

OKLAHOMA STATE UNIVERSITY

JUNE 30, 2001

OKLAHOMA STATE UNIVERSITY

June 30, 2001

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OKLAHOMA STATE UNIVERSITY

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

The Oklahoma State University is proud to present its financial statements for fiscal year 2001, with fiscal year 2000 prior year data presented for comparative purposes. The emphasis of discussions about these statements will be on current year data. There are three financial statements presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows.

This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the Oklahoma State University. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors and lending institutions. Finally, the Statement of Net

Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the institution's equity in property, plant and equipment owned by the institution. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution.

Statement of Net Assets (thousands of dollars)

	<u>2001</u>	<u>2000</u>
Assets:		
Current assets	\$ 134,296	\$ 133,674
Capital assets, net	431,733	407,635
Other assets	<u>48,197</u>	<u>53,675</u>
Total Assets	<u>614,226</u>	<u>594,984</u>
Liabilities		
Current liabilities	40,231	39,797
Noncurrent liabilities	<u>128,684</u>	<u>133,803</u>
Total Liabilities	<u>168,915</u>	<u>173,600</u>
Net Assets		
Invested in capital assets, net of debt	336,284	316,823
Restricted - expendable	27,990	24,302
Restricted - nonexpendable	871	836
Unrestricted	<u>80,166</u>	<u>79,423</u>
Total Net Assets	<u>\$ 445,311</u>	<u>\$ 421,384</u>

The total assets of the institution increased by \$19,242. However, a review of the Statement of Net Assets will reveal that the increase was primarily due to an increase of \$24,098 of investment in plant, net of accumulated depreciation. Many of the other asset categories, current and noncurrent, showed a decrease during the year. The consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the institution to better serve the instruction, research and public service missions of the institution.

The total liabilities for the year decreased by \$4,685. The primary cause for the reduction was in noncurrent liabilities, primarily \$7,683 in capital payables, which contributed to the increase in Invested in Capital Assets, net of debt. The combination of the increase in total assets of \$19,242 and the decrease in total liabilities of \$4,685 yields an increase in total net assets of \$23,927. The increase in total net assets is primarily in the category of invested in capital assets, net of debt in the amount of \$19,461 although all categories of Net Assets did increase during the year.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Assets
(thousands of dollars)

	<u>2001</u>	<u>2000</u>
Operating revenues	\$ 262,090	\$ 259,119
Operating expenses	<u>498,330</u>	<u>475,110</u>
Operating loss	(236,240)	(215,991)
Nonoperating revenues and expenses	<u>233,871</u>	<u>214,469</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(2,369)	(1,522)
Other revenues, expenses, gains or losses	<u>26,296</u>	<u>12,038</u>
Increase in Net Assets	23,927	10,516
Net Assets at Beginning of Year	421,384	794,212
Cumulative effect of changes in accounting principle	<u>-</u>	<u>(383,344)</u>
Net Assets at Beginning of Year - Adjusted	<u>421,384</u>	<u>410,868</u>
Net Assets at End of Year	<u>\$ 445,311</u>	<u>\$ 421,384</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- ◆ Nongovernmental grants and contracts decreased in the amount of approximately \$6,942. This is primarily a result of the decrease in miscellaneous scholarships and gifts of approximately \$2,404 and a decrease in Bureau of Indian Affairs private scholarships of \$632. The loss of approximately \$3 million in scholarships and gifts is significant to the University. Plans are being made to increase scholarship gifts in the coming year to help offset the decrease of this year.
- ◆ Revenues associated with the residential life, net of scholarship allowances, category decreased approximately \$4,900 during the year. This decrease reflects the changing environment of residential life on the University's campus. During the year residential life

eliminated some food service stores and eliminated some of the institutionally owned and operated on-campus housing. However, at the same time, residential life constructed over 2000 beds of new housing on the campus using a third party developer in a construction and leasing relationship. The net effect to the campus is that the students actually have more on-campus residential life availability. The new construction of residential life units on the campus, due to the third party relationship with the privatized vendor, does not show on the University's financial statements due to the activity being an off-balance sheet activity for financial reporting purposes. Since the University does not own or lease these units, the revenue or expenses are also not reflected in the University's financial statements. The University is managing these units for the owner, and receives a fee for its services.

- ◆ The compensation and employee benefits category increased by approximately \$16,460. The increase reflects a pay raise for the employees of the institution of approximately three percent with the associated fringe benefits. The increase also reflects an increased cost of health insurance for the employees of the institution.
- ◆ Utilities increased by approximately \$3,300 during the past year. The increase was primarily associated with the increased natural gas costs that were experienced in the winter of fiscal year 2001.
- ◆ Depreciation expense increased approximately \$8,770 during the year. The increases in accumulated depreciation are primarily due to the completion of several significant construction projects in late FY 2000 and early FY 2001.
- ◆ Under nonoperating revenues (expenses) state appropriations increased by approximately \$18,800. Of the increase, approximately \$11,700 was attributable to state agencies within the Oklahoma State University except for Oklahoma State University--Tulsa. The Oklahoma State University--Tulsa received an increase of approximately \$7,100, or a 214% increase. The increase for the Oklahoma State University--Tulsa reflected a change in the method of allocating money to the Oklahoma State University--Tulsa by the Oklahoma

State Regents for Higher Education. In addition, Oklahoma State University--Tulsa received another \$1 million for technology issues. While it appears that the institution received a substantial amount of new money from the state, given the mandatory cost increases of various categories of expenses, the University actually had a relatively flat funding year with all things considered.

- ◆ The category of capital grants and gifts increased by approximately \$12,019 during the year. The increase was primarily due to an approximately \$9,500 associated with gifts for the Gallagher Iba Arena project and another approximate \$1,700 associated with the phase II--housing utilities project.
- ◆ The cumulative effects of changes in accounting principle are the result of the University adopting depreciation on capital assets and a change in the recognition of summer semester revenues.

Statement of Cash Flows

The final statement presented by the Oklahoma State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section reflects the cashflows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Cash Flows for the Years ended June 30 (thousands of dollars)

	<u>2001</u>	<u>2000</u>
Cash provided (used) by:		
Operating activities	\$ (191,533)	\$ (183,627)
Noncapital financing activities	225,729	204,185
Investing activities	8,109	21,701
Capital and related financing activities	<u>(44,507)</u>	<u>(70,549)</u>
Net Change in Cash	(2,202)	(28,290)
Cash, beginning of year	<u>50,534</u>	<u>78,824</u>
Cash, end of year	<u>\$ 48,332</u>	<u>\$ 50,534</u>

Capital Asset and Debt Administration

The University had two significant capital asset additions for facilities in fiscal year 2001. The Gallagher Iba renovation was completed and the arena was reopened for the 2000-2001 basketball season. Construction of the West Side Chilled Water Plant was completed and the plant was placed into service early in fiscal year 2001. Bonds for both capital assets were issued in 1998. There were no new bond issues in fiscal year 2001; however, the Housing Revenue Bonds of 1965 were defeased. Also, in fiscal year 2001, the Oklahoma Development Finance Authority issued the Oklahoma State System of Higher Education's Master Lease Revenue Bonds, Series 2001A to provide for capital improvements at the University. These capital improvements included the purchase of a satellite uplink truck, furnishings for Gallagher Iba arena, a group switch hardware upgrade for telephone services, an x-ray machine for the College of Veterinary Medicine and various other assets. There have been no significant changes in credit ratings or debt limitations that may affect future financing for the University.

For additional information concerning Capital Assets and Debt Administration, see Note 6, 8, 9 and 10 in the notes to the financial statements.

Economic Outlook

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this

fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The University's overall financial position is strong. Even with a relatively flat funded year, the University was able to generate a modest increase in Net Assets. The University anticipates the current fiscal year will be much like last and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

David C. Bosserman, Ph.D., CPA

Associate Vice President and Controller

Independent Auditors' Report

Board of Regents for the Oklahoma
Agricultural and Mechanical Colleges
Oklahoma City, Oklahoma

We have audited the accompanying statements of net assets of Oklahoma State University (a component unit of the State of Oklahoma) as of June 30, 2001 and 2000, and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma State University as of June 30, 2001 and 2000, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the financial statements, the University changed its accounting policy related to financial statement presentation to comply with the provisions of Statement No. 34 of the Governmental Accounting Standards Board. The University has restated its financial statements as of and for the year ended June 30, 2000 to conform with the new presentation. The primary accounting change, other than presentation, was the adoption of depreciation of capital assets and recognition of summer semester revenues.

Also, as more fully discussed in the last paragraph of Note 1 to the financial statements, subsequent to the issuance of the University's financial statements and our report thereon dated October 5, 2001, the University determined that it had incorrectly included amounts contributed by the Federal government pursuant to the Federal Perkins loan program as part of expendable restricted net assets, rather than accounting for such refundable amounts as noncurrent liabilities. Additionally, the University determined that it had provided for losses on the Federal portion of those student loans, even though it will not be obligated to absorb the losses on the federal portion of the notes, and that it had failed to recognize amounts receivable under certain grants and contracts. In our original report we expressed an unqualified opinion on the 2001 and 2000 financial statements, and our opinion on the revised statements, as expressed herein, remains unqualified.

