Oakland University

FINANCIAL STATEMENTS

June 30, 2013 and 2012

- Through the issuance of general revenue bonds in June 2013, Oakland University committed $34.4 million in campus enhancement projects. The various construction projects include a $22.8 million, 1,240 space parking structure, a $7.9 million renovation and addition to the outdoor recreation and athletic fields, a $2.0 million extension of Library Drive, and a $1.7 million facilities management building. Each of these projects is expected to be completed by fall 2014.

- In June 2013, it was announced that Oakland will welcome the creation of the Oakland University Credit Union as a trade name identity for the MSU Federal Credit Union, the world's largest university-based credit union, which has made a nearly $5.0 million financial commitment to Oakland over the next 10 years. Portions of this support will go toward an endowed student scholarship, a Dean's Choice Grant Program, a variety of signature sponsorships, and in-kind marketing.

- In June 2013, long-time president Dr. Russi announced his retirement. During Dr. Russi's tenure, the University experienced tremendous growth. The student population has risen to nearly 20,000 and academic credentials of incoming first-year students significantly improved. More than 65 new academic degree programs were added since 1995, and full-time faculty has grown to more than 500. During this time, the University invested – often with State support – more than $400.0 million to enrich environments for teaching, research, learning, and living.

- In May 2013, Oakland launched the Rick Smith Golf Academy at the OU Golf and Learning Center. The highly-respected golf academy will help the Golf and Learning Center continue to grow the game of golf and affirm itself as a world-class golf center. Smith, who designed the R&S Sharf Golf Course, has been consistently ranked as one of the top 10 golf instructors in the world since 2000.

- In May 2013, Oakland University announced it will join the Horizon League for the 2013-14 season. Joining this league will increase Oakland's visibility within major media markets, increase student recruitment opportunities, decrease student athlete travel, and create new revenue streams.

- In April 2013, the University broke ground on the new student housing complex. The $30.0 million complex, funded by general revenue bonds issued in June 2013, will accommodate over 500 freshmen and sophomores on campus. The new building will also house the Honors College, study areas, and a cafe. The new housing complex is set to open in the fall of 2014.

- In April 2013, the Board of Trustees approved the new Masters of Public Health degree beginning fall 2013. The new program aims to improve the health of individuals and communities by strengthening the foundation skills, core capacities, diversity, preparation, and responsiveness of public health officials.

- In 2013 O'Dowd Hall, home to the Oakland University William Beaumont School of Medicine (OUWBSM) underwent $3.7 million in renovations. Improvements to the building included enhancements to make the facility more energy efficient, increase office space, two new auditoria, an expansion of the medical student lounge, and new classrooms and breakout rooms.

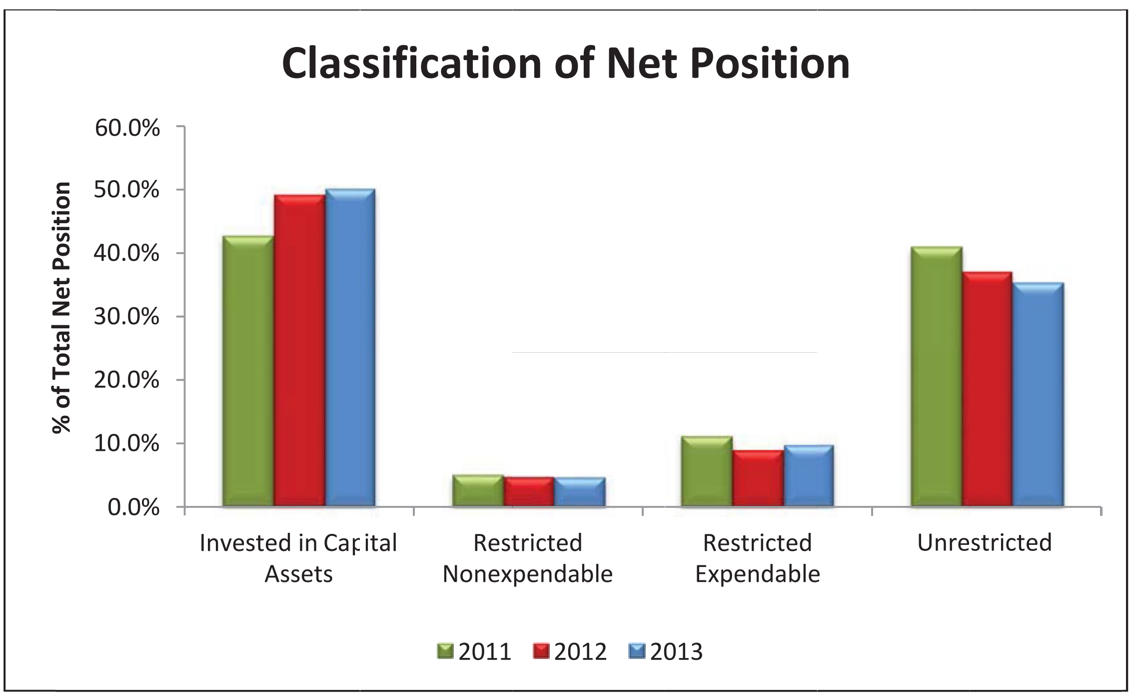
- Oakland University's Biology Department received a $1.8 million grant from the National Institutes of Health to investigate potential cures for the visual impairment disease, keratitis. In addition, the University's Eye Research Institute received a $0.5 million grant from the Vision Research Foundation to combat additional retinal diseases.

