's dependency on state aid (appropriations) and gifts will result in operating deficits (losses).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

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

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

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (In Thousands)		
June 30,	2009	2008
Operating Revenues	\$ 73,001	\$ 67,044
Operating Expenses	148,774	142,807
Operating Loss	(75,773)	(75,763)
Non Operating Revenues (Expenses)	79,369	78,071
Income (Loss) Before Other Revenues,		
Expenses, Gains or Losses	3,596	2,308
Other Revenue, Expenses,		
Gains, or Losses	4,111	7,456
Increase in Net Assets	7,707	9,764
Net Assets - End of Year	\$ 89,518	\$ 81,811

Operating Revenues



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

	Operating Revenues (In Thousands)	
	June 30, 2009	2008
Tuition & Fees, Net of scholarships, discounts, and allowances.	\$ 49,454	\$ 47,300
Grants and Contracts	6,968	5,635
Sales & Services of auxiliary services	12,326	11,109
Other Operating Revenues	4,253	3,000
Total Operating Revenues	\$ 73,001	\$ 67,044

Operating revenues increased 8.9%

- The improvement in operating revenues is due to an increase in student tuition and fees attributable to a boost in credit hours and an increase in tuition over the prior fiscal year. The continued growth in credit hours allows the continuation of the small class size and personal attention given every student attending UCO whether an incoming freshman or graduating senior.
- Increasing grant awards for undergraduate research in many of the colleges leads to an addition of 1.3 million dollars to be used to enhance the student experience.
- A complete remodeling of the food service areas leads to an 18% increase in meal plan sales and better all around quality for the student.

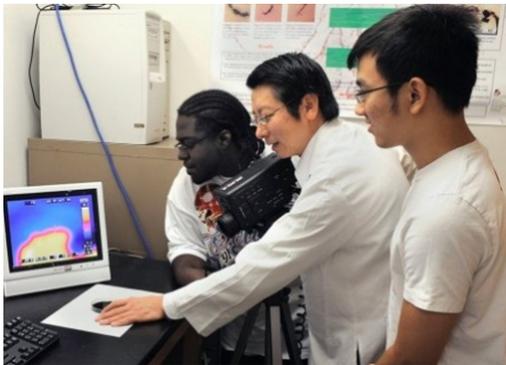
Operating Expenses

The following summarizes the operating expenses by the natural classification, for the fiscal years ended June 30:

**Compensation by Type
Fiscal Year 2009**



Operating Expenses (In Thousands)		
June 30,	2009	2008
Compensation & employee benefits	\$ 96,356	\$ 92,313
Contractual services	3,627	3,403
Supplies & materials	14,992	15,674
Depreciation	6,459	5,871
Utilities	2,678	2,677
Scholarships & fellowships	10,725	8,913
Other operating expenses	13,938	13,956
Total Operating Expenses	\$ 148,775	\$ 142,807



Dr. Wei Chen Carnegie Foundation Professor of the Year 2008 hands on with his students.

Operating expenses increased \$5.9 million. Operating expenses reflect the normal expenses of operating UCO, and carrying out the educational mission. The increase in expenses

reflects the use of increases in operating revenues and state appropriations, as follows:

- Personnel service costs increased by \$4 million. The impact of these funds resulted in the employment of 38 individuals and will aid in continued movement of UCO toward greatness. Focusing on the number of full time and adjunct faculty in the area of instruction continue to reflect UCO's commitment to our students and the quality of the learning experience; reinforcing that the student and their education is our first priority.
- UCO's green commitment is evident through the use of 100% wind power, sustainability efforts, and the energy management improvements throughout the campus that continue to hold rising energy costs in check. Though utility costs and consumption rose in fiscal year 2009 for all areas of higher education, UCO's resources expended in the area have remained constant.
- Scholarships and fellowships reflect an increase of 1.8 million dollars, reflecting UCO's commitment to our students in their time of greatest struggle to afford a quality university education. In providing increased scholarship and fellowship resources, UCO's is seeing an increase in first generation students seeking to enhance their quality of life and to give back to their community.



Nonoperating Revenues and Expenses

Certain revenue sources that UCO relies on to maintain more affordable tuition rates and provide funding for operations, including State Appropriations, are defined under GASB as nonoperating revenue. Nonoperating expenses include costs related to capital assets. The following summarizes the nonoperating revenues and expenses for the fiscal years ended June 30:

Nonoperating Revenues and Expenses (In Thousands)		
June 30,	2009	2008
State appropriations	\$ 64,376	\$ 62,693
Federal student aid	13,333	12,018
OTS On-behalf contributions	4,138	4,482
Gifts	2	24
Investment income	1,201	1,810
Interest expense	(3,681)	(2,955)
Net Operating Revenues (Expenses)	\$ 79,369	\$ 78,072

Net nonoperating revenues and expenses reflect a net of increased \$1.4 million, due to a 2.7% increase in State appropriations and a 10.9% increase in Federal student aid.

STATEMENT OF CASH FLOWS

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

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

The following summarizes UCO's cash flow for the years ending June 30:

CONDENSED STATEMENT OF CASH FLOWS (In Thousands)		
June 30,	2009	2008
Cash provided (used) by:		
Operating activities	\$ (67,492)	\$ (62,641)
Noncapital financing activities	77,711	74,735
Investing activities	9,874	2,941
Capital and related financing activities	(19,677)	(5,020)
Net Change in Cash	416	10,015
Cash, beginning of year	42,048	32,033
Cash, ending of year	\$ 42,464	\$ 42,048

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, UCO has \$109.7 million in capital assets, net of accumulated depreciation. The following table summarizes UCO's capital assets, net of accumulated depreciation:

Capital Assets, Net (In Thousands)		
June 30	2009	2008
Land	\$ 2,202	\$ 2,182
Capitalized Collections	4,544	4,360
Buildings	124,112	121,221
Infrastructure and Improvements	10,088	9,438
Equipment and Furniture	30,849	25,766
Library Resources	17,787	17,787
Construction in Progress	12,663	6,045
Total Capital Assets	202,245	186,799
Accumulated Depreciation	(92,572)	(86,792)
Total Capital Assets, Net	\$ 109,673	\$ 100,007

Debt Administration

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

Long Term Debt (In Thousands)		
June 30	2009	2008
Revenue Bonds	\$ 49,545	\$ 51,375
Capital Leases	26,176	27,940
Notes Payable	6,865	7,240
Total Long Term Debt	\$ 82,586	\$ 86,555

ECONOMIC OUTLOOK

The State of Oklahoma provided approximately 48% of the University of Central Oklahoma's operating resources for the current fiscal year. Looking forward to FY 2009-10, State revenues are estimated to decline by a modest 5%, reducing the percentage of University revenues from State funds to 45%. Federal stimulus funds are expected to provide an additional 3.6% of available resources for the upcoming year, allowing the University to manage mandatory cost increases, while maintaining current tuition rates for students.

Of concern for the University is the continuing declines in state revenues led by poor conditions in the natural gas market. These declining revenue collections have prompted the State of Oklahoma to institute additional 5% monthly reductions to state appropriation allocations to all agencies of the State, including the University. The reductions are projected for the remainder of the year.

As shown in the attached financial statements, the University had an approximately \$4.5 million increase in unrestricted current assets during the current year. In addition, student enrollment for the upcoming year is projected to grow by 4%. This strong financial position will allow the university to manage the upcoming year without significant reductions in programming or



Executive Vice-president Steve Kreidler discusses student issues at the American Democracy Project's town hall conference.

services. We will continue to monitor the state and national economic conditions as part of our financial decision making process.

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

STATEMENTS OF NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

	University		Component Units	
	June 30,		June 30,	
	2009	2008	2009	2008
(Restated)				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 34,602,547	\$ 26,039,336	\$ 2,554,224	\$ 1,408,706
Restricted cash and cash equivalents	7,860,921	16,008,117	-	-
Restricted Investments	15,856,817	10,700,810	3,881,649	2,278,609
Investments held by others	-	-	145,983	165,685
Accounts receivable, net	11,643,289	10,533,481	-	-
Interest receivable	35,951	35,316	67,305	55,952
Loan receivable	-	-	4,939	4,691
Prepaid expenses	5,410	6,248	6,143	2,520
Inventories	38,205	40,788	-	-
Contributions receivable	-	-	673,058	1,004,879
Current portion of student loans receivable, net	175,000	294,796	-	-
TOTAL CURRENT ASSETS	70,218,140	63,658,892	\$ 7,333,301	\$ 4,921,042
NONCURRENT ASSETS				
Restricted investments	1,994,472	15,824,813	\$ 10,861,453	\$ 14,631,890
Investments held by others	-	-	220,620	256,669
Student loans receivable, net	1,798,188	1,384,523	-	-
Other assets	587,897	619,472	22,518	27,456
Prepaid pension asset	2,247,048	2,254,746	-	-
Capitalized collections	4,544,290	4,360,550	-	-
Capital assets, net	105,128,864	95,646,646	1,703,139	1,751,006
TOTAL NONCURRENT ASSETS	116,300,759	120,090,750	12,807,730	16,667,021
TOTAL ASSETS	\$ 186,518,899	\$ 183,749,642	\$ 20,141,031	\$ 21,588,063
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 3,916,091	\$ 5,432,534	\$ 27,260	\$ 13,293
Accrued payroll and benefits	2,463,639	2,190,997	-	-
Accrued interest payable	383,478	399,738	-	-
Deferred revenue	2,506,838	2,427,841	-	-
Deposits held in custody for others	406,670	422,385	147,023	173,955
Current portion of noncurrent liabilities	4,673,213	4,497,785	35,892	34,358
TOTAL CURRENT LIABILITIES	14,349,929	15,371,280	210,175	221,606
NONCURRENT LIABILITIES, net of current portion				
Accrued compensated absences	1,286,104	1,180,266	\$ -	\$ -
Federal loan program contributions refundable	1,868,798	1,902,874	-	-
Bonds payable	47,635,000	49,545,000	-	-
Notes payable	6,475,000	7,125,800	886,642	922,534
ODFA master lease obligation	5,617,192	6,055,000	-	-
Lease obligation payable to state agency	19,769,059	20,758,409	-	-
TOTAL NONCURRENT LIABILITIES	82,651,153	86,567,349	886,642	922,534
TOTAL LIABILITIES	\$ 97,001,082	\$ 101,938,629	\$ 1,096,817	\$ 1,144,140
NET ASSETS				
Invested in capital assets, net of related debt	\$ 27,552,410	\$ 27,131,180	\$ -	\$ -
Restricted for:				
Nonexpendable	622,567	681,561	12,694,809	11,516,264
Expendable:			3,338,571	4,033,127
Scholarships, research, instruction and other	4,105,921	4,167,055	-	-
Loans	344,020	334,305	-	-
Capital projects	2,253,963	8,241,739	-	-
Debt service	15,541,835	6,666,174	-	-
Unrestricted	39,097,101	34,588,999	3,010,834	4,894,532
TOTAL NET ASSETS	\$ 89,517,817	\$ 81,811,013	\$ 19,044,214	\$ 20,443,923