Management's discussion and analysis on pages i through viii, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2001, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 5, 2001, except for the last paragraph of Note 1, for which
the effective date is February 7, 2002

STATEMENTS OF NET ASSETS

OKLAHOMA STATE UNIVERSITY

	(Dollars in 000's)	
	June 30 2001	June 30 2000
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 23,091	\$ 20,178
Accounts receivable, net	35,914	36,638
Investments	62,890	63,867
Interest receivable	789	861
Current portion of student loans receivable, net	1,342	1,334
Inventories	9,576	9,981
Prepaid Expenses	694	815
Total Current Assets	<u>134,296</u>	<u>133,674</u>
Noncurrent Assets		
Cash and cash equivalents	25,241	30,356
Investments	3,707	4,810
Receivables from State agencies	3,636	3,734
Loans to students, net	14,874	14,618
Other assets	739	157
Capital assets, net of accumulated depreciation	431,733	407,635
Total Noncurrent Assets	<u>479,930</u>	<u>461,310</u>
TOTAL ASSETS	<u>614,226</u>	<u>594,984</u>
LIABILITIES		
Current Liabilities		
Accounts payable	9,845	9,833
Deferred revenue	15,903	14,685
Assets held in trust for other institutions	2,503	2,318
Student and other deposits	1,150	1,089
Accrued interest payable	1,880	1,973
Accrued compensated absences	6,963	7,571
Accrued workers compensation claims	1,987	2,328
Total Current Liabilities	<u>40,231</u>	<u>39,797</u>
Noncurrent Liabilities		
Accrued compensated absences	7,859	7,470
Landfill closure and postclosure costs	2,937	2,937
Accrued workers compensation claims	2,147	1,806
Student deposits	164	115
Revenue bonds payable	63,135	66,570
Accounts payable for noncurrent assets	1,034	8,717
Federal loan program contributions refundable	16,143	15,985
Notes payable	21,492	20,269
OCIA capital lease obligation	7,166	7,645
ODFA master lease program	5,241	-
Obligations under other capital leases	1,366	2,289
Total Noncurrent Liabilities	<u>128,684</u>	<u>133,803</u>
TOTAL LIABILITIES	<u>168,915</u>	<u>173,600</u>
NET ASSETS		
Invested in capital assets, net of debt	336,284	316,823
Restricted for:		
Nonexpendable	871	836
Expendable		
Scholarships, research, instruction, and other	10	562
Loans	1,766	1,157
Capital projects	19,488	16,250
Debt service	6,726	6,333
Unrestricted	<u>80,166</u>	<u>79,423</u>
TOTAL NET ASSETS	<u>\$ 445,311</u>	<u>\$ 421,384</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

OKLAHOMA STATE UNIVERSITY

	(Dollars in 000's)	
	Years Ended	
	June 30	June 30
	2001	2000
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$22,552 in 2001 and \$22,979 in 2000	\$ 58,135	\$ 57,355
Federal appropriations	9,952	10,298
Federal grants and contracts	51,115	46,768
State and local grants and contracts	27,423	25,742
Nongovernmental grants and contracts	14,332	21,274
Sales and services of educational departments	9,960	6,474
Auxiliary enterprises charges		
Residential life, net of scholarship allowances of \$428 in 2001 and \$510 in 2000; revenues totaling \$11,073 in 2001 and \$13,771 in 2000 are used as security for Housing Bonds of 1965, 1966 and 1994	21,648	26,511
Student union services, including bookstore sales; revenues totaling \$14,305 in 2001 and \$13,576 in 2000 are used as security for 1978 and 1994 Student Union Revenue Bonds, 1992 OKC Student Center Revenue Bonds, and 1995 Okmulgee Student Union Refunding Revenue Bonds	14,305	13,576
Health, physical education and recreation; revenues totaling \$3,293 in 2001 and \$3,395 in 2000 are used as security for the Series 1989 Facilities Revenue Bonds and the 1993 Swimming Pool Revenue Bonds	3,293	3,395
Athletics, net of scholarship allowance of \$424 in 2001 and \$309 in 2000; revenues totaling \$15,887 in 2001 and \$14,304 in 2000 are used as security for Series 1998 Athletic Facilities Revenue Bonds	15,887	14,304
University health services	6,668	6,138
Fire Protection Publications	9,880	10,517
Other auxiliary revenue	12,864	12,033
Interest earned on loans to students	440	428
Other operating revenues	6,188	4,306
Total operating revenues	<u>262,090</u>	<u>259,119</u>
Operating expenses		
Compensation and employee benefits	300,102	283,642
Contractual services	57,214	57,408
Supplies and materials	34,432	37,018
Utilities	19,032	15,752
Communication	5,844	5,727
Other operating expenses	23,442	24,326
Scholarships and fellowships	22,743	24,485
Depreciation expense	35,521	26,752
Total operating expenses	<u>498,330</u>	<u>475,110</u>
Operating loss	<u>(236,240)</u>	<u>(215,991)</u>
Nonoperating revenues (expenses)		
State appropriations	221,881	203,046
Gifts, including \$2,938 in 2001 and \$2,702 in 2000 used as security on the 1998 Athletic Facilities Revenue Bonds	10,496	10,372
Investment income	5,957	6,433
Interest expense	(4,463)	(5,382)
Net nonoperating revenues	<u>233,871</u>	<u>214,469</u>
Loss before other revenues, expenses, gains and losses	(2,369)	(1,522)
Capital grants and gifts	17,325	5,306
State appropriations restricted for capital purposes	2,084	1,840
Additions to permanent endowments	12	12
Other additions, net	6,875	4,880
Net increase in net assets	<u>23,927</u>	<u>10,516</u>
Net assets		
Net assets - beginning of year	421,384	794,212
Cumulative effects of changes in accounting principle		
Adoption of depreciation for capital assets	-	(385,457)
Deferred revenue recognition	-	2,113
Net assets - beginning of year, as adjusted	<u>421,384</u>	<u>410,868</u>
Net assets - end of year	<u>\$ 445,311</u>	<u>\$ 421,384</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA STATE UNIVERSITY

	(Dollars in 000's)	
	Years Ended	
	June 30	June 30
	2001	2000
Cash flows from operating activities		
Tuition and fees	\$ 59,109	\$ 58,151
Grants and contracts	103,521	104,507
Sales and services of educational activities	9,960	6,474
Auxiliary enterprise charges		
Residential life	21,577	26,339
Student union services	14,351	13,322
Health, physical education and recreation	3,405	3,104
Athletics	15,374	14,731
Interest earned on loans to students	440	428
Other operating receipts	35,979	31,658
Payments to employees for salaries and benefits	(292,228)	(274,794)
Payments to suppliers	(162,565)	(166,793)
Loans issued to students and employees	(3,057)	(2,926)
Collection of loans to students and employees	2,601	2,172
Net cash used by operating activities	<u>(191,533)</u>	<u>(183,627)</u>
Cash flows from noncapital financing activities		
State appropriations	214,516	195,833
Gifts for other than capital purposes	10,982	8,256
Direct lending receipts	52,965	51,424
Direct lending payments	(52,965)	(51,424)
Agency receipts	2,757	2,939
Agency payments	(2,718)	(2,843)
Receipts from managed residential life activity	2,372	-
Payments for managed residential life activity	(2,180)	-
Net cash provided by noncapital financing activities	<u>225,729</u>	<u>204,185</u>
Cash flows from investing activities		
Purchases of investments	(46,411)	(11,521)
Proceeds from sales of investments	46,538	25,213
Interest received on investments	7,982	8,009
Net cash provided by investing activities	<u>8,109</u>	<u>21,701</u>
Cash flows from capital and related financing activities		
Cash paid for capital assets	(66,318)	(77,353)
Capital appropriations received	1,224	1,129
Capital grants and gifts received	16,424	4,537
Proceeds of capital debt	7,326	4,036
Repayments of capital debt and leases	(5,890)	(3,347)
Interest paid on capital debt and leases	(4,148)	(4,431)
Other sources	6,875	4,880
Net cash used by capital and related financing activities	<u>(44,507)</u>	<u>(70,549)</u>
Net decrease in cash and cash equivalents	(2,202)	(28,290)
Cash and cash equivalents, beginning of year	<u>50,534</u>	<u>78,824</u>
Cash and cash equivalents, end of year	<u>\$ 48,332</u>	<u>\$ 50,534</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS--Continued

OKLAHOMA STATE UNIVERSITY

(Dollars in 000's)
Years Ended

June 30 2001	June 30 2000
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RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (236,240)	\$ (215,991)
Adjustments to reconcile operating income (loss) to net cash used by operating activities		
Depreciation expense	35,521	26,752
Net loss on disposal of fixed assets	76	789
On-behalf contributions to teachers' retirement system	7,365	7,213
Changes in assets and liabilities		
Accounts receivable	250	(1,879)
Inventories	405	(1,622)
Prepaid expenses	121	(369)
Accounts payable and accrued expenses	12	135
Deferred revenue	1,218	1,247
Student and other deposits	64	(88)
Compensated absences	(219)	1,820
Federal loan program contributions refundable	158	227
Loans to students and employees	(264)	(1,861)
Net cash used by operating activities	<u>\$ (191,533)</u>	<u>\$ (183,627)</u>

NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS

Fixed assets acquired by incurring capital lease obligations	<u>\$ 159</u>	<u>\$ 315</u>
Change in accounts receivable related to private gifts	<u>\$ 474</u>	<u>\$ (336)</u>
Change in receivable from State Agency affecting proceeds of capital debt	<u>\$ 98</u>	<u>\$ (3,734)</u>
Change in fair value of investments recognized as a component of interest income	<u>\$ 1,953</u>	<u>\$ 1,375</u>
Change in interest receivable affecting interest received	<u>\$ 72</u>	<u>\$ 201</u>
Bond issuance costs reducing proceeds of long-term debt	<u>\$ (609)</u>	<u>\$ (180)</u>
Change in accrued interest payable affecting interest paid	<u>\$ (93)</u>	<u>\$ 447</u>
Amortization of bond issuance costs reducing interest paid	<u>\$ 27</u>	<u>\$ 23</u>
Interest on capital debt paid by State Agency on behalf of University	<u>\$ 381</u>	<u>\$ 481</u>
Principal on capital debt paid by State Agency on behalf of University	<u>\$ 479</u>	<u>\$ 230</u>
Gift of capital assets reducing proceeds of capital grants and gifts	<u>\$ (901)</u>	<u>\$ (769)</u>

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

Cash and cash equivalents classified as current assets	\$ 23,091	\$ 20,178
Cash and cash equivalents classified as noncurrent assets	<u>25,241</u>	<u>30,356</u>
	<u>\$ 48,332</u>	<u>\$ 50,534</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Oklahoma State University is a modern comprehensive land grant university that serves the state, national and international communities by providing its students with academic instruction, by conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to the people of Oklahoma and throughout the world.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of all agencies of Oklahoma State University (the “General University”), as the primary government, and the accounts of the Oklahoma State University Education and Research Foundation, Inc. (the “Foundation”), collectively referred to as the “University”.

The General University includes Oklahoma State University - Stillwater; Oklahoma State University - Okmulgee; Oklahoma State University - Oklahoma City; the College of Veterinary Medicine; the Agricultural Experiment Station; the Agricultural Extension Division; the College of Osteopathic Medicine, Tulsa and Oklahoma State University - Tulsa. The General University is governed by the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (Board of Regents). The State of Oklahoma allocates and allots funds to each agency separately and requires that the funds be maintained accordingly. Because of this requirement, separate accounts are maintained for each agency.

