



Financial Statements  
June 30, 2017 and 2016

# The University of Oklahoma - Norman Campus

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## Independent Auditor's Report

To the Board of Regents  
The University of Oklahoma - Norman Campus  
Norman, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of The University of Oklahoma - Norman Campus (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the University reporting entity are intended to present the financial position, changes in financial position, and cash flows of only the activities of the University. They do not purport to, and do not, present fairly the financial position of the Regents as of June 30, 2017 and 2016, and the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Saelly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
October 16, 2017

***Overview of the Financial Statements and Financial Analysis***

This report consists of Management's Discussion and Analysis (this part); the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the University of Oklahoma Norman Campus and Law Center (University) as a whole.

The objective of the Management's Discussion and Analysis is to help readers of the University's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2017, with comparative information for the years ended June 30, 2016, and June 30, 2015. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

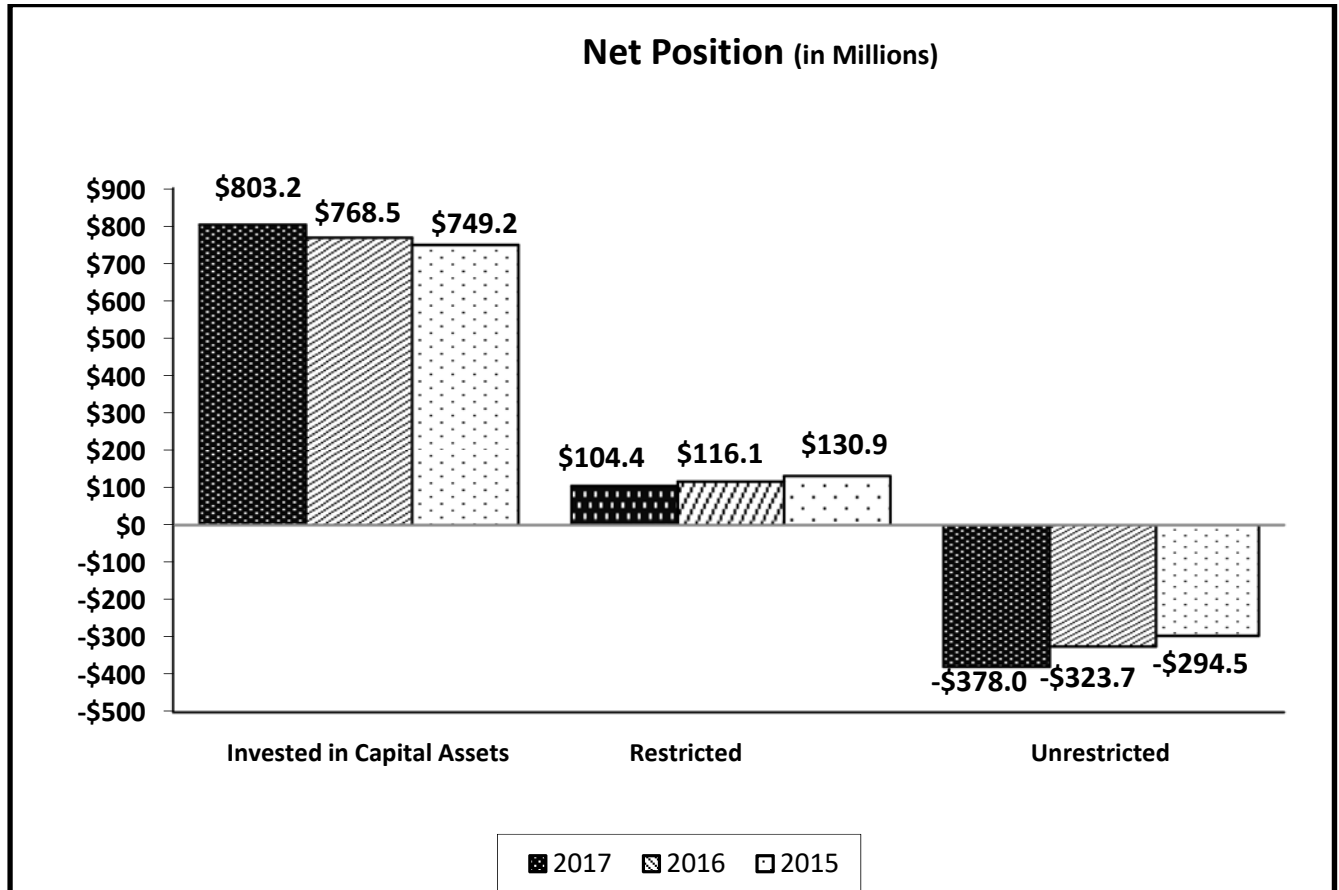
***Statements of Net Position***

The Statements of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) as of the end of the fiscal years audited. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of the University. Information related to the reporting elements included in the Statements of Net Position is included in Note 1 of the footnotes to the financial statements.

Net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources - is one way to measure the University's financial health, or position. Over time, changes in the University's net position are an indicator of its overall financial health. Non-financial factors are also important to consider, including student recruitment, enrollment, and retention and the condition of campus facilities.

Net position is divided into three major categories. The first category, net investment in capital assets provides the University's equity in property, plant, and equipment. The next category, restricted net position, provides the University's resources that 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. Unrestricted net position includes resources that are available to the University for any lawful purpose of the institution.

The following graph illustrates the comparative change in net position by the three major categories mentioned above for fiscal years 2017, 2016, and 2015:



Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. This new accounting pronouncement was adopted during the year ended June 30, 2015 and is the primary reason for the University's Unrestricted Net Position deficit. The net pension liability, deferred outflows of resources, and deferred inflows of resources as of June 30, 2017 was \$281.1 million.

In addition to the pension obligations described above, accounting standards require the University to record the actuarially determined liability for health and dental insurance provided for retirees meeting specified ages and service requirements. The liability for the post-employment benefits at June 30, 2017 was \$118.7 million.

The University of Oklahoma - Norman Campus  
Management's Discussion and Analysis (Unaudited)

The table below summarizes the net pension obligation and post-employment liability for the last 3 years.

<b>Balances at end of year (in millions)</b>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net pension obligation	\$ 281.1	\$ 265.8	\$ 282.8
Post-employment liability	118.7	111.0	102.2
<b>Total</b>	<u>\$ 399.8</u>	<u>\$ 376.8</u>	<u>\$ 385.0</u>

The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the last 3 years:

<b>Condensed Statements of Net Position</b>			
<b>End of Year (in millions)</b>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Assets:</b>			
Current Assets	\$ 297.0	\$ 306.9	\$ 312.9
Capital Assets, net	1,819.5	1,680.7	1,532.6
Other Noncurrent Assets	124.4	262.8	174.9
<b>Total Assets</b>	<u>\$ 2,240.9</u>	<u>\$ 2,250.4</u>	<u>\$ 2,020.4</u>
<b>Deferred Outflows</b>	<u>\$ 151.1</u>	<u>\$ 75.9</u>	<u>\$ 32.1</u>
<b>Liabilities:</b>			
Current Liabilities	\$ 228.8	\$ 230.8	\$ 192.1
Noncurrent Liabilities	1,598.5	1,501.0	1,210.9
<b>Total Liabilities</b>	<u>\$ 1,827.3</u>	<u>\$ 1,731.8</u>	<u>\$ 1,403.0</u>
<b>Deferred Inflows</b>	<u>\$ 35.0</u>	<u>\$ 33.7</u>	<u>\$ 63.9</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	803.2	768.5	749.2
Restricted	104.4	116.1	130.9
Unrestricted	(378.0)	(323.7)	(294.5)
<b>Total Net Position</b>	<u>\$ 529.6</u>	<u>\$ 560.9</u>	<u>\$ 585.6</u>
<b>Change in Net Position</b>	<u>\$ (31.3)</u>	<u>\$ (24.7)</u>	<u>\$ (295.9)</u>



The University of Oklahoma - Norman Campus  
Management's Discussion and Analysis (Unaudited)

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Total assets of the University decreased \$9.5 million from June 30, 2016. The current year decrease was primarily due to a decrease in cash and cash equivalents of \$156.3 million, partially offset by an increase in capital assets of \$138.8 million and an increase in investments of \$8.1 million.

Deferred Outflows of the University increased \$75.2 million from June 30, 2016 due primarily to changes in the actuarial assumptions of the University's pension plan and net difference between projected and actual investment earnings on Oklahoma Teacher's Retirement System investments.

At June 30, 2017, the University had approximately \$1,819.5 million invested in capital assets, net of accumulated depreciation of \$917.7 million. Depreciation charges for the current year totaled \$66.2 million compared to \$67.2 million and \$67.9 million in the two prior years. Note 8 to the financial statements provides additional information on capital asset activities and balances.

Total liabilities of the University increased \$95.5 million from June 30, 2016. This increase resulted primarily from an increase in net pension plan liability.

Deferred Inflows of the University increased \$1.3 million from June 30, 2016 due primarily a new ground lease entered into for residential living, partially offset by a decrease in the net difference between projected and actual investment earnings on Oklahoma Teacher's Retirement System investments.

At June 30, 2017, the University had approximately \$995.6 million in outstanding bonds and capital leases. The current year decrease of \$15.8 million is a result of \$110.4 in bond and capital lease payments during the year, partially offset by new bonds issued in the amount of \$94.6 million. Additional information related to the University's long-term liabilities is presented in Note 11 to the financial statements.

Total assets of the University increased \$230.0 million from June 30, 2015, to June 30, 2016. The current year increase was primarily due to an increase in Capital Assets as a result of construction on Gaylord Family Oklahoma Memorial Stadium, Residential Colleges, and the Jenkins Avenue Parking Facility. An increase in Other Noncurrent Assets also contributed to the increase in Total Assets due to bond proceeds received from FY16 bond issues.

Total liabilities of the University increased \$328.8 million from June 30, 2015, to June 30, 2016. This increase resulted primarily from the issuance of new bonds during FY16. The major projects of the bond issues were Gaylord Family Oklahoma Memorial Stadium, Residential Colleges, and the Jenkins Avenue Parking Facility.

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

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2017, 2016, and 2015:

<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position (in millions)</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating Revenues	\$ 639.7	\$ 611.4	\$ 583.7
Operating Expenses	<u>(963.1)</u>	<u>(923.9)</u>	<u>(871.6)</u>
Operating Loss	(323.4)	(312.5)	(287.9)
Nonoperating revenues and expenses	<u>245.4</u>	<u>247.7</u>	<u>266.0</u>
Loss before other revenues, expenses, gains or losses	(78.0)	(64.8)	(21.9)
Other revenues, expenses, gains or losses	<u>46.7</u>	<u>40.1</u>	<u>29.1</u>
Increase (decrease) in Net Position before GASB 68	(31.3)	(24.7)	7.2
Cumulative effect of adopting GASB 68	<u>-</u>	<u>-</u>	<u>(303.1)</u>
<b>Change in Net Position</b>	<u><u>\$ (31.3)</u></u>	<u><u>\$ (24.7)</u></u>	<u><u>\$ (295.9)</u></u>

Trends in the relationship between operating revenues and operating expenses are significant indicators of the University's financial health. Operating revenues increased \$28.3 million (4.6%) from June 30, 2016 to June 30, 2017, while operating expenses increased \$39.2 million (4.2%). Efforts will continue in the upcoming fiscal years to reduce expenses to better match anticipated revenues as the State's economic outlook and funds available for higher education remain uncertain.

The FY17 Change in Net Position of (\$31.3 million) is due primarily to reductions in State Appropriations (\$7.6 million) and an increase in net OPEB obligations (\$7.7 million).