Other noncurrent assets consist primarily of endowment and other long-term investments. Endowment investments were $61.4 million at June 30, 20 3 and $55.5 million at June 30, 2012. The increase in endowment fair market value was primarily due to a favorable outcome in the market and contributions. The total return, net of fees, on the University's endowment investments was 9.5% for 2013 and -1.9% for 2012. Other long-term investments were $104.7 million at June 30, 2013 and $120.0 million at June 30, 2012 and include intermediate-term fixed income and equity securities. This decrease is attributed to the liquidation of pooled investments that were not reinvested prior to June 30, 2013. The total return on the University's other long-term investments was 5.0% for 2013 and 1.5% for 2012, both net of fees. See the "Statements of Cash Flows" section of this report for additional detail.

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 $301.9 million at June 30, 2013 and $188.0 million at June 30, 2012. Current liabilities consist primarily of accounts payable, accrued expenses, current portion of long-term liabilities, and unearned revenue. The $3.4 million increase in current liabilities is attributed primarily to the increase in accounts payable, current portion of long-term liabilities, and unearned revenue. Noncurrent liabilities are comprised primarily of bonds and notes payable and represent 83% and 74% of the University's total liabilities at June 30, 2013 and 2012, respectively. The $110.5 million increase in noncurrent liabilities is attributed primarily to the issuance of Series 2013A and 2012 general revenue bonds totaling $57.9 million and $44.2 million, respectively.

The following graph shows net position by classification and restriction:



The University's net position consists of capital assets net of related debt, 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 of Trustees and University management have designated for specific purposes, as well as amounts that have been contractually committed for goods and services that have been purchased and not received as of the end of the fiscal year.

The following summarizes the internal Board of Trustees and University management designations of unrestricted net position:

	June 30, 2013	June 30, 2012
	(in thousands)	
Auxiliary enterprises	**$ 5,112**	$ 9,457
Capital projects and repair reserves	**54,361**	57,729
Funds designated for departmental use	**27,898**	25,264
Funds functioning as endowments	**29,270**	26,545
Gifts and investment income reserves	**23,619**	18,808
Retirement and insurance reserves	**(6,912)**	(4,960)
Encumbrances and carryforwards	**11,178**	9,016
Other unrestricted	**3,329**	3,471
	$ 147,855	$ 145,330

Auxiliary enterprises consist of the operating fund balances at year end for the various auxiliary units including Campus Recreation, Meadow Brook Hall, Golf & Learning Center, Oakland Center, Athletics, etc. The decrease in 2013 is due to funding of various repair and maintenance projects, a new VOIP telephone system, Horizon League initiation costs, and marketing initiatives.