The Foundation was formed in 1967 as a nonprofit corporation to engage in research, extension and academic contractual arrangements for the benefit and advancement of the General University. The Foundation receives and administers funds from Federal and state agencies and from private sources for the purpose of carrying out the educational and research programs of the General University. The Foundation is governed by a board of directors comprised primarily of management of the General University. In addition, General University employees and facilities are used for virtually all activities of the Foundation. Accordingly, the Foundation has been reported as a blended component unit in the financial statements. Separate financial statements of the Foundation can be requested from the University’s controller.

In preparing the financial statements, all significant transactions and balances between agencies and between the General University and the Foundation are eliminated.

The University is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State of Oklahoma.

Accounts of the Oklahoma State University Foundation are not included in the financial statements as it is a legally separate entity and the University does not appoint any members of its boards. (See Note 14 regarding related party transactions.)

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation: In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The State of Oklahoma has elected early implementation of GASB No. 34 as of and for the year ended June 30, 2001. As a component unit of the State of Oklahoma, the University is also required to adopt GASB No. 34 and No. 35. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required.

The University has elected to restate its 2000 financial statements to conform with the new financial statement presentation. Significant accounting changes made in order to comply with the new requirements include (1) adoption of depreciation on capital assets; and (2) reporting summer school revenues and expenses between fiscal years rather than in one fiscal year.

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

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

Cash Equivalents: For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Livestock for educational purposes is recorded at estimated fair value. For equipment, the University's capitalization policy includes all items with a unit cost of \$500 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 10 years for library books, and 5 to 7 years for equipment.

Deferred Revenues: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

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

Income Taxes: The General University, as a political subdivision of the State of Oklahoma, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Accounting Changes: As a result of the adoption of GASB Statement No. 34, the University was also required to make certain changes in accounting principles, specifically (1) adoption of depreciation on capital assets, and (2) recording of certain summer semester revenues between fiscal years rather than the fiscal year in which the semester was predominantly conducted. Net assets at July 1, 1999 were reduced by \$383,344 for the cumulative effect of these changes on years prior to fiscal year 2000.

Revision of 2001 and 2000 Financial Statements: Subsequent to the issuance of the University's 2001 financial statements, the University's management determined that it had incorrectly accounted for contributions received from the Federal government pursuant to the Federal Perkins Loan Program ("Program"). Prior to the adoption of GASB Statement No. 34, these contributions were included as part of the Fund Balance of the Loan Funds. Upon adoption of GASB Statement No. 34, however, the Federal capital contributions should have been recorded as liabilities, as the University would be required to refund the amounts contributed by the Federal government upon cessation of the Program. The University also determined that it had overstated the allowance for loan losses attributable to Perkins Loans, since the University will not incur any losses on the Federal portion of those loans. Finally, the University determined that it had failed to record various amounts receivable related to certain of its grant and contract agreements and its Federal appropriations in 2001 and 2000. The effect of these items in the revised financial statements was as follows:

	<u>As originally Reported</u>	<u>Revised</u>	<u>Change</u>
Adjusted net assets as of July 1, 1999	\$ 424,012	\$ 410,868	\$ (13,144)
Change in net assets for the year ended June 30, 2000	<u>9,123</u>	<u>10,516</u>	<u>1,393</u>
Net assets as of June 30, 2000	433,135	421,384	(11,751)
Change in net assets for the year ended June 30, 2001	<u>25,210</u>	<u>23,927</u>	<u>(1,283)</u>
Net assets as of June 30, 2001	<u>\$ 458,345</u>	<u>\$ 445,311</u>	<u>\$ (13,034)</u>

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 2--CASH AND CASH EQUIVALENTS; OTHER DEPOSITS; AND INVESTMENTS

Cash and Cash Equivalents: At June 30, 2001 and 2000, the carrying amount of the University's deposits with the State Treasurer and other financial institutions was \$48,332 and \$50,534, respectively. This amount consisted of deposits with the State Treasurer (\$44,539 and \$46,548), U.S. financial institutions (\$431 and \$365), trustees related to the University's various bond indenture agreements (\$3,201 and \$3,465) and petty cash and change funds (\$161 and \$156). Included in deposits with the State Treasurer are amounts invested through the State Treasurer's Cash Management Program totaling \$16,831 and \$21,786 at June 30, 2001 and 2000, respectively. For financial reporting purposes, these deposits have been classified as cash equivalents.

The State Treasurer requires that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations. The University's deposits with the State Treasurer are pooled with funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

The University requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, in the University's name.

Deposits: At June 30, 2001 and 2000, the University held non-negotiable certificates of deposit totaling \$53 and \$51, respectively. These certificates of deposit are fully insured by Federal deposit insurance. For financial reporting purposes, these deposits have been classified as investments.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 2--CASH, CASH EQUIVALENTS, AND INVESTMENTS--Continued

Investments: The University's investments are categorized as to credit risk as either (1) insured or registered, or securities held by the University or its agent in the University's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the University's name, or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the University's name. At June 30, 2001, the University's investments consisted of the following:

	June 30, 2001			Fair Value	June 30, 2000	
	Risk Category				Fair Value	Fair Value
	1	2	3			
U.S. Government securities	\$ 56,572	\$ -	\$ -	\$ 56,572	\$ 58,224	
Money funds	2,125	-	-	2,125	3,875	
Mortgage-backed securities	-	1,768	-	1,768	2,729	
Corporate bonds and notes	-	282	-	282	244	
Equity funds	-	2,557	-	2,557	3,051	
Mutual funds	-	2,780	-	2,780	52	
	<u>\$ 58,697</u>	<u>\$ 7,387</u>	<u>\$ -</u>	66,084	68,175	
Investments not subject to categorization:						
Certificates of deposit				53	51	
State Regents Endowment Trust funds				460	451	
 Total investments				<u>\$ 66,597</u>	<u>\$ 68,677</u>	

Investments in the State Regents Endowment Trust funds have not been classified as to credit risk because the investments are not evidenced by securities that exist in physical or book entry form.

At June 30, 2001 and 2000, the University held investments in trust for two higher education institutions that are also under the governance of the Board of Regents. Such investments consist of U.S. Government Securities and money market accounts. These investments are maintained in separate investment accounts for each participant. The fair value of U.S. Government Securities at June 30, 2001 and 2000, was \$2,409 and \$2,256, respectively. These investments bear interest at rates from 4.8% to 7.4%, with maturities from August 2001 through August 2009. Investments in money market accounts totaled \$94 and \$62 at June 30, 2001 and 2000, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 2--CASH, CASH EQUIVALENTS, AND INVESTMENTS--Continued

Condensed statements of net assets and changes in net assets of the investments held in trust for the years ended June 30, 2001 and 2000, are as follows:

	<u>2001</u>	<u>2000</u>
Net assets held in trust at beginning of period	\$ 2,318	\$ 2,383
Additions (deposits from participants)	-	-
Withdrawals (to participants)	(45)	(161)
Net interest, realized gains (losses) and fees	130	113
Net increase (decrease) in fair value	<u>100</u>	<u>(17)</u>
Net assets held in trust at end of period	<u>\$ 2,503</u>	<u>\$ 2,318</u>

NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Student tuition and fees	\$ 3,797	\$ 4,810
Auxiliary enterprises and other operating activities	15,600	15,619
Contributions and gifts	3,908	4,382
Federal appropriations	318	110
Federal, state, and private grants and contracts	<u>15,507</u>	<u>14,919</u>
	39,130	39,840
Less allowance for doubtful accounts	<u>3,216</u>	<u>3,202</u>
Net accounts receivable	<u>\$ 35,914</u>	<u>\$ 36,638</u>

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 4--INVENTORIES

Inventories consisted of the following at June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Bookstore	\$ 1,899	\$ 2,206
Livestock - College of Agriculture	1,331	1,379
Fire publications	3,502	3,642
Food services	634	590
Physical plant	897	831
Other	<u>1,313</u>	<u>1,333</u>
	<u>\$ 9,576</u>	<u>\$ 9,981</u>

NOTE 5--LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the "Program") comprise substantially all of the loans receivable at June 30, 2001 and 2000. Under this Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993 under the Federal Perkins Loan Program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. Government upon cessation of the Program of approximately \$16,143 and \$15,985 at June 30, 2001 and 2000, respectively, are reflected in the accompanying statement of net assets as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2001 and 2000, the allowance for uncollectible loans was approximately \$1,688 and \$2,296, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 6--CAPITAL ASSETS

Following are the changes in capital assets for the years ended June 30, 2001 and 2000:

	Year Ended June 30, 2001				Balance June 30, 2001
	Balance June 30, 2000	Additions	Transfers	Retirements	
Capital assets not being depreciated					
Land	\$ 9,706	\$ 868	\$ -	\$ -	\$ 10,574
Capitalized collections	470	-	-	-	470
Livestock for educational purposes	1,439	-	-	(76)	1,363
Construction in-progress	<u>87,674</u>	<u>26,837</u>	<u>(104,269)</u>	<u>-</u>	<u>10,242</u>
Total capital assets not being depreciated	<u>\$ 99,289</u>	<u>\$ 27,705</u>	<u>\$ (104,269)</u>	<u>\$ (76)</u>	<u>\$ 22,649</u>
Other capital assets					
Non-major infrastructure networks	\$ 25,807	\$ -	\$ 4,707	\$ -	\$ 30,514
Land improvements	13,216	-	5,184	-	18,400
Buildings	408,130	1,447	94,378	-	503,955
Furniture, fixtures and equipment	205,730	26,049	-	(19,119)	212,660
Library materials	<u>63,852</u>	<u>4,494</u>	<u>-</u>	<u>-</u>	<u>68,346</u>
Total other capital assets	716,735	31,990	104,269	(19,119)	833,875
Less accumulated depreciation for					
Non-major infrastructure networks	(14,725)	(1,138)	-	-	(15,863)
Land improvements	(12,529)	(773)	-	-	(13,302)
Buildings	(216,048)	(11,696)	-	-	(227,744)
Furniture, fixtures and equipment	(124,492)	(18,280)	-	19,119	(123,653)
Library materials	<u>(40,595)</u>	<u>(3,634)</u>	<u>-</u>	<u>-</u>	<u>(44,229)</u>
Total accumulated depreciation	<u>(408,389)</u>	<u>(35,521)</u>	<u>-</u>	<u>19,119</u>	<u>(424,791)</u>
Other capital assets, net	<u>\$ 308,346</u>	<u>\$ (3,531)</u>	<u>\$ 104,269</u>	<u>\$ -</u>	<u>\$ 409,084</u>
Capital Asset Summary:					
Capital assets not being depreciated	\$ 99,289	\$ 27,705	\$ (104,269)	\$ (76)	\$ 22,649
Other capital assets, at cost	<u>716,735</u>	<u>31,990</u>	<u>104,269</u>	<u>(19,119)</u>	<u>833,875</u>
Total cost of capital assets	816,024	59,695	-	(19,195)	856,524
Less accumulated depreciation	<u>(408,389)</u>	<u>(35,521)</u>	<u>-</u>	<u>19,119</u>	<u>(424,791)</u>
Capital Assets, net	<u>\$ 407,635</u>	<u>\$ 24,174</u>	<u>\$ -</u>	<u>\$ (76)</u>	<u>\$ 431,733</u>