See notes to financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

	University		Component Units	
	Year Ended June 30, 2009	2008 (Restated)	Year Ended June 30, 2009	2008
OPERATING REVENUES				
Student tuition and fees (included in fees are \$3,539,890 and \$3,472,390 for 2009 and 2008, respectively, of revenues dedicated for bond repayments)	\$ 64,918,509	\$ 61,147,672	\$ -	\$ -
Less scholarship, discounts and allowances	<u>(15,464,475)</u>	<u>(13,847,803)</u>	-	-
Net student revenues	49,454,034	47,299,869	-	-
Federal grants and contracts	1,966,059	1,315,787	-	-
State and local grants and contracts	5,001,837	4,319,271	-	140,470
Bookstore operations	979,103	766,612	-	-
Housing and food service revenues (\$1,384,963 and \$1,201,447 for 2009 and 2008, respectively, pledged as security on 2001 UCO Student Housing Foundation Bonds)	9,148,526	8,332,118	-	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments.)	2,198,882	2,010,320	-	-
Interest earned on loans to students	18,883	32,647	-	-
Other operating revenues	<u>4,234,070</u>	<u>2,967,705</u>	<u>2,425,235</u>	<u>4,444,297</u>
TOTAL OPERATING REVENUES	73,001,394	67,044,329	2,425,235	4,584,767
OPERATING EXPENSES				
Compensation and employee benefits	96,355,796	92,313,862	-	-
Contractual services	3,627,098	3,402,421	17,099	81,879
Supplies and materials	14,992,191	15,674,184	3,033	48,353
Depreciation	6,459,207	5,870,714	287	48,960
Utilities	2,678,376	2,677,079	-	-
Scholarships and fellowships	10,724,494	8,912,516	-	-
Other operating expenses	<u>13,937,773</u>	<u>13,956,409</u>	<u>1,698,468</u>	<u>1,803,636</u>
TOTAL OPERATING EXPENSES	148,774,935	142,807,185	1,718,887	1,982,828
Operating income (loss)	(75,773,541)	(75,762,856)	706,348	2,601,939
NONOPERATING REVENUES (EXPENSES)				
State appropriations	64,376,151	62,692,767	-	-
Federal funded student aid	13,333,243	12,018,001	-	-
OTRS on-behalf contributions	4,138,019	4,481,593	-	-
Gifts	1,966	23,750	-	40,375
Net/investment income (losses)	1,200,703	1,809,916	(2,106,057)	67,819
Interest expense	<u>(3,680,812)</u>	<u>(2,954,896)</u>	-	-
NET NONOPERATING REVENUES (EXPENSES)	79,369,270	78,071,131	(2,106,057)	108,194
Income (loss) before other revenues, expenses, gains and losses	3,595,729	2,308,275	(1,399,709)	2,710,133
State appropriations restricted for capital purposes	1,777,330	5,902,571	-	-
OCIA on-behalf state appropriations	2,141,105	1,251,431	-	-
Gift of capital assets	<u>192,640</u>	<u>302,150</u>	-	-
CHANGE IN NET ASSETS	7,706,804	9,764,427	(1,399,709)	2,710,133
NET ASSETS, BEGINNING OF YEAR	81,811,013	72,046,586	20,443,923	17,733,790
NET ASSETS, END OF YEAR	\$ 89,517,817	\$ 81,811,013	\$ 19,044,214	\$ 20,443,923

See notes to financial statements.

STATEMENTS OF CASH FLOWS

UNIVERSITY OF CENTRAL OKLAHOMA

	Year Ended June 30,	
	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 49,316,590	\$ 46,133,133
Grants and contracts	6,223,642	6,891,918
Auxiliary enterprises and other receipts	16,378,228	13,883,910
Interest collected on loans to students	18,883	32,647
Payments to employees for salaries and benefits	(91,675,563)	(87,163,391)
Payments to suppliers and others	(47,460,315)	(42,365,098)
Loans issued to students	(497,648)	(236,902)
Collections of loans issued to students	<u>203,779</u>	<u>182,511</u>
Net cash used in operating activities	(67,492,404)	(62,641,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and federal aid	77,711,360	74,734,517
Other student financial assistance received	(48,800,410)	(40,291,572)
Other student financial assistance disbursed	<u>48,800,410</u>	<u>40,291,572</u>
Net cash provided by noncapital financing activities	77,711,360	74,734,517
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	10,022,432	3,864,200
Purchases of investments	(1,348,098)	(2,731,944)
Interest income received	<u>1,200,068</u>	<u>1,808,797</u>
Net cash provided by investing activities	9,874,402	2,941,053
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(16,122,782)	(7,202,988)
Capital appropriations received	1,777,328	5,902,571
Proceeds of capital debt and leases	192,640	2,622,150
Payments on capital debt and leases	(2,873,414)	(3,444,000)
Interest paid on capital debt and leases	<u>(2,651,115)</u>	<u>(2,897,476)</u>
Net cash used in capital and related financing activities	(19,677,343)	(5,019,743)
Net increase in cash and cash equivalents	416,015	10,014,555
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>42,047,453</u>	<u>32,032,898</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 42,463,468</u>	<u>\$ 42,047,453</u>

STATEMENTS OF CASH FLOWS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

	Year Ended June 30,	
	2009	2008
	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (75,773,541)	\$ (75,762,854)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization expense	6,459,207	5,870,714
Loss on disposal of fixed assets	29,192	92,293
On-behalf contributions to teachers' retirement system	4,138,019	4,481,595
Changes in assets and liabilities		
Accounts receivable	(1,109,810)	(376,164)
Prepaid pension asset	7,698	136,841
Prepaid expense	838	2,276
Inventories	2,583	13,000
Student loans receivable	(293,869)	(54,392)
Accounts payable	(1,516,443)	1,742,674
Accrued payroll and benefits	272,642	175,538
Student and other deposits	(15,715)	409,543
Deferred revenues	78,997	264,302
Federal loan program contributions refundable	(34,076)	6,866
Accrued compensated absences	261,874	356,496
Net cash used in operating activities	<u>\$ (67,492,404)</u>	<u>\$ (62,641,272)</u>
NONCASH INVESTING, NONCAPITAL FINANCING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital debt paid by State Agency on behalf of the University	\$ 1,045,957	\$ 1,058,466
Principal on capital debt paid by State Agency on behalf of the University	<u>1,095,148</u>	<u>192,965</u>
Total noncash investing, noncapital financing and capital and related financing activities	<u>\$ 2,141,105</u>	<u>\$ 1,251,431</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets		
Cash and cash equivalents	\$ 34,602,547	\$ 26,039,336
Restricted cash and cash equivalents	<u>7,860,921</u>	<u>16,008,117</u>
Total cash and cash equivalents	<u>\$ 42,463,468</u>	<u>\$ 42,047,453</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Discretely Presented Component Units--Continued:

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

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

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

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

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

Basis of Accounting: For financial reporting purposes, the University is considered a special purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Basis of Accounting--Continued: The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

The financial statements of the University Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

The Association maintains its books and records on the Modified Cash Basis of accounting. Under the Cash Basis of accounting, revenues and support are recognized when received rather than when earned and expenses are recognized when funds are disbursed rather than when the obligation is incurred. The Cash Basis of accounting has been modified to record fixed assets and related depreciation.

Changes in Accounting Principles: In 2008, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 45 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (OPEB) expenses and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial statements of the University.

On July 1, 2008, the component units adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("FAS 157") with respect to financial assets and liabilities. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value under SFAS 157 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data; and

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Changes in Accounting Principles--Continued: Certain financial assets and liabilities carried at fair value on a recurring basis and therefore, subject to FAS 157 in the current period include investments, beneficial interest in assets held by others, and custodial funds (liability).

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

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

The University Foundation investments consist of cash and cash equivalents, certificates of deposits, governmental securities, corporate bonds, common and preferred stocks, and mutual funds are stated at market value based on quoted market prices when available and/or as determined by nationally recognized independent third party pricing services and provided to the Foundation by the investment manager. Limited partnership interests are stated at fair value as determined by the fund manager. Realized gains and losses on sales of marketable securities are computed on the first-in, first-out basis.

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Land and Other Property Investments: University Foundation's land and other property investments consist primarily of real property and forms of real property interests donated to the Foundation. The Foundation holds these assets until such time as they are transferred to the University for its use or they are sold. No attempt is made by the Foundation's management to revalue the real property assets at subsequent dates prior to transfer or sale due to the prohibitive cost of obtaining periodic appraisals. However, the Foundation's management is of the opinion that any subsequent reevaluation would not have a significant impact on the Foundation's statements of financial position or changes in net assets.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, net of accumulated depreciation. For equipment, the University's capitalization policy includes all items with a unit cost of \$2,500 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 60 years for buildings, 20 to 30 years for infrastructure, land improvements, and building renovations, and 5 to 10 years for library materials and equipment. Impairments are recorded to reduce the carrying value of the assets to their net realizable value determined by management based on facts and circumstances at the time of the determination. No property and equipment impairments were recorded in 2009 or 2008.

Capitalized Collections: Collections are capitalized at estimated fair values at the date of contribution. The University's capitalized collections consist primarily of works of art. These collections were valued for reporting purposes at \$4,544,290 and \$4,360,550 at June 30, 2009 and 2008, respectively. Contributions in the value of \$183,740 were received during and fiscal year 2009. No collection contributions were received in fiscal year 2008. The University Foundation does not include either the cost or the value of its collections in the statements net assets, nor does it recognize gifts of collection items as revenues in the statements of revenues, expenses and changes in net assets.

Custodial Funds: Custodial liabilities represent assets held on behalf of others for which the reporting entity acts as a custodian.

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

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

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

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Net Assets--Continued:

The University Foundation classifies its net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets - Net assets for which no donor has imposed any restrictions that the assets be used for a specific purpose or held for a certain period of time. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investment for general or specific purposes.

In August 2008, the Financial Accounting Standards Board (FASB) issued Staff Position (FSP) No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). Certain reclassifications have been made to the June 30, 2008, financial statements to conform to the classifications used at June 30, 2009.

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. The discretely presented component units of the University are generally exempt from federal income taxes under applicable provisions of Section 501 of the Internal Revenue Code. The component units are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income taxes is included in the financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and (3) interest on institutional student loans.

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

The University Foundation financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made* ("FAS 116"); No. 117, *Financial Statements of Not-for-Profit Organizations* ("FAS 117"); and No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* ("FAS 136").

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Classification of Revenues--Continued:

The University Foundation's contributions, including unconditional promises to give, are recognized as revenues in the period received by the Foundation. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Transfers of assets under conditional promises, which are received by the Foundation prior to fulfilling these conditions, are recorded as a liability until conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. Amortization of this discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. Gifts of property and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the assets must be used, in which case the gift is recorded as restricted support. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received from donors with general use restrictions for the University as a whole, or for specific colleges or departments within the University, are reflected as unrestricted to the extent that the University, colleges or departments have expended sufficient dollars which meet these general use restrictions. Contributions which are received and whose restrictions are met in the same period are recognized as unrestricted contributions.

The University Foundation's income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment or applicable law require such amounts be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift or applicable law impose restrictions on the use of the income, and as increases in unrestricted net assets in all other cases.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Classification of Revenues--Continued:

Generally, Foundation losses on investments of restricted endowments reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on the net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets. Subsequent investment gains are applied first to unrestricted net assets to the extent that losses have previously been recognized, and then to temporarily restricted net assets.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs are recorded as either operating or 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.

Change in Accounting Policy: In 2009, certain federal student financial aid revenues were reclassified from operating revenues to nonoperating revenue based on the University's administrative involvement in the programs and because the grants are nonexchange transactions. The reclassifications were also made to the 2008 financial statements to conform with the 2009 presentation. This change in accounting policy was a result of an amendment to the GASB Staff *"Comprehensive Implementation Guide, Chapter 7: Basic Financial Statements and Management's Discussion and Analysis"*.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Restatements and Reclassifications: Certain reclassifications have been made to the 2008 financial statements to conform with the 2009 financial statement presentation. Additionally, during the fiscal year ended June 30, 2009, the University determined that deferred revenues were overstated at June 30, 2008. The net assets as of June 30, 2008 and the changes in net assets for the year ended June 30, 2008, have been restated, as shown in the table below:

	<u>Invested in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net assets as previously reported July 1, 2007	\$ 29,009,753	\$ 13,131,884	\$ 29,904,949	\$ 72,046,586
Change in net assets during 2008, As previously stated	(1,878,573)	6,206,514	3,194,102	7,522,043
Restatement adjustment: Reduced deferred revenue	<u>-</u>	<u>752,436</u>	<u>1,489,948</u>	<u>2,242,384</u>
Restated net assets at June 30, 2008	<u>\$ 27,131,180</u>	<u>\$ 20,090,834</u>	<u>\$ 34,588,999</u>	<u>\$ 81,811,013</u>

NOTE B--DEPOSITS AND INVESTMENTS

Deposits

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued

The State Treasurer has determined that current holdings in *OK INVEST* should be limited to obligations of the US 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, and State of Israel Bonds.