Capital projects and repair reserves consist of the unexpended portion of ongoing capital projects, reserves for plant renewal, and bond sinking funds. The 2013 decrease over 2012 is primarily due to various capital projects that were funded in 2012 being capitalized in the current year.

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

Funds functioning as endowments were created by the Board of Trustees 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, deferred plant renewal, and retirement obligations.

Gifts and investment income reserves include the University's unrestricted gifts, and realized and unrealized investment income reserves. The increase for 2013 is predominately attributable to investment earnings in excess of the need for using these resources to fund current University operations.

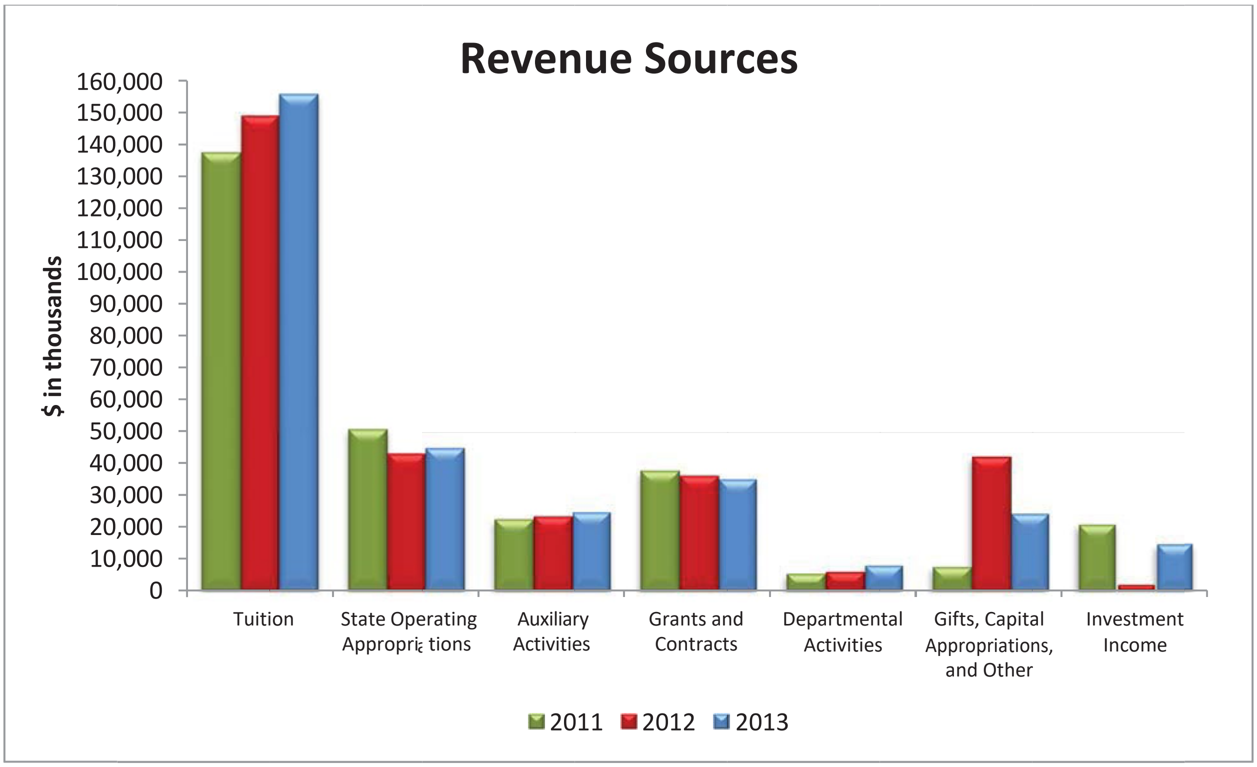
Retirement and insurance reserves include the University's liability recorded to date for other postemployment benefits (OPEB). In addition to this liability, the University has an unrecorded OPEB liability of approximately $22.5 million as of June 30, 2013. This balance also includes reserves for unemployment and workers' compensation for which the University is self-insured.

Due to the market recovery, the University experienced a $13.2 million gain on investments. This growth is comprised of $7.9 million in the University's pooled investments and $5.3 million in the endowment pool.

