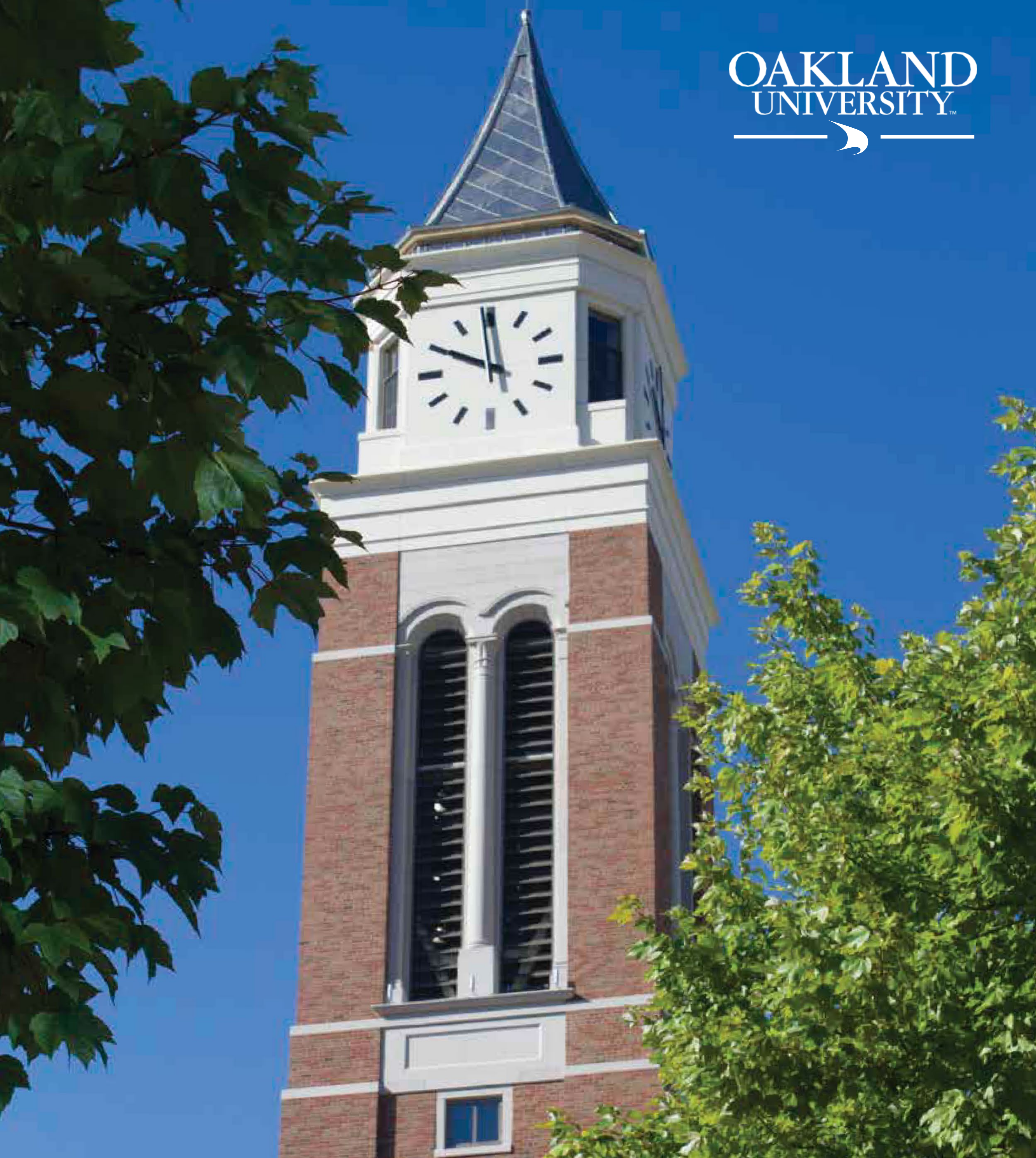

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Oakland University

Oakland University
Contents
June 30, 2014 and 2013

ANDREWS HOOPER PAVLIK PLC

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Report of Independent Auditors

Board of Trustees
Oakland University
Rochester, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Oakland University (University), a component unit of the State of Michigan, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakland University as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2014 on our consideration of Oakland University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Andrews Hooper Pavlik PLC

Auburn Hills, Michigan
September 8, 2014

Introduction

Following is Management's Discussion and Analysis of the financial activities of Oakland University (University, Oakland or OU) for the fiscal year ended June 30, 2014 with selected comparative information for the year ended June 30, 2013 and 2012.

The University is a state-supported institution of over 20,000 students offering a diverse set of academic programs, from baccalaureate to doctoral levels, as well as programs in continuing education. The University is recognized as one of the country's 90 doctoral/research universities by the Carnegie Foundation for the Advancement of Teaching. The University currently offers 139 baccalaureate degree programs and 125 graduate and certificate programs. The University's student-centered education offers students opportunities to work directly on research projects with expert faculty who bring current knowledge into the classroom. The University is considered a component unit of the State of Michigan (State). Accordingly, the University's financial statements are included in the State's comprehensive annual financial report.

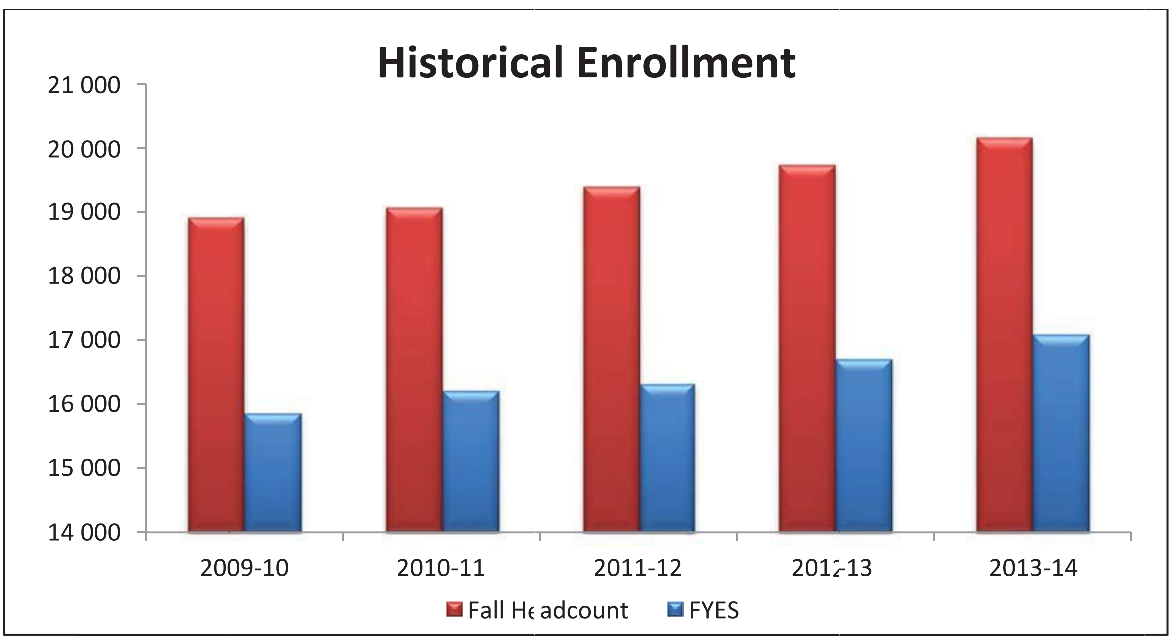
This analysis is designed to focus on current financial activities; it should be read in conjunction with the University's financial statements and footnotes to the financial statements. This discussion and the financial statements and related footnotes have been prepared by and are the responsibility of University management.

Enrollment and Operations Highlights

- In fiscal year 2014, student headcount enrollment for the fall 2013 semester increased 2.2% to a record 20,169. Undergraduate enrollment was 16,594 (82.0%) and graduate enrollment was 3,575 (18.0%).

- Enrollment based on Fiscal Year Equated Students (FYES) increased 2.3% to 17,090.

  A five-year summary of historical enrollment is presented below.



- For the first time in Oakland University's history, student enrollment surpassed 20,000 during the 2013/14 academic year. This milestone, spurred by 15 straight years of growth, has established the University as a first-choice destination for Michigan students. During this time, the University has funded and constructed four major academic buildings, two student housing complexes, and four student life and recreation facilities, increased full-time faculty by 35 percent, and is home to over 250 student organizations.

- In September 2014, the Engineering and Computer Science community will relocate to a new $74.6 million, 134,286 square foot Engineering Center featuring state of the art classrooms and research space. The Engineering Center will enhance Oakland University's global competitiveness in alternative energy, biomedical, automotive, defense and other high-tech industries. The State committed $30.0 million to partially finance the Engineering Center; the remaining balance was funded by general revenue bonds issued in May 2012.

- Oakland's Department of Industrial and Systems Engineering introduced the Master of Science in Engineering Management. The new program will provide students with hands-on application of acquired knowledge that will enable engineers to better manage environmental resources and significantly reduce energy costs.

- In September 2014, Oakland will open the doors to Oak View Hall, the new student housing and Honors College complex. The $30.0 million building, funded by general revenue bonds issued in June 2013, will accommodate over 500 freshmen and sophomores on campus.

- In September 2014, the University will dedicate the new $6.5 million Elliott Tower. The 151-foot 49 bell tower will be a new University centerpiece complete with a surrounding fountain, garden, and decorative landscaping. The structure will become the 14th carillon tower in Michigan; Oakland is the fourth Michigan university to have a carillon. The project was funded by a generous gift from long-time supporters, Hugh and Nancy Elliott.

- Following a national search, the Board of Trustees (Board) appointed George W. Hynd as President at the July 9, 2014 Board meeting. Dr. Hynd becomes the sixth president in the University's history, succeeding Betty J. Youngblood, who served as interim president since July 2013.

- The Eye Research Institute was awarded a $1.8 million grant from the National Institutes of Health. The money, funded over a five-year period, will go towards researching the dopaminergic neuron and its connection to various neurological diseases.

- The School of Business Administration (SBA) received accreditation from the Association to Advance Collegiate Schools of Business for the 20th straight year for business and accounting. This elite, dual accreditation is held by less than five percent of the world's business programs. Receiving this prestigious honor is a testament to the excellence and relevancy of SBA's curriculum and the commitment and dedication of deans, faculty, and professional staff.

- In May 2014, the Board approved construction of a 108,000 square foot Athletic Dome. The multipurpose training facility will feature a full soccer field, baseball and softball batting cages, as well as allow student-athletes to train and practice year round. It is expected to contain sufficient space for two or more teams to practice simultaneously. Additionally, this space is expected to enhance recruiting efforts and competitiveness in the Horizon League and offer leasing opportunities. The $4.9 million structure is expected to be operational December 2014.

- The Human Health Building was awarded a 2014 Construction and Design Award by The Engineering Society of Detroit. The award honors the owners, designers, and constructors for the use of innovative technology. The $64.4 million, 172,825 square foot building was opened in 2012 and is home to the University's School of Nursing and School of Health Sciences.

- In August 2013, the Oakland University William Beaumont School of Medicine celebrated the opening of the new Hannah Hall of Science School of Medicine Laboratories. The $6.6 million labs provide state of the art space for teaching human medical gross anatomy, neuroanatomy, microbiology, and other disciplines.

Overview of the Financial Statements
This annual report consists of financial statements which have been prepared in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The fundamental objective of the financial statements is to provide an overview of the University's economic condition. The statements and their primary purpose are discussed below.