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 6--CAPITAL ASSETS--Continued

	Year Ended June 30, 2000				Balance June 30, 2000
	Balance June 30, 1999	Additions	Transfers	Retirements	
Capital assets not being depreciated					
Land	\$ 9,483	\$ 353	\$ -	\$ (130)	\$ 9,706
Capitalized collections	470	-	-	-	470
Livestock for educational purposes	1,323	116	-	-	1,439
Construction in-progress	<u>47,968</u>	<u>53,662</u>	<u>(13,956)</u>	<u>-</u>	<u>87,674</u>
Total capital assets not being depreciated	<u>\$ 59,244</u>	<u>\$ 54,131</u>	<u>\$ (13,956)</u>	<u>\$ (130)</u>	<u>\$ 99,289</u>
Other capital assets					
Non-major infrastructure networks	\$ 24,105	\$ -	\$ 1,702	\$ -	\$ 25,807
Land improvements	11,519	-	1,995	(298)	13,216
Buildings	397,937	955	10,259	(1,021)	408,130
Furniture, fixtures and equipment	182,681	26,209	-	(3,160)	205,730
Library materials	<u>59,530</u>	<u>4,322</u>	<u>-</u>	<u>-</u>	<u>63,852</u>
Total other capital assets	675,772	31,486	13,956	(4,479)	716,735
Less accumulated depreciation for					
Non-major infrastructure networks	(13,144)	(1,581)	-	-	(14,725)
Land improvements	(11,322)	(1,505)	-	298	(12,529)
Buildings	(205,563)	(10,847)	-	362	(216,048)
Furniture, fixtures and equipment	(118,341)	(9,311)	-	3,160	(124,492)
Library materials	<u>(37,087)</u>	<u>(3,508)</u>	<u>-</u>	<u>-</u>	<u>(40,595)</u>
Total accumulated depreciation	<u>(385,457)</u>	<u>(26,752)</u>	<u>-</u>	<u>3,820</u>	<u>(408,389)</u>
Other capital assets, net	<u>\$ 290,315</u>	<u>\$ 4,734</u>	<u>\$ 13,956</u>	<u>\$ (659)</u>	<u>\$ 308,346</u>
Capital Asset Summary:					
Capital assets not being depreciated	\$ 59,244	\$ 54,131	\$ (13,956)	\$ (130)	\$ 99,289
Other capital assets, at cost	<u>675,772</u>	<u>31,486</u>	<u>13,956</u>	<u>(4,479)</u>	<u>716,735</u>
Total cost of capital assets	735,016	85,617	-	(4,609)	816,024
Less accumulated depreciation	<u>(385,457)</u>	<u>(26,752)</u>	<u>-</u>	<u>3,820</u>	<u>(408,389)</u>
Capital Assets, net	<u>\$ 349,559</u>	<u>\$ 58,865</u>	<u>\$ -</u>	<u>\$ (789)</u>	<u>\$ 407,635</u>

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 7--DEFERRED REVENUE

Deferred revenue consists of the following at June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Prepaid tuition and fees	\$ 2,299	\$ 2,338
Prepaid athletic ticket sales	2,577	2,546
Other auxiliary enterprises	544	655
Grants and contracts	<u>10,483</u>	<u>9,146</u>
	<u>\$ 15,903</u>	<u>\$ 14,685</u>

NOTE 8--LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2001 and 2000 was as follows:

	<u>Year Ended June 30, 2001</u>				
	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2001</u>	<u>Amounts due within one year</u>
Bonds and notes payable and capital lease obligations					
Revenue bonds payable	\$ 66,570	\$ -	\$ (3,435)	\$ 63,135	\$ 2,680
Notes payable	20,269	2,277	(1,054)	21,492	1,135
Capital lease obligations, including unexpended funds of \$2,952	<u>9,934</u>	<u>5,719</u>	<u>(1,880)</u>	<u>13,773</u>	<u>2,173</u>
Total bonds, notes and capital leases	96,773	7,996	(6,369)	98,400	5,988
Other liabilities					
Accrued compensated absences	15,041	6,744	(6,963)	14,822	6,963
Landfill closure costs	2,937	-	-	2,937	-
Capital projects	8,717	1,034	(8,717)	1,034	1,034
Federal loan program contributions	15,985	158	-	16,143	-
Student deposits	154	103	(39)	218	54
Workers compensation liability	<u>4,134</u>	<u>1,987</u>	<u>(1,987)</u>	<u>4,134</u>	<u>1,987</u>
Total other liabilities	<u>46,968</u>	<u>10,026</u>	<u>(17,706)</u>	<u>39,288</u>	<u>10,038</u>
Total Long-Term Liabilities	<u>\$ 143,741</u>	<u>\$ 18,022</u>	<u>\$ (24,075)</u>	<u>\$ 137,688</u>	<u>\$ 16,026</u>

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 8--LONG-TERM LIABILITIES--Continued

	Year Ended June 30, 2000				
	Balance June 30, 1999	Additions	Reductions	Balance June 30, 2000	Amounts due within one year
Bonds and notes payable and capital lease obligations					
Revenue bonds payable, including unexpended funds of \$2,427	\$ 68,320	\$ -	\$ (1,750)	\$ 66,570	\$ 1,865
Notes payable, including unexpended funds of \$6	21,152	75	(958)	20,269	893
Capital lease obligations, including unexpended funds of \$3,529	<u>2,613</u>	<u>8,190</u>	<u>(869)</u>	<u>9,934</u>	<u>1,517</u>
Total bonds, notes and capital leases	92,085	8,265	(3,577)	96,773	4,275
Other liabilities					
Accrued compensated absences	13,221	9,391	(7,571)	15,041	7,571
Landfill closure costs	2,937	-	-	2,937	-
Capital projects	-	8,717	-	8,717	8,717
Federal loan program contributions	15,758	227	-	15,985	-
Student deposits	177	21	(44)	154	39
Workers compensation liability	<u>3,090</u>	<u>3,372</u>	<u>(2,328)</u>	<u>4,134</u>	<u>2,328</u>
Total other liabilities	<u>35,183</u>	<u>21,728</u>	<u>(9,943)</u>	<u>46,968</u>	<u>18,655</u>
Total Long-Term Liabilities	<u>\$ 127,268</u>	<u>\$ 29,993</u>	<u>\$ (13,520)</u>	<u>\$ 143,741</u>	<u>\$ 22,930</u>

Additional information regarding Revenue Bonds Payable and Notes Payable is included at Note 9. Additional information regarding capital lease obligations is included at Note 10.

Landfill Closure and Postclosure Costs: State laws and regulations require the University to place a final cover on its landfill site and to perform certain maintenance and monitoring functions, including evaluation of well water samples, at the site after closure. The landfill, containing radioactive and chemical waste, is no longer being used, but the University has not placed a final cover on it. Estimated closure and postclosure costs as of June 30, 2001 and 2000, are \$2,937. Actual cost may differ due to inflation, changes in technology, or changes in regulations.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 9--REVENUE BONDS AND NOTES PAYABLE

Revenue Bonds Payable

Revenue bonds payable consisted of the following at June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
3% - 3.75% Housing Revenue Bonds of 1965, issued in the original amount of \$6,575 and mature in varying annual amounts to July 1, 2005 (defeased during the year ended June 30, 2001)	\$ -	\$ 1,845
4.4% Housing Revenue Bonds of 1966, issued in the original amount of \$4,435 and mature in varying annual amounts to July 1, 2006	1,420	1,590
5% - 9% Student Union System Revenue Bonds of 1978 and 1994, issued in the original amount of \$6,935 and mature in varying annual amounts to April 1, 2019	3,465	3,735
6.4% - 6.5% Health, Physical Education and Recreation Facilities Bonds of 1989, issued in the original amount of \$2,750 and and mature in varying annual amounts to July 1, 2009	1,765	1,900
5.3% - 6.1% Oklahoma State University Technical Branch - Oklahoma City Student Center Revenue Bonds, Series 1992, issued in the original amount of \$3,500 and mature in varying annual amounts to July 1, 2012	2,560	2,705
3.9% - 5.2% Colvin Center Swimming Pools Restoration Project Revenue Bonds, Series 1993, issued in the original amount of \$1,035 and mature in varying annual amounts to July 1, 2010	725	785
5.2% - 9% Housing System Refunding Revenue Bonds, Series 1994A and Revenue Bond Series 1994B, issued in the original amount of \$2,740 and mature in varying annual amounts to July 1, 2014	1,875	2,075

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 9--REVENUE BONDS AND NOTES PAYABLE--Continued

Revenue Bonds Payable, Continued

	<u>2001</u>	<u>2000</u>
4.25% - 9.25% Oklahoma State University Technical Branch - Okmulgee Student Union Refunding Revenue Bonds, Series 1995, issued in the original amount of \$1,340 and mature in in varying annual amounts to December 1, 2008	\$ 925	\$ 1,015
4.35% - 7.25% Utility System Revenue Bonds, Series 1998, issued in the original amount of \$18,000 and mature in varying annual amounts to July 1, 2018 (including \$0 and \$2,418 in unexpended plant funds at June 30, 2001 and 2000)	16,995	17,515
4.2% - 5.5% Athletics Facilities Revenue Bonds, Series 1998, issued in the original amount of \$33,405 and mature in varying amounts to August 1, 2024 (including \$0 and \$9 in unexpended plant funds at June 30, 2001 and 2000)	<u>33,405</u>	<u>33,405</u>
	<u>\$ 63,135</u>	<u>\$ 66,570</u>

Principal and interest on these revenue bonds are collateralized by a pledge of revenues produced by the facilities constructed with the bond proceeds and/or student activity fees and facility fees. Certain of these bonds payable are callable at the option of the Board of Regents.