Nonoperating revenues also include $20.7 million from Federal Pell Grants in 2013. Pell Grant revenue for 2012 and 2011 was $21.0 million and $20.0 million, respectively.

Other revenues decreased $17.2 million to $18.7 million in 2013 primarily due to capital appropriations received in 2012, totaling $30.4 million, from the State Building Authority for the construction of the Human Health Building. Capital appropriations as of June 30, 2013 were $9.6 million and $0.5 million for the construction of the Human Health Building and the Engineering Center, respectively. Additionally, a $6.5 million capital gift was received for the construction of the Elliott Tower.

A graphic illustration f each revenue source is as follows:



1. Significant Accounting Policies (continued)

Reclassification

Certain fiscal year 2012 balances have been reclassified to conform to the current year presentation.

Change in Accounting Principles

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.* These statements introduce and define those elements as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. The standards also incorporate deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In accordance with the standards, the University has modified the presentation of the Statements of Net Position and has reported deferred outflows of resources for early extinguishment of debt, deferral of swap termination cost, and interest rate swap agreements.

The following summarizes the restatements due to adoption of these new standards:

Debt Issuance Costs – GASB Statement No. 65 requires debt issuance costs be recognized as an expense in the period incurred. Accordingly, other assets, net position, and interest on capital asset related debt have been restated to reflect this change.

Statements of Net Position	June 30, 2012	
	Other Assets	Net Position
As Originally Reported	$ 1,878,048	$ 393,045,791
Remove Debt Issuance Costs	(799,741)	(799,741)
As Restated	$ 1,078,307	$ 392,246,050

Statements of Revenues, Expenses and Changes in Net Position	For the Year Ended June 30, 2012		
	Interest on Capital Asset Related Debt	Net Position Beginning of Year	Net Position End of Year
As Originally Reported	$ 4,515,275	$ 355,495,486	$ 393,045,791
Remove Debt Issuance Costs	(49,419)	(849,160)	(799,741)
As Restated	$ 4,465,856	$ 354,646,326	$ 392,246,050

Early Extinguishment of Debt – GASB Statement No. 65 requires the net effect of early extinguishment of debt and deferral of swap termination cost to be reported as a deferred outflow of resources. Previously, this amount was reported as a reduction of the general revenue bonds liability. Accordingly, $5,281,194 has been shown as a deferred outflow at June 30, 2013 and $5,131,161 at June 30, 2012.

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, 2013 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.

The University's working capital investment pool consists of the following as of June 30, 2013 and 2012:

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)

June 30, 2012	Total	<1 Year	1-5 years	6-10 years	>10 years
University Operating Pooled Cash					
Swept Money Market Mutual Fund	$ 32,967,955	$ 32,967,955	$ -	$ -	$ -
Commonfund Intermediate High Quality Bond Fund	44,772,910	4,942,929	19,794,103	13,131,895	6,903,983
JP Morgan Equity Funds Intrepid Equities	34,124,880	-	-	-	34,124,880
WAM Sinking Fund	351,435	-	-	-	351,435
JP Morgan Bond Fund	41,340,227	12,297,102	29,043,125	-	-
Cash with Trustees	5,202,533	5,202,533	-	-	-
Operating investments	158,759,940	55,410,519	48,837,228	13,131,895	41,380,298
Net cash overdraft	(1,671,722)	(1,671,722)	-	-	-
	$ 157,088,218	$ 53,738,797	$ 48,837,228	$ 13,131,895	$ 41,380,298

Cash and cash equivalents	$ 31,903,358
Restricted cash and cash equivalents	5,202,463
Other long-term investments	119,982,397
	$ 157,088,218

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, 2013, the JP Morgan Bond Fund had a weighted-average maturity of 2.4 years and an average credit quality of AA. The Commonfund Intermediate High Quality Bond Fund had a weighted-average maturity of 7.8 years and an average credit quality of A+.

The University is not exposed to foreign currency risk within the investment pool as of June 30, 2013.

These investments produced net rates of return of 5.0% and 1.5% for the years ended June 30, 2013 and 2012, respectively.