- Statement of Net Position. This statement presents information on the University's assets, deferred outflows, liabilities, deferred inflows, and net position (assets plus deferred outflows less liabilities and deferred inflows) as of the end of the fiscal year. Net position is displayed in four components – net investment in capital assets; restricted nonexpendable; restricted expendable; and unrestricted. Net position is one indicator of the current financial condition of the University, while the change in net position serves as a useful indicator of whether the financial position is improving or deteriorating.

- Statement of Revenues, Expenses, and Changes in Net Position. This statement presents the operating results of the University, as well as nonoperating revenues and expenses. The statement also presents information that shows how the University's net position has changed during the fiscal year.

- Statement of Cash Flows. This statement presents information about the University's cash receipts and cash payments during its fiscal year. Cash activities are classified in the following categories: operating activities, noncapital financing activities, capital financing activities, and investing activities.

The University's financial statements can be found on pages 15, 16, and 17 of this financial report.

Notes to the Financial Statements
The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The University's notes to the financial statements can be found on pages 18-39 of this financial report.

University Financial Statement Summaries

University Statements of Net Position

The University's net position is summarized in the following Condensed Statements of Net Position:

Condensed Statements of Net Position	June 30, 2014	June 30, 2013	Change
	(in thousands)		
Assets			
Current assets	**$ 92,216**	$184,906	-50%
Capital assets, net	**450,643**	352,058	28%
Other noncurrent assets	**223,790**	175,773	27%
Total assets	**766,649**	712,737	8%
Deferred outflows of resources	**12,463**	12,763	-2%
Liabilities			
Current liabilities	**68,328**	52,092	31%
Noncurrent liabilities	**247,064**	249,806	-1%
Total liabilities	**315,392**	301,898	4%
Deferred inflows of resources	**4,881**	4,314	13%
Net position			
Net investment in capital assets	**236,419**	210,637	12%
Restricted nonexpendable	**23,430**	19,735	19%
Restricted expendable	**44,791**	41,061	9%
Unrestricted	**154,199**	147,855	4%
Total net position	**$458,839**	$419,288	9%

The University's total assets were $766.6 million and $712.7 million at June 30, 2014 and 2013, respectively. The University's largest asset is its investment in capital assets, including land, land improvements, infrastructure, buildings, equipment, library acquisitions, and construction in progress. Capital assets represent 59% and 49% of the University's total assets at June 30, 2014 and 2013, respectively. Capital expenditures totaled $113.9 million in 2014 and $53.8 million in 2013. Included in capital expenditures for 2014 were the Engineering Center, Oak View Hall, a new parking structure, the Elliott Tower, several student housing renovations, Athletic and Recreation Outdoor Complex, campus infrastructure projects, and other campus enhancement projects. Depreciation expense was $15.3 million in 2014 and $13.7 million in 2013.

Current assets consist primarily of cash and cash equivalents, restricted cash and cash equivalents, and receivables due within one year. Cash and cash equivalents, including restricted cash and cash equivalents, decreased $104.0 million to $57.6 million at June 30, 2014 largely due to major construction related expenditures incurred during the year. Accounts receivable increased $11.1 million to $20.9 million at June 30, 2014. This is primarily due to a receivable totaling $10.8 million from the State Building Authority for the capital appropriation related to the Engineering Center. Other current assets of $13.7 million include State operating appropriation receivable of $8.3 million and pledge receivables of $2.9 million.

Other noncurrent assets consist primarily of endowment and other long-term investments. Endowment investments were $80.6 million at June 30, 2014 and $61.4 million at June 30, 2013. The increase in the endowment fair market value was due to favorable outcomes in the market and generous contributions. The total return, net of fees, on the University's endowment investments were 15.8% for 2014 and 9.5% for 2013. Additionally, two contributions totaling $9.8 million were received and are invested in the endowment pool: $2.8 million for the Kinsey Professorship and $7.0 million for the Sharf charitable gift annuity. Other long-term investments were $134.9 million at June 30, 2014 and $104.7 million at June 30, 2013 and include fixed income and equity securities. The increase is attributed to the liquidation of fiscal year 2013 pooled investments that were reinvested subsequent to June 30, 2013. The University's investments are being managed according to Board policies. The total return on the University's other long-term investments was 6.9% for 2014 and 5.0% for 2013, both net of fees. See the "Statements of Cash Flows" section of this report for additional detail.

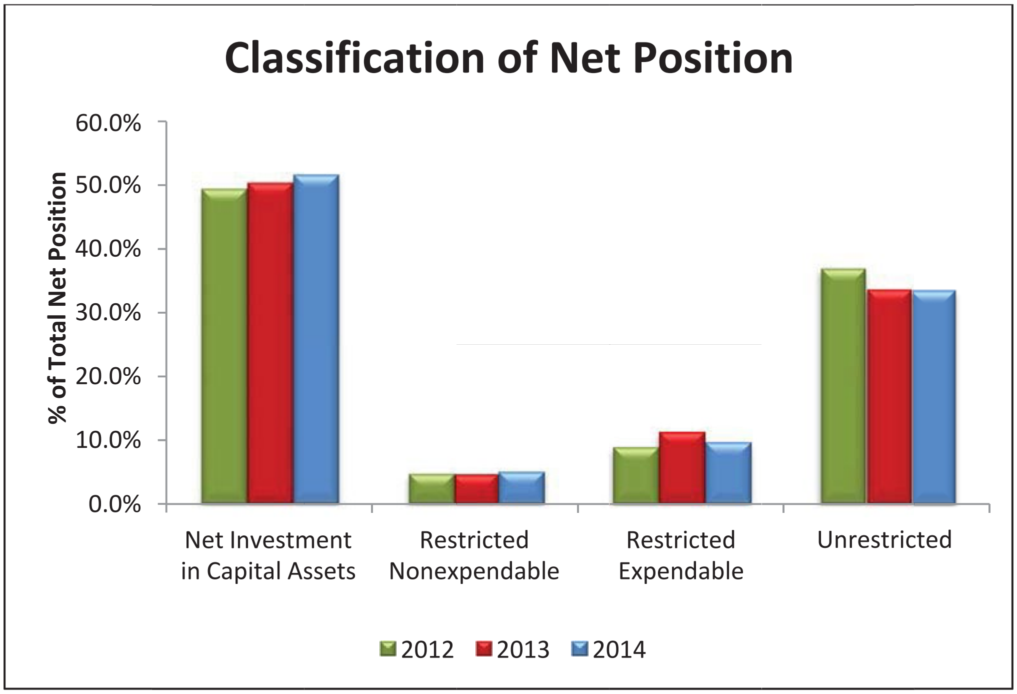
Deferred outflows of resources were $12.5 million at June 30, 2014 and $12.8 million at June 30, 2013. Deferred outflows of resources consists of the estimated fair value of the 2008 Swap, early extinguishment of debt, and the deferral of swap termination costs for the 2001 Bonds. The decrease in the deferred outflows of resources is primarily due to the amortization of the early extinguishment of debt on the 2013B and 2001 Bonds.

All investments held by the University can be liquidated to cash within 90 days or less without incurring additional fees, with the exception of the private equity holding and hedge funds.

The University's total liabilities were $315.4 million at June 30, 2014 and $301.9 million at June 30, 2013. Current liabilities consist primarily of accounts payable, accrued expenses, current portion of long-term liabilities, and unearned revenue. The $16.2 million increase in current liabilities is primarily attributed to the increase in accounts payable due to increased construction activity at year end. Of the $16.2 million increase in current liabilities; $7.5 million is attributable to the Engineering Center, which will be reimbursed by the State Building Authority; and $8.7 million relates to Oak View Hall and parking structure funded by bond proceeds. Noncurrent liabilities are comprised primarily of bonds and notes payable and represent 78% and 83% of the University's total liabilities at June 30, 2014 and 2013, respectively.

Deferred inflows of resources were $4.9 million at June 30, 2014 and $4.3 million at June 30, 2013. Deferred inflows of resources consists of the estimated fair value of the 2008 Swap reduced by the estimated fair value of the 2007 Constant Maturity Swap investment derivative (CMS). The increase in the deferred inflows of resources is primarily due to the reduction in the fair value of the CMS at June 30, 2014.

The following graph shows net position by classification and restriction:



The University's net position consists of net investment in capital assets, restricted and unrestricted. Restricted expendable net position represents assets whose use is restricted by a party independent of the University, including restrictions related to grants, contracts, and gifts. Restricted nonexpendable net position consists of gifts that hav been received for endowment purposes. Unrestricted net position represents assets of the University that have not been restricted by parties independent of the University.

Unrestricted net position includes funds that the Board and University management have designated for specific purposes, as well as amounts that have been contractually committed for goods and services that have not been received as of the end of the fiscal year.

The following summarizes the internal designations of unrestricted net position:

	June 30, 2014	June 30, 2013
	(in thousands)	
Auxiliary enterprises	**$ 3,222**	$ 3,728
Capital projects and repair reserves	**54,270**	54,361
Funds designated for departmental use	**28,926**	29,282
Funds functioning as endowments	**17,929**	16,078
Gifts and investment income reserves	**27,705**	23,619
Retirement and i surance reserves	**8,019**	6,280
Encumbrances and carryforwards	**12,765**	11,178
Other unrestricted	**1,363**	3,329
	$154,199	$147,855

Auxiliary enterprises consist of the operating fund balances at year end for the various auxiliary units including Meadow Brook Hall, Golf & Learning Center, Oakland Center, and Athletics, etc. The decrease in 2014 is mainly due to funding of various repair and maintenance projects including the Golf & Learning Center Events Building and renovations at Meadow Brook Music Festival.

Capital projects and repair reserves consist of the unexpended portion of ongoing capital projects, reserves for plant renewal, and bond sinking funds.

Funds designated for departmental use consist of specific projects earmarked by various departments.

Funds functioning as endowments were created by the Board utilizing University resources. These funds are invested in the endowment pool to achieve long-term growth. The funds consist of endowments for scholarships, excellence in teaching and research, and deferred plant renewal.

Gifts and investment income reserves include the University's unrestricted gifts, and realized and unrealized investment income reserves. The increase for 2014 is predominately attributable to investment earnings.

Retirement and insurance reserves include the University's reserves and liability recorded to date for other postemployment benefits (OPEB). In addition to the recorded liability, the University has an unrecorded OPEB liability of approximately $24.9 million as of June 30, 2014. This balance also includes reserves for unemployment and workers' compensation for which the University is self-insured. The Governmental Accounting Standards Board (GASB) issued an Exposure Draft in May 2014, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The date of adoption noted in the Exposure Draft would be for the June 30, 2018 fiscal year, with earlier application encouraged. This Exposure Draft, when issued as a final Statement, would require the unrecorded OPEB liability of $24.9 million to be recorded on the face of the financial statements.