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Management's Discussion and Analysis (Unaudited)

*Operating revenues* of \$639.7 million increased \$28.3 million (4.6%) in 2017 when compared to the prior year. Operating revenues of \$611.4 million for the year ended June 30, 2016, increased \$27.7 million (4.7%) when compared to the year ended June 30, 2015. The following table summarizes the University's operating revenues for the years ended June 30, 2017, 2016, and 2015:

<b>Operating Revenues (in millions)</b>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tuition and fees	\$ 313.6	\$ 292.1	\$ 278.1
Grants and contracts	103.9	100.1	94.2
Sales and services of educational activities	13.4	12.9	12.9
Auxiliary enterprises	189.3	187.1	181.2
Other revenues	<u>19.5</u>	<u>19.2</u>	<u>17.3</u>
<b>Total Operating Revenues</b>	<u>\$ 639.7</u>	<u>\$ 611.4</u>	<u>\$ 583.7</u>

For the year ended June 30, 2017, the increase in operating revenues from 2016 is primarily due to an increase in tuition and fee rates, federal grants and contracts, and athletic revenue.

The increase in operating revenues from the year ended June 30, 2015 to June 30, 2016 was due to an increase in tuition and fees rates and an increase in Housing and Food Services revenue due to increased room and board, catering, and concession revenues.

*Operating expenses* of \$963.1 million increased \$39.2 million (4.2%) in 2017 when compared to the prior year. Operating expenses of \$923.9 million for the year ended June 30, 2016 increased \$52.3 million (6.0%) when compared to the year ended June 30, 2015. The following table summarizes the University's operating expenses for the years ended June 30, 2017, 2016, and 2015:

<b>Operating Expenses (in millions)</b>			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Compensation and benefits	\$ 547.4	\$ 513.5	\$ 491.5
Contractual services	104.4	97.8	83.9
Supplies and materials	28.9	29.3	28.1
Depreciation	66.2	67.2	67.9
Utilities	45.6	46.9	46.6
Communications	6.8	6.9	6.6
Scholarships and fellowships	40.7	40.0	36.3
Other	<u>123.1</u>	<u>122.3</u>	<u>110.7</u>
<b>Total Operating Expenses</b>	<u>\$ 963.1</u>	<u>\$ 923.9</u>	<u>\$ 871.6</u>

For the year ended June 30, 2017, the increase in operating expenses from 2016 is primarily due to an increase in compensation and benefits (pension expense) and contractual services.

The increase in operating expenses from the year ended June 30, 2015 to June 30, 2016, was primarily due to an increase in compensation and benefits, an increase in contractual services resulting from increased maintenance costs and increases in the Athletic Department's event operating expenses, and an increase in scholarships and fellowships due to additional and increased scholarships being made available as a result of tuition and fee increases and an increase in other expenses.

*Non-operating revenues* of \$245.4 million decreased \$2.3 million (0.9%) in 2017 when compared to the prior year. Non-operating revenues of \$247.7 million for the year ended June 30, 2016 decreased \$18.3 million (6.9%) when compared to the year ended June 30, 2015. The following table summarizes the University's non-operating revenues and expenses for the years ended June 30, 2017, 2016, and 2015:

<b>Non-operating Revenues (Expenses) (in millions)</b>			
	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
State appropriations	\$ 120.4	\$ 128.0	\$ 147.1
On-behalf payments for OTRS	13.8	15.0	12.6
Endowment income	6.8	6.0	6.4
Grants and contracts	79.6	87.7	88.7
Private gifts	53.7	44.7	39.9
Loss on transfer of asset	-	-	(0.4)
Interest on indebtedness	(38.5)	(34.9)	(34.0)
Investment income	<u>9.6</u>	<u>1.2</u>	<u>5.7</u>
<b>Net Non-operating Revenues</b>	<u><b>\$ 245.4</b></u>	<u><b>\$ 247.7</b></u>	<u><b>\$ 266.0</b></u>

Appropriations from the State of Oklahoma decreased \$7.6 million (5.9%) during fiscal year 2017. Grants and contracts revenue decreased as a result of the loss of a major federal grant during fiscal year 2017. These decreases were partially offset by an increase in private gifts and investment income.

During fiscal year 2016, appropriations from the State of Oklahoma decreased \$19.1 million.

*Other revenues, expenses, gains, or losses* of \$46.7 million increased \$6.6 million (16.5%) in 2017 when compared to the prior year. Other revenues, expenses, gains, or losses of \$40.1 million for the year ended June 30, 2016 increased \$11.0 million (37.8%) when compared to the year ended June 30, 2015. The following table summarizes the University's other revenues, expenses, gains, or losses for the years ended June 30, 2017, 2016, and 2015:

<b>Other Revenues, Expenses, Gains, or (Losses)</b> (in millions)			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Build America Bonds subsidy	\$ 0.8	\$ 0.8	\$ 0.8
Federal grants and contracts for capital purposes	-	0.7	1.8
Private gifts for capital purposes	26.8	18.8	8.7
State school land funds	9.9	9.2	9.4
On-behalf payments for OCIA capital leases	8.2	8.2	8.0
Additions to permanent endowments	<u>1.0</u>	<u>2.4</u>	<u>0.4</u>
<b>Total Other Revenues, Expenses, Gains or (Losses)</b>	<u>\$ 46.7</u>	<u>\$ 40.1</u>	<u>\$ 29.1</u>

The increase from June 30, 2016 to June 30, 2017 and the increase from June 30, 2015 to June 30, 2016 is primarily due to an increase in private gifts for various capital projects.

***Statements of Cash Flows***

The primary purpose of the Statements of Cash Flows is to provide information about the cash receipts and disbursements of the University during the year. It also aids in the assessment of the University's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The University's overall liquidity decreased during the current year, with a net decrease to cash and cash equivalents of \$156.3 million. Overall liquidity increased from June 30, 2015 to June 30, 2016, with a net increase to cash and cash equivalents of \$99.6 million.

The following table summarizes the University's cash flows for the years ended June 30, 2017, 2016, and 2015:

<b>Condensed Statement of Cash Flows for the Year</b> (in millions)			
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Cash provided (used) by:</b>			
Operating activities	\$ (184.2)	\$ (225.3)	\$ (215.3)
Noncapital financing activities	260.0	269.9	281.7
Capital and related financing activities	(235.0)	36.6	(110.7)
Investing activities	<u>2.9</u>	<u>18.4</u>	<u>(124.9)</u>
<b>Net Change In Cash</b>	(156.3)	99.6	(169.2)
<b>Cash and equivalents, beginning of the year</b>	<u>396.5</u>	<u>296.9</u>	<u>466.1</u>
<b>Cash and equivalents, end of the year</b>	<u>\$ 240.2</u>	<u>\$ 396.5</u>	<u>\$ 296.9</u>

Cash used by operating activities during fiscal year 2017 of \$184.2 million decreased \$41.1 million (18.2%) compared to the prior year (\$225.3 million). Major sources of operating funds were tuition and fees (\$312.5 million), grants and contracts (\$103.7 million), and auxiliary enterprises (\$192.2 million), which were offset by the payment of compensation and benefits (\$507.2 million) and other operating expenses (\$315.0 million).

Cash provided by noncapital financing activities during fiscal year 2017 of \$260.0 million decreased \$9.9 million (3.7%) compared to the prior year (\$269.9 million). Major sources of noncapital financing activities were state appropriations (\$120.4 million), grants and contracts (\$79.6 million), and private gifts (\$53.4 million).

Cash used by capital and related financing activities during fiscal year 2017 of \$235.0 million increased \$271.6 million (742.0%) when compared to cash provided by capital and related financing activities the prior year (\$36.6 million) due primarily to the timing of the receipt of bond proceeds and related expenditures. Major sources of capital and related financing activities were proceeds from revenue bonds (\$94.6 million) and private gifts (\$26.9 million), which were offset by purchases of capital assets (\$217.9 million) and principal and interest payments on capital debt and leases (\$145.6 million).

Cash provided by investing activities during fiscal year 2017 was \$2.9 million. Cash provided by investing activities during fiscal year 2016 was \$18.4 million.

Cash used by operating activities during fiscal year 2016 of \$225.3 million increased \$10.0 million (4.6%) compared to the prior year (\$215.3 million). Major sources of operating funds were tuition and fees (\$294.5 million), grants and contracts (\$100.1 million), and auxiliary enterprises (\$187.7 million), which were offset by the payment of compensation and benefits (\$505.1 million) and other operating expenses (\$330.0 million).

Cash provided by noncapital financing activities during fiscal year 2016 of \$269.9 million decreased \$11.8 million (4.2%) compared to the prior year (\$281.7 million). Major sources of noncapital financing activities were state appropriations (\$128.0 million), grants and contracts (\$87.6 million), and private gifts (\$47.3 million).

Cash provided by capital and related financing activities during fiscal year 2016 of \$36.6 million increased \$147.3 million (133.1%) when compared to cash used by capital and related financing activities the prior year (\$110.7 million) due primarily to the timing of the receipt of bond proceeds and related expenditures. Major sources of capital and related financing activities were proceeds from revenue bonds (\$348.5 million) and private gifts (\$18.8 million), which were offset by purchases of capital assets (\$192.0 million) and principal and interest payments on capital debt and leases (\$147.1 million).

Cash provided by investing activities during fiscal year 2016 was \$18.4 million. Cash used in investing activities during fiscal year 2015 was \$124.9 million. The change between the years is due to the timing of the transition of investment managers for the University's endowments.

***Economic Outlook***

The University's economic outlook continues to be closely related to its role as one of the State's premier comprehensive institutions. It benefits from ongoing financial and political support from the State of Oklahoma. The University continues to scrutinize budget allocations to align with anticipated revenues and to focus attention on the management of its existing resources. While current economic conditions facing the state are challenging, the University's competitive position remains strong.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. The University continues to attract top students from across the nation and more than 100 countries around the world, providing a major university experience in a private college atmosphere. Enrollment continues to grow 1-2% annually and retention rates have reached record levels. The University is considered a pacesetter for public higher education in the United States and *The Princeton Review* consistently ranks OU among the best in the nation in terms of academic excellence and cost for students. OU ranks No. 1 in the nation among both public and private universities in the enrollment of freshmen National Merit Scholars. OU has produced 29 Rhodes Scholars; no other university in Oklahoma has had more than three.

On September 20, 2017, President David L. Boren announced his retirement from the University effective June 30, 2018. The Board of Regents has established a search committee and set in motion a process to identify the best possible candidates to serve as President. The University plans to select the next President during the Spring of 2018.

This financial report is designed to provide all interested parties with a general overview of the University's finances and to show the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University's Chief Financial Officer or Controller at 660 Parrington Oval, Norman, OK 73019 or (405)325-5161.