The University is required to maintain certain renewal and replacement and debt service reserves aggregating \$2,023 in 2001 and \$2,865 in 2000. The University's reserve balances exceeded these amounts at June 30, 2001 and 2000.

The University has secured insurance contracts with insurance companies to cover the reserve requirements in the debt agreements of the Utility System Revenue Bonds, Series 1998, and the Athletic Facilities Revenue Bonds, Series 1998.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 9--REVENUE BONDS AND NOTES PAYABLE--Continued

Notes Payable

Notes payable consisted of the following at June 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Foundation note payable secured by computer and video equipment, dated January 1998, payable in monthly installments of \$12, matures January 2001, interest rate of 7%	\$ -	\$ 80
Foundation note payable secured by vans, dated May 1998, payable in monthly installments of \$7, matures September 2000, interest rate of 7%	-	21
Foundation note payable secured by equipment located in the Materials Processing Facility, dated June 1999, payable in semi-annual installments of \$31, beginning July 1999 through January 2004, interest rate of 7.5%	151	197
Foundation note payable, secured by Hyperbaric Chamber, dated December 2000, payable in monthly installments of \$16, matures November 2002, interest rate of 7.34%	250	346
Foundation note payable secured by Cowboy Mall, dated February 2001, payable in monthly installments of \$21, matures June 2014, variable interest rate, currently at 7.5%	2,112	-
Foundation multiple advance note payable secured by computer and video equipment, dated March 2001, line of credit cap of \$520, payable in monthly installments of \$16, matures March 2004, current draws at monthly payment amount mature October 2001, interest rate of 6.45%	<u>64</u>	<u>-</u>
Total Foundation Notes Payable	<u>2,577</u>	<u>644</u>

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 9--REVENUE BONDS AND NOTES PAYABLE--Continued

Notes Payable, Continued

	<u>2001</u>	<u>2000</u>
University note payable to construct Advanced Technology Research Center, secured by a pledge of Section 13 Funds; note is payable to Oklahoma Development Finance Authority (ODFA), principal payable in annual installments through July 2016, interest payable semi-annually, variable annual interest rate, currently at 8%	\$ 8,775	\$ 9,120
University note payable to fund renovations to Gallagher-Iba arena, secured by a pledge of Section 13 Funds, note is payable to ODFA, principal payable in annual installments through July 2019, interest payable semi-annually, variable annual interest rate, currently at 4%	<u>10,140</u>	<u>10,505</u>
Total University Notes Payable	<u>18,915</u>	<u>19,625</u>
Total Notes Payable	<u>\$ 21,492</u>	<u>\$ 20,269</u>

Under the terms of loan agreements with the ODFA and related trust indentures, accounts have been established with the trustee bank into which all Section 13 and New College monies are deposited on a monthly basis for the benefit of the University. The University is required to make debt service payments to the trustee bank on June 15 and December 15, which are sufficient to meet the debt service requirements on July 1 and January 1 of each year.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 9--REVENUE BONDS AND NOTES PAYABLE--Continued

Notes Payable, Continued

Maturity Information

The scheduled maturities of the revenue bonds and notes payable are as follows:

	<u>Bonds</u>	<u>Notes</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2002	\$ 2,680	\$ 1,135	\$ 3,815	\$ 4,255	\$ 8,070
2003	2,830	1,019	3,849	4,038	7,887
2004	2,990	970	3,960	3,819	7,779
2005	3,165	975	4,140	3,598	7,738
2006	3,355	1,020	4,375	3,205	7,580
2007-2011	15,715	5,979	21,694	13,600	35,294
2012-2016	15,565	7,269	22,834	7,966	30,800
2017-2021	11,680	3,125	14,805	2,623	17,428
2022-2025	<u>5,155</u>	<u>-</u>	<u>5,155</u>	<u>532</u>	<u>5,687</u>
Totals	<u>\$ 63,135</u>	<u>\$ 21,492</u>	<u>\$ 84,627</u>	<u>\$ 43,636</u>	<u>\$ 128,263</u>

Defeased Revenue Bonds

In November 1995, the University defeased the Housing System Revenue Bonds of 1967A by placing funds in an irrevocable trust to provide all future debt service payments of the defeased bonds. These bonds have been escrowed to maturity (July 1, 2007) and the principal balance of the defeased 1967A bonds at June 30, 2001 was \$435.

In March 1998, the University defeased the Housing System Revenue Bonds of 1964 by placing funds in escrow to provide future debt service payments. The 1964 bonds have been escrowed to maturity (April 1, 2004). The principal balance of the defeased 1964 bonds at June 30, 2001 is \$445.

In August 1998, the University defeased the Athletic System Revenue Bonds of 1996 by placing funds into escrow to provide future debt service payments. The 1996 Athletic bonds have been escrowed to maturity (January 1, 2012). The principal balance of the defeased 1996 Athletic bonds at June 30, 2001 is \$5,975.

In January 2001, the University defeased the Housing System Revenue Bonds of 1965 by placing funds in escrow to provide future debt service payments. The 1965 bonds have been escrowed to maturity (July 1, 2005). The principal balance of the defeased 1965 bonds at June 30, 2001 is \$1,570.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 10--LEASE OBLIGATIONS

Equipment Leases

The University has acquired certain equipment under various lease-purchase contracts and other capital lease agreements. The cost of University assets held under capital leases totaled \$1,928 and \$2,305 as of June 30, 2001 and 2000, respectively. Accumulated amortization of leased equipment totaled \$1,186 and \$1,048 at June 30, 2001 and 2000, respectively.

The Foundation has entered into a lease for data processing equipment and software license fees and support. The cost of Foundation assets held under capital leases totaled \$2,596 and \$2,596 as of June 30, 2001 and 2000. Accumulated amortization of this equipment totaled \$2,317 and \$1,937 at June 30, 2001 and 2000, respectively.

Oklahoma Capital Improvement Authority Leases

In September 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$7,875 to the University. Concurrently with the allocation, the University entered into three lease agreements with OCIA, providing for six projects that are being funded by the OCIA bonds. The lease agreements provide for the University to make specified monthly payments to OCIA over the respective terms of the agreements, which range from 5 to 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University.

During the years ended June 30, 2001 and 2000, the University drew down \$1,618 and \$4,116, respectively, of its total allotment, for expenditures incurred in connection with the specific projects. These expenditures have been capitalized as investment in plant assets or recorded as non-capitalized expenditures, in accordance with University policy. The University has recorded a receivable from OCIA, totaling \$2,116 and \$3,734, for the allotments not drawn down as of June 30, 2001 and 2000, respectively, and a lease obligation payable to OCIA for the total amount of the allotment, less repayments made during the fiscal year. The University has also recorded an asset for its pro-rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2001 and 2000, the unamortized bond issuance costs totaled \$130 and \$157, respectively.

During the years ended June 30, 2001 and 2000, OCIA made lease principal and interest payments totaling \$860 and \$711, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the University's statements of revenues, expenses and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 10--LEASE OBLIGATIONS--Continued

Oklahoma Development Finance Authority Master Lease Program

In March 2001, the Oklahoma Development Finance Authority issued the Oklahoma State System of Higher Education Master Lease Revenue Bonds, Series 2001A. Of the total bond indebtedness, the State Regents for Higher Education allocated \$5,560 to the University. The proceeds of the bonds are to provide for capital improvements at the University. Through June 30, 2001, the University has drawn down \$4,040 of its total allotment. At June 30, 2001, other assets include \$609 of amounts restricted for payments of debt service and closing costs.

Future minimum lease payments for all capital lease obligations as of June 30, 2001, are as follows:

<u>Year Ending June 30,</u>	<u>Equipment Leases</u>	<u>ODFA Leases</u>	<u>OCIA Leases</u>	<u>Total all Capital Leases</u>
2002	\$ 751	\$ 1,229	\$ 851	\$ 2,831
2003	373	1,053	841	2,267
2004	259	888	841	1,988
2005	127	684	842	1,653
2006	42	571	624	1,237
2007-2011	-	1,611	2,959	4,570
2012-2016	-	-	2,352	2,352
2017-2021	-	-	1,463	1,463
Total minimum lease payments	1,552	6,036	10,773	18,361
Less amounts representing interest	186	795	3,607	4,588
Present value of minimum lease payments	<u>\$ 1,366</u>	<u>\$ 5,241</u>	<u>\$ 7,166</u>	<u>\$13,773</u>

NOTE 11--FUNDS HELD IN TRUST BY OTHERS

Beneficial Interest in State School Land Funds

The University has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" held in the care of the Commissioners of the Land Office as Trustees. The University has the right to receive annually 30% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and 100% of the distribution of income produced by the University's "New College Fund". The University received \$3,607 and \$3,576, during the years ended June 30, 2001 and 2000, respectively, which is restricted to the acquisition of buildings, equipment or other capital items. Present state law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust fund for the University, held in trust by the Commissioners of the Land Office, is approximately \$63,399 and \$63,015, as of June 30, 2001 and 2000, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 11--FUNDS HELD IN TRUST BY OTHERS--Continued

Oklahoma State Regents Endowment Trust Fund

The State of Oklahoma has matched contributions received under the Endowed Chair Program. The state match amount, plus retained accumulated earnings, totaled approximately \$41,330 and \$44,890 at June 30, 2001 and 2000, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution on these funds; however, since legal title of the state match amount is retained by the Oklahoma State Regents, such funds have not been reflected in the accompanying financial statements. With regard to private matching funds, approximately \$2,272 and \$2,727 from donor matching funds and \$361 and \$456 in institutional matching funds, as of June 30, 2001 and 2000, respectively, are on deposit with the Oklahoma State Regents for Higher Education, with the remaining matching funds of approximately \$47,832 and \$47,291, as of June 30, 2001 and 2000, respectively, held by the Oklahoma State University Foundation.