University Statements of Revenues, Expenses, and Changes in Net Position

The University's revenues, expenses, and changes in net position are summarized in the following Condensed Statements of Revenues, Expenses, and Changes in Net Position:

Condensed Statements of Revenues, Expenses, and Changes in Net Position	2014	2013	2012	% Change 2014-2013	% Change 2013-2012
		(in thousands)			
Operating revenues					
Net tuition	**$165,846**	$155,967	$149,095	6%	5%
Grants and contracts	**13,423**	14,395	15,236	-7%	-6%
Departmental activities	**7,815**	8,664	6,463	-10%	34%
Auxiliary activities, net	**24,888**	24,113	22,959	3%	5%
Other	**249**	249	269	0%	-7%
Total operating revenues	**212,221**	203,388	194,022	4%	5%
Operating expenses	**282,579**	274,948	259,446	3%	6%
Operating loss	**(70,358)**	(71,560)	(65,424)	-2%	9%
Nonoperating revenues (expenses)					
State appropriations	**45,652**	44,964	43,145	2%	4%
Gifts	**9,649**	4,853	5,806	99%	-16%
Investment income, net	**22,358**	14,685	1,471	52%	898%
Interest expense	**(4,398)**	(5,789)	(4,466)	-24%	30%
Pell grants	**21,517**	20,726	21,037	4%	-1%
Other	**565**	450	86	26%	423%
Net nonoperating revenues	**95,343**	79,889	67,079	19%	19%
Income before other revenues	**24,985**	8,329	1,655	200%	403%
Capital appropriations	**10,770**	10,073	30,427	7%	-67%
Capital grants and gifts	**216**	7,675	4,930	-97%	56%
Additions to permanent endowments	**3,580**	965	588	271%	64%
Total other revenues	**14,566**	18,713	35,945	-22%	-48%
Increase in net position	**39,551**	27,042	37,600	46%	-28%
Net position					
Beginning of year	**419,288**	392,246	354,646	7%	11%
End of year	**$458,839**	$419,288	$392,246	9%	7%

Operating revenues were $212.2 million in 2014, $203.4 million in 2013, and $194.0 million in 2012. The 4% increase in 2014 over 2013 was primarily due to increases in tuition revenue net of scholarship allowances, which was higher due to an enrollment increase of 2.3% effective for the fall 2013 semester, and tuition rates increasing by 3.7% for undergraduates and graduates.

Operating expenses were $282.6 million in 2014, $274.9 million in 2013, and $259.4 million in 2012. The operating expense increase of 3% in 2014 over 2013 resulted from supporting increased enrollment, contractual agreements, and increases in instruction and academic support.

Net position increased $39.6 million during 2014 and is primarily attributed to nonoperating activities including $22.4 million of investment income, $9.6 million in gifts, $3.6 million of additions to permanent endowments, and $10.8 million of capital appropriations. Partially offsetting this increase is $4.4 million in interest expense on capital debt. The increase in 2013 of $27.0 million is attributable to nonoperating activities including $14.7 million of investment income, $4.9 million in gifts, $1.0 million of additions to permanent endowments, $10.2 million of capital appropriations, and $7.7 million in capital grants and gifts. The increase is partially offset by $5.8 million in interest expense on capital debt. The $37.6 million increase in 2012 is largely due to nonoperating activities including $1.5 million of investment income, $5.8 million in gifts, $0.6 million of additions to permanent endowments, $30.4 million of capital appropriations, and $4.9 million in capital grants and gifts. Partially offsetting the increase is $4.5 million in interest expense on capital debt.

A breakdown of the University's operating expenses by functional classification follows:

University Operating Expenses

	2014	2013	2012	% Change 2014-2013	% Change 2013-2012
		(in thousands)			
Education and general					
Instruction	**$114,260**	$110,296	$104,180	4%	6%
Research	**9,081**	10,297	11,252	-12%	-8%
Public service	**4,616**	4,251	3,712	9%	15%
Academic support	**30,213**	28,066	25,765	8%	9%
Student services	**28,104**	28,381	25,654	-1%	11%
Institutional support	**24,759**	23,345	22,792	6%	2%
Operations and maintenance of plant	**20,056**	21,021	19,365	-5%	9%
Depreciation	**15,255**	13,710	12,556	11%	9%
Student aid	**13,719**	13,127	13,211	5%	-1%
Total education and general	**260,063**	252,494	238,487	3%	6%
Auxiliary activities	**22,497**	22,437	20,947	0%	7%
Other expenses	**19**	17	12	12%	42%
Total operating expenses	**$282,579**	$274,948	$259,446	3%	6%

Education and general expenses increased 3% in 2014 over 2013 and 6% in 2013 over 2012. The increases are mainly attributable to an increase in academic program offerings to meet the needs of higher enrollment, contractual agreements, and equipment purchases related to the University's capital expansion programs.

The increase in Instruction for 2014 is due to a $5.0 million increase in compensation related to existing and new academic programs, which is offset by a decrease in supplies and services. The decrease in Research is primarily due to reductions in federal funding relating to the winding down of American Reinvestment and Recovery Act (ARRA) grants. The Academic Support increase is predominantly due to an increase of $1.4 million in compensation and $0.7 million in supplies and other expenses. The Institutional Support increase is related to an increase of $0.8 million in compensation and an increase of $0.5 million in supplies and services.

The University's operating loss was $70.4 million in 2014, $71.6 million in 2013, and $65.4 million in 2012. Offsetting these losses were net nonoperating revenues of $95.3 million in 2014, $79.9 million in 2013, and $67.1 million in 2012.

Nonoperating revenue is largely comprised of State appropriations and, as reflected in the State's approved appropriation bills, was $45.7 million in 2014, $45.0 million in 2013, and $43.1 million in 2012. The annual appropriation for 2014 increased $0.7 million, or 1.6%, due to the University's portion of the State's performance funding allocation.

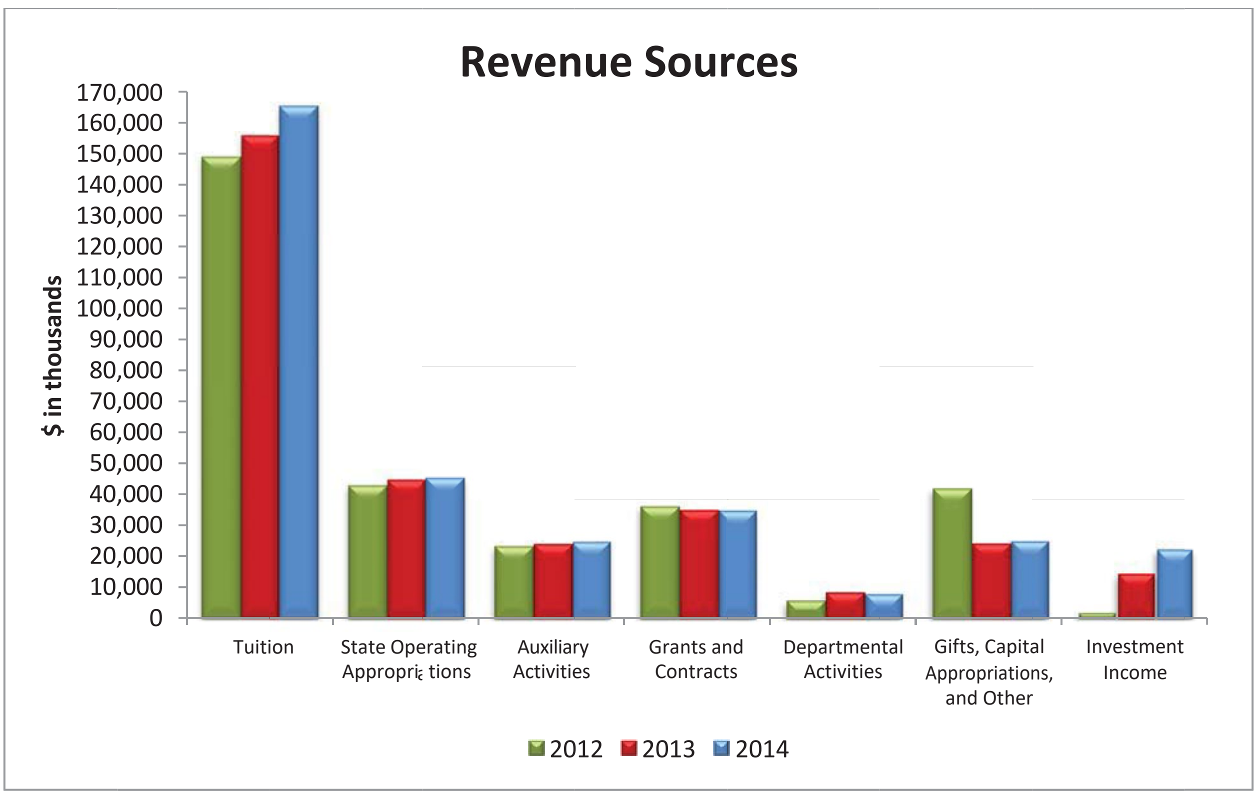
The increase in nonoperating gift revenue of $4.8 million to $9.6 million at June 30, 2014 is attributable to the recognition of $1.6 million in life insurance proceeds previously donated to the University and a $3.3 million charitable gift annuity.

The University earned $22.4 million in investment income. This growth is comprised of $12.4 million, a 6.9% rate of return, in University pooled working capital investments and $10.0 million, a 15.8% rate of return, in endowment investments.

Nonoperating revenues also include $21.5 million from Federal Pell Grants in 2014. Pell Grant revenue for 2013 and 2012 was $20.7 million and $21.0 million, respectively. The increase in Pell Grant revenue from 2013 to 2014 is due to an increase in the number of recipients along with an increase in the maximum award amount.

Other revenues decreased $4.1 million to $14.6 million in 2014 primarily due to a $6.5 million capital gift received in 2013 for the construction of the Elliott Tower. Offsetting this reduction was a $2.8 million gift received in 2014 for the establishment of the Kinsey Professorship Endowment. Capital appropriations from the State Building Authority for the construction of the Engineering Center totaled $10.8 million in 2014. Capital appropriations in 2013 were primarily for the construction of the Human Health Building.

A graphic illustration f each revenue source is as follows:



University Statements of Cash Flows

The University's cash flows are summarized in the following Condensed Statements of Cash Flows:

Condensed Statements of Cash Flows

	2014	2013	2012
		(in thousands)	
Cash provided (used) by			
Operating activities	**$ (59,161)**	$(52,416)	$(50,231)
Noncapital financing activities	**85,689**	72,966	73,071
Capital financing activities	**(104,132)**	80,119	(34,522)
Investing activities	**(26,403)**	23,859	16,069
Net increase (decrease) in cash	**(104,007)**	124,528	4,387
Cash and cash equivalents			
Beginning of year	**161,634**	37,106	32,719
End of year	**$ 57,627**	$161,634	$ 37,106

The primary cash receipts from operating activities consist of tuition, auxiliary activities, and grant and contract revenues. Cash disbursements primarily include salaries and wages, benefits, supplies, utilities, and scholarships. The increase in net cash used by operating activities reflects the increase in payments to employees, suppliers, and financial aid recipients.

State appropriations are the primary source of noncapital financing activities. Noncapital State appropriation cash receipts were $45.5 million in 2014 and $44.6 million in 2013. Cash received from Pell Grants increased for the year ended June 30, 2014 by $0.8 million, decreased by $0.3 million in 2013, and increased $1.0 million in 2012.

Capital financing activities for 2014 include capital expenditures of $95.7 million in addition to debt service payments totaling $8.8 million. Cash disbursements for capital expenditures in 2014 included $33.3 million for the Engineering Center; $21.3 million for Oak View Hall, the new student housing complex; $11.5 million for a new parking structure; $4.1 million in equipment; $3.8 million in renovations in Hannah and O'Dowd Halls; $3.2 million for housing infrastructure renovations; $2.7 million for construction of the Elliott Tower; $1.4 million for the Facilities Management building; and $1.2 million for the Athletic and Recreation Outdoor Complex. Capital financing activities for 2013 include capital expenditures of $54.1 million in addition to debt service payments totaling $9.9 million. Cash disbursements for capital expenditures in 2013 included $15.2 million for the Human Health Building (the University received $21.2 million in capital appropriations from the State Building Authority and $0.4 million from a federal grant to partially offset the expense for this project); $12.2 million for the Engineering Center; $5.3 million for infrastructure improvements; $6.7 million in equipment, and $3.0 million for the Oak View Hall.