At June 30, 2009 and 2008, the carrying amount of all University and blended component unit deposits with the OST and other financial institutions was \$42,445,239 and \$42,064,338, respectively. These amounts consisted of deposits with the OST (\$41,983,535 and \$41,701,055) and U.S. financial institutions (\$461,704 and \$363,283). The University also maintains petty cash funds totaling \$18,230 in 2009 and \$17,830 in 2008. Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$13,010,648 in 2009 and \$11,419,844 in 2008.

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:

<u>OK INVEST Portfolio</u>	June 30, 2009	
	<u>Cost</u>	<u>Market</u>
U.S. agency securities	\$ 5,726,092	\$ 5,897,680
Money market mutual funds	1,025,821	1,025,821
Certificates of deposit	829,217	829,217
Tri-party repurchase agreements	1,016,267	1,016,267
Mortgage-backed agency securities	2,950,203	2,985,961
Municipal bonds	209,225	210,940
Foreign bonds	24,787	24,787
U.S. Treasury obligations	1,229,036	1,271,982
TOTAL	<u>\$ 13,010,648</u>	<u>\$ 13,262,655</u>

<u>OK INVEST Portfolio</u>	June 30, 2008	
	<u>Cost</u>	<u>Market</u>
U.S. agency securities	\$ 5,357,682	\$ 5,474,699
Money market mutual funds	771,552	771,552
Certificates of deposit	933,399	933,399
Tri-party repurchase agreements	774,213	774,212
Mortgage-backed agency securities	1,963,738	1,948,868
Foreign bonds	23,390	23,167
U.S. Treasury obligations	1,595,870	1,647,297
TOTAL	<u>\$ 11,419,844</u>	<u>\$ 11,573,194</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report 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 and its funds and agencies' daily cash flow requirements. Guidelines in the investment policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at www.ok.gov/treasurer/.

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 three years. *OK INVEST* maintains an overall weighted average maturity of less than 2 years. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/ default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the Federal Deposit Insurance Corporation or any other government agency.

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the University's investments are managed by the State Treasurer. In accordance with state statutes, the State Treasurer may only purchase and invest in (a) obligations of the United States government, its agencies and instrumentalities; (b) prime banker's acceptances; (c) investment grade obligations of state and local governments; (d) money market funds and short term bonds; (e) collateralized or insured certificates of deposits; (f) negotiable certificates of deposits; (g) US government agency securities; and (h) repurchase agreements. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments that are held for longer periods of time are subject to increased risk of adverse interest changes. Neither the University nor State statutes limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates; however, the OST Investment Policy limits the average maturity on its portfolio to four (4) years, with certain individual securities having more restrictive limits as defined in the policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. Neither the University's investment policy nor State statutes place limits on amounts that can be invested in any one issuer; however, the OST Investment Policy states that, with the exception of U.S. Treasury securities, no more than 50% of the State's total funds may be invested in a single security type or with a single financial institution, with diversification percentages being more restrictive on individual securities. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2009 and 2008, none of the University's investments were subject to custody credit risk.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Investments--Continued

From time to time the University has funds invested in certificates of deposit with Spirit Bank. Spirit Bank is a member of the Certificate of Deposit Account Registry Service, "CDARS". CDARS is a special network of institutions that place funds into certificates of deposit issued by banks in the network. Through the CDARS program, up to twenty five million dollars can be fully insured through the FDIC. Spirit Bank buys smaller CDs on the University's behalf at the same rate through the network's other banks. Other network members do the same thing with their customers' deposits. A proprietary process, owned by the network, allocates orders on specified dates to other insured institution members willing to accept orders. This exchange occurs on a dollar-for-dollar basis, so that the equivalent of the original deposit comes back to the institution. There are no annual, subscription or transaction fees associated with the CDARS service. The certificates of deposit are included in current restricted investments on the statement of net assets. The certificates of deposits were \$0 and \$2,584,461 for June 30, 2009 and 2008, respectively.

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, 2009 and 2008, respectively, \$3,556,649 and \$1,943,609 are classified as current and \$10,861,453 and \$14,631,890 are classified as noncurrent on the statement of net assets.

Bond Fund Cash and Investments

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Bond Fund Cash and Investments--Continued

At June 30, 2009 and 2008, the University had investments in restricted bond funds totaling \$17,851,289 and \$23,961,162. At June 30, 2009 and 2008, respectively, \$15,865,817 and \$8,136,349 are classified as current and \$1,994,472 and \$15,824,813 are classified as noncurrent on the statement of net assets. The fair market value of these funds approximated their carrying value at June 30, 2009. 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, 2009.

All investments for the University, including its blended component unit, and discrete component units at June 30, 2009 and 2008, respectively, were as follows:

<u>2009</u>	University Investments	Component Unit Investments
Cash and cash equivalent funds	\$ -	\$ 513,369
Certificate of deposit	-	3,556,649
Government securities	-	3,629,373
Corporate bonds	17,471,106	527,568
Mutual funds	380,183	103,054
Equity Securities	-	5,288,778
Other	-	1,124,311
	<u>\$ 17,851,289</u>	<u>\$ 14,743,102</u>

<u>2008</u>	University Investments	Component Unit Investments
Cash and cash equivalent funds	\$ -	\$ 2,846,971
Certificate of deposit	2,564,461	2,298,037
Government securities	-	2,889,548
Corporate bonds	22,881,051	380,449
Mutual funds	1,080,111	69,235
Equity Securities	-	7,165,108
Other	-	1,426,836
	<u>\$ 26,525,623</u>	<u>\$ 17,076,184</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2009 and 2008:

<u>2009</u>	<u>University</u>	<u>Component Units</u>
Student tuition and fees	\$ 10,091,747	\$ -
Auxiliary enterprises and other operating activities	7,355,191	-
Federal, state and private grants and contracts	2,733,505	-
Contributions receivable	-	694,556
	<u>20,180,443</u>	<u>694,556</u>
Less allowance for doubtful accounts	<u>(8,537,154)</u>	<u>(21,498)</u>
Net accounts receivable	<u>\$ 11,643,289</u>	<u>\$ 673,058</u>
<u>2008</u>	<u>University</u>	<u>Component Units</u>
Student tuition and fees	\$ 9,861,029	\$ -
Auxiliary enterprises and other operating activities	6,791,484	-
Federal, state and private grants and contracts	1,998,847	-
Contributions receivable	-	1,053,593
	<u>18,651,360</u>	<u>1,053,593</u>
Less allowance for doubtful accounts	<u>(8,117,879)</u>	<u>(48,714)</u>
Net accounts receivable	<u>\$ 10,533,481</u>	<u>\$ 1,004,879</u>

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, 2009 and 2008. 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE D--RECEIVABLE--Continued

Amounts refundable to the U.S. Government upon cessation of the Program of approximately \$1,869,000 and \$1,903,000 at June 30, 2009 and 2008, respectively, are reflected in the accompanying statements of net assets as noncurrent liabilities. As the University determines loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans that, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

At June 30, 2009 and 2008, loans receivable consisted of the following:

<u>2009</u>	<u>University</u>	<u>Component Units</u>
Total loans receivable	\$ 2,111,312	\$ 27,457
Less allowance for uncollectible loans	<u>138,124</u>	<u>-</u>
Loans receivable, net	<u>\$ 1,973,188</u>	<u>\$ 27,457</u>
<u>2008</u>	<u>University</u>	<u>Component Units</u>
Total loans receivable	\$ 1,796,438	\$ 32,147
Less allowance for uncollectible loans	<u>117,119</u>	<u>-</u>
Loans receivable, net	<u>\$ 1,679,319</u>	<u>\$ 32,147</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE E--CAPITAL ASSETS

Following are the changes in University capital assets for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2009
Capital assets not being depreciated					
Land	\$ 2,181,916	\$ 19,586	\$ -	\$ -	\$ 2,201,502
Art Collections	4,360,550	183,740	-	-	4,544,290
Construction in-progress	6,045,164	10,375,024	(3,757,180)	-	12,663,008
Total capital assets not being depreciated	<u>12,587,630</u>	<u>10,578,350</u>	<u>(3,757,180)</u>	<u>-</u>	<u>19,408,800</u>
Other capital assets					
Non-major infrastructure networks	1,450,621	-	-	-	1,450,621
Land improvements	7,987,189	650,112	-	-	8,637,301
Buildings	121,221,443	2,890,195	-	-	124,111,638
Furniture, fixtures and equipment	25,765,339	2,004,124	3,757,180	(676,933)	30,849,710
Library materials	17,786,850	-	-	-	17,786,850
Total other capital assets	<u>174,211,442</u>	<u>5,544,431</u>	<u>3,757,180</u>	<u>(676,933)</u>	<u>182,836,120</u>
Less accumulated depreciation for					
Non-major infrastructure networks	(1,029,647)	(72,531)	-	-	(1,102,178)
Land improvements	(5,178,076)	(287,898)	-	-	(5,465,974)
Buildings	(44,481,177)	(3,779,391)	-	-	(48,260,568)
Furniture, fixtures and equipment	(19,911,959)	(2,262,054)	-	647,741	(21,526,272)
Library materials	(16,191,017)	(25,757)	-	-	(16,216,774)
Total accumulated depreciation	<u>(86,791,876)</u>	<u>(6,427,631)</u>	<u>-</u>	<u>647,741</u>	<u>(92,571,766)</u>
Other capital assets, net	<u>87,419,566</u>	<u>(883,200)</u>	<u>3,757,180</u>	<u>(29,192)</u>	<u>90,264,354</u>
Capital asset summary:					
Capital assets not being depreciated	12,587,630	10,578,350	(3,757,180)	-	19,408,800
Other capital assets, at cost	<u>174,211,442</u>	<u>5,544,431</u>	<u>3,757,180</u>	<u>(676,933)</u>	<u>182,836,120</u>
Total cost of capital assets	186,799,072	16,122,781	-	(676,933)	202,244,920
Less accumulated depreciation	<u>(86,791,876)</u>	<u>(6,427,631)</u>	<u>-</u>	<u>647,741</u>	<u>(92,571,766)</u>
Capital assets, net	<u>\$ 100,007,196</u>	<u>\$ 9,695,150</u>	<u>\$ -</u>	<u>\$ (29,192)</u>	<u>\$ 109,673,154</u>

Total interest costs incurred in 2009 was \$3,802,242 of which \$121,430 was capitalized.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE E--CAPITAL ASSETS--Continued