NOTE 12--RETIREMENT PLANS

Through June 30, 1996, the University provided eligible employees the opportunity to participate in a defined contribution plan, the TIAA-CREF plan, and two defined benefit plans, the Teachers' Retirement System of Oklahoma (the "OTRS") and the Supplemental Retirement Plan. Effective June 30, 1996, the University terminated the Supplemental Retirement Plan such that no future retirees will be eligible to receive benefits under the plan.

The TIAA-CREF and OTRS plans are integrated with the University's ongoing retirement program. Effective July 1, 1993, these eligibility requirements were modified; however, any employee eligible under the previous requirements was included in the modified plan pursuant to a grandfather provision. Eligible employees include all faculty, administrative and professional, and classified staff who are at least age 26 with one year of service and scheduled to work at least 1,560 hours annually.

Effective July 1, 1993, the University's retirement program requires the University to contribute 7% of the first \$11,520 of each eligible employee's salary and 11% of the salary over \$11,520. These retirement contributions are first distributed to the OTRS on mandatory members and optional members who were grandfathered July 1, 1993, as determined by the calculation of OTRS contributions as defined below (see Cost Sharing Multiple-Employer PERS). Any remaining retirement contributions are distributed to the TIAA-CREF plan.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 12--RETIREMENT PLANS--Continued

Defined Contribution Plan

On May 8, 1971, the University approved a contract providing for a funded plan for staff retirement, the TIAA-CREF plan. TIAA-CREF, which is a defined contribution plan qualified under Internal Revenue Code Section 401(a), provides an annuity in the name of the employee based upon contributions made by the University. All contributions to TIAA-CREF are fully vested immediately.

The University's total payroll for the years ended June 30, 2001 and 2000, was approximately \$204,565 and \$196,221, respectively. The University's contributions to TIAA-CREF were calculated using the base salary amount of approximately \$180,827 and \$171,933 in 2001 and 2000, respectively. The University funded mandatory participant contributions to TIAA-CREF of approximately \$7,960 and \$7,834 in 2001 and 2000, respectively, which represents approximately 5% of covered payroll in 2001 and 2000. Employees may voluntarily contribute to TIAA-CREF, as well as other qualified 403(b) plans, but such contributions are not considered part of the University's retirement program.

As of June 30, 2001 and 2000, TIAA-CREF held no related party investments of the University.

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

The University contributes to OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of OTRS to the Board of Trustees of OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152 or by calling (405) 521-2387.

Funding Policy

System members and the University are required to contribute at a rate set by statute. The contribution requirements of system members and the University are established by and may be amended by the legislature of the State of Oklahoma. For the year ended June 30, 2001, the contribution rate for the system members of 7% is applied to their maximum salary contribution election of either \$47,500 or \$64,000, or applied to their total compensation for those employees participating after June 30, 1995. For the year ended June 30, 2000, the contribution rate for the system members of 7% is applied to their maximum salary contribution election of either \$42,500 or \$59,000, or applied to their total compensation for those employees participating after June 30, 1995.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 12--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System (OTRS)

For 2001 and 2000, the local employer contribution rate due from the University was 5.8% and 4.8%, respectively. The State of Oklahoma is also required to contribute to the OTRS on behalf of participating employers. For 2001 and 2000, the State of Oklahoma contributed 3.54% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2001 and 2000, the total amount contributed to the OTRS by the State of Oklahoma on behalf of the University was approximately \$7,365 and \$7,213. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses and changes in net assets.

The University's contributions to OTRS for the years ended June 30, 2001, 2000, and 1999 were \$9,820, \$9,021, and \$8,680, respectively, equal to the required contributions for each year.

Supplemental Retirement Plan

Plan Description

The University sponsors the Supplemental Retirement Plan (the "Plan"), a single-employer public employee retirement system, which was approved in 1971 and terminated as of June 30, 1996. Individuals employed by the University on or after July 1, 1980, when the TIAA-CREF annuity contribution became fully funded, were ineligible for participation in the Plan. Benefits vested upon retirement. The Plan guaranteed eligible employees with 25 years of service, provided they continuously participated in TIAA/CREF and OTRS, a level of annual retirement benefit if social security, the OTRS, and TIAA-CREF, when applicable, do not equal one-half of the average of the highest three years' earnings. Authority to establish and amend benefit provisions rest with the Board of Regents. The Plan does not issue a stand-alone financial report.

Funding Policy

Contribution requirements of the University are established and may be amended by the Board of Regents. All contributions are made by the University. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 12--RETIREMENT PLANS--Continued

Supplemental Retirement Plan, Continued

Annual Pension Cost and Net Pension Obligation (Asset)

The University's annual pension cost and net pension obligation (asset) of the Plan for the year ended June 30, 2001 were as follows:

Annual required contribution	\$ 1,004
Interest on net pension obligation	(27)
Adjustment to annual required contribution	<u>42</u>
Annual pension cost	1,019
Contributions made	<u>933</u>
Decrease in net pension obligation (asset)	86
Net pension obligation (asset) beginning of year	<u>(339)</u>
Net pension obligation (asset) end of year	<u>\$ (253)</u>

The net pension asset at June 30, 2001 and 2000 is included in prepaid expenses.

The annual required contribution for the current year was determined as part of the June 30, 2001 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) an 8% investment rate of return and (b) 3.5% per year postretirement benefit increases. No projected salary increases are included as no current employees will be eligible for benefits. The investment rate of return includes an inflation component of 4%. The assumptions also include postretirement benefit increases, which will be funded by the University when granted. The Plan is an unfunded plan; and accordingly, no assets have been accumulated and no investment income is earned. The unfunded actuarial accrued liability is being amortized over ten years using the level dollar amortization method on a closed basis.

Three Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
June 30, 1999	\$ 993	119%	\$ (103)
June 30, 2000	\$ 1,048	123%	\$ (339)
June 30, 2001	\$ 1,019	92%	\$ (253)

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 12--RETIREMENT PLANS--Continued

Supplemental Retirement Plan, Continued

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 1999	\$ -	\$ 7,227	\$ 7,227	0%	\$ -	0%
June 30, 2000	\$ -	\$ 7,562	\$ 7,562	0%	\$ -	0%
June 30, 2001	\$ -	\$ 7,275	\$ 7,275	0%	\$ -	0%

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

NOTE 13--RISK MANAGEMENT

Due to the diverse risk exposure of the University and its constituent agencies, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma statutes require participation of all state agencies in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Oklahoma Department of Central Services Risk Management Division (the "SRMD"). In addition to these basic policies, the University's Department of Risk, Plant and Property Management establishes guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

Each representative of the State of Oklahoma (the "State"), including University personnel, is provided complete individual sovereign immunity when performing official business within the scope of their employment. For risks not protected by sovereign immunity, it is the internal policy of the University's Risk, Plant and Property Management department to accept initial risk in the form of retention or deductibles only to the extent that funds are available from the University's general operations to maintain this risk.

Beyond acceptable retention levels complete risk transfer is practiced by purchasing conventional insurance coverage directly or through the SRMD. These coverages are outlined as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$200,000 deductible.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 13--RISK MANAGEMENT--Continued

- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles and equipment) are purchased by the University from SRMD. To complement coverage provided by State Statute and to meet specific coverage requirements for special grants and/or contracts, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Claim settlements have not exceeded insurance coverage in each of the past three fiscal years.

The University has completed a three-year Rolling Over Coordinated Insurance Program (ROCIP). There are four capital projects included in the ROCIP including the West Chilled Water Plant, the Softball Stadium, Wellness Center and Gallagher-Iba Arena. Builder's Risk, Liability, Excess Liability, and Worker's Compensation Insurance policies are purchased in one bulk purchase for all Contractors and Sub-Contractors working on these projects. Premiums are charged and kept in a reserve account with the insurance carrier until claims are paid. Upon completion of those four projects, the University could receive a return premium of up to \$500,000 dependent upon claims experience.

Self-Funded Programs

The University's life insurance program is self-funded. No contributions from employees are required for their individual coverage; however, employees must contribute a premium amount for covered dependents. The program is administered by a third party. The University is required to maintain a deposit with the third party in an amount approximating required reserves. Required reserves for life insurance coverage are based on the expected mortality rates of participants of the program.

Through June 30, 1999, the University's health care programs were also self-funded. Effective July 1, 1999, the University terminated its self-insurance program, and is now participating in the State of Oklahoma self-insurance program. The University believes that sufficient reserves exist to pay run-off claims in the previous self-insured program.

The University's workers' compensation program is also self-funded and is administered by a third party. The University reimburses the administrator for claims paid and administrative expenses on a monthly basis. Benefits provided are prescribed by state law and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from a job-related injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations. As of June 30, 2001 and 2000, the accrued workers' compensation liability totaled approximately \$4,134 in each year, computed utilizing a discount rate of 5% for each year.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 14--RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended June 30, 2001 and 2000, including a description of the relationship and operations are as follows:

The Oklahoma State University Foundation

Nature of Relationship - The Oklahoma State University Foundation was formed to promote and foster the educational, benevolent, and scientific purposes of the University, and to create a fund to be used for any program, project or enterprise undertaken in the interest of the University, and to promote and foster educational and cultural interests in the State of Oklahoma and southern and southwestern regions of the United States.

Description of Operations - The Oklahoma State University Foundation acts largely as a fund-raising organization; soliciting, receiving, managing and disbursing contributions on behalf of the University. Most of the contributions received are designated by the donors to be used for specific purposes or by specific departments. In these instances, the Foundation serves essentially as a conduit. Contributions that are not designated are used where the need is considered greatest, as determined by the Foundation.

	<u>2001</u>	<u>2000</u>
Dollar value of transactions for the year ended June 30:		
Funds disbursed to or on behalf of the University	\$ 24,538	\$ 18,814
Funds collected from the University	-	400
Nonmonetary goods distributed to the University	4,663	2,332
 Funds held on behalf of or for the benefit of the University at June 30:	 240,221	 240,210
 Related party receivables and payables at June 30:		
Due to the University	389	286
Due from the University	226	676

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 14--RELATED PARTY TRANSACTIONS--Continued

Summary financial information of the Oklahoma State University Foundation as of and for the years ended June 30, 2001 and 2000, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2001</u>	<u>Total 2000</u>
Income	\$ 37,706	\$ (11,370)	\$ 8,082	\$ 34,418	\$ 42,681
Expenses	<u>34,219</u>	<u>-</u>	<u>-</u>	<u>34,219</u>	<u>23,211</u>
Change in net assets	3,487	(11,370)	8,082	199	19,470
Net assets at beginning of year	<u>41,008</u>	<u>125,435</u>	<u>81,378</u>	<u>247,821</u>	<u>228,351</u>
Net assets at end of year	<u>\$ 44,495</u>	<u>\$ 114,065</u>	<u>\$ 89,460</u>	<u>\$248,020</u>	<u>\$247,821</u>

NOTE 15--COMMITMENTS AND CONTINGENT LIABILITIES

The University had outstanding commitments under construction contracts of approximately \$3,308 and \$10,660 at June 30, 2001 and 2000, respectively.