Cash used by investing activities during 2014 relates to purchases in excess of sales, maturities, and investment income.

Commitments
The estimated costs to complete construction projects in progress is $53.3 million as of June 30, 2014, due in large part to the new Engineering Center in the amount of $18.7 million, new parking structure for $5.9 million, the Athletic and Recreation Outdoor Complex of $5.5 million, the Athletic Dome Replacement of $4.2 million, Oak View Hall for $1.9 million, and various campus enhancement projects totaling $17.1 million. The Engineering Center is funded from the State Capital Outlay and proceeds from general revenue bonds. Oak View Hall, the parking structure, and other campus enhancement projects are funded from proceeds from general revenue bonds and other University resources.

University Credit Rating
On May 24, 2013, Moody's Investors Service reaffirmed the University's underlying credit rating as A1 - Stable.

Deferred Plant Renewal
The University annually surveys its plant to identify deferred plant renewal (previously referred to as deferred maintenance), adding new items and deleting items that were addressed during the year. Each year, general revenues are allocated to address deferred plant renewal items. In addition, the University has established a quasi-endowment that provides investment earnings that are used to address deferred plant renewal needs.

Factors or Conditions Impacting Future Periods
Financial and budget planning is directly related to and supportive of the University's mission and operational needs. The ability to plan effectively is influenced by an understanding of the following factors which impact the University's finances.

- State and national economy
- Stability of State appropriations (including performance funding)
- Increased globalization and mobilization of student population
- Program growth and development
- New initiatives
- New and emergent technologies
- Productivity improvements
- Demographics, including number of high school graduates
- Continued development of the Oakland University William Beaumont School of Medicine

Oakland University
Statements of Net Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents (Note 2)	**$ 28,509,310**	$ 56,815,372
Accounts receivable, net (Note 3)	**20,911,240**	9,802,304
Appropriations receivable (Note 4)	**8,300,292**	8,175,296
Pledges receivable, net (Note 5)	**2,933,092**	3,138,427
Inventories	**913,875**	695,972
Deposits and prepaid expenses	**1,147,638**	1,134,459
Student loans receivable, net (Note 6)	**383,109**	325,724
Restricted cash and cash equivalents (Note 2)	**29,117,443**	104,818,267
Total current assets	**92,215,999**	184,905,821
Noncurrent assets		
Endowment investments (Note 2)	**80,564,954**	61,431,555
Other long-term investments (Note 2)	**134,876,282**	104,704,528
Pledges receivable, net (Note 5)	**6,386,173**	7,126,483
Student loans receivable, net (Note 6)	**1,467,172**	1,411,466
Capital assets, net (Note 7)	**450,643,140**	352,057,826
Other assets (Note 9)	**495,422**	1,099,460
Total noncurrent assets	**674,433,143**	527,831,318
Total assets	**766,649,142**	712,737,139
Deferred outflows of resources (Note 11)	**12,462,640**	12,762,771
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	**36,710,233**	21,446,734
Accrued payroll	**7,895,478**	8,747,671
Long-term liabilities - current portion (Note 10)	**7,461,983**	6,588,262
Unearned revenue	**14,584,561**	13,710,784
Deposits	**1,675,915**	1,598,207
Total current liabilities	**68,328,170**	52,091,658
Noncurrent liabilities		
Unearned revenue	**114,780**	380,599
Long-term liabilities (Note 10)	**237,551,882**	241,607,647
Other postemployment benefits (Note 12)	**9,396,626**	7,817,556
Total noncurrent liabilities	**247,063,288**	249,805,802
Total liabilities	**315,391,458**	301,897,460
Deferred inflows of resources (Note 11)	**4,881,368**	4,314,435
Net position		
Net investment in capital assets	**236,419,354**	210,637,152
Restricted nonexpendable	**23,430,032**	19,734,956
Restricted expendable	**44,790,721**	41,061,288
Unrestricted	**154,198,849**	147,854,619
Total net position	**$ 458,838,956**	$ 419,288,015

The accompanying notes are an integral part of these financial statements.

Oakland University
Statements of Revenues, Expenses, and Changes in Net Position
June 30, 2014 and 2013

	2014	2013
Operating revenues		
Tuition (net of scholarship allowances of $43,567,100 in 2014 and $37,151,400 in 2013)	**$ 165,846,092**	$ 155,967,342
Federal grants and contracts	**8,967,888**	10,214,846
State, local, and private grants and contracts	**4,455,206**	4,180,070
Departmental activities	**7,814,567**	8,663,771
Auxiliary activities (net of scholarship allowances of $3,675,100 in 2014 and $3,134,200 in 2013)	**24,888,384**	24,113,385
Other operating revenues	**248,908**	248,630
Total operating revenues	**212,221,045**	203,388,044
Operating expenses		
Education and general		
Instruction	**114,260,375**	110,296,123
Research	**9,080,917**	10,296,931
Public service	**4,616,277**	4,250,636
Academic support	**30,212,405**	28,066,361
Student services	**28,104,403**	28,381,425
Institutional support	**24,758,938**	23,344,960
Operations and maintenance of plant	**20,055,817**	21,020,640
Depreciation	**15,254,784**	13,709,983
Student aid	**13,718,857**	13,127,014
Auxiliary activities	**22,497,145**	22,437,218
Other expenses	**19,415**	17,175
Total operating expenses (Note 16)	**282,579,333**	274,948,466
Operating loss	**(70,358,288)**	(71,560,422)
Nonoperating revenues (expenses)		
State appropriations (Note 4)	**45,651,600**	44,964,100
Gifts	**9,649,542**	4,852,750
Investment income (net of investment expenses of $483,967 in 2014 and $568,564 in 2013)	**22,358,185**	14,685,497
Interest on capital asset related debt	**(4,398,419)**	(5,788,817)
Pell grants	**21,517,248**	20,726,249
Other	**564,856**	449,585
Net nonoperating revenues	**95,343,012**	79,889,364
Income before other revenues	**24,984,724**	8,328,942
Capital appropriations	**10,769,781**	10,073,228
Capital grants and gifts	**215,837**	7,674,464
Additions to permanent endowments	**3,580,599**	965,331
Total other revenues	**14,566,217**	18,713,023
Increase in net position	**39,550,941**	27,041,965
Net position		
Beginning of year	**419,288,015**	392,246,050
End of year	**$ 458,838,956**	$ 419,288,015

The accompanying notes are an integral part of these financial statements.

Oakland University
Statements of Cash Flows
June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Tuition	**$ 168,250,717**	$ 159,556,982
Grants and contracts	**11,997,937**	15,858,572
Payments to suppliers	**(70,483,008)**	(67,635,911)
Payments to employees	**(187,316,324)**	(179,615,754)
Payments for scholarships and fellowships	**(13,718,857)**	(13,127,014)
Loans issued to students	**(422,698)**	(316,644)
Collection of loans from students	**313,339**	266,077
Auxiliary enterprise charges	**24,940,830**	24,939,133
Other receipts	**7,276,815**	7,657,842
Net cash used by operating activities (Note 17)	**(59,161,249)**	(52,416,717)
Cash flows from noncapital financing activities		
State appropriations	**45,526,604**	44,633,352
Federal direct lending receipts	**109,509,951**	106,481,620
Federal direct lending disbursements	**(109,509,951)**	(106,481,620)
Gifts and grants for other than capital purposes	**33,281,329**	27,367,254
Endowment gifts	**6,880,890**	965,331
Net cash provided by noncapital financing activities	**85,688,823**	72,965,937
Cash flows from capital financing activities		
Proceeds from capital debt	**-**	138,098,621
Capital appropriations	**-**	22,212,937
Capital grants, gifts, and other receipts	**353,090**	7,142,408
Purchases of capital assets	**(95,708,723)**	(54,127,973)
Principal paid on capital debt and leases	**(4,708,278)**	(26,157,314)
Interest paid on capital debt and leases	**(4,068,097)**	(7,049,369)
Net cash provided (used) by capital financing activities	**(104,132,008)**	80,119,310
Cash flows from investing activities		
Proceeds from sales and maturities of investments	**64,675,117**	69,371,521
Investment income	**10,761,694**	6,394,361
Purchase of investments	**(101,839,263)**	(51,906,594)
Net cash provided (used) by investing activities	**(26,402,452)**	23,859,288
Net increase (decrease) in cash and cash equivalents	**(104,006,886)**	124,527,818
Cash and cash equivalents		
Beginning of year	**161,633,639**	37,105,821
End of year	**$ 57,626,753**	$ 161,633,639

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Organization
These financial statements present the financial position, results of operations, and changes in net position of Oakland University (University).

Basis of Accounting
The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Cash and Cash Equivalents
The University considers all investments with original maturity of 90 days or less when purchased to be cash equivalents. Restricted cash and cash equivalents consists of unexpended bond proceeds which are restricted for use as noted in the bond documents.

Cash Flow Reporting
For the purpose of presentation in the Statements of Cash Flows, cash and cash equivalents includes restricted cash.

Investments
Investments are stated at fair market value.

Inventories
Inventories are stated at the lower of average cost or market. Included in the 2014 inventory are three homes in the Meadow Brook Subdivision owned by the University and valued at a total of $495,000.

Physical Properties
Physical properties are stated at cost or, when donated, at fair market value at the date of gift. A capitalization threshold of $5,000 is used for equipment. Depreciation is computed using the straight-line method over the estimated useful life of the property. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The costs of maintenance and repairs are expended as incurred.

The following are asset classifications and the respective estimated useful lives:

Classifications	Life
Buildings	40 years
Land improvements and infrastructure	20 years
Library acquisitions	10 years
Equipment and software	7 years

1. Significant Accounting Policies (continued)

Deferred Outflows of Resources

Deferred outflows of resources consists of interest rate swap agreements stated at fair value, early extinguishment of debt, and the deferral of the swap termination cost for the 2001 Bonds.

Deferred Inflows of Resources

Deferred inflows of resources consists of the estimated fair value of the 2008 Swap reduced by the estimated fair value of the 2007 Constant Maturity Swap interest rate agreement.

Revenue Recognition

Operating revenues represent revenue earned from exchange transactions and consist of tuition, certain grants and contracts, departmental activities, auxiliary activities, and other miscellaneous revenues. Nonoperating revenues include State of Michigan (State) appropriations, gifts, certain grants, and investment income. When an expense is incurred for which both restricted and unrestricted net position are available, the University applies the restricted or unrestricted resources at its discretion.

Revenues related to the summer and fall semesters are recognized in the fiscal year in which the semesters are predominantly conducted.

Gifts are recognized at the later of the date pledged or when the eligibility requirements of the gifts are met.

Funds are appropriated to the University for operations by the State covering the State's fiscal year, October 1 through September 30. The appropriation is for the University's fiscal year ending June 30 and is considered earned.

Revenues are reported net of discounts and allowances.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

Income Tax Status

The University is classified as a political subdivision of the State of Michigan under Section 115 of the Internal Revenue Code and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income.