Following are the changes in University capital assets for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Transfers	Retirements/ Adjustments	Balance June 30, 2008
Capital assets not being depreciated					
Land	\$ 2,181,916	\$ -	\$ -	\$ -	\$ 2,181,916
Art Collections	4,360,550	-	-	-	4,360,550
Construction in-progress	2,640,599	3,404,565	-	-	6,045,164
Total capital assets not being depreciated	<u>9,183,065</u>	<u>3,404,565</u>	<u>-</u>	<u>-</u>	<u>12,587,630</u>
Other capital assets					
Non-major infrastructure networks	1,450,621	-	-	-	1,450,621
Land improvements	7,153,548	833,641	-	-	7,987,189
Buildings	119,877,719	1,343,724	-	-	121,221,443
Furniture, fixtures and equipment	25,128,664	2,290,784	-	(1,654,109)	25,765,339
Library materials	17,786,850	-	-	-	17,786,850
Total other capital assets	<u>171,397,402</u>	<u>4,468,149</u>	<u>-</u>	<u>(1,654,109)</u>	<u>174,211,442</u>
Less accumulated depreciation for					
Non-major infrastructure networks	(957,116)	(72,531)	-	-	(1,029,647)
Land improvements	(4,923,653)	(254,423)	-	-	(5,178,076)
Buildings	(40,850,917)	(3,630,260)	-	-	(44,481,177)
Furniture, fixtures and equipment	(19,616,312)	(1,857,462)	-	1,561,815	(19,911,959)
Library materials	(16,164,953)	(26,064)	-	-	(16,191,017)
Total accumulated depreciation	<u>(82,512,951)</u>	<u>(5,840,740)</u>	<u>-</u>	<u>1,561,815</u>	<u>(86,791,876)</u>
Other capital assets, net	<u>88,884,451</u>	<u>(1,372,591)</u>	<u>-</u>	<u>(92,294)</u>	<u>87,419,566</u>
Capital asset summary:					
Capital assets not being depreciated	9,183,065	3,404,565	-	-	12,587,630
Other capital assets, at cost	<u>171,397,402</u>	<u>4,468,149</u>	<u>-</u>	<u>(1,654,109)</u>	<u>174,211,442</u>
Total cost of capital assets	180,580,467	7,872,714	-	(1,654,109)	186,799,072
Less accumulated depreciation	<u>(82,512,951)</u>	<u>(5,840,740)</u>	<u>-</u>	<u>1,561,815</u>	<u>(86,791,876)</u>
Capital assets, net	<u>\$ 98,067,516</u>	<u>\$ 2,031,974</u>	<u>\$ -</u>	<u>\$ (92,294)</u>	<u>\$ 100,007,196</u>

Total interest costs incurred in 2008 was \$5,072,802 of which \$2,117,906 was capitalized.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE E--CAPITAL ASSETS--Continued

Following are the balances in University Component Units' capital assets at June 30, 2009 and 2008.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Capital assets not being depreciated		
Land	\$ 586,513	\$ 586,513
Land held for Sale	<u>16,230</u>	<u>16,230</u>
Total capital assets not being depreciated	602,743	602,743
Other capital assets		
Buildings	1,410,360	1,410,360
Furniture, fixtures and equipment	32,586	32,231
Cash surrender value on life insurance	12,209	11,409
Mineral Interest	<u>1,600</u>	<u>1,600</u>
Total other capital assets	1,456,755	1,455,600
Less accumulated depreciation for		
Buildings	(326,657)	(279,644)
Furniture, fixtures and equipment	<u>(29,702)</u>	<u>(27,693)</u>
Total accumulated depreciation	<u>(356,359)</u>	<u>(307,337)</u>
Other capital assets, net	1,100,396	1,148,263
Capital asset summary		
Capital assets not being depreciated	602,743	602,743
Other capital assets, at cost	<u>1,456,755</u>	<u>1,455,600</u>
Total cost of capital assets	2,059,498	2,058,343
Less accumulated depreciation	<u>(356,359)</u>	<u>(307,337)</u>
Capital assets, net	<u>\$ 1,703,139</u>	<u>\$ 1,751,006</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES

University long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amounts due within one year
Bonds payable and capital lease obligations					
Revenue bonds payable	\$ 51,375,000	\$ -	\$ (1,830,000)	\$ 49,545,000	\$ 1,910,000
Capital lease obligations	27,939,664	-	(1,763,562)	26,176,102	789,850
Notes payable	7,240,000	-	(375,000)	6,865,000	390,000
Total bonds and capital leases	86,554,664	-	(3,968,562)	82,586,102	3,089,850
Other liabilities					
Accrued compensated absences	2,607,596	1,628,971	(1,367,100)	2,869,467	1,583,363
Federal loan program contributions	1,902,874	-	(34,077)	1,868,797	-
Total other liabilities	4,510,470	1,628,971	(1,401,177)	4,738,264	1,583,363
Total long-term liabilities	<u>\$ 91,065,134</u>	<u>\$ 1,628,971</u>	<u>\$ (5,369,739)</u>	<u>\$ 87,324,366</u>	<u>\$ 4,673,213</u>

University long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
Bonds payable and capital lease obligations					
Revenue bonds payable	\$ 53,130,000	\$ -	\$ (1,755,000)	\$ 51,375,000	\$ 1,830,000
Capital lease obligations	27,141,629	2,320,000	(1,521,965)	27,939,664	865,455
Notes payable	7,600,000	-	(360,000)	7,240,000	375,000
Total bonds and capital leases	87,871,629	2,320,000	(3,636,965)	86,554,664	3,070,455
Other liabilities					
Accrued compensated absences	2,251,098	1,714,186	(1,357,688)	2,607,596	1,427,330
Federal loan program contributions	1,896,010	6,864	-	1,902,874	-
Total other liabilities	4,147,108	1,721,050	(1,357,688)	4,510,470	1,427,330
Total long-term liabilities	<u>\$ 92,018,737</u>	<u>\$ 4,041,050</u>	<u>\$ (4,994,653)</u>	<u>\$ 91,065,134</u>	<u>\$ 4,497,785</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable

Revenue bonds payable consisted of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
University Center and Parking Revenue		
Refunding Bonds, Series 2003	\$ 13,060,000	\$ 13,775,000
Library Revenue Refunding Bonds, Series 2003	5,565,000	5,870,000
ODFA Public Facilities Financing Program		
Revenue Refunding Bonds, Series 2003	2,280,000	2,510,000
Wellness Center Student Facilities Revenue Bonds, Series 2000	7,935,000	8,130,000
Wantland Stadium Facility Revenue Bonds, Series 2004	12,550,000	12,775,000
UCO Student Housing Foundation Revenue Bonds, Series 2001	<u>8,155,000</u>	<u>8,315,000</u>
Total Revenue Bonds Payable	<u>\$ 49,545,000</u>	<u>\$ 51,375,000</u>

University Center and Parking Revenue Refunding Bonds, Series 2003

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

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 9,690,000	Serial	Final 06/1/2016	\$ 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	4.13%	Semiannual
<u>\$ 17,190,000</u>					

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Library Revenue Refunding Bonds, Series 2003

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

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 4,150,000	Serial	Final 06/1/2016	\$ 305,000 to 375,000	2.00% to 3.60%	Semiannual
3,185,000	Term	6/1/2019	\$ 1,200,000	4.00%	Semiannual
		6/1/2022	\$ 1,355,000	5.00%	Semiannual
		6/1/2023	\$ 630,000	4.125%	Semiannual
<u>\$ 7,335,000</u>					

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

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

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 3,635,000	Serial	Final 06/1/2018	\$ 220,000 to 275,000	2.00% to 4.00%	Semiannual

Wellness Center Student Facilities Revenue Bonds Series 2000

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

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>
\$ 1,515,000	Serial	Final 08/1/2010	\$ 80,000 to 235,000	4.50% to 5.15%	Semiannual
7,485,000	Term	8/1/2015	\$ 1,565,000	5.40%	Semiannual
		8/1/2020	\$ 2,395,000	5.60%	Semiannual
		8/1/2025	\$ 3,525,000	5.70%	Semiannual
<u>\$ 9,000,000</u>					

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

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

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

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Taxable</u>
\$ 500,000	Serial	Final 06/1/2009	\$ 10,000 to 135,000	Variable	Semiannual	X
8,305,000	Serial	6/1/2031	\$ 150,000 to 615,000	Variable	Semiannual	
<u>\$ 8,805,000</u>						

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

The Wantland Stadium Facility Revenue Bonds, issued July 7, 2004, are secured by a facility fee of \$3 per credit hour which is pledged for debt service requirements on these bonds. The University has also recorded an asset for its pro-rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2009 and 2008, the unamortized bond issuance costs totaled \$175,600 and \$183,040, respectively.

<u>Original Amount</u>	<u>Bond Type</u>	<u>Installment Date</u>	<u>Installment Amount</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Taxable</u>
\$ 685,000	Serial	Final 06/1/2010	\$ 220,000 to 240,000	4.20% to 5.00%	Semiannual	X
3,075,000	Term	6/1/2019	\$ 290,000 to 400,000	3.65% to 4.60%	Semiannual	
9,235,000	Term	6/1/2024	\$ 2,340,000	5.50%	Semiannual	
		6/1/2034	\$ 6,895,000	5.00%	Semiannual	
<u>\$ 12,995,000</u>						

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

The scheduled maturities of University revenue bonds payable are as follows:

Years Ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2010	\$ 1,910,000	\$ 2,194,029	\$ 4,104,029
2011	2,035,000	2,128,315	4,163,315
2012	2,115,000	2,058,573	4,173,573
2013	2,210,000	1,982,023	4,192,023
2014	2,305,000	1,900,780	4,205,780
2015 - 2019	12,870,000	8,027,525	20,897,525
2020 - 2024	13,940,000	4,846,243	18,786,243
2025 - 2029	7,095,000	2,083,849	9,178,849
2030 - 2034	5,065,000	673,369	5,738,369
	<u>\$ 49,545,000</u>	<u>\$ 25,894,706</u>	<u>\$ 75,439,706</u>

Notes Payable

The University has one note payable for environmental control equipment.

<u>Original Amount</u>	<u>Date</u>	<u>Frequency</u>	<u>Installment Amount</u>	<u>Effective Interest Rate</u>	<u>Number of Installments</u>	<u>Balance 2009</u>	<u>Balance 2008</u>
<u>\$ 8,905,000</u>	4/1/2002	Monthly	\$ 61,908	5.20%	240	<u>\$ 6,865,000</u>	<u>\$ 7,240,000</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Notes Payable--Continued

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2010	\$ 390,000	\$ 352,404	\$ 742,404
2011	405,000	335,244	740,244
2012	425,000	317,019	742,019
2013	445,000	297,256	742,256
2014	470,000	274,450	744,450
2015 - 2019	2,720,000	985,681	3,705,681
2020 - 2024	2,010,000	219,838	2,229,838
	<u>\$ 6,865,000</u>	<u>\$ 2,781,892</u>	<u>\$ 9,646,892</u>

The University Component Unit, UCO Foundation, had the following notes payable for a music building with a five year adjustable interest rate.

<u>Original Amount</u>	<u>Date</u>	<u>Frequency</u>	<u>Installment Amount</u>	<u>Effective Interest Rate</u>	<u>Number of Installments</u>	<u>Balance 2009</u>	<u>Balance 2008</u>
\$ 1,135,000	1/1/2001	Monthly	\$ 6,295	Adjustable	300	\$ 922,534	\$ 956,892

Maturities of long term debt are as follows:

	<u>Total</u>
Years Ending June 30:	
2010	\$ 35,892
2011	37,494
2012	39,167
2013	40,916
2014	42,742
Thereafter	726,323
	<u>\$ 922,534</u>

The Foundation incurred interest expense of \$40,896 and \$39,656 during the years ended June 30, 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations

Oklahoma Capitol Improvement Authority Leases

In September 2000, the Oklahoma Capitol Improvement Authority (OCIA) issued its OCIA Bond Issues, Series 1999A. Of the total bond indebtedness, the State Regents for Higher Education allocated \$2,500,000 for the 1999 Series to the University. In 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. 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, 2009, the University has drawn down 100% of the 1999 Series and 22% of 2006D Series of its total allotment for expenses incurred in connection with specific projects. These expenses are being recorded as capital assets or operating expenses, in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayment made during the fiscal years. The University has also recorded an asset for its pro-rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2009 and 2008, the unamortized bond issuance costs totaled \$103,363 and \$111,942 respectively.