The University of Oklahoma - Norman Campus  
 Statements of Net Position  
 June 30, 2017 and 2016

	2017	2016
	(\$ in thousands)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 105,155	\$ 73,549
Restricted cash and cash equivalents	122,804	164,185
Accrued interest receivable	229	509
Accounts receivable, net of allowance for doubtful accounts	58,825	59,440
Inventories and supplies, at cost	4,407	4,357
Loans to students, net of allowance for uncollectible loans	2,183	2,259
Deposits and prepaid expenses	3,399	2,614
<b>TOTAL CURRENT ASSETS</b>	<b>297,002</b>	<b>306,913</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	12,205	158,736
Endowment investments	59,430	54,307
Other long-term investments	34,838	31,889
Investments in real estate	220	220
Loans to students, net	17,301	17,094
Deposits and prepaid expenses	400	575
Capital assets, net of accumulated depreciation	1,819,468	1,680,715
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,943,862</b>	<b>1,943,536</b>
<b>TOTAL ASSETS</b>	<b>2,240,864</b>	<b>2,250,449</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on OCIA lease restructure	321	642
Deferred charge on advance refunding of bonds	2,651	978
Deferred charge on defeasance of bonds	5,575	6,022
Deferred contributions on pension plans	142,570	68,278
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>151,117</b>	<b>75,920</b>



The University of Oklahoma - Norman Campus  
Statements of Net Position  
June 30, 2017 and 2016

	2017	2016
	(\$ in thousands)	
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	66,298	64,429
Utilities management agreement, current portion	4,720	4,720
Other postemployment benefits, current portion	6,035	5,872
Accrued compensated absences	30,106	31,000
Unearned revenues	68,554	68,981
Unearned revenues - long-term contracts, current portion	319	1,815
Accrued interest payable	19,427	18,745
Capital leases and revenue bonds payable--current portion	32,423	34,588
Deposits held in custody for others	939	621
	<b>228,821</b>	<b>230,771</b>
<b>NONCURRENT LIABILITIES, net of current portion</b>		
Utilities management agreement	80,680	85,400
Other postemployment benefits	112,704	105,159
Net pension liability	411,706	303,775
Retirement plan liability	10,588	10,039
Accrued compensated absences	5,313	5,471
Unearned revenues - long-term contracts	132	-
Federal loan program contributions refundable	14,243	14,351
Capital lease obligations	44,315	52,594
Revenue bonds payable	918,829	924,201
	<b>1,598,510</b>	<b>1,500,990</b>
	<b>1,827,331</b>	<b>1,731,761</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred credit on OCIA lease restructure	3,188	3,465
Deferred credit on pension plans	11,932	30,283
Deferred credit on ground lease	19,884	-
	<b>35,004</b>	<b>33,748</b>
<b>NET POSITION</b>		
Net investment in capital assets	803,257	768,470
Restricted for:		
Nonexpendable	33,993	27,868
Expendable:		
Educational, general and auxiliary operations	22,249	23,219
Capital projects	14,596	29,632
Debt service	23,015	25,605
Athletics	10,581	9,769
Unrestricted	(378,045)	(323,703)
	<b>\$ 529,646</b>	<b>\$ 560,860</b>

The University of Oklahoma - Norman Campus  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2017 and 2016

	2017	2016
	(\$ in thousands)	
<b>OPERATING REVENUES</b>		
Student tuition & fees (net of scholarship allowances of \$94,862 and \$80,458 for 2017 and 2016, respectively)	\$ 313,571	\$ 292,101
Federal grants and contracts	65,885	63,360
State grants and contracts	12,832	11,169
Private grants and contracts	25,190	25,528
Interest on student loans receivable	399	450
Sales and services of educational activities	13,418	12,935
Housing and Food Service revenues	61,606	62,497
Athletic revenues (net of scholarship allowances of \$10,097 and \$8,607 for 2017 and 2016, respectively)	95,161	92,710
Sales and services of auxiliary enterprises--other	32,542	31,931
Other revenues	19,121	18,697
<b>TOTAL OPERATING REVENUES</b>	<b>639,725</b>	<b>611,378</b>
<b>OPERATING EXPENSES</b>		
Compensation and benefits	547,350	513,549
Contractual services	104,446	97,792
Supplies and materials	28,895	29,261
Depreciation	66,238	67,218
Utilities	45,626	46,883
Communications	6,794	6,900
Scholarships and fellowships	40,664	40,035
Other	123,134	122,309
<b>TOTAL OPERATING EXPENSES</b>	<b>963,147</b>	<b>923,947</b>
<b>OPERATING LOSS</b>	<b>(323,422)</b>	<b>(312,569)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	120,427	128,032
On-behalf payments for OTRS	13,808	14,995
Federal grants and contracts	26,677	31,081
State grants and contracts	48,627	52,690
Private grants and contracts	4,249	3,856
Private gifts	53,731	44,681
Interest on indebtedness	(38,484)	(34,901)
Investment income	9,589	1,225
Endowment income	6,754	6,006
<b>NET NONOPERATING REVENUES</b>	<b>245,378</b>	<b>247,665</b>
<b>LOSS BEFORE OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)</b>	<b>(78,044)</b>	<b>(64,904)</b>
<b>OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>		
Federal grants and contracts for capital purposes	4	725
Build America Bonds Subsidy	789	804
Private gifts for capital assets	26,876	18,765
State school land funds	9,924	9,246
On-behalf payments for OCIA capital leases	8,270	8,230
Additions to permanent endowments	967	2,397
<b>CHANGE IN NET POSITION</b>	<b>(31,214)</b>	<b>(24,737)</b>
NET POSITION AT BEGINNING OF YEAR	560,860	585,597
NET POSITION AT END OF YEAR	<b>\$ 529,646</b>	<b>\$ 560,860</b>

The University of Oklahoma - Norman Campus  
Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	2017	2016
	(\$ in thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition & fees	\$ 312,522	\$ 294,540
Sales and services of educational activities	14,396	13,777
Sales and services of auxiliary enterprises	34,014	32,127
Housing and Food Service revenues	61,218	62,158
Athletic revenues	96,929	93,390
Federal grants and contracts	65,760	64,165
State grants and contracts	12,135	10,625
Private grants and contracts	25,854	25,326
Interest on loans receivable	399	450
Other additions	14,819	13,622
Loans issued to students	(2,871)	(2,841)
Collection of loans	2,783	2,552
Compensation & benefits	(507,164)	(505,144)
Other operating expenses	(315,042)	(330,022)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(184,248)</b>	<b>(225,275)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	120,426	128,032
Federal grants and contracts	26,677	31,081
State grants and contracts	48,627	52,690
Private grants and contracts	4,249	3,856
Net decrease in Federal loan program contributions refundable	(108)	(89)
Endowment income	6,743	6,999
Private gifts	53,383	47,279
Federal Direct loan receipts	117,190	107,126
Federal Direct loan disbursements	(117,190)	(107,126)
<b>NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>259,997</b>	<b>269,848</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to permanent endowment	967	2,397
Proceeds from revenue bonds and capital leases	94,617	348,507
Payments under utilities management agreement	(4,720)	(4,720)
Federal grants and contracts for capital purposes	4	725
Private gifts for capital assets	26,876	18,765
State school land funds	9,924	9,246
Build America Bonds Subsidy	789	804
Purchases of capital assets	(217,852)	(192,008)
Principal paid on capital debt and leases	(29,979)	(29,993)
Refunded or defeased capital debt	(76,390)	(83,720)
Interest paid on capital debt and leases	(39,198)	(33,371)
<b>NET CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(234,962)</b>	<b>36,632</b>

The University of Oklahoma - Norman Campus  
Statements of Cash Flows  
Years Ended June 30, 2017 and 2016

	2017	2016
	(\$ in thousands)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	7,453	7,757
Proceeds from sales and maturities of investments	2,273	16,413
Purchase of investments	(6,819)	(5,776)
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	2,907	18,394
NET CHANGE IN CASH AND CASH EQUIVALENTS	(156,306)	99,599
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	396,470	296,871
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 240,164	\$ 396,470
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (323,422)	\$ (312,569)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	66,238	67,218
Loss on disposal of assets	10,288	6,343
OTRS On-behalf contributions	13,808	14,995
Change in operating assets and liabilities:		
Accounts receivable	973	1,082
Inventory	(50)	(98)
Student loans receivable	(131)	(280)
Deposits and prepaid expenses	(610)	(749)
Deferred outflows of resources	(74,294)	(47,331)
Accounts payable, accrued expenses, and other liabilities	8,305	5,414
Other postemployment benefits	7,708	8,814
Unearned revenue	(1,791)	690
Compensated absences	(1,052)	2,060
Deposits held in custody for others	317	(1,134)
Net pension liability	107,930	60,095
Deferred inflows of resources	1,534	(29,825)
NET CASH USED IN OPERATING ACTIVITIES	\$ (184,248)	\$ (225,275)
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Net capitalized interest	\$ 3,311	\$ 4,993
Principal on capital debt paid by State Agency on behalf of the University	5,792	5,575
Interest on capital debt paid by State Agency on behalf of the University	2,478	2,655
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 105,155	\$ 73,549
Restricted cash and cash equivalents	122,804	164,185
Noncurrent assets:		
Restricted cash and cash equivalents	12,205	158,736
	\$ 240,164	\$ 396,470

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The University of Oklahoma Norman Campus (the "University" or the "Norman Campus") is a comprehensive university operating under the jurisdiction of the Board of Regents of the University of Oklahoma ("Board of Regents") and the Oklahoma State Regents for Higher Education.

Reporting Entity: The University is one of four institutions of higher education in Oklahoma that comprise the Regents of the University of Oklahoma, which in turn is part of the Higher Education Component Unit of the State of Oklahoma.

The Board of Regents has constitutional authority to govern, control and manage the Regents of the University of Oklahoma, which consists of University of Oklahoma Norman Campus, University of Oklahoma Health Sciences Center, Rogers State University, and Cameron University. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, and appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

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

The University of Oklahoma Foundation, Inc. (the "Foundation") is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the University of Oklahoma as a whole, including both the Norman Campus and the Health Sciences Center. Accordingly, the Foundation is a component unit of the Regents of the University of Oklahoma. Because the resources received and held by the Foundation are not entirely or almost entirely held for the benefit of the Norman Campus, however, such financial statements are not included in the separate financial statements of the Norman Campus.

Financial Statement Presentation: The Governmental Accounting Standards Board ("GASB") is the recognized standard-setting body for accounting principles generally accepted in the United States of America ("U.S. GAAP") applicable to public sector institutions of higher education. The University applies all applicable GASB pronouncements.

Basis of Accounting: The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, in accordance with U.S. GAAP. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--

Continued

Cash Equivalents: For purposes of the statement 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 OK Invest cash management investment policy are considered cash equivalents.

Investments: The University accounts for its investments at fair value based on quoted market prices. Investments held by the OU Foundation are pooled investments. Ownership interests in those pools are unitized. The Foundation calculates the net asset value per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from these pools for the benefit of the unit holders are transmitted at the net asset value per unit on the monthly valuation dates. With the exception of alternative investments, the pooled funds are held in the custody of the Bank of New York-Mellon. Certain investments at the Foundation are subject to two-year initial lock-up and require minimum notice of 180 days for redemptions. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

Accounts Receivable: Accounts receivable consist primarily of tuition and fee charges to students and charges for auxiliary enterprise services provided to the public and outside parties. Accounts receivable also include amounts due from the federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventories: Inventories, consisting mainly of supplies, are stated at the lower of aggregate cost or aggregate market, cost being determined principally on the basis of average cost.

Restricted Cash and Investments: Cash and investments that are externally restricted for grant expenditures, debt service payments, loans to students, maintenance of sinking or reserve funds, or purchase of capital or other noncurrent assets, are classified as restricted cash and investments in the statements of net position.

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--

Continued

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. For equipment, the University's capitalization policy includes all items with a unit cost of \$5 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 50 years for buildings, 20 years for infrastructure, land improvements, and library books, 5 years for software and 3 to 18 years for equipment or the duration of the lease term for capital leases.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. In 2017, total interest incurred was \$41,795 of which \$3,311 was capitalized. In 2016, total interest incurred was \$39,894, of which \$4,993 was capitalized.

Intangible assets are reported with capital assets. Intangible assets subject to amortization are amortized over their respective estimated useful lives. Intangible assets with indefinite useful lives are not material to the financial statements.

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the statement of revenues, expenses, and changes in net position. For 2017 impairment losses totaled \$20, and for 2016 they totaled \$78.