1. Significant Accounting Policies (continued)

Reclassification

Certain fiscal year 2013 balances on the Statement of Revenues, Expenses, and Changes in Net Position have been reclassified to conform to the current year presentation. Specifically, the University reclassified the following items to be more in line with industry guidelines. The following year ended June 30, 2013 amounts were reclassified:

	As Previously Reported	As Reclassified
Operating revenues		
Departmental activities	$ 8,016,890	$ 8,663,771
Auxiliary activities	24,760,266	24,113,385
Operating expenses		
Education and general:		
Public service	4,248,340	4,250,636
Academic support	22,730,020	28,066,361
Student services	21,112,884	28,381,425
Institutional support	33,438,831	23,344,960
Operations and maintenance of plant	20,517,888	21,020,640
Auxiliary activities	25,453,277	22,437,218

2. Investments and Deposits with Financial Institutions

Operating cash is pooled into investments and deposits, which are uninsured and uncollateralized. This pool is administered according to the University's "Working Capital Management and Investment Policy." The working capital portfolio is divided into three investment groups: short-term, intermediate-term, and long-term investments. Short-term investments are immediately available for use and have an average maturity of one year or less. Intermediate-term investments are liquid within five business days or less and have an average maturity of no more than five years. Long-term investments are liquid within 20 business days or less and have average maturities over five years. The long-term investment asset class is limited to 30% of the total investment pool and includes equities. All investment classes are rated investment grade or better by at least one rating agency. Investments in any one entity, except the United States Government or its agencies, may not exceed 5% of the total investment pool. For non-amortizing securities, the maturity of any single debt instrument shall not exceed 15 years. No more than 50% of equity and bond investments are assigned to a single investment manager.

The operating cash portfolio at June 30, 2014 does not involve any concentration of credit risk as all investments in single issuers or issues amount to less than 5% of the entire investment pool.

2. Investments and Deposits with Financial Institutions (continued)

The University's working capital investment pool consists of the following as of June 30, 2014 and 2013:

June 30, 2014	Total	<1 Year	1-5 years	6-10 years	>10 years
University Operating Pooled Cash					
Swept Money Market Mutual Fund	**$ 28,296,579**	**$28,296,579**	**$ -**	**$ -**	**$ -**
Commonfund Intermediate Bond Fund	**30,335,606**	**5,278,395**	**24,602,177**	**455,034**	**-**
Commonfund Intermediate High Quality Bond Fund	**37,358,792**	**4,696,000**	**15,470,276**	**11,323,450**	**5,869,066**
Huntington Situs Equity Fund	**11,464,198**	**-**	**-**	**-**	**11,464,198**
Commonfund Core Equity Fund	**29,284,107**	**-**	**-**	**-**	**29,284,107**
JP Morgan Bond Fund	**27,388,193**	**5,051,910**	**21,820,020**	**516,263**	**-**
Cash with Trustees	**29,112,100**	**29,112,100**	**-**	**-**	**-**
Operating investments	**193,239,575**	**72,434,984**	**61,892,473**	**12,294,747**	**46,617,371**
Net cash overdraft	**(736,540)**	**(736,540)**	**-**	**-**	**-**
	$192,503,035	**$71,698,444**	**$61,892,473**	**$12,294,747**	**$46,617,371**
Cash and cash equivalents	**$ 28,509,310**				
Restricted cash and cash equivalents	**29,117,443**				
Other long-term investments	**134,876,282**				
	$192,503,035				

June 30, 2013	Total	<1 Year	1-5 years	6-10 years	>10 years
University Operating Pooled Cash					
Swept Money Market Mutual Fund	$ 63,583,006	$ 63,583,006	$ -	$ -	$ -
Commonfund Intermediate High Quality Bond Fund	35,378,035	1,110,870	14,653,582	14,476,692	5,136,891
JP Morgan Equity Funds Intrepid Equities	41,535,285	-	-	-	41,535,285
Huntington Situs Equity Fund	2,033,857	-	-	-	2,033,857
WAM Sinking Fund	335,355	-	-	-	335,355
JP Morgan Bond Fund	26,855,052	4,698,155	22,156,897	-	-
Cash with Trustees	104,815,799	104,815,799	-	-	-
Operating investments	274,536,389	174,207,830	36,810,479	14,476,692	49,041,388
Net cash overdraft	(8,198,222)	(8,198,222)	-	-	-
	$266,338,167	$166,009,608	$36,810,479	$14,476,692	$49,041,388
Cash and cash equivalents	$ 56,815,372				
Restricted cash and cash equivalents	104,818,267				
Other long-term investments	104,704,528				
	$266,338,167				

2. Investments and Deposits with Financial Institutions (continued)

The investments are shown by category according to their respective duration to describe the level of interest rate risk in the portfolio. Changes in interest rates over time can impact the market value of the fixed income portion of the portfolio. At June 30, 2014, the JP Morgan Bond Fund had a weighted-average maturity of 2.2 years and an average credit quality of AA+. The Commonfund High Quality Bond Fund had a weighted-average maturity of 7.4 years and an average credit quality of AA-.

The University's working capital portfolio is not exposed to foreign currency risk as of June 30, 2014.

These investments produced net rates of return of 6.9% and 5.0% for the years ended June 30, 2014 and 2013, respectively.

As of June 30, 2014 and 2013, the University had an investment derivative with the following maturity:

June 30, 2014	**Fair Value**	**<1 Year**	**1-5 years**	**6-10 years**	**>10years**
Constant Maturity Swap	**$2,622,626**	**$ -**	**$ -**	**$ -**	**$2,622,626**
June 30, 2013	**Fair Value**	**<1 Year**	**1-5 years**	**6-10 years**	**>10 years**
Constant Maturity Swap	$3,167,142	$ -	$ -	$ -	$3,167,142

The investment derivative was approved by the Board of Trustees (Board). The investment derivative is included with deferred inflows of resources in the Statements of Net Position. See Note 11 for further disclosures.

The University's endowment investments are administered according to the University's "Endowment Management and Investment Policy." Concentration of credit risk is limited to no more than 1% of the portfolio in any one principal protected structured product or structured equity product. Endowment investments are broadly diversified and there is no investment in a single issuer other than the U.S. Government that amounts to more than 5% of the portfolio. The "Endowment Management and Investment Policy" restricts fixed income investments to "high quality" (primarily A to AAA rated) corporate bonds, U.S. Treasury, and agency securities or issues of supranational organizations and foreign sovereigns and no more than 20% of the fixed income portfolio may be invested in securities rated less than BBB or that are illiquid.

2. Investments and Deposits with Financial Institutions (continued)

These investment funds are uninsured and uncollateralized and produced a total net return of 15.8% and 9.5% for the years ended June 30, 2014 and 2013, respectively.

University pooled investment funds consist of the following as of June 30, 2014 and 2013:

June 30, 2014	Total	<1 Year	1-5 years	6-10 years	>10 years
UBS Endowment Investment Pool					
Large Cap Value	**$ 6,409,454**	**$ 337,093**	**$ -**	**$ -**	**$ 6,072,361**
Large Cap Growth	**13,924,186**	**1,133,639**	**-**	**-**	**12,790,547**
Mid Cap Value	**3,209,086**	**-**	**-**	**-**	**3,209,086**
Mid Cap Growth	**7,412,369**	**534,024**	**-**	**-**	**6,878,345**
Small Cap Core	**4,947,169**	**373,838**	**-**	**-**	**4,573,331**
Small Cap Growth	**3,476,076**	**-**	**-**	**-**	**3,476,076**
REIT	**1,596,609**	**-**	**-**	**-**	**1,596,609**
International Value	**5,703,024**	**2,665**	**-**	**-**	**5,700,359**
International Core	**4,756,228**	**392,857**	**-**	**-**	**4,363,371**
Developing Markets	**3,201,478**	**213,478**	**-**	**-**	**2,988,000**
Fixed Income Core	**7,041,707**	**871,571**	**3,040,092**	**2,619,007**	**511,037**
Fixed Income Mutual Fund	**2,361,548**	**(11,807)**	**1,197,305**	**748,611**	**427,439**
High Yield Bonds	**3,322,032**	**388,762**	**467,954**	**2,373,151**	**92,165**
Global Fixed	**3,128,997**	**1,339,210**	**1,097,339**	**580,429**	**112,019**
Hedge Funds	**5,897,715**	**1,496,458**	**-**	**-**	**4,401,257**
Commodity Stock Funds	**2,503,256**	**-**	**-**	**-**	**2,503,256**
Private Equity	**663,429**	**-**	**-**	**-**	**663,429**
Money Market Funds	**1,010,591**	**1,010,591**	**-**	**-**	**-**
	$80,564,954	**$8,082,379**	**$5,802,690**	**$6,321,198**	**$60,358,687**

June 30, 2013	Total	<1 Year	1-5 years	6-10 years	>10 years
UBS Endowment Investment Pool					
Large Cap Value	$ 8,601,244	$ 263,843	$ -	$ -	$ 8,337,401
Large Cap Growth	5,999,683	188,133	-	-	5,811,550
Index Funds	5,850,837	826	-	-	5,850,011
Mid Cap Value	3,036,298	348,250	-	-	2,688,048
Mid Cap Growth	2,743,789	109,025	-	-	2,634,764
Small Cap Core	2,705,050	53,070	-	-	2,651,980
Small Cap Growth	777,744	13,890	-	-	763,854
REIT	1,551,343	57,995	-	-	1,493,348
International Value	3,667,237	123,874	-	-	3,543,363
International Core	3,043,142	95,882	-	-	2,947,260
Developing Markets	1,117,491	-	-	-	1,117,491
Fixed Income Core	10,254,089	468,139	2,492,504	5,242,848	2,050,598
High Yield Bonds	2,986,186	235,100	784,090	1,890,990	76,006
Global Fixed	2,986,088	369,299	1,193,355	1,098,438	324,996
Hedge Funds	4,103,905	114	-	-	4,103,791
Commodity Stock Funds	1,556,218	239	-	-	1,555,979
Private Equity	451,185	-	-	-	451,185
Cash	26	26	-	-	-
	$61,431,555	$2,327,705	$4,469,949	$8,232,276	$46,401,625

The fixed income investments within the Endowment pool have a fair market value of $15.9 million as of June 30, 2014, with a credit quality that varies; with 81.5% of the securities rated A or higher, and 18.5% rated BB-. Money market funds carry credit ratings of A-1, P-1, and F-1.

The University is not exposed to foreign currency risk within the investment balance as of June 30, 2014.

2. Investments and Deposits with Financial Institutions (continued)

The private equity investment's estimated market value is $663,429 as of June 30, 2014 with a total commitment by the University of $1,000,000 over a five-year period. Hedge fund investments are estimated at a market value of $5,897,715 as of June 30, 2014. Estimated market values and returns are reviewed by the UBS Alternative Investments U.S. Team through the University's endowment investment adviser UBS Financial Services, Inc.

Fair value is most often determined by open market prices except for the private equity and hedge funds. The estimated fair values are provided by external investment managers and advisers as of June 30, 2014. Alternative investments are not readily marketable; therefore, their estimated value may differ from the value that would have been used had a ready market value for such investments existed.

In September 2013, the University received a charitable gift annuity (CGA) totaling $7.0 million which is invested in the UBS Endowment Investment Pool. Charitable gift annuities are arrangements in which donors contribute assets to the University in exchange for a promise by the University to pay a fixed amount for a specified period of time. Based on the life expectancy of the annuitant at the time the CGA was received, payments are projected to approximate $3.7 million. The remaining $3.3 million is recognized as a gift.

For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Michigan, permits the University to appropriate an amount of realized and unrealized endowment appreciation as determined to be prudent.