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University has entered into two agreements with the Collegiate Housing Foundation (CHF), an Alabama not-for-profit organization, to manage two Residential Life facilities located on the University's campus. The University's Board of Regents also entered into a ground lease agreement with CHF, in which CHF leased from the Board the land on which the facilities are located. As part of the agreements, the University received \$470,000 in management fees for fiscal year 2001, and may be entitled to receive additional amounts pursuant to the Ground Lease agreement. Certain costs incurred by the University in connection with the management of these facilities are not eligible to be reimbursed pursuant to the management agreements. Such costs are not significant to the University's financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 16--NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows:

Year Ended June 30, 2001									
Functional Classification	Natural Classification								Total
	Compensation & Benefits	Contractual Services	Supplies & Materials	Utilities	Communication	Other Operating Expenses	Scholarships	Depreciation	
Instruction	\$ 118,127	\$ 9,679	\$ 5,079	\$ 42	\$ 1,317	\$ 4,658	\$ -	\$ -	\$ 138,902
Research	51,437	6,989	7,445	195	443	1,155	-	-	67,664
Public Service	38,509	2,166	1,558	209	444	2,478	-	-	45,364
Academic Support	27,140	5,044	2,541	130	569	4,138	-	-	39,562
Student Services	11,108	4,040	385	-	351	467	-	-	16,351
Institutional Support	13,660	2,425	262	-	350	4,000	-	-	20,697
Operation of Plant	9,013	9,152	1,414	13,738	213	235	-	-	33,765
Scholarships	1,278	-	-	-	-	675	22,743	-	24,696
Auxiliary Enterprises	29,830	17,719	15,748	4,718	2,157	5,636	-	-	75,808
Depreciation	-	-	-	-	-	-	-	35,521	35,521
Total Expenses	\$ 300,102	\$ 57,214	\$ 34,432	\$ 19,032	\$ 5,844	\$ 23,442	\$ 22,743	\$ 35,521	\$ 498,330

Year Ended June 30, 2000									
Functional Classification	Natural Classification								Total
	Compensation & Benefits	Contractual Services	Supplies & Materials	Utilities	Communication	Other Operating Expenses	Scholarships	Depreciation	
Instruction	\$ 111,701	\$ 8,675	\$ 5,141	\$ 20	\$ 1,189	\$ 2,981	\$ -	\$ -	\$ 129,707
Research	48,900	7,710	7,097	154	447	2,697	-	-	67,005
Public Service	34,375	2,134	1,542	145	463	2,380	-	-	41,039
Academic Support	25,871	6,147	2,596	133	604	5,861	-	-	41,212
Student Services	10,371	4,006	453	-	326	643	-	-	15,799
Institutional Support	16,018	3,281	645	118	396	1,080	-	-	21,538
Operation of Plant	7,559	8,378	1,183	11,115	244	174	-	-	28,653
Scholarships	1,360	-	5	-	-	467	24,485	-	26,317
Auxiliary Enterprises	27,487	17,077	18,356	4,067	2,058	8,043	-	-	77,088
Depreciation	-	-	-	-	-	-	-	26,752	26,752
Total Expenses	\$ 283,642	\$ 57,408	\$ 37,018	\$ 15,752	\$ 5,727	\$ 24,326	\$ 24,485	\$ 26,752	\$ 475,110

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 17--SEGMENT INFORMATION

The University issues revenue bonds to finance certain of its auxiliary enterprise activities. Investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Descriptive information for each of the University's segments is shown below:

Housing Revenue Bonds of 1965

The Housing Revenue Bonds of 1965 were issued to build the Kerr-Drummond Residence Hall complex for single students. The bonds were defeased in FY01.

Housing Revenue Bonds of 1966

The Housing Revenue Bonds of 1966 were issued to provide construction funding for Willham South and Iba Residence Halls.

Student Union Revenue Bonds of 1978 and 1994

Refunding of old bonds and new funding for renovation of the building was provided by the Student Union Revenue bonds of 1978 and 1994.

Health, Physical Education and Recreation Bonds of 1989

The Health, Physical Education, and Recreation Bonds of 1989 were issued to refund two older bond issues and provide construction funding for the building of the Wellness Center.

Colvin Swimming Pools Restoration Project Revenue Bonds of 1993

An indoor pool and an outdoor pool were renovated with proceeds from the Colvin Swimming Pools Restoration Project Revenue Bonds of 1993.

Housing Revenue Bonds of 1994A and 1994B

The Housing Revenue Bonds of 1994A refunded the Housing Revenue Bonds of 1987A. Series B of the 1994 bonds provided for the renovation of a portion of Bennett Residence Hall.

NOTES TO FINANCIAL STATEMENTS--Continued (dollars in thousands)

OKLAHOMA STATE UNIVERSITY

June 30, 2001 and 2000

NOTE 17--SEGMENT INFORMATION--Continued

Utility System Revenue Bonds of 1998

The west side chilled water plant was built with funds provided by the Utility System Revenue Bonds of 1998.

Athletic Facilities Revenue Bonds of 1998

The Athletics Facilities Revenue Bonds, Series 1998, refunded the 1996 Athletic Bonds and provided new funds for the major renovation/expansion of Gallagher-Iba Arena.

Oklahoma City Student Center Revenue Bonds of 1992

Oklahoma City Student Center Revenue Bonds, Series 1992, were issued for the construction of a student center on the Oklahoma City campus.

Okmulgee Student Union Refunding Revenue Bonds of 1995

Okmulgee Student Union Refunding Revenue Bonds of 1995 refunded the previous bonds issued to build the student union on the Okmulgee campus.

Condensed financial information for each of the University's segments follow:

	HOUSING REVENUE BONDS OF 1965		HOUSING REVENUE BONDS OF 1966		STUDENT UNION REVENUE BONDS OF 1978 AND 1994	
	As of/Year Ended June 30		As of/Year Ended June 30		As of/Year Ended June 30	
	2001	2000	2001	2000	2001	2000
CONDENSED STATEMENT OF NET ASSETS						
Assets:						
Current Assets	\$ -	\$ 1,302	\$ 672	\$ 689	\$ 4,925	\$ 4,674
Noncurrent Assets	-	1,197	537	517	757	745
Capital Assets	-	796	711	779	11,101	10,191
Total Assets	-	3,295	1,920	1,985	16,783	15,610
Liabilities:						
Interfund Payables	-	115	37	38	2	1
Current Liabilities	-	417	249	242	1,371	1,662
Long-Term Liabilities	-	1,570	1,245	1,420	3,180	3,465
Total Liabilities	-	2,102	1,531	1,700	4,553	5,128
Net Assets:						
Invested in Capital Assets, net of related debt	-	(1,049)	(709)	(811)	7,636	6,456
Restricted	-	1,473	712	688	717	647
Unrestricted	-	768	386	408	3,877	3,379
Total Net Assets	\$ -	\$ 1,192	\$ 389	\$ 285	\$ 12,230	\$ 10,482
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS						
Operating Revenues	\$ 6,081	\$ 9,010	\$ 1,816	\$ 1,558	\$ 16,075	\$ 14,700
Operating Expenses	(3,694)	(7,732)	(1,416)	(1,374)	(13,416)	(13,691)
Depreciation Expense	(100)	(133)	(132)	(91)	(222)	(239)
Net Operating Income	2,287	1,145	268	93	2,437	770
Nonoperating Revenues/Expenses:						
Investment Income	11	65	43	33	38	46
Gifts of Equipment	-	-	-	-	-	-
Gift Income	-	-	-	-	-	-
Interest Expense	16	(66)	(62)	(70)	(213)	(229)
Other (net)	(847)	-	20	-	1,529	1,828
Transfers In (Out)	(2,659)	(729)	(165)	188	(2,043)	8
Change in Net Assets	(1,192)	415	104	244	1,748	2,423
Net Assets - Beginning of Year	1,192	777	285	41	10,482	8,059
Net Assets - End of Year	\$ -	\$ 1,192	\$ 389	\$ 285	\$ 12,230	\$ 10,482
CONDENSED STATEMENT OF CASH FLOWS						
Net cash flows provided by:						
Operating activities	\$ (522)	\$ 268	\$ (111)	\$ 181	\$ 2,019	\$ (496)
Noncapital financing	-	-	-	-	-	-
Capital and related financing	(1,666)	(11)	(28)	17	(1,361)	281
Investing activities	1,209	53	25	23	37	46
Net increase (decrease) in cash	(979)	310	(114)	221	695	(169)
Cash - Beginning of Year	979	669	572	351	1,434	1,603
Cash - End of Year	\$ -	\$ 979	\$ 458	\$ 572	\$ 2,129	\$ 1,434