Unearned Revenues: Unearned revenues consist primarily of advance ticket sales for athletic events, summer school tuition not earned during the current year and contract advances. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Accrued Compensated Absences: Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net position and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

## NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--

Continued

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; (3) amounts due on the utilities management agreement; (4) net pension liability; (5) estimated other post-employment benefits that will not be paid within the next fiscal year; and other liabilities that will not be paid within the next fiscal year.

Bond premiums and discounts are amortized over the life of the bonds using the straight line method, which is not significantly different from the effective interest method.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teacher's Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by OTRS are reported at fair value.

Net Position: The University's net position is classified as follows:

*Net investment in capital assets* - This represents the University's investment in capital assets, net of accumulated depreciation, and related deferred outflows of resources, reduced by outstanding debt obligations and related deferred inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

*Restricted net position - expendable* - The restricted expendable component of net position includes resources which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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

*Unrestricted net position* - The unrestricted component of net position represents 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 primarily provide services to the public and outside parties.



NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--

Continued

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

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

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

*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, such as State appropriations, certain governmental and other pass-through grants, and investment income.

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

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2017 and 2016, the University's deferred outflows of resources were comprised of deferred charges related to a lease restructuring and advance refundings (defeasance) of bonds, and deferred outflows related to pensions.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2017 the University's deferred inflows of resources were comprised of a deferred credit related to a lease restructuring, deferred inflows related to pensions, and a deferred credit for a ground lease. At June 30, 2016, the University's deferred inflows of resources were comprised of a deferred credit related to a lease restructuring and deferred inflows related to pensions.

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

## NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--

Continued

Tax Status: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B). Such amounts have historically been insignificant.

Reclassifications: Certain reclassifications have been made to the 2016 financial statements to conform with the 2017 financial statement presentation. Such reclassifications have had no effect on changes in net position as previously reported.

New Accounting Pronouncements Adopted in Fiscal Year 2017: The University adopted new accounting pronouncements during the year ended June 30, 2017 as follows:

- *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*  
GASB No. 73 was issued in June 2015 and establishes requirements for defined benefit pensions that are not with the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 68 for pension plans and pensions that are within their respective scopes. It was effective for fiscal years beginning after June 15, 2015, except for provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which was effective for fiscal years beginning after June 15, 2016. The adoption of GASB No. 73 did not have a significant impact on the University's financial statements.
- *Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*  
GASB No. 82 was issued in March 2016 and addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from guidance in actuarial standards for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. With the exception of requirements related to the selection of assumptions in certain circumstances, this statement was effective for the fiscal year ending June 30, 2017. The adoption of GASB No. 82 did not have a significant impact on the University's financial statements.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in fiscal year 2018 or after. A description of the new accounting pronouncements and the University's consideration of the impact of these pronouncements are described below:

## NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--

Continued

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*  
GASB No. 75 was issued in June 2015 and replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The provisions of GASB No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- Statement No. 84, *Fiduciary Activities*  
GASB No. 84 was issued in January 2017 and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of GASB No. 84 are effective for reporting periods beginning after December 15, 2018, with earlier application encouraged.
- Statement No. 85, *Omnibus 2017*  
GASB No. 85 was issued in March 2017 and addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The provisions of GASB No. 85 are effective for reporting periods beginning after June 15, 2017, with earlier application encouraged.
- Statement No. 86, *Certain Debt Extinguishment Issues*  
GASB No. 86 was issued in May 2017 and provides guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also includes guidance related to prepaid insurance on debt that is extinguished and on notes to the financial statements for debt that is defeased in substance. The provisions of GASB No. 86 are effective for reporting periods beginning after June 15, 2017, with earlier application encouraged.
- Statement No. 87, *Leases*  
GASB No. 87 was issued in June 2017. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of GASB No. 87 are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

## NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--

Continued

The University is currently evaluating the impact that these new standards will have on its financial statements.

## NOTE 2--DEPOSITS AND INVESTMENTS

Deposits: *Custodial credit risk* for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned or the University will not be able to recover collateral securities in the possession of an outside party. Generally, the University deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the state's name.

State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the University deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the University's name, or invested in U.S. government obligations in the University's name.

Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the OST; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Deposits with financial institutions primarily consist of money market funds that invest in U.S. Treasury bills, notes and securities backed by the full faith and credit of the U.S. Government, some of which may be subject to repurchase agreements. Repurchase agreements are collateralized with securities backed by the full faith and credit of the U.S. Government at 102% of maturity value.

Cash and Cash Equivalents: At June 30, 2017 and 2016, the carrying amounts of the University's deposits with the State Treasurer and other financial institutions were \$240,164 and \$396,470, respectively. These amounts consisted of deposits with the OST (\$197,159 and \$351,351), U.S. and foreign financial institutions (\$441 and \$654), deposits with trustees (\$42,442 and \$44,350), and petty cash and change funds (\$122 and \$115).

## NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Of funds on deposit with the OST, amounts invested in OK INVEST total \$133,750 in 2017 and \$300,284 in 2016. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's and its funds' and agencies' daily cash flow requirements.

Guidelines in the OK INVEST Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. OK INVEST includes investments in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to ten years. OK INVEST maintains an overall weighted average maturity of no more than four years. Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

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

Unless significant or unusual losses are incurred by OK INVEST, the University's interest in OK INVEST is stated at cost, plus accrued interest. OK INVEST provides the University with a stated rate of return rather than an equivalent share of investment gains or losses. Amounts invested in OK INVEST are available for unrestricted withdrawal. For financial reporting purposes, deposits with the OST that are invested in OK INVEST are classified as cash equivalents.

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

The distribution of investments in OK INVEST at June 30, 2017 and 2016 are as follows:

OK INVEST Portfolio	2017	2016
U.S. agency securities	42%	41%
Money market mutual funds	10%	41%
Certificates of deposit	4%	11%
Mortgage backed agency securities	40%	3%
Municipal bonds	2%	2%
Foreign bonds	1%	1%
U.S. Treasury obligations	1%	1%
	100%	100%

As of June 30, 2017 and 2016, the University held approximately 2.6% and 5.3% of the OK INVEST fund. The market value of OK INVEST as of June 30, 2017 and 2016 was \$5,222,328 and \$5,803,308, respectively, and the amortized cost was \$5,218,812 and \$5,723,314.

Investments

Fair Value of Investments:

GASB No. 72 specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

Level 1 - Unadjusted quoted prices for identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

Level 2 -Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are directly or indirectly observable. Examples would be matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3 - Valuations derived from valuation techniques in which significant inputs or significant value drivers are unobservable and may rely on the reporting entity's own assumptions, but the market participant's assumptions may be used in pricing the asset or liability.

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the University defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the University performed a detailed analysis of the assets and liabilities that are subject to GASB No. 72.

Investments measured at fair value as of June 30, 2017 are summarized as follows:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fidelity revenue sharing investments	\$ 635	\$ 635	\$ -	\$ -
InvesTrust retirement plan investments	10,782	10,782	-	-
Mineral interests	212	-	-	212
Real property	8	-	-	8
Total investments by fair value level	<u>11,637</u>	<u>11,417</u>	<u>-</u>	<u>220</u>
Investments measured at net asset value				
CIF - OU Foundation	61,245			
EIP II - OU Foundation	<u>21,606</u>			
Total investments at net asset value	<u>82,851</u>			
Total investments	<u><u>\$ 94,488</u></u>			

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Investments measured at fair value as of June 30, 2016 are summarized as follows:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fidelity revenue sharing investments	\$ 796	\$ 796	\$ -	\$ -
InvesTrust retirement plan investments	9,709	9,709	-	-
Mineral interests	212	-	-	212
Real property	8	-	-	8
Total investments by fair value level	<u>10,725</u>	<u>10,505</u>	<u>-</u>	<u>220</u>
Investments measured at net asset value				
CIF - OU Foundation	55,772			
EIP II - OU Foundation	<u>19,919</u>			
Total investments at net asset value	<u>75,691</u>			
Total investments	<u><u>\$ 86,416</u></u>			

Fidelity revenue sharing investments (Level 1): These investments include bonds, stable value investments and short-term money market mutual funds.

InvesTrust retirement plan investments (Level 1): These investments include target retirement date mutual funds.

Real property (Level 3): This is investments owned directly by the University and held for investment purposes. The real property is measured using an internal analysis that considers indications of impairment or changes in property values. Management does not adjust this investment for immaterial changes based on this assessment.

Mineral interests (Level 3): This is investments owned directly by the University and held for investment purposes.



## NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Investments measured at net asset value: There are two investments held with the OU Foundation that are pooled investments. The investments held within these investment pools are:

Consolidated Investment Fund (CIF) - Investments in this pool consist primarily of domestic and international equity securities, U.S. government securities, derivative financial instruments and alternative holdings. The OU Foundation considers the underlying investments within this pool to include Level 1, 2 and 3 inputs. The University owned approximately 5.2% and 5.5% of the fund as of June 30, 2017 and 2016.

Expendable Investment Pool II (EIP II) - Investments in these pools primarily consist of liquid money market funds, mutual funds, equities and separate accounts holding U.S. government and corporate fixed income securities. The OU Foundation considers the underlying investments within this pool to include Level 1 and 2 inputs. The University owned approximately 16.0% and 15.8% of the fund as of June 30, 2017 and 2016.

Ownership interests in each pool are unitized. The OU Foundation calculates the NAV per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from these pools for the benefit of the unit holders are transmitted at the NAV per unit on the monthly valuation dates.

The University's investments have no unfunded commitments and funds may be redeemed daily with no redemption notice. Within the CIF pool, certain investments held do have unfunded commitments and limitations on redemption frequency, including redemption notice periods. The total market value of the CIF fund as of June 30, 2017 totaled \$1,181,091. Unfunded commitments within this fund totaled \$221,946. There were redemption limitations that ranged from quarterly to 3 years with a 30 to 90-day redemption notice period on investments with a total market value of \$205,260.

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the University to experience a loss of principal. As a means of limiting exposure to losses arising from credit risk, the University limits its exposure to this risk as follows:

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the University are generally limited to direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.
- Investments in municipal money market funds are limited to funds with a rating of AAAM by Standard & Poor's.

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

- The Board has authorized endowment and similar funds to be invested in direct obligations of the United States Government and its agencies, certificates of deposit, prime commercial paper, bankers' acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities and equity securities.
- The University's fixed income securities are generally limited to holdings of high quality fixed income securities.

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities in the possession of an outside party. As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure to this risk as follows:

- Investment securities held in bond debt service reserve funds are held by the respective bond trustee for the benefit of the University and bondholders.
- Endowment investments are held in the University's name.

Concentration of Credit Risk: University investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. The University places no limit on the amount the University may invest in any one issuer. However, the majority of the investments are in pooled investments and mutual funds.

Interest Rate Risk: The University does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The University is responsible for determining its operating cash flow requirements and to insure that adequate funds are available to maintain the University's operations. In determining liquidity needs, the appropriate mix of short-term, intermediate, and long-term investments will be evaluated.

Title 70, Section 4306 of the Oklahoma statutes directs, authorizes and empowers the University's Board of Regents to hold, invest or sell donor restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

The reconciliation between investments per the statements of net position and total investments is as follows at June 30:

	2017	2016
Endowment investments	\$ 59,430	\$ 54,307
Other long-term investments	34,838	31,889
Investments in real estate and mineral interests	220	220
	\$ 94,488	\$ 86,416

NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying statements of net position. Accounts receivable consisted of the following at June 30:

	2017	2016
Student tuition and fees	\$ 48,372	\$ 44,588
Federal, state and private grants and contracts	28,437	29,392
Contributions and gifts	5,845	5,833
Auxiliary enterprises and other operating activities	8,020	9,676
	90,674	89,489
Less allowance for doubtful accounts	(31,849)	(30,049)
Net accounts receivable	\$ 58,825	\$ 59,440

Included in the amounts above is approximately \$7,336 at June 30, 2017, and \$7,394 at June 30, 2016, which is due from the U.S. government.