With the exception of the private equity holding and four hedge funds, the working capital investment pool and endowment investment pool can be liquidated within 90 days or less at fair market value.

3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2014 and 2013:

	2014	**2013**
Tuition	**$ 8,266,266**	$ 9,496,066
Auxiliary enterprises	**1,302,076**	1,517,742
Contracts and grants	**3,019,558**	2,970,328
Other receivables	**13,437,325**	710,485
Total accounts receivable	**26,025,225**	14,694,621
Less: Allowance for doubtful accounts	**(5,113,985)**	(4,892,317)
Total accounts receivable, net	**$20,911,240**	$ 9,802,304

Capital appropriation is paid to the University on a cost reimbursement basis for the construction of the Engineering Center from the State Building Authority. As of June 30, 2014, the receivable for reimbursement of incurred costs totaled $10,769,781 and is included in Other Receivables. As of June 30, 2014, the Engineering Center has $10,548,984 of accrued expense included in current liabilities which include $3,651,188 in retainage payable.

4. Appropriations Receivable

The annual State operating appropriation paid to the University is made in 11 monthly installments from October through August. Consistent with State of Michigan legislation, the University has accrued, as of the end of its fiscal year, the payments to be received in July and August. As of June 30, 2014 and 2013, the accrual of the July and August State operating appropriation payments created an appropriation receivable of $8,300,292 and $8,175,296, respectively.

5. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2014 and 2013:

	2014	2013
Pledges outstanding		
Unrestricted	**$ 23,168**	$ 40,603
Restricted expendable	**10,629,152**	11,639,647
Total pledges outstanding	**10,652,320**	11,680,250
Less:		
Allowance for doubtful pledges	**(236,904)**	(112,305)
Present value discount	**(1,096,151)**	(1,303,035)
Total pledges outstanding, net	**9,319,265**	10,264,910
Less: Current portion, net	**(2,933,092)**	(3,138,427)
Noncurrent portion, net	**$ 6,386,173**	$ 7,126,483

Pledges receivable from donors are recorded at net present value less allowances for doubtful accounts. At June 30, 2014 and 2013, the interest rate used to discount pledges to present value was 5%. The aggregate allowance for doubtful accounts was 2% and 1% net of discount at June 30, 2014 and 2013, respectively. Approximately $7.2 million of the total net pledges outstanding is from a single donor.

Payments on pledges receivable at June 30, 2014 are expected to be received in the following years:

Past due	**$ 81,857**
Due in one year	**2,954,913**
Due in two-five years	**7,275,550**
Thereafter	**340,000**
Total	**$10,652,320**

Bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation. At June 30, 2014 and 2013, the University had $29,853,304 and $35,518,761, respectively, in conditional pledge commitments receivable not included in the accompanying financial statements. Of the $29,853,304 in conditional pledges for fiscal year 2014, approximately $6.8 million is from a single donor.

6. Student Loans Receivable

Student loans receivable consist of the following as of June 30, 2014 and 2013:

	2014	2013
Student loans		
Federal loan programs	**$1,897,313**	$1,804,648
University loan funds	**190,090**	164,213
	2,087,403	1,968,861
Less: Allowance for doubtful loans	**(237,122)**	(231,671)
Total student loans, net	**1,850,281**	1,737,190
Less: Current portion, net	**(383,109)**	(325,724)
Noncurrent portion, net	**$1,467,172**	$1,411,466

In addition, the University distributed $109,509,951 and $106,481,620 for the years ended June 30, 2014 and 2013, respectively, for student loans through the U.S. Department of Education Federal Direct Loan program. These distributions and related funding sources are not included as expenses and revenues in the accompanying financial statements, but are reflected in the University's Statements of Cash Flows.

7. Capital Assets

The following tables present the changes in the various capital asset categories for the University for fiscal years 2014 and 2013:

Asset Classification	Balance June 30, 2013	Additions	Reductions/ Transfers	Balance June 30, 2014
Land	$ 4,624,914	**$ -**	**$ -**	**$ 4,624,914**
Land improvements and infrastructure	59,739,095	**529,294**	**-**	**60,268,389**
Buildings	377,335,403	**18,200,696**	**35,500**	**395,500,599**
Equipment	37,528,311	**4,097,397**	**1,343,044**	**40,282,664**
Library acquisitions	27,178,245	**519,370**	**94,728**	**27,602,887**
Construction in progress	50,692,808	**109,884,520**	**19,348,542**	**141,228,786**
Total	557,098,776	**133,231,277**	**20,821,814**	**669,508,239**
Accumulated depreciation				
Land improvements and infrastructure	(25,871,126)	**(2,685,265)**	**-**	**(28,556,391)**
Buildings	(131,503,061)	**(8,631,253)**	**(34,520)**	**(140,099,794)**
Equipment	(24,322,347)	**(3,208,027)**	**(1,117,013)**	**(26,413,361)**
Library acquisitions	(23,344,416)	**(545,865)**	**(94,728)**	**(23,795,553)**
Total	(205,040,950)	**(15,070,410)**	**(1,246,261)**	**(218,865,099)**
Total capital assets, net	$ 352,057,826	**$118,160,867**	**$19,575,553**	**$ 450,643,140**

7. Capital Assets (continued)

Asset Classification	Balance June 30, 2012	Additions	Reductions/ Transfers	Balance June 30, 2013
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	57,383,001	2,356,094	-	59,739,095
Buildings	308,802,388	68,533,015	-	377,335,403
Equipment	34,332,050	6,662,675	3,466,414	37,528,311
Library acquisitions	26,664,987	545,851	32,593	27,178,245
Construction in progress	74,986,676	47,426,193	71,720,061	50,692,808
Total	506,794,016	125,523,828	75,219,068	557,098,776
Accumulated depreciation				
Land improvements and infrastructure	(23,237,965)	(2,633,161)	-	(25,871,126)
Buildings	(123,905,658)	(7,597,403)	-	(131,503,061)
Equipment	(24,852,988)	(2,740,369)	(3,271,010)	(24,322,347)
Library acquisitions	(22,778,198)	(598,811)	(32,593)	(23,344,416)
Total	(194,774,809)	(13,569,744)	(3,303,603)	(205,040,950)
Total capital assets, net	$ 312,019,207	$111,954,084	$71,915,465	$ 352,057,826

8. State Building Authority

The University has lease agreements with the State Building Authority (SBA) and the State of Michigan for the School of Education and Human Services Building (Pawley Hall), the Science and Engineering Building, the Business and Technology Building (Elliott Hall), and the Human Health Building. The buildings were financed with SBA revenue bonds, State capital appropriations, and University general revenue bonds.

The SBA bond issues are collateralized by a pledge of rentals to be received from the State pursuant to the lease agreements between the SBA, the State, and the University. During the lease terms, the SBA will hold title to the facilities; the State will make all annual lease payments to the SBA; and the University will pay all operating and maintenance costs of the facilities.

At the expiration of the leases, the SBA has agreed to sell each facility to the University for one dollar. The cost and accumulated depreciation for these facilities is included in the accompanying Statements of Net Position.

The University broke ground on the Engineering Center in 2012 and is utilizing $30.0 million in State capital appropriations to support construction of the new facility. The University is expected to obtain occupancy permits and begin use of the facility beginning in the Fall Semester of 2014.

9. Cash Surrender Value of Life Insurance Policies

Included in other assets are the cash surrender value of life insurance policies in the amount of $362,422 and $966,460 for 2014 and 2013, respectively. The face value of these life insurance policies totaled $2,918,072 in 2014 and $5,948,072 in 2013.

During the year, the University realized $2.0 million of life insurance proceeds related to a policy with a cash surrender value of approximately $403,000. Two additional policies at face value totaling $1.0 million were surrendered realizing approximately $233,000 in cash surrender value.

10. Long-Term Liabilities

Long-term liabilities consist of the following as of June 30, 2014 and 2013:

	Balance June 30, 2013	Additions/ Transfers	Reductions	Balance June 30, 2014	Current Portion
Note and installment purchase agreements payable	$ 15,102,007	$ -	$ 888,278	$ 14,213,729	$ 920,229
General revenue bonds:					
Series 2013A bonds	57,860,000	-	-	57,860,000	-
Unamortized premium	7,127,117	-	459,812	6,667,305	471,203
Series 2013B bonds	23,290,000	-	390,000	22,900,000	1,715,000
Series 2012 bonds	44,155,000	-	-	44,155,000	815,000
Unamortized premium	4,718,805	-	302,152	4,416,653	306,456
Series 2009 bonds	31,545,000	-	730,000	30,815,000	745,000
Series 2008 bonds	50,675,000	-	1,380,000	49,295,000	1,440,000
Series 2004 bonds	1,320,000	-	1,320,000	-	-
Series 1998 variable rate demand bonds	4,600,000	-	-	4,600,000	-
Total note, installment agreement, and bonds payable	240,392,929	-	5,470,242	234,922,687	6,412,888
Other liabilities:					
Compensated absences	4,918,366	-	168,526	4,749,840	391,644
Early retirement plan	884,752	-	758,391	126,361	126,361
Annuities payable and other	390,645	3,731,507	431,216	3,690,936	531,090
Federal portion of Perkins loan program	1,609,217	-	85,176	1,524,041	-
Total other liabilities	7,802,980	3,731,507	1,443,309	10,091,178	1,049,095
Total long-term liabilities	$248,195,909	$3,731,507	$6,913,551	$245,013,865	$7,461,983

	2013	2014
Total long-term liabilities	$248,195,909	$245,013,865
Current portion	6,588,262	7,461,983
Noncurrent portion	$241,607,647	$237,551,882

	Balance June 30, 2012	Additions/ Transfers	Reductions	Balance June 30, 2013	Current Portion
Note and installment purchase agreements payable	$ 15,257,542	$ 681,779	$ 837,314	$ 15,102,007	$ 888,278
General revenue bonds:					
Series 2013A bonds	-	57,860,000	-	57,860,000	-
Unamortized premium	-	7,141,047	13,930	7,127,117	459,812
Series 2013B bonds	-	23,290,000	-	23,290,000	390,000
Series 2012 bonds	-	44,155,000	-	44,155,000	-
Unamortized premium	-	4,970,795	251,990	4,718,805	302,151
Series 2009 bonds	32,260,000	-	715,000	31,545,000	730,000
Series 2008 bonds	52,010,000	-	1,335,000	50,675,000	1,380,000
Series 2004 bonds	24,590,000	-	23,270,000	1,320,000	1,320,000
Unamortized premium	683,790	-	683,790	-	-
Series 1998 variable rate demand bonds	4,600,000	-	-	4,600,000	-
Total note, installment agreement, and bonds payable	129,401,332	138,098,621	27,107,024	240,392,929	5,470,241
Other liabilities:					
Compensated absences	4,595,862	322,504	-	4,918,366	333,857
Early retirement plan	1,617,002	-	732,250	884,752	729,074
Annuities payable and other	465,759	-	75,114	390,645	55,090
Federal portion of Perkins loan program	1,679,962	-	70,745	1,609,217	-
Total other liabilities	8,358,585	322,504	878,109	7,802,980	1,118,021
Total long-term liabilities	$137,759,917	$138,421,125	$27,985,133	$248,195,909	$6,588,262

	2012	2013
Total long-term liabilities	$137,759,917	$248,195,909
Current portion	5,238,360	6,588,262
Noncurrent portion	$132,521,557	$241,607,647

10. Long-Term Liabilities (continued)

Note and Installment Purchase Agreements Payable

In November 2012, the University entered into a lease-purchase agreement in the principal amount of $169,771 to purchase golf equipment. The lease has a fixed interest rate of 1.98% per annum and requires 48 monthly payments of $3,679.