During the years ended June 30, 2009 and 2008, OCIA made lease principal and interest payments totaling \$2,141,105 and \$1,251,431, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the University's statements of revenues, expenses and changes in net assets.

Oklahoma Development Finance Authority Master Lease Program

The Oklahoma Development Finance Authority (ODFA) issued the ODFA Master Lease Revenue Bonds. ODFA issues bonds to fund capital improvements at state colleges and universities in Oklahoma. ODFA allocates the bond proceeds to colleges and universities in the form of financing leases. The University has recorded capital improvements funded by the leases and the resulting capital lease obligations in its statement of net assets. At June 30, 2009 and 2008, the unamortized bond issuance costs totaled \$57,200 and \$61,600, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease Program--Continued

The lease agreements calls for monthly payments to ODFA in an amount that equals debt service requirements on the portion of the bonds used to finance the leases. After payment of bond closing costs, the net bond proceeds were deposited into ODFA trust accounts as required by the bond indentures. At June 30, 2009 and 2008, trust accounts balances total \$380,183 and \$1,080,111, respectively, and are included with Restricted Investments on the University's statement of net assets.

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

Monies in the acquisition funds are restricted for the projects being funded by the Series 2006B and 2007C programs. Debt service reserve funds are restricted for the payment of principal and interest pursuant to the agreements. Future minimum lease payments under the University's capital lease obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2010	\$ 789,850	\$ 1,246,635	\$ 2,036,485
2011	740,312	1,216,600	1,956,912
2012	418,341	1,189,436	1,607,777
2013	384,613	1,169,816	1,554,429
2014	396,193	1,155,963	1,552,156
2015-2019	2,031,368	5,535,686	7,567,054
2020-2024	1,812,909	5,117,831	6,930,740
2025-2029	695,000	4,782,281	5,477,281
2030-2034	18,907,516	3,309,196	22,216,712
	<u>\$ 26,176,102</u>	<u>\$ 24,723,444</u>	<u>\$ 50,899,546</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE F--LONG-TERM LIABILITIES--Continued

Other Leases

The University has entered into a lease agreement with its component unit, the University Foundation, to lease their music building for a period of 25 years in the amount of \$6,295 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 in the amount of \$2,333 per month plus reimburse the Foundation for related property taxes and insurance. The lease commenced in May 2005. Monthly rental payments were \$3,062 and \$2,795 at June 30, 2009 and 2008, respectively. This lease automatically renews for a term of one year through May 2013, unless notified in writing sixty days in advance of the anniversary date.

NOTE G--RETIREMENT PLANS

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System

Plan Description

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

Funding Policy

The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate changed from 7.55% to 8.05% as of January 1, 2009. The rate changed from 7.05% to 7.55% effective January 1, 2008 and the rate was 7.05% for 2007. The contribution rate is applied to annual compensation and is determined by State statute. Employees' contributions are also determined by State statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2009, 2008 and 2007, respectively. Percentages of the compensation in excess of \$15,000 for the employee's contributions were paid directly by the University to the OTRS for 2009, 2008 and 2007, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE G--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System--Continued

Funding Policy--Continued

The University's contributions to the OTRS for the years ended June 30, 2009, 2008, and 2007, were approximately \$8,752,000, \$7,882,000, and \$6,832,000, 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 2009, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the State on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2009 and 2008, total amounts contributed to the OTRS by the State of Oklahoma on behalf of the University were approximately \$4,138,000 and \$4,482,000, respectively. These on-behalf payments have been recorded as both revenues and expenses of the current funds in the financial statements in the statements of revenues, expenses and changes in net assets.

Supplemental Retirement Annuity (SRA)

Plan Description

The University's SRA plan is a single employer, defined benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to University employees who were hired prior to July 1, 1995, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a stand alone 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 in December 2002, the Plan must achieve 80% funding of the pension benefit obligation by December 1, 2022.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE G--RETIREMENT PLANS--Continued

Annual Pension Cost & Net Pension Obligation (Asset)

Annual pension cost and net pension obligation (asset) of the SRA as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 963,568	\$ 1,089,721
Interest on net pension obligation (asset)	(180,380)	(191,327)
Adjustment to annual required contribution	<u>229,651</u>	<u>243,588</u>
Annual pension cost	1,012,839	1,141,982
Contributions made	<u>(1,005,141)</u>	<u>(1,005,141)</u>
Increase in net pension obligation	7,698	136,841
Net pension obligation (asset) at beginning of year	<u>(2,254,746)</u>	<u>(2,391,587)</u>
Net pension obligation (asset) at end of year	<u>\$ (2,247,048)</u>	<u>\$ (2,254,746)</u>

The annual required contribution for 2009 and 2008 were determined as part of an actuarial valuation on June 30, 2009 and 2008, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 8% per year to determine the present value of future benefit payments; (b) retirement at age 65; (c) an 8% rate of return on investments; (d) projected salary increases of 3.5% per year; and (e) an 8% interest rate for post-retirement individual annuity settlement benefits. The value of the SRA assets is based on the TIAA-CREF group annuity account asset value. The unfunded actuarial accrued liability is being amortized over twenty years as a level dollar amount on a closed basis.

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2009	\$ 1,012,839	99.2%	\$ (2,247,048)
2008	1,141,982	88.0%	(2,254,746)
2007	1,049,216	95.8%	(2,391,587)

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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, 2009, there were a total of 1,268 participants in the plan. The retirement insurance program was adopted by the Board of Regents in 1985. In March 2008, the Retiree Medical Trust for Regional University system of Oklahoma was established to hold assets and pay benefits on behalf of the University's postemployment healthcare plan, and is administered by The Bank of Oklahoma, N.A. Prior to the establishment of the trust, the insurance benefits were accounted for on a pay-as-you-go basis so that premiums were made from current operating funds. In 2009, the board voted to eliminate this benefit for anyone hired after July 1, 2009, which will affect future years.

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. The current ARC is \$613,300, and represents 1.1% (percent) of covered payroll.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Postemployment Healthcare Plan--Continued

Annual OPEB Cost

For 2009, the University's annual required contribution was \$557,439. In 2008, the University's annual OPEB cost (expense) of \$970,074 was equal to the ARC plus the actual insurance benefits paid during the year, which have been reimbursed from the trust account. For the year ended June 30, 2007, the annual OPEB costs were equal to the premium payments on a cash basis of reporting (prior to GASB Statement 45). The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at June 30, 2009 and 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 557,439	100%	\$ -
6/30/2008	970,074	145%	-

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 5,371,791
Actuarial value of plan assets	944,691
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,427,100</u>
Funded ratio (actuarial value of plan assets/AAL)	17.6%
Covered payroll (active plan members)	\$ 57,660,935
UAAL as a percentage of covered payroll	7.7%

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

Postemployment Healthcare Plan--Continued

Actuarial Methods and Assumptions

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, 2009 actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included a 7.0% investment rate of return and an annual healthcare cost inflationary increase of 9.5%.

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 \$739,340 and \$674,890 during the years ended June 30, 2009 and 2008, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as capital gifts and grants in the statements of revenues, expenses and changes in net assets. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for University of Central Oklahoma, held in trust by the commissioners of Land Office, was approximately \$12,374,000 and \$13,931,000 at June 30, 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

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 \$952,539 and \$1,312,195 at June 30, 2009 and 2008, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of 4.5% of the three-year average of the June 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 \$55,000 and \$58,000 at June 30, 2009 and 2008, respectively.

Oklahoma City Community Foundation, Inc.

The University component unit, University Foundation, in current and previous years, transferred \$221,510 to the Oklahoma City Community Foundation, Inc. (the "Community Foundation"), and specified itself as the beneficiary of the funds. In accordance with the provisions of Statements of Financial Accounting Standards ("SFAS") Statement No. 136, the statements of net assets as of June 30, 2009 and 2008, includes the beneficial interest in assets held by others and temporarily restricted net assets of \$220,620 and \$256,669, respectively. The statements of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008, include a decrease of \$38,164 and \$9,817, respectively, related to the change in value of beneficial interest in assets held by others. The University Foundation received distributions of \$12,885 and \$13,851 related to these non-reciprocal transfers for the years ended June 30, 2009 and 2008, respectively.

Annually, distributions from the funds are paid to the University Foundation according to the Community Foundation's spending policy. The Community Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Community Foundation also maintains legal ownership of the funds. However, SFAS Statement No. 136 requires that the University Foundation reflect its beneficial interest in these assets in its financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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.

The University participates in the Federal Family Education Loan Program (the "FFEL Program"). The FFEL Program does not require the University to draw down cash; however, the University is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies. For the years ended June 30, 2009 and 2008, approximately \$47,544,000 and \$40,292,000 respectively, of FFEL Program loans were provided to University students.

NOTE K--RISK MANAGEMENT

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2009 will not have material adverse impact to the University.

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for tort, property, and liability insurance coverage.

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

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE L--ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

In 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB No. 51 establishes standards of accounting and financial reporting for intangible assets and requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also establishes guidance specific to intangible assets related to amortization. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009 and generally are required to be applied retroactively. Management does not believe this Statement will have an effect on the University's financial condition or results of operations.

In 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged. Management does not believe this Statement will have an effect on the University's financial condition or results of operations.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE M--SEGMENT INFORMATION

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

UCO Student Housing Foundation- Series 2001

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

Condensed Statement of Net Assets

	Student Housing 2009	Student Housing 2008
	<hr/>	<hr/>
ASSETS		
Current assets	\$ 777,663	\$ 667,179
Capital assets	5,651,372	5,856,440
Other assets	1,801,309	1,654,250
TOTAL ASSETS	<hr/> 8,230,344	<hr/> 8,177,869
LIABILITIES		
Current liabilities	742,186	577,980
Long-term liabilities	7,906,164	8,088,229
TOTAL LIABILITIES	<hr/> 8,648,350	<hr/> 8,666,209
NET ASSETS		
Unrestricted	2,085,622	1,970,221
Invested in capital assets, net of debt	(2,503,628)	(2,458,561)
TOTAL NET ASSETS (DEFICIENCY)	<hr/> <hr/> \$ (418,006)	<hr/> <hr/> \$ (488,340)

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE M--SEGMENT INFORMATION--Continued

Condensed Statement of Revenues Expenses and Changes in Net Assets

	Student Housing 2009	Student Housing 2008
OPERATING REVENUES	\$ 1,482,225	\$ 1,279,167
Depreciation expense	(216,624)	(254,817)
Other operating expenses	(987,340)	(765,169)
NET OPERATING INCOME	278,261	259,181
NONOPERATING REVENUES (EXPENSES)		
Investment income	8,585	66,000
Interest expense	(216,512)	(378,411)
NET NONOPERATING EXPENSES	(207,927)	(312,411)
Transfers	-	-
Change in net assets	70,334	(53,230)
NET ASSETS, BEGINNING OF YEAR	(488,340)	(435,110)
NET ASSETS, END OF YEAR	\$ (418,006)	\$ (488,340)

Condensed Statement of Cash Flows

	Student Housing 2009	Student Housing 2008
Net cash provided by operating activities	\$ 407,614	\$ 105,853
Net cash provided by bond activities	-	-
Net cash flows used by noncapital financing activities	-	-
Net cash flows used by capital and related financing activities	(160,000)	(135,000)
Net cash provided by investing activities	(149,193)	75,283
Net increase in cash	98,421	46,136
CASH, BEGINNING OF YEAR	363,283	317,147
CASH, END OF YEAR	\$ 461,704	\$ 363,283

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE N--FAIR VALUE MEASUREMENTS

The University Foundation's assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

	As of June 30, 2009			
	Level 1	Level 2	Level 3	Total
ASSETS				
Investments	\$ 7,027,831	\$ 6,265,961	\$ 1,124,310	\$ 14,418,102
Beneficial interest in assets held by others	-	-	220,620	220,620
Total assets carried at fair value	<u>\$ 7,027,831</u>	<u>\$ 6,265,961</u>	<u>\$ 1,344,930</u>	<u>\$ 14,638,722</u>
LIABILITIES				
Custodial funds	\$ -	\$ -	\$ 147,023	\$ 147,023
Total liabilities carried at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,023</u>	<u>\$ 147,023</u>

Following is a description of methodologies used for instruments measured at fair value on a recurring basis:

Investments: When quoted prices are available in an active market, securities are classified within Level 1 of the hierarchy. Investments classified as Level 1 include cash and cash equivalents, common and preferred stocks, and mutual funds. Other investments, such as government securities and corporate bonds are classified within Level 2 of the hierarchy and are independently valued by nationally recognized, third-party pricing services, and provided by the investment manager to the Foundation. The fair value of certificates of deposit are based on yield curves, interest rates, and other relevant factors and are classified as Level 2. Limited partnership interests are classified within Level 3 of the hierarchy and the fair values are determined by the fund manager.