NOTE 4--INVENTORIES

Inventories consisted of the following at June 30:

	2017	2016
University Press	\$ 875	\$ 936
Other Auxiliaries	835	874
University Printing Services	482	580
Facilities Management	256	269
College of Continuing Education operations	120	130
Museum retail operations	336	299
IT Store	1,431	1,187
Other	72	82
	\$ 4,407	\$ 4,357

## NOTE 5--LOANS TO STUDENTS

Net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 79.2% of the June 30, 2017 loan balance and 79.8% of the 2016 loan balance. Under certain conditions such loans can be forgiven at annual rates of 10.0% to 30.0% of the original balance up to maximums of 50.0% to 100.0% of the original loan. The federal government reimburses the University to the extent of 10.0% of the amounts forgiven for loans originated prior to July 1, 1993 under the 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 \$14,243 and \$14,351 at June 30, 2017 and 2016, respectively, are reflected in the accompanying statements of net position 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 Perkins student loans, as the University is not obligated to fund the federal portion of uncollected student loans as long as the University has performed the required due diligence. 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, 2017 and 2016, the allowance for uncollectible loans, including loans made under the program, was approximately \$939 and \$982, respectively.

## NOTE 6--FUNDS HELD IN TRUST BY OTHERS

Commissioners of the Land Office - Section 13/New College Funds: The University of Oklahoma has a beneficial interest in the "Section Thirteen State Educational Institutions Fund" 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 distribution of income produced by "Section Thirteen State Educational Institutions Fund" assets and 100% of the distribution of income produced by the University's "New College Fund".

The University received approximately \$9,924 and \$9,246 during the years ended June 30, 2017, and 2016, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2017 and 2016, respectively, the University distributed \$4,611 and \$3,716 of these funds to the Health Sciences Center. Present state law prohibits the distribution of any corpus of these funds. The estimated fair value of the total trust fund for the University, held in trust by the Commissioners of the Land Office, was approximately \$181,975 (\$176,027 restricted corpus) and \$174,719 (\$168,951 restricted corpus) at June 30, 2017 and 2016, respectively. Such trust funds, held by the Commissioners of the Land Office, are not included in the financial statements of the University.

## NOTE 6--FUNDS HELD IN TRUST BY OTHERS--Continued

Oklahoma State Regents for Higher Education Endowment Program: In connection with the Oklahoma State Regents' Endowment Program, the State of Oklahoma has matched contributions received under the Endowment Program. The cumulative state match amount, plus any retained accumulated earnings, totaled approximately \$108,614 and \$101,110 at June 30, 2017 and 2016, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of earnings on these funds. As legal title of the State match is retained by the State Regents, only the funds available for distribution, or \$5,845 and \$5,833 as of June 30, 2017 and 2016, respectively, have been reflected in the statements of net position as accounts receivable. With regard to the institutional matching funds, approximately \$188,749 and \$168,743 are on deposit with the Foundation for the benefit of the University as of June 30, 2017 and 2016, respectively.

## NOTE 7--RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended June 30, 2017 and 2016 including a description of the relationship, is as follows:

*The University of Oklahoma Foundation*

As discussed in Note 1, the Foundation is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the University, including the Health Sciences Center. The Foundation is governed by an independent Board of Directors. Based on the audited financial statements of the Foundation for the years ended June 30, 2017 and 2016, net assets of the Foundation were approximately \$1,510,448 (unaudited) and \$1,399,952 (audited) respectively. The Foundation expended on behalf of the Norman Campus and Health Sciences Center approximately \$129,707 in 2017 and \$105,278 in 2016 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships, of which approximately \$75,720 in 2017 and \$61,065 in 2016 are reflected in the Norman Campus financial statements as revenue or private gifts and expenditures. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes and amounts reflected in the Health Sciences Center's financial statements.

NOTE 8--CAPITAL ASSETS

The following is a summary of capital assets for the years ended June 30:

	2017				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 43,711	\$ 1,702	\$ -	\$ -	\$ 45,413
Construction in progress	199,827	165,096	(225,615)	-	139,308
Total capital assets not being depreciated	243,538	166,798	(225,615)	-	184,721
Capital assets being depreciated:					
Buildings	1,522,936	1,155	187,457	(14,599)	1,696,949
Equipment	227,185	17,556	596	(7,991)	237,346
Nonstructural improvements	158,137	15,448	29,874	-	203,459
Land improvements	33,228	-	-	-	33,228
Software	63,879	164	-	-	64,043
Infrastructure	81,696	3,741	7,688	-	93,125
Library books	213,913	10,417	-	-	224,330
Total capital assets being depreciated	2,300,974	48,481	225,615	(22,590)	2,552,480
Less accumulated depreciation for:					
Buildings	417,347	29,180	-	(6,200)	440,327
Equipment	158,016	15,517	-	(6,102)	167,431
Nonstructural improvements	40,375	8,762	-	-	49,137
Land improvements	28,418	542	-	-	28,960
Software	62,482	623	-	-	63,105
Infrastructure	43,736	3,406	-	-	47,142
Library books	113,423	8,208	-	-	121,631
Total accumulated depreciation	863,797	66,238	-	(12,302)	917,733
Total capital assets being depreciated, net	1,437,177	(17,757)	225,615	(10,288)	1,634,747
Capital assets, net	<u>\$ 1,680,715</u>	<u>\$ 149,041</u>	<u>\$ -</u>	<u>\$ (10,288)</u>	<u>\$ 1,819,468</u>

The University of Oklahoma - Norman Campus  
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NOTE 8--CAPITAL ASSETS--Continued

	2016				Ending Balance
	Beginning Balance	Additions	Transfers	Deductions	
Capital assets not being depreciated:					
Land	\$ 40,489	\$ 3,222	\$ -	\$ -	\$ 43,711
Construction in progress	<u>61,207</u>	<u>173,609</u>	<u>(34,989)</u>	<u>-</u>	<u>199,827</u>
Total capital assets not being depreciated	101,696	176,831	(34,989)	-	243,538
Capital assets being depreciated:					
Buildings	1,518,173	9,242	21,798	(26,277)	1,522,936
Equipment	219,684	15,544	556	(8,599)	227,185
Nonstructural improvements	140,818	6,304	11,015	-	158,137
Land improvements	33,166	62	-	-	33,228
Software	63,762	124	-	(7)	63,879
Infrastructure	77,224	2,852	1,620	-	81,696
Library books	<u>203,220</u>	<u>10,693</u>	<u>-</u>	<u>-</u>	<u>213,913</u>
Total capital assets being depreciated	2,256,047	44,821	34,989	(34,883)	2,300,974
Less accumulated depreciation for:					
Buildings	410,105	28,106	-	(20,864)	417,347
Equipment	149,528	16,164	-	(7,676)	158,016
Nonstructural improvements	33,253	7,122	-	-	40,375
Land improvements	27,703	715	-	-	28,418
Software	58,211	4,271	-	-	62,482
Infrastructure	40,714	3,022	-	-	43,736
Library books	<u>105,605</u>	<u>7,818</u>	<u>-</u>	<u>-</u>	<u>113,423</u>
Total accumulated depreciation	<u>825,119</u>	<u>67,218</u>	<u>-</u>	<u>(28,540)</u>	<u>863,797</u>
Total capital assets being depreciated, net	<u>1,430,928</u>	<u>(22,397)</u>	<u>34,989</u>	<u>(6,343)</u>	<u>1,437,177</u>
Capital assets, net	<u>\$ 1,532,624</u>	<u>\$ 154,434</u>	<u>\$ -</u>	<u>\$ (6,343)</u>	<u>\$ 1,680,715</u>

The University maintains various collections of inexhaustible assets for which no value can be determined. Such collections include contributed works of art, historical treasures and literature.

NOTE 9--ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30:

	2017	2016
Accounts payable	\$ 49,046	\$ 51,616
Accrued payroll	10,059	8,009
Self insurance reserves	<u>7,193</u>	<u>4,804</u>
	<u>\$ 66,298</u>	<u>\$ 64,429</u>

The University of Oklahoma - Norman Campus  
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NOTE 10--UNEARNED REVENUES

Unearned revenues consist of the following at June 30:

	2017	2016
Prepaid tuition and student fees	\$ 14,401	\$ 15,350
Prepaid athletic ticket sales	28,386	29,146
Auxiliary enterprises and other activities	12,945	10,511
Grants and contracts	12,822	13,974
Long-term contracts	451	1,815
	\$ 69,005	\$ 70,796

NOTE 11--LONG-TERM LIABILITIES

The following is a summary of long-term obligation transactions for the University for the years ended June 30:

				2017				
	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases:		(percentages)						
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	\$ 3,605	\$ -	\$ (3,605)	\$ -	\$ -
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,790	-	(26,790)	-	-
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	5,795	-	(5,795)	-	-
General Revenue Bonds, Series 2007C	2008	4.50-5.50	07/01/2037	34,625	-	(33,801)	824	824
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	12,550	-	(12,129)	421	421
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	33,455	-	(720)	32,735	740
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,575	-	(1,210)	41,365	1,245
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	7,550	-	(240)	7,310	250
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	32,565	-	(630)	31,935	650
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	10,020	-	(330)	9,690	335
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	58,145	-	(1,185)	56,960	1,220
General Rev. Refunding, Series 2011E	2012	.400-5.00	07/01/2026	15,795	-	(845)	14,950	1,290
General Rev. Refunding, Series 2011F	2012	.630-1.960	07/01/2016	390	-	(390)	-	-
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	65,655	-	-	65,655	1,590
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	1,875	-	(1,875)	-	-
General Rev. Refunding, Series 2012D	2013	.396-3.123	07/01/2027	21,920	-	(1,630)	20,290	1,645
General Revenue Bonds, Series 2013A	2013	2.00-3.375	07/01/2042	10,915	-	(290)	10,625	295
General Revenue Bonds, Series 2013B	2013	.520-4.29	07/01/2042	47,755	-	(1,195)	46,560	1,205
General Rev. Refunding, Series 2013C	2014	2.00-3.00	07/01/2016	2,060	-	(2,060)	-	-
General Rev. Refunding, Series 2013D	2014	.540-5.115	07/01/2034	15,320	-	(950)	14,370	965
General Revenue Bonds, Series 2014A	2014	2.00-4.50	07/01/2043	12,130	-	(255)	11,875	265
General Revenue Bonds, Series 2014B	2014	.583-5.173	07/01/2043	11,750	-	(235)	11,515	235
General Rev. Refunding, Series 2014C	2014	1.00-5.00	07/01/2034	83,075	-	(3,450)	79,625	3,540
General Revenue Bonds, Series 2015A	2015	3.00-5.00	07/01/2044	29,550	-	(535)	29,015	555
General Revenue Bonds, Series 2015B	2015	.680-2.68	07/01/2024	5,075	-	(340)	4,735	340
General Rev. Refunding, Series 2015C	2016	3.00-5.00	07/01/2045	213,705	-	-	213,705	-
General Revenue Bonds, Series 2015D	2016	1.561-3.372	07/01/2025	42,055	-	-	42,055	-
General Revenue Bonds, Series 2016A	2016	2.00-5.00	07/01/2031	75,080	-	(810)	74,270	3,455
General Revenue Bonds, Series 2016B	2017	2.00-5.00	07/01/2046	-	65,970	-	65,970	-
General Revenue Bonds, Series 2016C	2017	1.00-3.375	07/01/2032	-	21,910	-	21,910	1,350
Subtotal revenue bonds payable				921,780	87,880	(101,295)	908,365	22,415
Premium/(Discount)				28,801	6,737	(929)	34,609	1,730
Total revenue bonds payable				950,581	94,617	(102,224)	942,974	24,145