As of June 30, 2013 and 2012, the University had an investment derivative with the following maturity:

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

June 30, 2012	Fair Value	<1 Year	1-5 years	6-10 years	>10 years
Constant Maturity Swap	$ 3,010,020	$ -	$ -	$ -	$ 3,010,020

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

2. Investments and Deposits with Financial Institutions (continued)

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.

These investment funds are uninsured and uncollateralized and produced a total net return of 9.5% and -1.9% for the years ended June 30, 2013 and 2012, respectively.

University pooled investment funds consist of the following as of June 30, 2013 and 2012:

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**

June 30, 2012	Total	<1 Year	1-5 years	6-10 years	>10 years
UBS Endowment Investment Pool					
Large Cap Value	$ 7,529,206	$ 197,814	$ -	$ -	$ 7,331,392
Large Cap Growth	7,473,310	257,665	-	-	7,215,645
Mid Cap Value	3,022,433	448,910	-	8,660	2,564,863
Mid Cap Growth	2,848,741	85,600	-	-	2,763,141
Small Cap Core	2,659,805	40,527	-	-	2,619,278
Small Cap Growth	659,580	17,272	-	-	642,308
REIT	1,050,672	37,176	-	-	1,013,496
International Value	4,292,726	126,843	-	-	4,165,883
International Core	3,003,821	52,369	-	-	2,951,452
Developing Markets	922,373	-	-	-	922,373
Fixed Income Core	10,683,845	1,028,812	3,207,667	4,804,958	1,642,408
High Yield Bonds	2,729,220	175,207	887,254	1,620,001	46,758
Global Fixed	2,859,946	43	1,460,921	1,398,982	-
Hedge Funds	4,006,473	65	-	-	4,006,408
Commodity Stock Funds	1,423,396	-	-	-	1,423,396
Private Equity	216,630	-	-	-	216,630
Cash	30	30	-	-	-
	55,382,207	2,468,333	5,555,842	7,832,601	39,525,431
Charitable Trusts – Equity Funds	102,392	-	-	-	102,392
	$ 55,484,599	$ 2,468,333	$ 5,555,842	$ 7,832,601	$ 39,627,823

2. Investments and Deposits with Financial Institutions (continued)

The fixed income investments within the Endowment pool have a fair market value of $16.2 million as of June 30, 2013, with a credit quality that varies; with 64.5% of the securities rated A or higher, 18.4% rated BBB, and 17.1% rated BB.

The University is not exposed to foreign currency risk within the investment balance as of June 30, 2013.

The private equity investment's estimated market value is $451,185 as of June 30, 2013 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 $4,103,905 as of June 30, 2013. 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, 2013. Alternative investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market value for such investments existed.

The Charitable Trust – Equity Funds are charitable gift annuities. These 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. This investment was liquidated as of June 30, 2013.

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, 2013 and 2012:

	2013	**2012**
Tuition	**$ 9,496,066**	$ 9,624,494
Auxiliary enterprises	**1,517,742**	1,410,398
Contracts and grants	**2,970,328**	4,198,191
Other receivables	**710,485**	12,879,485
Total accounts receivable	**14,694,621**	28,112,568
Less: Allowance for doubtful accounts	**(4,892,317)**	(4,565,501)
Total accounts receivable, net	**$ 9,802,304**	$ 23,547,067

3. Accounts Receivable (continued)

Other receivables include reimbursement from the State Building Authority for the construction of the Human Health Building which totaled $12,139,709 as of June 30, 2012.

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, 2013 and 2012, the accrual of the July and August State operating appropriation payments created an appropriation receivable of $8,175,296 and $7,844,548, respectively.

5. Pledges Receivable

Pledges receivable consist of the following as of June 30, 2013 and 2012:

	2013	2012
Pledges outstanding		
Unrestricted	**$ 40,603**	$ 19,243
Restricted expendable	**11,639,647**	13,463,070
Total pledges outstanding	**11,680,250**	13,482,313
Less:		
Allowance for doubtful pledges	**(112,305)**	(103,929)
Present value discount	**(1,303,035)**	(1,802,575)
Total pledges outstanding, net	**10,264,910**	11,575,809
Less: Current portion, net	**(3,138,427)**	(2,997,848)
Noncurrent portion, net	**$ 7,126,483**	$ 8,577,961

Pledges receivable from donors are recorded at net present value less allowances for doubtful accounts. At June 30, 2013 and 2012, the interest rate used to discount pledges to present value was 5%. The aggregate allowance for doubtful accounts was 1% net of discount at June 30, 2013 and 2012. Approximately $9.3 million of the total net pledges outstanding is from a single donor.