Beneficial interest in assets held by others: The fair value of the asset is based on the fair value of the investment assets held by the Community Foundation for the benefit of the University Foundation. Since the Community Foundation's investment pool may contain some Level 1, Level 2, and Level 3 investments and there is no market for a similar asset, the University Foundation classifies its beneficial interest in the assets held by others as Level 3.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE N--FAIR VALUE MEASUREMENTS--Continued

Custodial Funds: The fair value of the liability is based on the fair value of the investment assets held by the University Foundation for the benefit of the recipient agency and the University Foundation's allocation method for units of ownership in the pool. The specific assets held for the benefit of the agency have been classified within the hierarchy for investments (as discussed above). The related and associated liability is classified as Level 3 in the hierarchy because principal inputs (i.e., fair value of assets in the pool and units allocated) are unobservable and significant to the overall fair value measurement.

The following table summarizes the changes in the fair value of the University Foundation's Level 3 financial assets and liabilities for the period ending June 30, 2009:

	Assets		Liabilities
	Beneficial Interest in Assets Held by		
	Investments	Others	Custodial Funds
Balance at July 1, 2008	\$ 1,412,714	\$ 256,669	\$ 173,955
Transfer to Community Foundation	-	15,000	-
Investment income	-	7,111	4,522
Net realized losses	-	(12,320)	(23,515)
Net unrealized losses	(716,348)	(32,010)	(6,972)
Administrative fees	-	(945)	-
Distributions received	-	(12,885)	-
Sales of investments	-	-	(967)
Purchases	427,944	-	-
Balance at June 30, 2009	<u>\$ 1,124,310</u>	<u>\$ 220,620</u>	<u>\$ 147,023</u>

The summary of changes in the fair value of Level 3 assets and liabilities have been prepared to reflect the same categories as those used in the statement of activities, except that investment income, net realized and unrealized losses, and administrative fees on the beneficial interest in assets held by others is classified as change in value of beneficial interest in assets held by others in the statement of activities and all activity in the custodial funds increases and/or decreases the liability and the corresponding asset account and as such none of the activity in these funds is reflected in the statement of activities.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE O--ENDOWMENT DISCLOSURES

The University Foundation's endowment consists of 258 individual donor-restricted funds and 14 other funds which are managed and controlled by the University Foundation. As required by FAS 117-1, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Other endowment funds consist of contributions which were restricted by the donor for scholarships but have been endowed by the University Foundation's Board of Directors to provide scholarships for future periods rather than fully expending such amounts in the current year. All of the endowment funds held by the University Foundation are managed and controlled by the University Foundation in accordance with the following policies.

Interpretation of Relevant Law

The State of Oklahoma adopted UPMIFA effective November 1, 2007 ("OK UPMIFA") and the University Foundation has adopted FAS 117-1 in its financial statements effective July 1, 2007. The Board of Directors of the Foundation has interpreted OK UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University Foundation in a manner consistent with the standard of prudence prescribed by OK UPMIFA. In accordance with OK UPMIFA, the University Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE O--ENDOWMENT DISCLOSURES--Continued

Endowment net asset composition by type of fund as June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,826,590)	\$ 125,655	\$ 12,694,809	\$ 10,993,874
Other endowment funds	<u>-</u>	<u>530,006</u>	<u>-</u>	<u>530,006</u>
Total Funds Invested	<u>\$ (1,826,590)</u>	<u>\$ 655,661</u>	<u>\$ 12,694,809</u>	<u>\$ 11,523,880</u>

Change in endowment net assets for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (49,156)	\$ 1,373,932	\$ 11,523,237	\$ 12,848,013
Investment return:				
Investment income	2,121	373,657	2,277	378,055
Investment fees	-	(72,564)	(487)	(73,051)
Net realized and unrealized investment losses	<u>(1,769,485)</u>	<u>(737,562)</u>	<u>(15,414)</u>	<u>(2,522,461)</u>
Total investment return	(1,767,364)	(436,469)	(13,624)	(2,217,457)
Contributions	-	13,262	1,185,196	1,198,458
Appropriation of endowment assets for expenditure	(10,070)	(285,830)	-	(295,900)
Other changes	<u>-</u>	<u>(9,234)</u>	<u>-</u>	<u>(9,234)</u>
Endowment net assets, end of year	<u>\$ (1,826,590)</u>	<u>\$ 655,661</u>	<u>\$ 12,694,809</u>	<u>\$ 11,523,880</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE O--ENDOWMENT DISCLOSURES--Continued

Endowment net asset composition by type of fund as of June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (49,156)	\$ 712,886	\$ 11,523,237	\$ 12,186,967
Other endowment funds	<u>-</u>	<u>661,046</u>	<u>-</u>	<u>661,046</u>
Total Funds Invested	<u>\$ (49,156)</u>	<u>\$ 1,373,932</u>	<u>\$ 11,523,237</u>	<u>\$ 12,848,013</u>

Change in endowment net assets for the year ended June 30, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 88,333	\$ 1,734,749	\$ 9,119,493	\$ 10,942,575
Net asset reclassification based on change in law	<u>(96,933)</u>	<u>96,933</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	(8,600)	1,831,682	9,119,493	10,942,575
Investment return:				
Investment income	18,147	367,856	2,996	388,999
Investment fees	(154)	(77,580)	(660)	(78,394)
Net realized and unrealized investment losses	<u>(47,967)</u>	<u>(403,500)</u>	<u>(3,349)</u>	<u>(454,816)</u>
Total investment return	(29,974)	(113,224)	(1,013)	(144,211)
Contributions	-	14,904	2,404,757	2,419,661
Appropriation of endowment assets for expenditure	(7,276)	(363,292)	-	(370,568)
Other changes	<u>(3,306)</u>	<u>3,862</u>	<u>-</u>	<u>556</u>
Endowment Net Assets	<u>\$ (49,156)</u>	<u>\$ 1,373,932</u>	<u>\$ 11,523,237</u>	<u>\$ 12,848,013</u>

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE O--ENDOWMENT DISCLOSURES--Continued

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were approximately \$1,826,590 and \$49,156, at June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations. As a result, appropriations were limited to appropriations that were deemed prudent and necessary for the programs of the University Foundation.

Return Objectives and Risk Parameters

The University Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as other endowment funds with a donor restricted purpose (i.e., scholarships) that are board-designated for endowment. Under this policy, as approved by the board of directors, the endowment assets are invested with the primary objective of realizing appreciation on investment values and the secondary goal of providing current income to support University programs.. The asset allocation policies (see below) reflect and are consistent with the investment objectives and risk tolerances expressed through the investment policy. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide the highest probability of meeting or exceeding the return objectives at the lowest level of risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments (target 65%) than fixed income investments (target 30%) to achieve its long-term return objectives within prudent risk constraints.

NOTES TO FINANCIAL STATEMENTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE O--ENDOWMENT DISCLOSURES--Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University Foundation has a policy of appropriating for distribution 4% of the three year averaged value of investment assets. The calculation of the 4% distribution utilizes the average of the last six semi-annual values of endowment assets and including income producing real estate holdings. The spending policy is evaluated semi-annually based on market fluctuations and historical trends to ensure that it remains in accordance with the long-term objectives of the University Foundation. Accordingly, due to the adverse market conditions experienced through the majority of fiscal year 2009 the University Foundation board judged it prudent to reduce the distribution percentage for the second half of fiscal year 2009 from 2% (4% annually) to 1%. This reduction in the distribution rate caused the annual rate for fiscal year 2009 to equal 3% for the year.

REQUIRED SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT ANNUITY PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2007	\$ 5,387,069	\$ 14,791,448	\$ 9,404,379	36.4%	\$ 15,958,108	58.9%
6/30/2008	5,279,537	13,981,155	8,701,618	37.8%	15,644,334	55.6%
6/30/2009	4,719,473	14,470,846	9,751,373	32.6%	15,140,727	64.4%

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT INSURANCE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2008	\$ 666,000	\$ 5,112,000	\$ 4,446,000	13.0%	\$ 51,210,330	8.7%
6/30/2009	944,691	5,371,791	4,427,100	17.6%	57,660,935	7.7%

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

OTHER SUPPLEMENTAL
INFORMATION

SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total Discrete Component Units
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 34,140,843	\$ 461,704	\$ 34,602,547	\$ 2,179,907	\$ 98,595	\$ 275,722	\$ 2,554,224
Restricted cash and cash equivalents	7,860,921	-	7,860,921	-	-	-	-
Restricted Investments	15,592,589	264,228	15,856,817	3,556,649	-	325,000	3,881,649
Investments held by others	-	-	-	-	145,983	-	145,983
Accounts receivable, net	11,596,968	46,321	11,643,289	-	-	-	-
Interest receivable	35,951	-	35,951	63,609	-	3,696	67,305
Loan receivable	-	-	-	4,939	-	-	4,939
Prepaid expenses	-	5,410	5,410	4,493	-	1,650	6,143
Inventories	38,205	-	38,205	-	-	-	-
Contributions receivable	-	-	-	673,058	-	-	673,058
Current portion of student loans receivable, net	175,000	-	175,000	-	-	-	-
TOTAL CURRENT ASSETS	69,440,477	777,663	70,218,140	6,482,655	244,578	606,068	7,333,301
NONCURRENT ASSETS							
Restricted investments	380,661	1,613,811	1,994,472	10,861,453	-	-	10,861,453
Investments held by others	-	-	-	220,620	-	-	220,620
Investments	-	-	-	-	-	-	-
Receivable from state agency	-	-	-	-	-	-	-
Student loans receivable, net	1,798,188	-	1,798,188	-	-	-	-
Other assets	336,563	251,334	587,897	22,518	-	-	22,518
Prepaid pension asset	2,247,048	-	2,247,048	-	-	-	-
Capitalized collections	4,544,290	-	4,544,290	-	-	-	-
Capital assets, net	99,477,492	5,651,372	105,128,864	1,702,025	1,114	-	1,703,139
TOTAL NONCURRENT ASSETS	108,784,242	7,516,517	116,300,759	12,806,616	1,114	-	12,807,730
TOTAL ASSETS	\$ 178,224,719	\$ 8,294,180	\$ 186,518,899	\$ 19,289,271	\$ 245,692	\$ 606,068	\$ 20,141,031
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	\$ 3,359,418	\$ 556,673	\$ 3,916,091	\$ 18,406	\$ -	\$ 8,854	\$ 27,260
Accrued payroll and benefits	2,463,639	-	2,463,639	-	-	-	-
Accrued interest payable	383,478	-	383,478	-	-	-	-
Deferred revenue	2,506,325	513	2,506,838	-	-	-	-
Deposits held in custody for others	406,670	-	406,670	147,023	-	-	147,023
Current portion of noncurrent liabilities	4,488,213	185,000	4,673,213	35,892	-	-	35,892
TOTAL CURRENT LIABILITIES	13,607,743	742,186	14,349,929	201,321	-	8,854	210,175
NONCURRENT LIABILITIES, net of current portion							
Accrued compensated absences	1,286,104	-	1,286,104	-	-	-	-
Federal loan program contributions refundable	1,868,798	-	1,868,798	-	-	-	-
Bonds payable	39,665,000	7,970,000	47,635,000	-	-	-	-
Notes payable	6,475,000	-	6,475,000	886,642	-	-	886,642
ODFA master lease obligation	5,617,192	-	5,617,192	-	-	-	-
Lease obligation payable to state agency	19,769,059	-	19,769,059	-	-	-	-
TOTAL NONCURRENT LIABILITIES	74,681,153	7,970,000	82,651,153	886,642	-	-	886,642
TOTAL LIABILITIES	\$ 88,288,896	\$ 8,712,186	\$ 97,001,082	\$ 1,087,963	\$ -	\$ 8,854	\$ 1,096,817
NET ASSETS							
Invested in capital assets, net of related det	\$ 30,056,038	\$ (2,503,628)	\$ 27,552,410	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Nonexpendable	622,567	-	622,567	12,694,809	-	-	12,694,809
Expendable:				3,313,571	-	25,000	3,338,571
Scholarships, research, instruction and other	4,105,921	-	4,105,921	-	-	-	-
Loans	344,020	-	344,020	-	-	-	-
Capital projects	2,253,963	-	2,253,963	-	-	-	-
Debt service	15,541,835	-	15,541,835	-	-	-	-
Unrestricted	37,011,479	2,085,622	39,097,101	2,192,928	245,692	572,214	3,010,834
TOTAL NET ASSETS	\$ 89,935,823	\$ (418,006)	\$ 89,517,817	\$ 18,201,308	\$ 245,692	\$ 597,214	\$ 19,044,214