In July 2012, the University entered into a lease-purchase agreement in the principal amount of $512,008 to purchase golf carts. The lease has a fixed interest rate of 1.98% per annum and requires 60 monthly payments of $7,353 and a balloon payment of $102,401 due October 2017.

In December 2005, the University entered into a general revenue note payable over 264 months in the amount of $18,253,776 at a fixed interest rate of 3.785% to finance Phase II of its Energy Service Agreement projects.

Required annual payments for the notes payable and the installment purchase agreements for the fiscal years ending June 30 are as follows:

	Principal	Interest	Total
2015	$ 920,229	$ 514,842	$ 1,435,071
2016	953,364	481,706	1,435,070
2017	965,564	447,432	1,412,996
2018	993,271	411,818	1,405,089
2019	925,705	376,983	1,302,688
2020-2024	5,191,574	1,321,863	6,513,437
2025-2028	4,264,022	295,384	4,559,406
Total	$14,213,729	$3,850,028	$18,063,757

General Revenue Bonds Payable

In June 2013, the University issued $57,860,000 general revenue bonds (2013A Bonds), with an average coupon rate of 4.98% and a net original issue premium of $7,141,047. The proceeds were utilized to fund the construction of Oak View Hall; a facilities management building; a 1,240 space parking structure; road improvements; and an athletic and recreation complex. The 2013A Bonds were issued with a final maturity of March 1, 2043. The pricing resulted in a 4.03% true interest cost.

In June 2013, the University issued $23,290,000 of federally taxable general revenue refunding bonds (2013B Bonds), with an average coupon interest rate of 2.99% and final maturity date of May 15, 2026. The proceeds were utilized to refund the Series 2004 general revenue refunding bonds (2004 Bonds) with an average coupon rate of 5.12%. The advance refunding of the 2004 Bonds resulted in a deferral on early extinguishment of $1,134,224 that will be amortized over the term of the 2013B Bonds. A trust account was established to redeem the 2004 Bonds on their call date of May 15, 2014. The aggregate amount of outstanding principal on the 2004 Bonds which has been defeased was $22,015,000. The principal of the 2004 Bonds was redeemed on May 15, 2014 leaving a zero balance in the trust account as of June 30, 2014.

10. Long-Term Liabilities (continued)

In August 2012, the University issued $44,155,000 of general revenue bonds (2012 Bonds), with an average coupon interest rate of 4.96% and a net original issue premium of $4,970,795. The proceeds were utilized to fund a portion of the Engineering Center. The 2012 Bonds were issued with a final maturity of March 1, 2042. The pricing resulted in a 4.08% true interest cost.

In December 2009, the University issued $33,650,000 general revenue bonds (2009 Bonds) (Taxable – Build America Bonds) to fund a portion of the Human Health Building and several infrastructure projects. The 2009 Bonds were issued in fixed rate mode and include an election by the University to receive payments from the Federal Government under the Build America Bond program created under the American Recovery and Reinvestment Act of 2009. The 2009 Bonds were issued with a final maturity of March 1, 2039. The pricing resulted in a 4.43% true interest cost after adjusting for the Federal interest subsidy.

In June 2008, the University issued $53,280,000 general revenue refunding bonds (2008 Bonds) to refund the 2001 general revenue bonds. The 2008 Bonds are variable-rate demand obligations with a maturity date of March 1, 2031. In conjunction with this issue, the University terminated the related 2001 Swap at a termination value of $4,860,000 paid to the counterparty and reissued a new 2008 Swap synthetically fixing the rate on the full amount of the issue to 3.37%. The 2001 Swap termination cost has been deferred and will be amortized over the term of the refunding bonds and is recorded as a deferred outflow. These bonds will mature on March 1, 2031. The aggregate amount of outstanding principal on the 2001 Bonds which has been defeased was $48,000,000 as of June 30, 2008.

In September 2004, the University issued $31,770,000 of general revenue refunding bonds (2004 Bonds), with an average coupon interest rate of 5.01% and a net original issue premium of $1,967,000. The proceeds were utilized to refund the Series 1995 general revenue bonds maturing in the years 2007 through 2026 totaling $31,320,000 with an average coupon interest rate of 5.74%. In June 2013, the University issued federally taxable general revenue bonds (2013B Bonds) to refund $22,015,000 of the 2004 Bonds. The remaining principal balance of $1,320,000 was paid during fiscal year 2014.

In September 1998, on behalf of the Oakland University Foundation (Foundation), the Economic Development Corporation of the County of Oakland issued limited-obligation revenue variable-rate demand bonds in the amount of $4,600,000 to finance the R&S Sharf golf course project. These bonds bear interest at a variable or fixed rate, as determined from time to time in accordance with the indenture (the variable rates at June 30, 2014 and 2013 were 0.07% and 0.15%, respectively; the maximum variable rate is 12%). The bonds mature on September 1, 2023 subject to optional early redemption. Within this bond offering, the Foundation executed a Loan Agreement, which obligated it to make all payments in connection with this bond financing including interest, principal, remarketing fees, and letter of credit fees. On February 1, 2006, the University Board of Trustees and the Foundation Board of Directors agreed to transfer Foundation assets and liabilities to the University. As a result, this Foundation loan was transferred to the University in the amount of $4,600,000.

10. Long-Term Liabilities (continued)

The following table summarizes debt service requirements for the outstanding bonds payable as of June 30, 2014:

	Principal	Interest	Hedging Derivative, Net	Total
2015	$ 4,715,000	$ 7,653,119	$ 1,590,881	$ 13,959,000
2016	5,870,000	7,587,307	1,543,299	15,000,606
2017	6,045,000	7,463,874	1,493,708	15,002,582
2018	6,245,000	7,307,272	1,441,999	14,994,271
2019	6,455,000	7,149,168	1,388,171	14,992,339
2020-2024	40,800,000	32,656,161	6,052,669	79,508,830
2025-2029	45,320,000	26,177,608	3,970,005	75,467,613
2030-2034	38,400,000	19,512,702	446,972	58,359,674
2035-2039	33,945,000	11,312,713	-	45,257,713
2040-2042	21,830,000	2,583,000	-	24,413,000
	209,625,000	$129,402,924	$17,927,704	$356,955,628
Unamortized premium	11,083,958			
	$220,708,958			

Other Liabilities
Accrued compensated absences include accrued vacation and sick pay for University employees.

The Early Retirement Incentive Plan is a 2011 cost-containment initiative that provides an incentive for qualifying employees to retire from the University. The benefits are paid monthly to 36 participants' 403(b) accounts over a five-year period which began in 2012. The remaining benefit payment and fees total $126,361 as of June 30, 2014. The University has resources designated for this purpose.

Charitable gift annuities are arrangements in which donors contribute assets to the University in exchange for a promise by the University to pay a fixed amount for a specified period of time (typically for the life of the donor or other beneficiary). Annuities payable are established based on the present value of the estimated annuity payouts over the life expectancy of the donor or other beneficiary.

In September 2013, the University received a charitable gift annuity (CGA) totaling $7.0 million as a result of realizing a donor's bequest. Based on the life expectancy of the annuitant at the time the CGA was received, the University's obligation, or present value liability, of the annuity payments approximated $3.7 million. The remaining $3.3 million is recognized as a gift and will be allocated in accordance with the terms of the original agreement. At June 30, 2014, the annuity payable was approximately $3.3 million.

11. Deferred Outflows and Inflows of Resources

Deferred Outflows
Effective in the fiscal year ended June 30, 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The University recorded deferred outflows of $12,462,640 at June 30, 2014, which includes $4,958,646 from an early extinguishment of general revenue bonds, 2013B Bonds and 2008 Bonds, and a deferral of swap termination costs for the 2001 Bonds; and $7,503,994 estimated negative fair value of the 2008 Swap. At June 30, 2013, the University recorded deferred outflows of $12,762,771, which includes $5,281,194 from an early extinguishment of general revenue bonds, 2013B Bonds and 2008 Bonds and a deferral of swap termination costs for the 2001 Bonds; and $7,481,577 estimated negative fair value of the 2008 Swap.

The University follows the provisions of GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The derivatives are valued using an independent pricing service. The following provides a description of each swap agreement.

Hedging Derivative Instrument:

2008 Interest Rate Swap Agreement
In connection with the 2008 Bonds, the University entered into an interest rate hedging swap agreement (2008 Swap) with Dexia Credit Local, New York Branch in an initial notional amount of $53,280,000 effective June 13, 2008, the purpose of which is to synthetically fix interest rates on the 2008 Bonds. The agreement swaps the University's variable rate for a fixed rate of 3.37% and is based on 67% of U.S. Dollar LIBOR. The notional amount declines over time and terminates March 1, 2031. The Notional Amount at June 30, 2014 was $49,295,000. Under the 2008 Swap agreement, the University pays a synthetic fixed rate of 3.37%. No amounts were paid or received when the 2008 Swap was initiated.

The University is currently making payments under the 2008 Swap agreement. The estimated fair value of the 2008 Swap at June 30, 2014 and 2013 was ($7,503,994) and ($7,481,577), respectively. These fair values are reflected in the deferred outflows of resources section of the Statements of Net Position. The fair value represents the estimated amount that the University would pay to terminate the 2008 Swap (termination risk), taking into account current interest rates and creditworthiness of the underlying counterparty. In accordance with GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the 2008 Swap is treated as an Effective Hedging Derivative Instrument.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. The 2008 Swap includes collateral requirements intended to mitigate credit risk. At June 30, 2014, there is no collateral posting requirement by either the counterparty or the University. Collateral posting by the University may be required under the agreement when the fair value exceeds ($5,000,000) at the University's current credit rating of A1 or zero should the University default. At June 30, 2014, the counterparty's credit rating from Moody's Investors Service was Baa2.

11. Deferred Outflows and Inflows of Resources (continued)

Hedging Derivative Instrument (continued):

2008 Interest Rate Swap Agreement (continued)

Additionally, the 2008 Swap exposes the University to basis risk, which is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instruments are based on different indexes. The University is also exposed to interest rate risk which is the risk that as the swap index decreases, the University's net payment on the 2008 Swap increases.

The 2008 Swap is based on an International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events such as failure to pay and bankruptcy, or termination risk. In addition, the Master Agreement includes additional termination events. If the 2008 Swap is terminated, the 2008 Bonds will no longer carry a synthetic interest rate, and the University may be required to pay an amount equal to the fair value if it is negative.

Deferred Inflows

The University recorded deferred inflows of resources of $4,881,368 at June 30, 2014, which includes the estimated negative fair value of the 2008 Swap of $7,503,994, reduced by the estimated fair value of Constant Maturity Swap (CMS) of $2,622,626. Deferred inflows of resources at June 30, 2013 were $4,314,435, which includes the estimated negative fair value of the 2008 Swap of $7,481,577, reduced by the estimated fair value of Constant Maturity Swap (CMS) of $3,167,142.

Investment Derivative Instrument:

2007 Constant Maturity Swap Agreement

In June 2007, the University executed a Constant Maturity Swap (CMS) in an initial notional amount of $34,370,000 effective October 1, 2007, the purpose of which is to reduce interest rates. Under the CMS, the University pays the counterparty the SIFMA Municipal Swap Index and receives 90.39% of the ten-year SIFMA Swap Rate until March 1, 2031. No amounts were paid or received when the CMS was initiated.