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NOTE 11--LONG-TERM LIABILITIES--Continued

Bonds and capital leases--Continued:	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
OCIA 2010A capital lease payable	9,902	-	(4,897)	5,005	5,005
OCIA 2014A capital lease payable	25,720	-	-	25,720	57
OCIA 2014B capital lease payable	963	-	(309)	654	321
OCIA 2014C capital lease payable	17,789	-	(587)	17,202	604
ODFA master leases payable	6,289	-	(2,354)	3,935	2,236
Subtotal capital leases payable	60,663	-	(8,147)	52,516	8,223
Premium/(Discount)	139	-	(62)	77	55
Total capital leases payable	60,802	-	(8,209)	52,593	8,278
Total bonds and capital leases	1,011,383	94,617	(110,433)	995,567	32,423
Other noncurrent liabilities					
Utilities management agreement	90,120	-	(4,720)	85,400	4,720
Other postemployment benefits	111,031	-	7,708	118,739	6,035
Accrued compensated absences	36,471	28,252	(29,304)	35,419	30,106
Federal loan program contributions refundable (see also Note 5)	14,351	-	(108)	14,243	-
Net pension liability	303,775	107,931	-	411,706	-
Retirement plan liability	10,039	549	-	10,588	-
Unearned revenue (long-term contracts)	1,815	-	(1,364)	451	319
Deposits held in custody for others	621	-	318	939	939
Total other noncurrent liabilities	568,223	136,732	(27,470)	677,485	42,119
Total noncurrent liabilities	<u>\$ 1,579,606</u>	<u>\$ 231,349</u>	<u>\$ (137,903)</u>	<u>\$ 1,673,052</u>	<u>\$ 74,542</u>

The University of Oklahoma - Norman Campus  
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NOTE 11--LONG-TERM LIABILITIES--Continued

				2016				
	Issue Dates	Interest Rates	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases:		(percentages)						
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	\$ 90,775	\$ -	\$ (87,170)	\$ 3,605	\$ 3,605
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,790	-	-	26,790	-
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	6,690	-	(895)	5,795	945
General Revenue Bonds, Series 2007C	2008	4.50-5.50	07/01/2037	34,625	-	-	34,625	-
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	13,665	-	(1,115)	12,550	1,180
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	34,155	-	(700)	33,455	720
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	1,185	-	(1,185)	-	1,210
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,575	-	-	42,575	-
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	7,780	-	(230)	7,550	240
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	33,175	-	(610)	32,565	630
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	10,345	-	(325)	10,020	330
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	59,305	-	(1,160)	58,145	1,185
General Rev. Refunding, Series 2011E	2012	.400-5.00	07/01/2026	17,085	-	(1,290)	15,795	845
General Rev. Refunding, Series 2011F	2012	.630-1.960	07/01/2016	775	-	(385)	390	390
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	65,655	-	-	65,655	-
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	3,725	-	(1,850)	1,875	1,875
General Rev. Refunding, Series 2012D	2013	.396-3.123	07/01/2027	23,530	-	(1,610)	21,920	1,630
General Revenue Bonds, Series 2013A	2013	2.00-3.375	07/01/2042	11,200	-	(285)	10,915	290
General Revenue Bonds, Series 2013B	2013	.520-4.29	07/01/2042	48,945	-	(1,190)	47,755	1,195
General Rev. Refunding, Series 2013C	2014	2.00-3.00	07/01/2016	4,100	-	(2,040)	2,060	2,060
General Rev. Refunding, Series 2013D	2014	.540-5.115	07/01/2034	16,260	-	(940)	15,320	950
General Revenue Bonds, Series 2014A	2014	2.00-4.50	07/01/2043	12,380	-	(250)	12,130	255
General Revenue Bonds, Series 2014B	2014	.583-5.173	07/01/2043	11,980	-	(230)	11,750	235
General Rev. Refunding, Series 2014C	2014	1.00-5.00	07/01/2034	86,475	-	(3,400)	83,075	3,450
General Revenue Bonds, Series 2015A	2015	3.00-5.00	07/01/2044	29,550	-	-	29,550	535
General Revenue Bonds, Series 2015B	2015	.680-2.68	07/01/2024	5,075	-	-	5,075	340
General Revenue Bonds, Series 2015C	2016	3.00-5.00	07/01/2045	-	213,705	-	213,705	-
General Revenue Bonds, Series 2015D	2016	1.561-3.372	07/01/2025	-	42,055	-	42,055	-
General Rev. Refunding, Series 2016A	2016	2.00-5.00	07/01/2031	-	75,080	-	75,080	810
Subtotal revenue bonds payable				697,800	330,840	(106,860)	921,780	24,905
Premium/(Discount)				14,926	17,199	(3,324)	28,801	1,475
Total revenue bonds payable				712,726	348,039	(110,184)	950,581	26,380

The University of Oklahoma - Norman Campus  
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NOTE 11--LONG-TERM LIABILITIES--Continued

Bonds and capital leases--Continued:	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
OCIA 2010A capital lease payable	12,754	-	(2,852)	9,902	4,897
OCIA 2014A capital lease payable	27,568	-	(1,848)	25,720	-
OCIA 2014B capital lease payable	1,263	-	(300)	963	309
OCIA 2014C capital lease payable	18,364	-	(575)	17,789	586
ODFA master leases payable	9,185	-	(2,896)	6,289	2,354
Subtotal capital leases payable	69,134	-	(8,471)	60,663	8,146
Premium/(Discount)	208	-	(69)	139	62
Total capital leases payable	69,342	-	(8,540)	60,802	8,208
Total bonds and capital leases	782,068	348,039	(118,724)	1,011,383	34,588
Other noncurrent liabilities					
Utilities management agreement	94,840	-	(4,720)	90,120	4,720
Other postemployment benefits	102,217	14,686	(5,872)	111,031	5,872
Accrued compensated absences	34,411	31,201	(29,141)	36,471	31,000
Federal loan program contributions refundable (see also Note 5)	14,440	-	(89)	14,351	-
Net pension liability	243,680	60,095	-	303,775	-
Retirement plan liability	9,560	479	-	10,039	-
Unearned revenue (long-term contracts)	3,350	-	(1,535)	1,815	1,815
Deposits held in custody for others	1,755	-	(1,134)	621	621
Total other noncurrent liabilities	504,253	106,461	(42,491)	568,223	44,028
Total noncurrent liabilities	<u>\$ 1,286,321</u>	<u>\$ 454,500</u>	<u>\$ (161,215)</u>	<u>\$ 1,579,606</u>	<u>\$ 78,616</u>

The University of Oklahoma - Norman Campus  
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June 30, 2017 and 2016 (in thousands)

NOTE 11--LONG-TERM LIABILITIES--Continued

Maturities of principal and interest requirements on revenue bonds and capital leases are as follows at June 30, 2017:

	2018	2019	2020	2021	2022	2023- 2027	2028- 2032	2033- 2037	2038- 2042	2043- 2047	Total
General Revenue Bonds, Series 2007C	\$ 824	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 824
General Revenue Bonds, Series 2007D	421	-	-	-	-	-	-	-	-	-	421
General Revenue Bonds, Series 2009A	2,227	2,228	2,227	2,222	2,220	15,141	14,772	8,040	-	-	49,077
General Revenue Bonds, Series 2010B	3,614	3,582	3,562	3,538	3,509	17,070	16,064	14,336	7,504	-	72,779
General Revenue Bonds, Series 2011A	586	585	584	584	586	2,918	2,894	2,307	-	-	11,044
General Revenue Bonds, Series 2011B	2,564	2,558	2,558	2,555	2,551	12,732	12,667	12,596	10,008	-	60,789
General Revenue Bonds, Series 2011C	724	724	724	724	727	3,606	3,567	3,529	-	-	14,325
General Revenue Bonds, Series 2011D	4,206	4,201	4,196	4,191	4,186	20,822	20,649	20,456	20,212	-	103,119
General Rev. Refunding, Series 2011E	1,740	1,739	1,739	1,728	1,711	8,734	-	-	-	-	17,391
General Revenue Bonds, Series 2012A	4,303	4,299	4,277	4,278	4,275	21,291	21,169	21,058	20,875	-	105,825
General Rev. Refunding, Series 2012D	2,131	2,129	2,128	2,124	2,121	10,584	2,110	-	-	-	23,327
General Revenue Bonds, Series 2013A	587	586	589	588	586	2,938	2,925	2,917	2,911	580	15,207
General Revenue Bonds, Series 2013B	2,863	2,861	2,860	2,860	2,856	14,264	14,195	14,151	14,085	2,810	73,805
General Rev. Refunding, Series 2013C	-	-	-	-	-	-	-	-	-	-	-
General Rev. Refunding, Series 2013D	1,494	1,486	1,482	1,480	1,479	7,315	2,483	1,468	-	-	18,687
General Revenue Bonds, Series 2014A	731	728	730	731	727	3,634	3,624	3,611	3,598	1,432	19,546
General Revenue Bonds, Series 2014B	771	771	769	771	772	3,847	3,831	3,810	3,795	1,509	20,646
General Rev. Refunding, Series 2014C	6,958	6,914	6,938	6,903	6,905	34,376	27,656	13,882	-	-	110,532
General Revenue Bonds, Series 2015A	1,866	1,864	1,866	1,863	1,258	8,255	10,039	10,022	9,964	5,956	52,953
General Rev. Refunding, Series 2015B	443	442	441	438	1,050	2,398	-	-	-	-	5,212
General Rev. Refunding, Series 2015C	9,098	9,098	9,099	9,099	9,099	56,495	76,979	76,513	76,389	61,001	392,870
General Rev. Refunding, Series 2015D	1,109	6,400	6,386	6,374	6,361	20,651	-	-	-	-	47,281
General Rev. Refunding, Series 2016A	6,592	7,318	7,307	7,299	7,258	36,092	25,710	-	-	-	97,576
General Rev. & Refunding, Series 2016B	2,818	2,684	2,684	2,684	3,288	23,451	27,961	29,866	7,255	4,020	106,711
General Rev. & Refunding, Series 2016C	1,818	3,434	3,426	3,419	2,730	6,896	2,553	508	-	-	24,784
Total principal & interest	60,488	66,631	66,572	66,453	66,255	333,510	291,848	239,070	176,596	77,308	1,444,731
Less: Interest	38,073	37,096	36,212	35,173	33,990	148,625	108,367	66,401	28,315	4,114	536,366
Subtotal principal	22,415	29,535	30,360	31,280	32,265	184,885	183,481	172,669	148,281	73,194	908,365
Plus: Premium/Discount	1,730	1,729	1,729	1,730	1,730	8,707	7,908	3,961	3,489	1,896	34,609
Total principal	24,145	31,264	32,089	33,010	33,995	193,592	191,389	176,630	151,770	75,090	942,974
Capital leases	10,583	3,585	2,973	2,881	5,254	25,785	17,940	2,897	-	-	71,898
Less: Interest	2,360	2,022	1,952	1,906	1,859	6,855	2,279	149	-	-	19,382
Subtotal principal	8,223	1,563	1,021	975	3,395	18,930	15,661	2,748	-	-	52,516
Plus: Premium/Discount	55	26	-	-	-	(3)	(1)	-	-	-	77
Total principal	8,278	1,589	1,021	975	3,395	18,927	15,660	2,748	-	-	52,593
Total	\$ 32,423	\$ 32,853	\$ 33,110	\$ 33,985	\$ 37,390	\$ 212,519	\$ 207,049	\$ 179,378	\$ 151,770	\$ 75,090	\$ 995,567

Revenue bonds payable: Beginning in FY07 with the General Revenue Bonds, Refunding Series 2006A, bonds have been issued by the Board of Regents pursuant to the Master Resolution and supplemental resolutions establishing the University of Oklahoma General Revenue Financing System. The revenue pledged as security for these obligations is any or all revenues of the University which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature, funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for Prior Encumbered Obligations. Total principal and interest remaining to be paid on the General Revenue Bonds is \$1,444,731 as of June 30, 2017. The total pledged revenue received in 2017 was \$684,125. Debt service payments, including both principal and interest, of \$63,877 were 9.3% of pledged revenue in 2017.