See notes to financial statements.

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

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2009

	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total Discrete Component Units
OPERATING REVENUES							
Student tuition and fees (included in fees are \$3,539,890 of revenues dedicated for bond repayments)	\$ 64,918,509	\$ -	\$ 64,918,509	\$ -	\$ -	\$ -	\$ -
Less scholarship, discounts and allowances	(15,464,475)	-	(15,464,475)	-	-	-	-
Net student revenues	49,454,034	-	49,454,034	-	-	-	-
Federal grants and contracts	1,966,059	-	1,966,059	-	-	-	-
State and local grants and contracts	5,001,837	-	5,001,837	-	-	-	-
Bookstore operations	979,103	-	979,103	-	-	-	-
Housing and food service revenues (\$1,384,963 pledged as security on 2001 UCO Student Housing Foundation Bonds)	7,759,664	1,388,862	9,148,526	-	-	-	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments.)	2,198,882	-	2,198,882	-	-	-	-
Interest earned on loans to students	18,883	-	18,883	-	-	-	-
Other operating revenues	4,140,707	93,363	4,234,070	2,148,905	133,566	142,764	2,425,235
TOTAL OPERATING REVENUES	71,519,169	1,482,225	73,001,394	2,148,905	133,566	142,764	2,425,235
OPERATING EXPENSES							
Compensation and employee benefits	96,355,796	-	96,355,796	-	-	-	-
Contractual services	3,606,208	20,890	3,627,098	-	6,399	10,700	17,099
Supplies and materials	14,818,805	173,386	14,992,191	-	3,033	-	3,033
Depreciation	6,242,583	216,624	6,459,207	-	287	-	287
Utilities	2,559,131	119,245	2,678,376	-	-	-	-
Scholarships and fellowships	10,724,494	-	10,724,494	-	-	-	-
Other operating expenses	13,263,954	673,819	13,937,773	1,593,650	89,812	15,006	1,698,468
TOTAL OPERATING EXPENSES	147,570,971	1,203,964	148,774,935	1,593,650	99,531	25,706	1,718,887
Net operating income (loss)	(76,051,802)	278,261	(75,773,541)	555,255	34,035	117,058	706,348
NONOPERATING REVENUES (EXPENSES)							
State appropriations	64,376,151	-	64,376,151	-	-	-	-
Federal funded student aid	13,333,243	-	13,333,243	-	-	-	-
OTRS on-behalf contributions	4,138,019	-	4,138,019	-	-	-	-
Gifts	1,966	-	1,966	-	-	-	-
Investment income	1,192,118	8,585	1,200,703	(2,100,644)	(19,322)	13,909	(2,106,057)
Interest expense	(3,464,300)	(216,512)	(3,680,812)	-	-	-	-
NET NONOPERATING REVENUES (EXPENSES)	79,577,197	(207,927)	79,369,270	(2,100,644)	(19,322)	13,909	(2,106,057)
Income (loss) before other revenues, expenses, gains and losses	3,525,395	70,334	3,595,729	(1,545,389)	14,713	130,967	(1,399,709)
State appropriations restricted for capital purposes	1,777,330	-	1,777,330	-	-	-	-
OCIA on-behalf state appropriations	2,141,105	-	2,141,105	-	-	-	-
Gift of capital assets	192,640	-	192,640	-	-	-	-
Change in net assets	7,636,470	70,334	7,706,804	(1,545,389)	14,713	130,967	(1,399,709)
NET ASSETS, BEGINNING OF YEAR	82,299,353	(488,340)	81,811,013	19,746,697	230,979	466,247	20,443,923
NET ASSETS, END OF YEAR	\$ 89,935,823	\$ (418,006)	\$ 89,517,817	\$ 18,201,308	\$ 245,692	\$ 597,214	\$ 19,044,214

See notes to financial statements.

SUPPLEMENTAL SCHEDULE - COMBINING STATEMENT OF NET ASSETS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2008

	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total Discrete Component Units
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 25,676,053	\$ 363,283	\$ 26,039,336	\$ 1,218,571	\$ 63,893	\$ 126,242	\$ 1,408,706
Restricted cash and cash equivalents	16,008,117	-	16,008,117	-	-	-	-
Restricted Investments	10,430,095	270,715	10,700,810	1,943,609	-	335,000	2,278,609
Investments held by others	-	-	-	-	165,685	-	165,685
Accounts receivable, net	10,506,548	26,933	10,533,481	-	-	-	-
Interest receivable	35,316	-	35,316	50,447	-	5,505	55,952
Loan receivable	-	-	-	4,691	-	-	4,691
Prepaid expenses	-	6,248	6,248	2,520	-	-	2,520
Inventories	40,788	-	40,788	-	-	-	-
Contributions receivable	-	-	-	1,004,879	-	-	1,004,879
Current portion of student loans receivable, net	294,796	-	294,796	-	-	-	-
TOTAL CURRENT ASSETS	62,991,713	667,179	63,658,892	4,224,717	229,578	466,747	4,921,042
NONCURRENT ASSET							
Restricted investments	14,366,682	1,458,131	15,824,813	14,631,890	-	-	14,631,890
Investments held by others	-	-	-	256,669	-	-	256,669
Investments	-	-	-	-	-	-	-
Receivable from state agency	-	-	-	-	-	-	-
Student loans receivable, net	1,384,523	-	1,384,523	-	-	-	-
Other assets	356,582	262,890	619,472	27,456	-	-	27,456
Prepaid pension asset	2,254,746	-	2,254,746	-	-	-	-
Capitalized collections	4,360,550	-	4,360,550	-	-	-	-
Capital assets, net	89,790,206	5,856,440	95,646,646	1,749,605	1,401	-	1,751,006
TOTAL NONCURRENT ASSETS	112,513,289	7,577,461	120,090,750	16,665,620	1,401	-	16,667,021
TOTAL ASSETS	\$ 175,505,002	\$ 8,244,640	\$ 183,749,642	\$ 20,890,337	\$ 230,979	\$ 466,747	\$ 21,588,063
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	\$ 5,014,554	\$ 417,980	\$ 5,432,534	\$ 12,793	\$ -	\$ 500	\$ 13,293
Accrued payroll and benefits	2,190,997	-	2,190,997	-	-	-	-
Accrued interest payable	399,738	-	399,738	-	-	-	-
Deferred revenue	2,427,841	-	2,427,841	-	-	-	-
Deposits held in custody for others	422,385	-	422,385	173,955	-	-	173,955
Current portion of noncurrent liabilities	4,337,785	160,000	4,497,785	34,358	-	-	34,358
TOTAL CURRENT LIABILITIES	14,793,300	577,980	15,371,280	221,106	-	500	221,606
NONCURRENT LIABILITIES, net of current portion:							
Accrued compensated absences	1,180,266	-	1,180,266	-	-	-	-
Federal loan program contributions refundat	1,902,874	-	1,902,874	-	-	-	-
Bonds payable	41,390,000	8,155,000	49,545,000	-	-	-	-
Notes payable	7,125,800	-	7,125,800	922,534	-	-	922,534
ODFA master lease obligation	6,055,000	-	6,055,000	-	-	-	-
Lease obligation payable to state agency	20,758,409	-	20,758,409	-	-	-	-
TOTAL NONCURRENT LIABILITIES	78,412,349	8,155,000	86,567,349	922,534	-	-	922,534
TOTAL LIABILITIES	\$ 93,205,649	\$ 8,732,980	\$ 101,938,629	\$ 1,143,640	\$ -	\$ 500	\$ 1,144,140
NET ASSETS							
Invested in capital assets, net of related debt	\$ 29,589,741	\$ (2,458,561)	\$ 27,131,180	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Nonexpendable	681,561	-	681,561	11,516,264	-	-	11,516,264
Expendable:				4,013,677	-	19,450	4,033,127
Scholarships, research, instruction and other	4,167,055	-	4,167,055	-	-	-	-
Loans	334,305	-	334,305	-	-	-	-
Capital projects	8,241,739	-	8,241,739	-	-	-	-
Debt service	6,666,174	-	6,666,174	-	-	-	-
Unrestricted	32,618,778	1,970,221	34,588,999	4,216,756	230,979	446,797	4,894,532
TOTAL NET ASSETS	\$ 82,299,353	\$ (488,340)	\$ 81,811,013	\$ 19,746,697	\$ 230,979	\$ 466,247	\$ 20,443,923

See notes to financial statements.