The estimated fair value of the CMS at June 30, 2014 and 2013 was $2,622,626 and $3,167,142, respectively. These fair values are included as a reduction of the deferred inflows of resources section in the Statements of Net Position with the change in fair value of ($544,516) and $157,122 for fiscal years ended June 30, 2014 and 2013, respectively, included in Investment income in the Statements of Revenues, Expenses, and Changes in Net Position. The fair value represents the estimated amount that the University would receive to terminate the CMS, taking into account current interest rates and creditworthiness of the underlying counterparty.

The University is exposed to credit risk, which is the risk that the counterparty will not fulfill its obligations. At June 30, 2014, the counterparty's credit rating from Moody's Investors Service was Aa3. The CMS includes collateral requirements intended to mitigate credit risk. At June 30, 2014, there is no collateral posting requirement by either the counterparty or the University. Under this agreement, the University is exposed to an interest rate risk which arises when short-term rates exceed the ten-year rates.

11. Deferred Outflows and Inflows of Resources (continued)

Investment Derivative Instrument (continued):

2007 Constant Maturity Swap Agreement (continued)
In addition, since the rates received and paid by the University are variable rates, the University is exposed to basis risk, which is the risk that arises when variable interest rates are based on different indexes.

The CMS is based on an International Swaps and Derivatives Association, Inc. Master Agreement, which includes standard termination events such as failure to pay and bankruptcy, or termination risk. In addition, the Master Agreement includes additional termination events. If the CMS is terminated, the University may be required to pay an amount equal to the fair value if it is negative. In addition, termination of the CMS would result in the University losing the benefit it is currently receiving related to the CMS payments.

12. Postemployment Benefits Other than Pensions

Plan Description
In addition to the employee benefits discussed in Note 13, the University provides postemployment healthcare benefits to eligible University retirees and their spouses as part of a single-employer defined benefit plan. The plan is administered by the University. Substantially all University employees may become eligible for coverage if they meet retirement eligibility requirements. The net periodic costs are expensed as employees render the services necessary to earn the postemployment benefits. In general, retirees at least 62 years of age with 15 years of service who were hired before July 1, 2005, depending on the employee group, are eligible for medical benefits in accordance with various labor agreements or within the provisions of University policy. Employees with 25 years of service are eligible for retirement at any age. Except for certain prior retirees, the University shares the cost of coverage with retirees, charging the retirees a contribution equal to the excess of the prevailing premium cost of coverage over a stipulated University subsidy amount. Postemployment healthcare benefits are currently provided to 311 retirees and spouses. Certain employees hired after July 1, 2005, depending on the employee group, may be eligible for participation in the University's post employment health care benefits as "access only" for retirees and spouses, at retiree rates, paid in full by the retiree.

Funding Policy
The contribution requirements of plan members and the University are established in accordance with various labor agreements or within the provisions of University policy. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2014, the University and plan members receiving benefits contributed $1,590,482 and $949,493, respectively, to the plan. Approximately 63% of total premiums were paid by the University with the remaining 37% paid by plan members. Required contributions for plan members ranged from no cost to $998 per month for retiree-only coverage, and from no cost to $2,392 per month for retiree and spouse coverage.

12. Postemployment Benefits Other than Pensions (continued)

Funding Policy (continued)

For the year ended June 30, 2013, the University and plan members receiving benefits contributed $1,752,591 and $968,629, respectively, to the plan. Approximately 64% of total premiums were paid by the University with the remaining 36% paid by plan members. Required contributions for plan members ranged from no cost to $956 per month for retiree-only coverage, and from no cost to $2,295 per month for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation are summarized below for the years ended June 30, 2014 and 2013. The amounts are based on the June 30, 2014 actuarial valuation.

	2014	2013
Annual Required Contribution (ARC)	**$ 3,510,569**	$ 3,622,087
Interest on net OPEB obligation	**453,418**	488,010
Adjustment to ARC	**(794,435)**	(717,295)
Annual OPEB cost (expense)	**3,169,552**	3,392,802
Contributions made	**(1,590,482)**	(1,752,591)
Increase in net OPEB obligation	**1,579,070**	1,640,211
Net OPEB obligation – beginning of year	**7,817,556**	6,177,345
Net OPEB obligation – end of year	**$ 9,396,626**	$ 7,817,556

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$3,169,552	50.2%	$9,396,626
2013	$3,392,802	51.7%	$7,817,556
2012	$3,206,233	47.8%	$6,177,345

12. Postemployment Benefits Other than Pensions (continued)

Funded Status and Funding Progress

Other postemployment health care benefits are not advance-funded on an actuarially determined basis but are financed on a pay-as-you-go basis. The University has decided that future benefits will not be prefunded; however, the University has designated assets to meet future obligations through the creation of a Board-approved, quasi-endowment valued at approximately $16.4 million, earnings from which will be used to offset annual postemployment contributions. The University's contribution to the plan for the year ended June 30, 2014 and the two preceding years were $1,590,482, $1,752,591, and $1,532,758, respectively. The funded status of the plan as of the most recent actuarial valuation date is as follows:

Schedule of Funding Progress
Oakland University Retired Employees Healthcare Plan

Actuarial Valuation Date as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2014	$ -	$34,275,155	$34,275,155	0.00%	$99,490,989	34.5%
6/30/2013	$ -	$30,291,980	$30,291,980	0.00%	$96,189,027	31.5%
6/30/2012	$ -	$28,874,260	$28,874,260	0.00%	$89,860,606	32.1%

The information presented in this schedule is intended to approximate the funding progress of the plan based on the use of the Unit Credit Actuarial Cost Method of valuation. The unfunded actuarial accrued liability totaled $34.3 million as of June 30, 2014. The actuarial valuation is completed on a biannual basis with the last one as of June 30, 2014. The unfunded actuarial accrued liability is being amortized over a period of thirty years from the July 1, 2007 valuation date in level dollar payments. Gains and losses are amortized over a period of 15 years from the valuation date.

Actuarial Methods and Assumptions

The actuary chose the Unit Credit Actuarial Cost Method which determines, in a systematic way, the incidence of plan sponsor contributions required to provide plan benefits. It also determines how actuarial gains and losses are recognized in other postemployment benefit costs. These gains and losses result from the difference between the actual experience under the plan and the experience by the actuarial assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined results are subject to continual revision as actual results are compared to expectations and new estimates are made in the future.

12. Postemployment Benefits Other than Pensions (continued)

Actuarial Methods and Assumptions (continued)

Actuarial assumptions included a discount rate of 5.8%, various mortality, turnover and healthcare cost trend rates, an assumption that 80% of subsidized current employees and 50% of access only current employees eligible for medical coverage will elect medical coverage, and an assumption that 70% of future retirees that take coverage elect family coverage. The University will review its assumptions on a bi-annual basis and make modifications to the assumptions based on current rates and trends when it is appropriate to do so. The University believes that the assumptions utilized in recording its obligations for the plan are reasonable based on its experience.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

13. Employee Benefits

The University has contributory, defined-contribution retirement plans for all qualified employees. The plans consist of employee-owned retirement contracts funded on a current basis by employer contributions. Participants may elect to contribute additional amounts to the plan within specified limits. The plans are primarily administered by Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments. Contributions by the University for the years ended June 30, 2014 and 2013 were $14,036,777 and $13,816,887, respectively.

The University also maintains a noncontributory, defined-benefit retirement plan, which is not open to new participants. The plan is administered by TIAA-CREF. At January 1, 2013, the date of the most recent actuarial valuation, the present value of benefits accrued under the plan was fully funded.

The University provides benefits to eligible employees for unused sick days upon retirement and unused vacation days upon termination. This liability is accounted for as part of accrued compensated absences.

The University is self-insured for workers' compensation and unemployment compensation. Liabilities for claims incurred but not reported under these self-insurance programs have been established.

14. Liability and Property Insurance

The University is one of 11 Michigan universities participating in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.) which provides insurance coverage for errors and omissions liability, commercial general liability, property loss, automobile liability, and automobile physical damage coverage. M.U.S.I.C. provides coverage for claims in excess of agreed-upon deductibles.

14. Liability and Property Insurance (continued)

Loss coverages, except for the automobile physical damage program, are structured on a three-layer basis with each member retaining a portion of its losses, M.U.S.I.C. covering the second layer, and commercial carriers covering the third. Automobile physical damage coverage is structured on a two-layer basis with no excess coverage from a commercial carrier. Commercial general liability and property coverage are provided on an occurrence basis. Errors and omissions coverage is provided on a claims-made basis. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the claims experience of each university.

15. Contingencies and Commitments

In the normal course of its activities, the University is a party in various legal actions. Although some actions have been brought for large amounts, the University has not experienced any significant losses or costs. The University and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

The University is the guarantor on certain faculty residence mortgages. As of June 30, 2014, the amount subject to guarantee by the University was $1,839,843.

The estimated costs to complete construction projects in progress is $53.3 million as of June 30, 2014, due in large part to the new Engineering Center of $18.7 million, new parking structure for $5.9 million, the Athletic and Recreation Outdoor Complex of $5.5 million, the Athletic Dome Replacement of $4.2 million, Oak View Hall for $1.9 million, and various campus enhancement projects totaling $17.1 million. The Engineering Center is funded from the State Capital Outlay and proceeds from general revenue bonds. Oak View Hall, the parking structure, and other campus enhancement projects are funded from proceeds from general revenue bonds and other University resources.

16. Expenditures by Natural Classification

Operating expenses by natural classification for the years ended June 30, 2014 and 2013 are summarized as follows:

	2014	2013
Employee compensation and benefits	**$187,116,284**	$180,244,968
Supplies and other services	**66,489,408**	67,866,501
Student aid	**13,718,857**	13,127,014
Depreciation	**15,254,784**	13,709,983
Total	**$282,579,333**	$274,948,466

17. Cash Flow Statement

The table below details the reconciliation of the net operating loss to net cash used by operating activities:

	2014	2013
Operating loss	**$(70,358,288)**	$(71,560,422)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	**15,254,784**	13,709,983
Changes in assets and liabilities:		
Accounts receivable, net	**(338,951)**	1,455,589
Inventories	**(217,903)**	378,031
Deposits and prepaid expense	**(12,554)**	(433,314)
Student loans receivable	**(113,091)**	(46,950)
Accounts payable and accrued expenses	**(3,775,696)**	1,971,837
Accrued payroll	**(852,193)**	(601,250)
Compensated absences	**(926,917)**	(409,747)
Unearned revenue and student fees	**607,958**	1,378,088
Deposits	**77,708**	171,972
Federal portion of student loan program	**(85,176)**	(70,745)
Other postemployment benefits	**1,579,070**	1,640,211
Net cash used by operating activities	**$(59,161,249)**	$(52,416,717)

18. Related-Party Transactions

The Oakland University Foundation (Foundation) is a related party of the University.

Foundation net assets as of June 30, 2014 were as follows:

Assets	**$197,189**
Net assets	**$197,189**

The assets remaining are endowment funds. The June 30, 2014 University financial statements do not include the Foundation's assets or activity.

19. Subsequent Event

Subsequent to June 30, 2014, the Board of Trustees has authorized the issuance of General Revenue Refunding Bonds, Series 2014 (2014 Bonds). The proceeds of the bond will be used to refund the General Revenue Bond, Series 2009 (Taxable – Build America Bonds). The 2014 Bonds are expected to be issued in October 2014 if interest rates remain favorable.

OAKLAND UNIVERSITY

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