	HEALTH, PHYSICAL EDUCATION AND RECREATION FACILITY REVENUE BONDS SERIES 1989		COLVIN CENTER POOLS RESTORATION PROJECT REVENUE BONDS SERIES 1993		HOUSING SYSTEM REFUNDING BONDS REVENUE SERIES 1994A REVENUE SERIES 1994B	
	As of/Year Ended June 30		As of/Year Ended June 30		As of/Year Ended June 30	
	2001	2000	2001	2000	2001	2000
CONDENSED STATEMENT OF NET ASSETS						
Assets:						
Current Assets	\$ 1,450	\$ 1,363	\$ 87	\$ 83	\$ 1,186	\$ 1,844
Noncurrent Assets	289	277	259	203	368	345
Capital Assets	<u>4,846</u>	<u>5,157</u>	<u>-</u>	<u>-</u>	<u>230</u>	<u>178</u>
Total Assets	<u>6,585</u>	<u>6,797</u>	<u>346</u>	<u>286</u>	<u>1,784</u>	<u>2,367</u>
Liabilities:						
Interfund Payables	-	-	-	-	50	53
Current Liabilities	2,968	2,399	77	79	435	402
Long-Term Liabilities	<u>1,625</u>	<u>1,765</u>	<u>665</u>	<u>725</u>	<u>1,670</u>	<u>1,875</u>
Total Liabilities	<u>4,593</u>	<u>4,164</u>	<u>742</u>	<u>804</u>	<u>2,155</u>	<u>2,330</u>
Net Assets:						
Invested in Capital Assets, net of related debt	2,047	3,257	(721)	(785)	(1,767)	(1,898)
Restricted	436	(20)	325	267	573	444
Unrestricted	<u>(491)</u>	<u>(604)</u>	<u>-</u>	<u>-</u>	<u>823</u>	<u>1,491</u>
Total Net Assets	<u>\$ 1,992</u>	<u>\$ 2,633</u>	<u>\$ (396)</u>	<u>\$ (518)</u>	<u>\$ (371)</u>	<u>\$ 37</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS						
Operating Revenues	\$ 3,383	\$ 3,345	\$ 128	\$ 127	\$ 3,075	\$ 3,713
Operating Expenses	(3,690)	(3,374)	-	-	(3,538)	(3,707)
Depreciation Expense	<u>(288)</u>	<u>(132)</u>	<u>-</u>	<u>-</u>	<u>(267)</u>	<u>(123)</u>
Net Operating Income	(595)	(161)	128	127	(730)	(117)
Nonoperating Revenues/Expenses:						
Investment Income	36	17	27	9	37	27
Gifts of Equipment	-	-	-	-	-	-
Gift Income	-	-	-	-	-	-
Interest Expense	(114)	(123)	(33)	(36)	(109)	(121)
Other (net)	31	-	-	-	42	48
Transfers In (Out)	<u>1</u>	<u>(19)</u>	<u>-</u>	<u>(15)</u>	<u>352</u>	<u>523</u>
Change in Net Assets	(641)	(286)	122	85	(408)	360
Net Assets - Beginning of Year	<u>2,633</u>	<u>2,919</u>	<u>(518)</u>	<u>(603)</u>	<u>37</u>	<u>(323)</u>
Net Assets - End of Year	<u>\$ 1,992</u>	<u>\$ 2,633</u>	<u>\$ (396)</u>	<u>\$ (518)</u>	<u>\$ (371)</u>	<u>\$ 37</u>
CONDENSED STATEMENT OF CASH FLOWS						
Net cash flows provided by:						
Operating activities	\$ (566)	\$ (502)	\$ -	\$ (15)	\$ (228)	\$ 200
Noncapital financing	-	-	-	-	-	-
Capital and related financing	(129)	(46)	33	35	(314)	(1)
Investing activities	<u>16</u>	<u>17</u>	<u>(31)</u>	<u>(31)</u>	<u>14</u>	<u>13</u>
Net increase (decrease) in cash	(679)	(531)	2	(11)	(528)	212
Cash - Beginning of Year	<u>(1,720)</u>	<u>(1,189)</u>	<u>79</u>	<u>90</u>	<u>1,522</u>	<u>1,310</u>
Cash - End of Year	<u>\$ (2,399)</u>	<u>\$ (1,720)</u>	<u>\$ 81</u>	<u>\$ 79</u>	<u>\$ 994</u>	<u>\$ 1,522</u>

	UTILITY SYSTEM REVENUE BONDS SERIES 1998		ATHLETICS REVENUE BONDS SERIES 1998	
	As of/Year Ended June 30		As of/Year Ended June 30	
	2001	2000	2001	2000
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current Assets	\$ 4,027	\$ 8,704	\$ 1,983	\$ 4,368
Noncurrent Assets	5	-	10	5
Capital Assets	<u>17,101</u>	<u>17,361</u>	<u>61,294</u>	<u>44,278</u>
Total Assets	<u>21,133</u>	<u>26,065</u>	<u>63,287</u>	<u>48,651</u>
Liabilities:				
Interfund Payables	-	-	-	-
Current Liabilities	2,065	2,281	5,998	6,678
Long-Term Liabilities	<u>16,436</u>	<u>16,996</u>	<u>32,400</u>	<u>33,405</u>
Total Liabilities	<u>18,501</u>	<u>19,277</u>	<u>38,398</u>	<u>40,083</u>
Net Assets:				
Invested in Capital Assets, net of related debt	465	2,263	27,485	10,883
Restricted	565	2,297	455	703
Unrestricted	<u>1,602</u>	<u>2,228</u>	<u>(3,050)</u>	<u>(3,018)</u>
Total Net Assets	<u>\$ 2,632</u>	<u>\$ 6,788</u>	<u>\$ 24,890</u>	<u>\$ 8,568</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS				
Operating Revenues	\$ 19,056	\$ 15,420	\$ 17,081	\$ 15,383
Operating Expenses	(17,670)	(13,892)	(11,657)	(12,179)
Depreciation Expense	<u>(450)</u>	<u>-</u>	<u>(1,456)</u>	<u>(515)</u>
Net Operating Income	936	1,528	3,968	2,689
Nonoperating Revenues/Expenses:				
Investment Income	111	404	37	745
Gifts of Equipment	-	-	-	91
Gift Income	-	-	2,938	2,702
Interest Expense	(902)	(940)	(1,595)	(1,595)
Other (net)	-	218	1,540	1,806
Transfers In (Out)	<u>(4,301)</u>	<u>164</u>	<u>9,434</u>	<u>(868)</u>
Change in Net Assets	(4,156)	1,374	16,322	5,570
Net Assets - Beginning of Year	<u>6,788</u>	<u>5,414</u>	<u>8,568</u>	<u>2,998</u>
Net Assets - End of Year	<u>\$ 2,632</u>	<u>\$ 6,788</u>	<u>\$ 24,890</u>	<u>\$ 8,568</u>
CONDENSED STATEMENT OF CASH FLOWS				
Net cash flows provided by:				
Operating activities	\$ 655	\$ 793	\$ 4,259	\$ 2,517
Noncapital financing	-	-	2,938	2,702
Capital and related financing	(5,432)	(8,961)	(10,503)	(28,375)
Investing activities	<u>2,860</u>	<u>(2,350)</u>	<u>1,016</u>	<u>(244)</u>
Net increase (decrease) in cash	(1,917)	(10,518)	(2,290)	(23,400)
Cash - Beginning of Year	<u>5,876</u>	<u>16,394</u>	<u>2,611</u>	<u>26,011</u>
Cash - End of Year	<u>\$ 3,959</u>	<u>\$ 5,876</u>	<u>\$ 321</u>	<u>\$ 2,611</u>

	TECHNICAL BRANCH AT OKLAHOMA CITY STUDENT CENTER REVENUE BONDS SERIES 1992		TECHNICAL BRANCH AT OKMULGEE STUDENT UNION REFUNDING REVENUE BONDS, SERIES 1995	
	As of/Year Ended June 30		As of/Year Ended June 30	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current Assets	\$ 1,338	\$ 1,200	\$ 104	\$ 98
Noncurrent Assets	310	302	135	134
Capital Assets	<u>3,126</u>	<u>3,222</u>	<u>2,186</u>	<u>2,263</u>
Total Assets	<u>4,774</u>	<u>4,724</u>	<u>2,425</u>	<u>2,495</u>
Liabilities:				
Interfund Payables	-	-	-	-
Current Liabilities	231	226	118	133
Long-Term Liabilities	<u>2,405</u>	<u>2,560</u>	<u>830</u>	<u>925</u>
Total Liabilities	<u>2,636</u>	<u>2,786</u>	<u>948</u>	<u>1,058</u>
Net Assets:				
Invested in Capital Assets, net of related debt	566	517	1,261	1,247
Restricted	471	450	131	131
Unrestricted	<u>1,101</u>	<u>971</u>	<u>85</u>	<u>59</u>
Total Net Assets	<u>\$ 2,138</u>	<u>\$ 1,938</u>	<u>\$ 1,477</u>	<u>\$ 1,437</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS				
Operating Revenues	\$ 560	\$ 490	\$ 260	\$ 253
Operating Expenses	(1)	(9)	(106)	(98)
Depreciation Expense	<u>(96)</u>	<u>(96)</u>	<u>(77)</u>	<u>(77)</u>
Net Operating Income	463	385	77	78
Nonoperating Revenues/Expenses:				
Investment Income	33	15	8	7
Gifts of Equipment	-	-	-	-
Gift Income	-	-	-	-
Interest Expense	(153)	(162)	(45)	(50)
Other (net)	-	-	-	(1)
Transfers In (Out)	<u>(143)</u>	<u>(50)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	200	188	40	34
Net Assets - Beginning of Year	<u>1,938</u>	<u>1,750</u>	<u>1,437</u>	<u>1,403</u>
Net Assets - End of Year	<u>\$ 2,138</u>	<u>\$ 1,938</u>	<u>\$ 1,477</u>	<u>\$ 1,437</u>
CONDENSED STATEMENT OF CASH FLOWS				
Net cash flows provided by:				
Operating activities	\$ 117	\$ 109	\$ 4	\$ 31
Noncapital financing	-	-	-	-
Capital and related financing	(16)	(15)	(9)	(11)
Investing activities	<u>19</u>	<u>21</u>	<u>9</u>	<u>11</u>
Net increase (decrease) in cash	120	115	4	31
Cash - Beginning of Year	<u>1,163</u>	<u>1,048</u>	<u>84</u>	<u>53</u>
Cash - End of Year	<u>\$ 1,283</u>	<u>\$ 1,163</u>	<u>\$ 88</u>	<u>\$ 84</u>

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

Board of Regents for the Oklahoma
Agricultural and Mechanical Colleges
Oklahoma City, Oklahoma

We have audited the financial statements of Oklahoma State University (the "University") as of and for the year ended June 30, 2001, and have issued our report thereon dated October 5, 2001, except for the last paragraph of Note 1, for which the effective date is February 7, 2002. These financial statements reflect the adoption of Governmental Accounting Standards Board Statements No. 33, 34, 35, 36, 37, and 38. These financial statements have also been revised, as described in the last paragraph of Note 1 to the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 5, 2001, except for the last paragraph of Note 1, for which
the effective date is February 7, 2002