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

UNIVERSITY OF CENTRAL OKLAHOMA

Year Ended June 30, 2008

	UCO	Student Housing Foundation	Total University	University Foundation	Alumni Association	KCSC-FM Foundation	Total Discrete Component Units
OPERATING REVENUES							
Student tuition and fees (included in fees are \$3,472,390 of revenues dedicated for bond repayments)	\$ 61,147,672	\$ -	\$ 61,147,672	\$ -	\$ -	\$ -	\$ -
Less scholarship, discounts and allowances	(13,847,803)	-	(13,847,803)	-	-	-	-
Net student revenues	47,299,869	-	47,299,869	-	-	-	-
Federal grants and contracts	1,315,787	-	1,315,787	-	-	-	-
State and local grants and contracts	4,319,271	-	4,319,271	100,470	-	40,000	140,470
Bookstore operations	766,612	-	766,612	-	-	-	-
Housing and food service revenues (\$1,201,447 pledged as security on 2001 UCO Student Housing Foundation Bonds)	7,130,671	1,201,447	8,332,118	-	-	-	-
Parking and University Center revenues (total revenues are dedicated as security for bond repayments.)	2,010,320	-	2,010,320	-	-	-	-
Interest earned on loans to students	32,647	-	32,647	-	-	-	-
Other operating revenues	2,889,985	77,720	2,967,705	4,261,183	125,550	57,564	4,444,297
TOTAL OPERATING REVENUES	65,765,162	1,279,167	67,044,329	4,361,653	125,550	97,564	4,584,767
OPERATING EXPENSES							
Compensation and employee benefits	92,313,862	-	92,313,862	-	-	-	-
Contractual services	3,389,658	12,763	3,402,421	55,038	7,722	19,119	81,879
Supplies and materials	15,470,708	203,476	15,674,184	45,683	2,670	-	48,353
Depreciation	5,615,897	254,817	5,870,714	48,451	509	-	48,960
Utilities	2,575,352	101,727	2,677,079	-	-	-	-
Scholarships and fellowships	8,912,516	-	8,912,516	-	-	-	-
Other operating expenses	13,509,206	447,203	13,956,409	1,652,604	108,477	42,555	1,803,636
TOTAL OPERATING EXPENSES	141,787,199	1,019,986	142,807,185	1,801,776	119,378	61,674	1,982,828
Net operating income (loss)	(76,022,037)	259,181	(75,762,856)	2,559,877	6,172	35,890	2,601,939
NONOPERATING REVENUES (EXPENSES)							
State appropriations	62,692,767	-	62,692,767	-	-	-	-
Federal funded student aid	12,018,001	-	12,018,001	-	-	-	-
OTRS on-behalf contributions	4,481,593	-	4,481,593	-	-	-	-
Gifts	23,750	-	23,750	-	1,748	38,627	40,375
Investment income	1,743,916	66,000	1,809,916	43,373	4,689	19,757	67,819
Interest expense	(2,576,485)	(378,411)	(2,954,896)	-	-	-	-
NET NONOPERATING REVENUES (EXPENSES)	78,383,542	(312,411)	78,071,131	43,373	6,437	58,384	108,194
Income (loss) before other revenues, expenses, gains and losses	2,361,505	(53,230)	2,308,275	2,603,250	12,609	94,274	2,710,133
State appropriations restricted for capital purposes	5,902,571	-	5,902,571	-	-	-	-
OCIA on-behalf state appropriations	1,251,431	-	1,251,431	-	-	-	-
Gift of art collection	302,150	-	302,150	-	-	-	-
Change in net assets	9,817,657	(53,230)	9,764,427	2,603,250	12,609	94,274	2,710,133
NET ASSETS, BEGINNING OF YEAR	72,481,696	(435,110)	72,046,586	17,143,447	218,370	371,973	17,733,790
NET ASSETS, END OF YEAR	\$ 82,299,353	\$ (488,340)	\$ 81,811,013	\$ 19,746,697	\$ 230,979	\$ 466,247	\$ 20,443,923

See notes to financial statements.

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

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

We have audited the financial statements of the University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 29, 2009. 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. The report on the audited financial statements contains an explanatory paragraph describing that the financial statements as of and for the year ended June 30, 2008 have been restated. Other auditors audited the financial statements of the University of Central Oklahoma Alumni Association and the KCSC Classical Radio Foundation, discretely presented component units of the University, as described in our report on the University's financial statements. The financial statements of the UCO Student Housing Foundation, the University of Central Oklahoma Foundation, Inc., the University of Central Oklahoma Alumni Association and the KCSC Classical Radio Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a time basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of 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 and other matters that are required to be reported under *Government Auditing Standards*.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 29, 2009

Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133 and on the
Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of the University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University of Central Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.



Internal Control Over Compliance

The management of the University of Central Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University of Central Oklahoma (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 29, 2009. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 29, 2009

UNIVERSITY OF CENTRAL OKLAHOMA

SCHEDULE OF FEDERAL AWARDS

Year Ended June 30, 2009

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
Student Financial Aid-Cluster			
U. S. Department of Education			
Federal Pell Grant Program	84.063	N/A	\$ 11,718,091
Federal Supplemental Education Opportunity Grant	84.007	N/A	276,326
Federal Work-Study Program	84.033	N/A	412,299
Federal Family Education Loans	84.032	N/A	48,695,790
Federal Perkins Loan Program	84.038	N/A	17,042
Federal Academic Competitiveness Grant FACC	84.375	N/A	418,600
Federal National SMART Grant (FNSG)	84.376	N/A	202,265
Federal TEACH Grant/Loan	84.379	N/A	124,937
Total U.S. Department of Education			<u>61,865,350</u>
Other Programs			
Department of the Army-Fort Sill Military Reservation			
Black-Capped Vireo Survey	52.212		5,569
Black Swamp Bird Observatory	52.212 verifying		19,727
Total Dept. of the Army-Fort Sill Military Reservation			<u>25,296</u>
U. S. Department of Education			
McNair Trio Grant	84.217A	P217A040007	76,779
Ronald E. McNair Post-Baccalaureate Achievement	84.217A	P217A080058	161,796
Upward Bound 2008 Grant	84.047A	P047A070044-08	269,055
Project SEEDS - US Dept of Ed	84.195N	T195N070324	272,781
Student Support Services (SSS) FY 07	84.042A	P042A060348	232,091
Passed through Oklahoma Dept of Rehabilitation Services			
Edmond Regional Preschool Program	84.173	N/A	35,402
Passed through University of Oklahoma			
OU Cont Ed Putnam City PS Contract			1,172
Passed through Oklahoma State Regents for Higher Education			
NCLB Developing Algebraic Thinking 10-12	84.367	Type A	66,597
Passed through Oklahoma Dept of Mental Health and and Substance Abuse Services			
DMHSAS Specialty Substance Abuse Prevention			25,422
Total U.S. Department of Education			<u>1,141,095</u>
U. S. Fish and Wildlife Service			
Passed through Oklahoma Tourism & Recreation Department			
GPS Mapping & Trails Website Project		RT06(100) State 06-15	7,138
Total U.S. Fish and Wildlife Service			<u>7,138</u>
U.S. Department of Health & Human Services			
Scholarship for Disadvantaged Students (SDS)	93-925	7443839-03	15,556
Passed through The University of Oklahoma Health Sciences Center			
OUHSC-Geriatric Education Centers	93-969	6D31HP08844-01-01	7,879
Total U.S. Department of Health & Human Services			<u>23,435</u>
U.S. Department of Justice			
Forensic Science Congressional App FY09			
Passed through East Central University		2008WX0613	115,574
RUSO-VPP Violence Against Women	16.525		51,321
Total U.S. Department of Justice			<u>166,895</u>
U.S. Department of Transportation			
Passed through the Federal Aviation Administration			
FAA Aerospace Medical Research Division	N/A	DTFAAC-08-D-00094	1,008
Total U.S. Department of Transportation			<u>1,008</u>

UNIVERSITY OF CENTRAL OKLAHOMA

SCHEDULE OF FEDERAL AWARDS--Continued

Year Ended June 30, 2009

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
National Aeronautics and Space Administration			
Passed through The University of Oklahoma			
NASA EPSCoR Capacitive Radiation Detector			7,317
Total National Aeronautics and Space Administration			<u>7,317</u>
National Center for Research Resources			
Passed through University of Oklahoma Health Sciences Center			
INBRE Equipment Grant	93.389	P20RR016478-08	80,379
INBRE MRI-Guided Photoimmunotherapy	93.389	P20RR016478-08	73,546
INBRE Student Mentor 2008-Vaughan	93.389	P20RR016478-08	1,067
INBRE Student Mentor 2008-Chen	93.389	P20RR016478-08	1,500
2009 Summer Mentor - Khandaker, M	93.389	2P20RR016478-09	2,264
2009 Summer Mentor - Chen, W	93.389	2P20RR016478-09	79
2009 Summer Mentor - Vaughan, M	93.389	2P20RR016478-09	1,374
INBRE-MRI-Guided Photoimmunotherapy	93.389	2P20RR016478-09	646
INBRE MRI Flow Study	93.389	2P20RR016478-09	8,739
Total National Center for Research Resources			<u>169,594</u>
National Endowment for the Humanities			
Passed through Oklahoma Humanities Council			
Living the Past	45.129	Y09.501	1,469
Total Federal Emergency Management Agency (FEMA)			<u>1,469</u>
National Science Foundation			
Passed through Oklahoma State University			
LS-OKAMP	47.076	AA-5-58610-UCO	16,610
EPSCoR Summer ROA	47.08	EPSCoR-2008-16	779
EPSCoR ROA	47.08	EPSCoR-2008-23	1,171
SURE Step	47.076	DUE-0336392	393,268
NSF STEP 2009: STEM Double Bridge	47.076	DUE-0856396	10,781
REU Site Grant Behavior of Bees	47.074	DBI-0552717	40,570
REU Site: Ecology and Behavior of Honey Bees and Solitary Bees	47.074	DBI-0851651	47,328
NSF CBMS Reg Conf Math Science	47.049	DMS-0735291	30,148
NSF Natural History Museum Improvement Grant	47.074	DBI-0749664	90,309
Total National Science Foundation			<u>630,964</u>
Small Business Administration			
Passed through Southeastern Oklahoma State University			
Small Business Development Center	59.037	N/A	59,340
Small Business Development Center	59.037	N/A	21,673
Total Small Business Administration			<u>81,013</u>
Wildlife Restoration Program			
Passed through Oklahoma Department of Wildlife Conservation			
ODWC-Hunter's Ed Training Manual	15.611 & 15.626		11,019
			<u>11,019</u>
Total Other Programs			<u>2,266,243</u>
Total Expenditures of Federal Awards			<u>\$ 64,131,593</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FEDERAL FAMILY EDUCATION LOAN PROGRAM

The University participates in the Federal Family Education Loan Program (the "FFEL Program"), CFDA number 84.032, which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate Students. The FFEL Program does not require the University to draw down cash; however, the University is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies.

NOTE C--LOANS OUTSTANDING

The University had the following loan balances outstanding at June 30, 2009. These loan balances outstanding are not included as federal expenditures in the schedule of expenditures of federal awards. During the year ended June 30, 2009, the University issued Perkins loans totaling \$527,727.

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkin Loan Program	84.038	\$ 2,088,289
Nursing Student Loans	93.364	13,742

NOTE D--SUB-RECEIPIENTS

During the year ended June 30, 2009, the University provided federal awards to subrecipients.

	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
Natural Science Foundation			
SURE Step	47.076	DUE-0336392	
Passed through to:			
East Central University		DUE-0336392-ECU	\$ 36,142
Langston University		DUE-0336392-LU	103,940
Southwestern Oklahoma State University		DUE-0336392-SWOSU	<u>95,579</u>
Total Natural Science Foundation			
Pass Through to Subrecipients			<u>\$ 235,661</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

The University's major programs were:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Work Study Program	84.033
Federal Family Education Loan Program	84.032
Federal Perkins Loan Program	84.038
Federal Academic Competitiveness Grant (FACG)	84.375
Federal National SMART Grant (FNSG)	84.376
Federal TEACH Grant / Loan	84.379

Dollar threshold used to distinguish between type A and type B programs: \$1,923,948

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

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

None to report for the June 30, 2009 period.

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

None to report for the June 30, 2009 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

UNIVERSITY OF CENTRAL OKLAHOMA

June 30, 2009

Findings Required to be Reported by *Government Auditing Standards*

FINDING: 2008-01

Criteria:

The University should accrue all liabilities related to the current year that were not booked until the subsequent year.

Condition:

The University's accrual of liabilities for the year ended June 30, 2008 was understated.

Cause:

Invoices were input into the accounts payable system with the date entered as the system date instead of the actual invoice date.

Effect:

The effect on the financial statements prior to an audit adjustment was that accounts payable, capital assets, and expenses were understated.

Management's Response:

Management agrees with the finding and will work out a solution for invoices being entered into the system with improper invoice dates to include manual invoice review at year end to verify accuracy of dates.

Current Status:

No similar findings were noted in the current year.