Payments on pledges receivable at June 30, 2013 are expected to be received in the following years:

Past due	**$ 174,721**
Due in one year	**3,034,676**
Due in two-five years	**8,470,853**
Total	**$ 11,680,250**

5. Pledges Receivable (continued)

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, 2013 and 2012 the University had $35,518,761 and $31,439,851, respectively, in conditional pledge commitments receivable not included in the accompanying financial statements. Of the $35,518,761 in conditional pledges for fiscal year 2013, approximately $14,000,000 is from a single donor. Subsequent to June 30, 2013, this amount was in process of being realized subject to satisfaction of certain short-term restrictions.

6. Student Loans Receivable

Student loans receivable consist of the following as of June 30, 2013 and 2012:

	2013	2012
Student loans		
Federal loan programs	**$ 1,804,648**	$ 1,814,236
University loan funds	**164,213**	123,626
	1,968,861	1,937,862
Less: Allowance for doubtful loans	**(231,671)**	(247,622)
Total student loans, net	**1,737,190**	1,690,240
Less: Current portion, net	**(325,724)**	(352,863)
Noncurrent portion, net	**$ 1,411,466**	$ 1,337,377

In addition, the University distributed $106,481,620 and $106,844,417 for the years ended June 30, 2013 and 2012, 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 2013 and 2012:

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

Asset Classification	Balance June 30, 2011	Additions	Reductions/ Transfers	Balance June 30, 2012
Land	$ 4,624,914	$ -	$ -	$ 4,624,914
Land improvements and infrastructure	55,912,367	1,470,634	-	57,383,001
Buildings	300,375,937	8,426,451	-	308,802,388
Equipment	36,479,111	2,695,981	4,843,042	34,332,050
Library acquisitions	26,595,440	618,212	548,665	26,664,987
Construction in progress	34,616,188	50,267,573	9,897,085	74,986,676
Total	458,603,957	63,478,851	15,288,792	506,794,016
Accumulated depreciation				
Land improvements and infrastructure	(20,668,976)	(2,568,989)	-	(23,237,965)
Buildings	(117,265,768)	(6,639,890)	-	(123,905,658)
Equipment	(26,978,364)	(2,485,025)	(4,610,401)	(24,852,988)
Library acquisitions	(22,646,285)	(680,578)	(548,665)	(22,778,198)
Total	(187,559,393)	(12,374,482)	(5,159,066)	(194,774,809)
Total capital assets, net	$ 271,044,564	$ 51,104,369	$ 10,129,726	$ 312,019,207

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 will utilize $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 $966,460 and $994,230 for 2013 and 2012, respectively. The face value of these life insurance policies totaled $5,948,072 in 2013 and $6,148,572 in 2012.

Subsequent to June 30, 2013, the University realized $2.0 million of life insurance proceeds. The proceeds were related to a policy that had a $403,000 cash surrender value and $2.0 million face value at June 30, 2013.

10. Long-Term Liabilities

Long-term liabilities consist of the following as of June 30, 2013 and 2012:

	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**

	June 30, 2012	June 30, 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**

	Balance June 30, 2011	Additions/ Transfers	Reductions	Balance June 30, 2012	Current Portion
Note and installment purchase agreements payable	$ 15,968,080	$ -	$ 710,538	$ 15,257,542	$ 737,903
General revenue bonds:					
Series 2009 bonds	32,960,000	-	700,000	32,260,000	715,000
Series 2008 bonds	53,280,000	-	1,270,000	52,010,000	1,335,000
Series 2004 bonds	25,785,000	-	1,195,000	24,590,000	1,255,000
Unamortized premium	782,684	-	98,894	683,790	96,306
Series 1998 variable rate Demand bonds	4,600,000	-	-	4,600,000	-
Total, note, installment agreement and bonds payable	133,375,764	-	3,974,432	129,401,332	4,139,209
Other liabilities:					
Compensated absences	4,318,537	277,325	-	4,595,862	307,449
Early retirement plan	2,207,892	-	590,890	1,617,002	730,170
Annuities payable and other	423,266	42,493	-	465,759	61,532
Federal portion of Perkins loan program	1,734,512	-	54,550	1,679,962	-
Total other liabilities	8,684,207	319,818	645,440	8,358,585	1,099,151
Total long-term liabilities	$ 142,059,971	$ 319,818	$ 4,619,872	$ 137,759,917	$ 5,238,360

	June 30, 2011	June 30, 2012
Total long-term liabilities	$ 142,059,971	$ 137,759,917
Current portion	4,535,164	5,238,360
Noncurrent portion	$ 137,524,807	$ 132,521,557

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 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 rate of interest 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
2014	$ 888,278	$ 546,792	$ 1,435,070
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
2019-2023	4,999,043	1,514,394	6,513,437
2024-2028	5,382,258	479,835	5,862,093
Total	$ 15,102,007	$ 4,396,819	$ 19,498,826

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 will be utilized to fund the construction of a new student housing complex; 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%. The proceeds will be utilized to refund the Series 2004 general revenue refunding bonds (2004 Bonds) maturing in the years 2015 through 2026. The aggregate principal of the refunded portion of the 2004 Bonds totals $22,015,000 with a call date of May 15, 2014 and an average coupon interest 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 refunding bonds. As a result of the refunding, the University will reduce its aggregate debt service payments over the remaining 13-year period by approximately $2,466,000. The refunding will result in an economic gain of $2,051,000. A trust account has been established for the defeasement of the refunded portion of the 2004 Bonds. The assets and liabilities of the trust account are not recorded as assets or liabilities in the financial statements of the University.

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%. The related loss on early extinguishment of debt of $2,147,000 has been deferred and will be amortized over the term of the 2004 Bonds. As a result of the refunding, the University will reduce its aggregate debt service payments over the subsequent 21 years by approximately $3,929,000. The refunding results in an economic gain of $2,592,000. 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 is payable in 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, 2013 and 2012 were 0.15% and 0.19%, 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, 2013:

	Principal	Interest	Hedging Derivative, Net	Total
2014	$ 3,820,000	$ 6,870,707	$ 1,620,438	$ 12,311,145
2015	4,715,000	7,694,869	1,575,260	13,985,129
2016	5,870,000	7,627,921	1,528,146	15,026,067
2017	6,045,000	7,503,304	1,479,042	15,027,346
2018	6,245,000	7,345,468	1,427,840	15,018,308
2019-2023	34,820,000	33,917,664	6,294,587	75,032,251
2024-2028	47,650,000	27,616,015	4,510,218	79,776,233
2029-2033	42,630,000	20,955,848	936,583	64,522,431
2034-2038	32,365,000	13,114,568	-	45,479,568
2039-2042	29,285,000	4,089,820	-	33,374,820
	213,445,000	$136,736,184	$ 19,372,114	$369,553,298
Unamortized premium	11,845,922			
	$225,290,922			

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. Remaining benefit payments and fees totaling $0.9 million as of June 30, 2013 will be funded through 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.

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 $12,762,771 at June 30, 2013, which includes $5,281,194 from an early extinguishment of general revenue bonds, Series 2013B and 2008 and a deferral of swap termination costs for the 2001 bonds; and $7,481,577 estimated negative fair value of the 2008 Swap. At June 30, 2012, the University recorded deferred outflows of $16,830,234, which includes $5,131,161 from an early extinguishment of general revenue bonds, Series 2008 and 2004; and $11,699,073 estimated negative fair value of the 2008 Swap.

11. Deferred Outflows and Inflows of Resources (continued)

Deferred Outflows (continued)

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, 2013 was $50,675,000. 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, 2013 and 2012 was ($7,481,577) and ($11,699,073), 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, 2013, 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, 2013, the counterparty's credit rating from Moody's Investors Service was Baa2.