## NOTE 11--LONG-TERM LIABILITIES--Continued

At June 30, 2017 and 2016, the University had \$42,442 and \$44,350, respectively, of cash and investments held in trust for the bond indentures, restricted to the payment of principal and interest.

Capital Lease Obligations*OCIA Capital Lease Obligations*

In September 1999, the University entered into a 20-year lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the Oklahoma Capital Improvement Authority State Facilities Revenue Bonds, Series 1999A (the "OCIA Bonds"). The University received \$5,850 of the proceeds for capital improvement projects on the Norman Campus as approved by the Regents. Assets under this capital lease totaled \$4,027, net of accumulated depreciation of \$1,823 at June 30, 2017, and \$4,144, net of accumulated depreciation of \$1,706, at June 30, 2016.

In the fall of 2005, the University entered into a lease agreement with varying terms of repayment with the OCIA and the Oklahoma State Regents as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F, 2005G and 2006D. The University received \$82,706 of the proceeds in addition to total investment earnings of \$8,507 for capital improvement projects on the Norman Campus as approved by the Regents. Assets and construction in progress under these capital leases totaled \$76,603, net of accumulated depreciation of \$14,610 on the completed projects, at June 30, 2017, and \$78,427, net of accumulated depreciation of \$12,786 on the completed projects, at June 30, 2016.

In the summer of 2010, the 2005 lease agreement with the OCIA was restructured through a partial refunding of the Series 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. Lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. A deferred outflow of resources of \$2,247 has been recorded that is being amortized over a period of eight years. This restructuring resulted in an aggregate debt service reduction for principal and interest between the original lease agreement and the restructured lease agreement of \$1,530.

In the spring of 2014, the remaining 2005 lease agreement with OCIA was restructured through a refunding of the Series 2005F bond debt. OCIA issued a new bond, Series 2014A. The lease restructuring resulted in a reduction in principal (\$1,530) and interest (\$2,144) between the original

NOTE 11--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

*OCIA Capital Lease Obligations – Continued*

lease agreements and the restructured lease agreement for a total aggregate debt service reduction of \$3,674. A deferred inflow of resources of \$1,530, which is the difference between the reacquisition price and the net carrying amount of the old debt, has been recorded that is being amortized over a period of 17 years.

During fiscal year 2015, OCIA issued two new bonds. Series 2014B was issued to refund series 2004A. The lease restructuring resulted in a reduction in principal of \$386 between the original lease agreement and the restructured lease agreement. A deferred inflow of resources of \$386 has been recorded that will be amortized over a period of five years. Series 2014C was issued to refund series 2006D. The lease restructuring resulted in a reduction in principal of \$2,193 between the original lease agreement and the restructured lease agreement. A deferred inflow of resources of \$2,193, which is the difference between the reacquisition price and the net carrying amount of the old debt, has been recorded that is being amortized over a period of 20 years.

Lease payments made by the State of Oklahoma on behalf of the University are held by the OCIA for future principal and interest payments of the OCIA Bonds. The OCIA deposits the lease payments into an interest-bearing fund and may use the interest earnings to reduce the University's future lease payments.

*ODFA Master Lease Obligations*

The University has entered into various master lease agreements with ODFA. Proceeds of ODFA Master Leases are used by the University to fund the acquisition of major personal and real property that will provide cost efficiencies in finance and administration. The lease terms vary by the useful life of the equipment purchased, but the useful life must not exceed 20 years for personal property and 30 years on real property projects. Terms of leases outstanding as of June 30, are as follows:

ODFA Master Leases	Issued	Term	Amount Financed	2017			2016		
				Not Capitalized*	Accumulated Depreciation	Net Book Value	Not Capitalized*	Accumulated Depreciation	Net Book Value
ODFA 2007B	July 2007	5 - 20 years	\$ 4,605	\$ 1,305	\$ 3,232	\$ 68	\$ 1,305	\$ 2,964	\$ 336
ODFA 2007C	November 2007	5 - 10 years	11,364	605	10,759	-	605	10,323	436
ODFA 2008A	September 2008	3 - 10 years	15,468	877	13,930	661	877	12,838	1,753
ODFA 2008B	December 2008	5 - 10 years	1,724	529	1,076	119	529	956	239
ODFA 2009A	July 2009	5 - 20 years	2,759	1,326	1,226	207	1,326	1,209	224
ODFA 2009B	December 2009	5 - 10 years	1,576	-	1,074	502	-	940	636
ODFA 2010B	December 2010	5 years	1,029	470	391	168	470	335	224
ODFA 2011C	November 2011	5 - 10 years	4,261	523	2,222	1,516	523	1,848	1,890
			<u>\$ 42,786</u>	<u>\$ 5,635</u>	<u>\$ 33,910</u>	<u>\$ 3,241</u>	<u>\$ 5,635</u>	<u>\$ 31,413</u>	<u>\$ 5,738</u>

\* Some or all purchased items did not meet the University's capitalization threshold to be capitalized.

## NOTE 11--LONG-TERM LIABILITIES--Continued

The University makes lease payments to the State Regents who then forward the payments to the trustee bank.

Utilities Management Agreement: In August 2010 the University entered into a 50-year agreement with a utility company to operate and maintain the utility systems for steam, electrical, natural gas, chilled water, potable water and waste water. At the time the contract was signed, an advance of \$75,000 was received. Additional proceeds were received through fiscal year 2015, bringing the proceeds to a total of \$118,000. This total advance will be repaid to the third party over the next 25 years.

Of the advance received, \$55,387 was transferred to trustees to purchase escrow securities for the defeasement of a portion of the General Revenue Bonds Series 2009A (36.29%), General Revenue Bonds Series 2009B (76.05%), and General Revenue Bonds, Refunding Series 2009C (100%). These bonds were used for utility system acquisitions and improvements. Total principal defeased was \$47,415. The funds transferred for defeasance will remain in escrow until the final call date of July 1, 2024. The escrow balance at June 30, 2017 and 2016, was \$39,620 and \$42,526. Total principal outstanding on the defeased debt was \$38,050 and \$40,095 as of June 30, 2017 and 2016.

Refunding Bonds: In December 2012, General Revenue Refunding Bonds 2012C and 2012D were issued to refund the Housing 2002 and Research Facilities 2003 Revenue Bonds having a total principal balance outstanding of \$31,785. This resulted in cash flow savings of \$6,442 and net present value benefit of \$5,193.

In June 2015, General Revenue Refunding Bonds 2012C, with a total principal balance of \$5,115, were defeased. Funds of \$4,953 were transferred to trustees to purchase escrow securities for the defeasement. The funds transferred will remain in escrow until the final call date of July 1, 2020. The escrow balance at June 30, 2017 and 2016 was \$4,579 and \$5,057. The total principal outstanding on the General Revenue Refunding Bonds 2012C was \$4,435 at June 30, 2017 and \$4,780 at June 30, 2016. There was no principal outstanding on the Housing 2002 and Research Facilities 2003 Bonds as of June 30, 2017 or June 30, 2016.

In November 2013, General Revenue Refunding Bonds 2013C and 2013D were issued to refund the ODFA A and B and Research 2004 Revenue Bonds having a total principal balance outstanding of \$22,260. This resulted in cash flow savings of \$1,939 and net present value benefit of \$1,249. Total principal outstanding on the refunded 2004 Research Facilities Revenue Bond was \$15,420 at June 30, 2017 and 2016.

In May 2014, General Revenue Refunding Bonds 2014C were issued to refund the Multiple Facilities 2003 Revenue Bonds and the Housing 2004 Revenue Bonds having a total principal balance outstanding of \$97,190. This resulted in cash flow savings of \$17,742 and net present value benefit of \$12,440. There was no principal outstanding on the refunded 2004 Student Housing Revenue Bond as of June 30, 2017 or June 30, 2016.

In May 2016, General Revenue Refunding Bonds 2016A were issued to refund the General Revenue Refunding Bonds 2006A having a total principal balance outstanding of \$83,720. This resulted in cash flow

## NOTE 11--LONG-TERM LIABILITIES--Continued

savings of \$16,328 and net present value benefit of \$13,744. The total principal outstanding on the refunded 2006A General Revenue Refunding Bond was \$83,720 at June 30, 2017 and June 30, 2016.

In December 2016, General Revenue Refunding Bonds 2016B were issued to refund the General Revenue Bonds 2007A having a total principal balance outstanding of \$26,790 and General Revenue Bonds 2007C having a total principal balance outstanding of \$34,625. This resulted in cash flow savings of \$3,986 and net present value benefit of \$3,036 for 2007A and cash flow savings of \$7,482 and net present value benefit of \$5,549 for 2007C. The total principal outstanding was \$0 on the refunded 2007A General Revenue Bonds, and \$34,625 on the refunded 2007C General Revenue Bonds at June 30, 2017. Funds of \$36,149 were transferred to trustees to purchase escrow securities for the defeasement of 2007C. The escrow balance at June 30, 2017 was \$35,440.

In December 2016, General Revenue Refunding Bonds 2016C were issued to refund the General Revenue Bonds 2007B having a total principal balance outstanding of \$4,850 and General Revenue Bonds 2007D having a total principal balance outstanding of \$10,125. This resulted in cash flow savings of \$415 and net present value benefit of \$399 for 2007B and cash flow savings of \$1,341 and net present value benefit of \$1,241 for 2007D. The total principal outstanding was \$0 on the refunded 2007B General Revenue Bonds, and \$10,125 on the refunded 2007D General Revenue Bonds at June 30, 2017. Funds of \$10,690 were transferred to trustees to purchase escrow securities for the defeasement of 2007D. The escrow balance at June 30, 2017 was \$10,424.

## NOTE 12--OPERATING LEASES

The University has entered into certain operating leases for equipment (including copiers and other office furniture and equipment), bus charters, vehicle rentals and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures from operating leases were approximately \$2,586 and \$2,730, respectively, for the years ended June 30, 2017 and 2016.

Ground Lease

In March of 2017, the University entered into an agreement (the "ground lease") to lease two parcels of land within the boundaries of the University's campus to a non-profit corporation (the "Lessee"). The Lessee has also entered into a loan agreement with the Oklahoma Development Finance Authority ("ODFA"), whereby the Lessee will utilize proceeds from bonds issued by ODFA (the "ODFA bonds") to develop and construct a student housing facility on the land leased from the University. The term of the lease began on March 14, 2017, and ends on June 30, 2068, unless renewed or terminated earlier in accordance with the terms of the lease. The term of the lease expires upon the repayment or defeasance of the ODFA bonds, which mature in August of 2057. During the term of the lease, the University may purchase the student housing facility at a purchase price equal to or greater than the project's fair market value but not less than the amount necessary to pay or defease the outstanding ODFA bonds.



## NOTE 12--OPERATING LEASES--Continued

Upon expiration of the lease agreement, the land and any remaining facilities on the land revert to the University.