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.

11. Deferred Outflows and Inflows of Resources (continued)

Deferred Inflows

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, 2013 and 2012 was $3,167,142 and $3,010,020, 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 $157,122 and ($462,348) for fiscal years ended June 30, 2013 and 2012, 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, 2013, 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, 2013, 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.

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 305 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, 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.

For the year ended June 30, 2012, the University and plan members receiving benefits contributed $1,532,758 and $941,046, respectively, to the plan. Approximately 62% of total premiums were paid by the University with the remaining 38% paid by plan members. Required contributions for plan members ranged from no cost to $845 per month for retiree-only coverage, and from no cost to $2,028 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, 2013 and 2012. The amounts are based on the June 30, 2012 actuarial valuation.

12. Postemployment Benefits Other than Pensions (continued)

	2013	2012
Annual Required Contribution (ARC)	**$ 3,622,087**	$ 3,373,403
Interest on net OPEB obligation	**488,010**	355,806
Adjustment to ARC	**(717,295)**	(522,976)
Annual OPEB cost (expense)	**3,392,802**	3,206,233
Contributions made	**(1,752,591)**	(1,532,758)
Increase in net OPEB obligation	**1,640,211**	1,673,475
Net OPEB obligation – beginning of year	**6,177,345**	4,503,870
Net OPEB obligation – end of year	**$ 7,817,556**	$ 6,177,345

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 3,392,802	51.7%	$ 7,817,556
2012	$ 3,206,233	47.8%	$ 6,177,345
2011	$ 2,296,372	66.3%	$ 4,503,870

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 $13.2 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, 2013 and the two preceding years were $1,752,591, $1,532,758, and $1,521,614, 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	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
6/30/2011	-	$ 22,494,968	$ 22,494,968	0.00%	$ 86,226,076	26.1%

12. Postemployment Benefits Other than Pensions (continued)

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 $30.3 million as of the June 30, 2012 actuarial valuation date. 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.

Actuarial assumptions included a discount rate of 7.9%, 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, 2013 and 2012 were $13,816,887 and $13,134,193, 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.

13. Employee Benefits (continued)

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.

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.

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, 2013, the amount subject to guarantee by the University was $1,788,161.

The estimated costs to complete construction projects in progress are $145.2 million as of June 30, 2013, due in large part to the new Engineering Center of $59.5 million, the new Student Housing Complex of $26.7 million, new parking structure for $22.6 million, and various campus enhancement projects totaling $36.4 million. The Engineering Center is funded from the State Capital Outlay and proceeds from general revenue bonds. The Student Housing Complex, 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, 2013 and 2012 are summarized as follows:

	2013	2012
Employee compensation and benefits	**$ 180,244,968**	$ 170,997,576
Supplies and other services	**67,866,501**	62,680,979
Student aid	**13,127,014**	13,211,307
Depreciation	**13,709,983**	12,555,596
Total	**$ 274,948,466**	$ 259,445,458

17. Cash Flow Statement

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

	2013	2012
Operating loss	**$ (71,560,422)**	$ (65,423,589)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	**13,709,983**	12,555,596
Changes in assets and liabilities:		
Accounts receivable, net	**1,455,589**	(1,383,558)
Inventories	**378,031**	(217,902)
Deposits and prepaid expense	**(433,314)**	24,905
Student loans receivable	**(46,950)**	79,290
Accounts payable and accrued expenses	**1,971,837**	2,777,633
Accrued payroll	**(601,250)**	(160,800)
Compensated absences	**(409,747)**	(313,565)
Unearned revenue and student fees	**1,378,088**	137,964
Deposits	**171,972**	74,081
Federal portion of student loan program	**(70,745)**	(54,550)
Other postemployment benefits	**1,640,211**	1,673,475
Net cash used by operating activities	**$ (52,416,717)**	$ (50,231,020)

18. Related-Party Transactions

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

Foundation net assets as of June 30, 2013 were as follows:

Assets	**$ 177,014**
Net assets	**$ 177,014**

The assets remaining are endowment funds. The June 30, 2013 University financial statements do not include the Foundation's assets or activity.

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