In accordance with the terms of the ground lease, the University received a nonrefundable payment of \$20 million from the Lessee in March of 2017. The payment was recorded as a deferred inflow of resources and will be recognized as revenue over the term of the lease. Under the terms of the trust indenture for the ODFA bonds, the University will also receive payments from the surplus cash flow fund to the extent that project revenues exceed funding requirements for various bond funds, operating accounts, and reserve accounts, provided that the debt service coverage ratio for the bonds is adequate and no events of default have occurred.

## NOTE 13--RETIREMENT PLANS

The University's academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to University personnel include:

<u>Name of Plan / System</u>	<u>Type of Plan</u>
Oklahoma Teachers' Retirement System (OTRS)	Cost Sharing Multiple Employer Defined Benefit Plan
Oklahoma Law Enforcement Retirement System (OLERS) - certain University employees	Cost-Sharing Multiple Employer Defined Benefit Plan
Optional Retirement Plan (ORP)	Single Employer Defined Contribution Plan
University of Oklahoma Defined Contribution Plan (Plan 1)	Single Employer Defined Contribution Plan
University of Oklahoma Defined Contribution Plan for Hourly Employees who are Non-OTRS Participants (Plan 2)	Single Employer Defined Contribution Plan

## NOTE 13--RETIREMENT PLANS--Continued

*Oklahoma Teachers' Retirement System*

**Plan Description:** The University participates in the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma State Statutes assigns the authority for management and operation of OTRS to the Board of Trustees of the System. OTRS issues a publicly available annual financial report that can be obtained at [www.ok.gov/TRS/](http://www.ok.gov/TRS/).

**Benefits Provided:** OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.
- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

## NOTE 13--RETIREMENT PLANS--Continued

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

**Contributions:** The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7% of their annual compensation. The University's contribution rate is 8.55% for the years ended June 30, 2017 and 2016. In addition, the University is required to contribute 2.5% as a result of the adoption of ORP, Plan 1 and Plan 2 (the Alternate Retirement Plans, or ARP) for certain employees that have elected not to participate in OTRS due to a one-time irrevocable election provision which became effective July 1, 2004. The University's contributions to OTRS in 2017 and 2016, which include the 8.55% regular employer contribution and the 2.5% ARP contribution, were \$21,834 and \$22,926, respectively, equal to the required contributions each year. In addition, the State of Oklahoma contributed 5% of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the University and recognized in the University's Statement of Revenues, Expenses and Changes in Net Position as both revenues and compensation and employee benefit expense in 2017 and 2016 were \$13,808 and \$14,995, respectively. These on-behalf payments do not meet the definition of a special funding situation.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:** At June 30, 2017, the University reported a liability of \$409,362 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The University's proportion of the net pension liability was based on the University's contributions to OTRS relative to total contributions of OTRS for all participating employers for the year ended June 30, 2016. Based upon this information, the University's proportion was 4.76%.

NOTE 13--RETIREMENT PLANS—Continued

For the year ended June 30, 2017, the University recognized pension expense of \$45,652. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,228
Changes of assumptions	47,866	-
Change in proportion	24,660	2,314
Net difference between projected and actual investment earnings on pension plan investments	46,404	-
University contributions made subsequent to the measurement date	21,834	-
Total	\$ 140,764	\$ 11,542

Deferred pension outflows totaling \$21,834 resulting from the University's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred outflows of \$47,866 resulting from the change in assumptions used by the actuary, and deferred outflows of \$24,660 resulting from a change in proportion, will be recognized in pension expense using the average expected remaining life of the plan. Deferred outflows of \$46,404, resulting from the difference between projected and actual investment earnings, will be recognized in pension expense over a period of five years.

Deferred pension inflows totaling \$9,228 resulting from differences between expected and actual experience, and deferred inflows of \$2,314 resulting from a change in proportion, will be recognized in pension expense using the average expected remaining life of the plan. The average expected remaining life of the Plan is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are estimated at 5.71 years at June 30, 2016 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 23,507	\$ (2,107)
2019	23,507	(2,107)
2020	23,507	(2,107)
2021	23,507	(2,107)
2022	18,949	(1,966)
Thereafter	5,953	(1,148)
	\$ 118,930	\$ (11,542)

NOTE 13--RETIREMENT PLANS--Continued

At June 30, 2016, the University reported a liability of \$302,466 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The University's proportion of the net pension liability was based on the University's contributions to OTRS relative to total contributions of OTRS for all participating employers for the year ended June 30, 2015. Based upon this information, the University's proportion was 4.81%.

For the year ended June 30, 2016, the University recognized pension expense of \$15,181. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 9,915
Changes of assumptions	13,978	-
Change in proportion	30,504	-
Net difference between projected and actual investment earnings on pension plan investments	-	19,803
University contributions made subsequent to the measurement date	22,926	-
Total	\$ 67,408	\$ 29,718

Deferred pension outflows totaling \$22,926 resulting from the University's contributions subsequent to the measurement date, were recognized as a reduction of the net pension liability in the year ended June 30, 2017. Deferred outflows of \$13,978 resulting from the change in assumptions used by the actuary, and deferred outflows of \$30,504 resulting from a change in proportion, will be recognized in pension expense using the average expected remaining life of the plan.

Deferred pension inflows totaling \$19,803 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$9,915 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining life of the plan. The average expected remaining life of the plan is determined by taking the calculated total future service future service years of the Plan divided by the number of people in the plan including retirees. The total future service years of the plan are estimated at 6.22 years at June 30, 2015 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

## NOTE 13--RETIREMENT PLANS--Continued

**Actuarial assumptions:** The total pension liability as of June 30, 2017 was determined based on an actuarial valuation prepared as of June 30, 2016 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living increases - None
- Salary Increases - Composed of 3.00% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return - 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement- Males: RP-2000 Combined Healthy Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members - RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

The total pension liability as of June 30, 2016 was determined based on an actuarial valuation prepared as of June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation - 3.00%
- Future Ad Hoc Cost-of-living increases - None
- Salary Increases - Composed of 3.75% wage inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement- Males: RP-2000 Combined Healthy Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members - RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

NOTE 13--RETIREMENT PLANS--Continued

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2016 and June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>2016</u>	<u>2015</u>
		<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic All Cap Equity *	7.0%	6.2%	6.0%
Domestic Large Cap Equity	10.0%	5.8%	5.3%
Domestic Mid Cap Equity	13.0%	6.3%	6.1%
Domestic Small Cap Equity	10.0%	7.0%	6.6%
International Large Cap Equity	11.5%	6.6%	5.8%
International Small Cap Equity	6.0%	6.6%	5.8%
Core Plus Fixed Income	17.5%	1.6%	1.8%
High-yield Fixed Income	6.0%	4.9%	4.1%
Private Equity	5.0%	8.3%	7.6%
Real Estate **	7.0%	4.5%	5.5%
Master Limited Partnerships	7.0%	7.7%	7.6%
	<u>100.0%</u>		

\*The Domestic All Cap Equity Total Expected Return in a combination of 3 rates - US Large cap, US Mid cap, and US Small cap

\*\*The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value-added Real Estate (unlevered)

**Discount Rate:** The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5% of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTE 13--RETIREMENT PLANS--Continued

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** The following table presents the net pension liability of the University calculated using the discount rate of 7.5%, as well as what the University's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate. The prior year discount rate was 8.0% with a 1-percentage point higher (9.0%) and lower (7.0%).

	As of June 30, 2017		
	Current		
	1% Decrease	Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Net pension liability	\$ 532,750	\$ 409,362	\$ 306,088

	As of June 30, 2016		
	Current		
	1% Decrease	Discount Rate	1% Increase
	7.00%	8.00%	9.00%
Net pension liability	\$ 414,625	\$ 302,466	\$ 208,194

**Oklahoma Law Enforcement Retirement System**

Certain University employees are members of the OLERS. The University has recorded the following amounts at June 30, 2017 and June 30, 2016, related to these employee's participation in OLERS:

	2017	2016
Net Pension Liability	\$ 2,344	\$ 1,309
Deferred outflows related to pensions	1,806	869
Deferred inflows related to pensions	390	564
Pension expense	538	244

Because the University's participation in OLERS is not material to the University's financial statements, additional information and disclosures are not included in these financial statements. OLERS issues a publicly available annual financial report that can be obtained at [www.olders.state.ok.us](http://www.olders.state.ok.us).

**Defined Contribution Plan - Optional Retirement Plan**

**Plan Description:** Employees hired July 1, 2004 or later have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 30 days of employment. This was a change effective January 1, 2017 from the previous election period of 90 days. This is a one-time irrevocable election, and if the employee does not make an election, the employee



## NOTE 13--RETIREMENT PLANS--Continued

***Defined Contribution Plan - Optional Retirement Plan – Continued***

defaults into OTRS and will also participate in Plan 1 or Plan 2 of the Defined Contribution Plan noted below. Beginning July 1, 2016, all new employees eligible for either of the defined contribution plans must complete a 12-month waiting period before entering the plan and receiving contributions from the University. The changes were approved by the OU Board of Regents at their June 2016 meeting.

Fidelity Investments currently provides record-keeping services for all of the University's defined contribution plans. Under the ORP, the University contributes, at the direction of the participating employee, to any of a variety of different fund options and companies, which are organized in a four tier structure. The authority for contributing to the ORP is contained in the following policy document, "University of Oklahoma Optional Retirement Plan," adopted July 2004.

**Funding Policy:** The ORP provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 9% of covered payroll and is determined by the previously mentioned plan document. The University's contributions to the ORP for the years ended June 30, 2017 and 2016 were approximately \$8,960 and \$9,873, respectively. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

***Defined Contribution Plan - Plan 1 and Plan 2***

**Plan Descriptions:** For employees participating in OTRS, contributions to the defined contribution plan fall into Plan 1 or Plan 2 depending upon the employee's participation date. The University contributes through Fidelity Investments, at the direction of the participating employee, to any of a variety of different fund options and companies. Plans 1 and 2 are non-contributory defined contribution plans. The authority for contributing to Plans 1 and 2 is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan," amended July 2004.

**Funding Policy:** Plan 1 and Plan 2 provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 15% for Plan 1 and 8% for Plan 2 of covered payroll and is determined by the previously mentioned plan document. Total contributions to Plans 1 and 2 were \$6,100 and \$8,885, respectively, for the year ended June 30, 2017. Total contributions to Plans 1 and 2 were \$7,068 and \$8,762, respectively, for the year ended June 30, 2016. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

## NOTE 14--OTHER POSTEMPLOYMENT BENEFITS

**Plan Description:** Health and dental insurance is provided by the University of Oklahoma for all University retirees meeting specified ages and service requirements hired prior to January 1, 2008, with varying premium subsidies based on retirement age and years of service as described below. Retirees hired after January 1, 2008 may participate in the University's retiree insurance plan and, at their own expense, retirees may also elect the University's health and dental coverage for eligible dependents.

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS--Continued

The University's retiree insurance plan is considered a single-employer defined benefit plan. As a secondary insurance plan, retirees participating in OTRS (see Note 13) are covered by the Oklahoma State and Education Employees Group Insurance Fund. For retirees not participating in OTRS, University insurance continues. After retirees become eligible for Medicare, the OTRS' Oklahoma State and Education Employees Group Insurance Fund and the University insurance plans become secondary plans. The University's plan does not issue a stand-alone financial report. The University has the authority to establish and amend the benefit provisions offered to retirees.

The Board of Regents approved the following changes to the University's Retiree Medical Benefits Plan in 2012 which went into effect on January 1, 2013.

1. As part of these changes, two eligibility groups were established for future subsidized University retiree medical benefits:  
Group 1- Current retirees, employees currently eligible to retire, and those who will meet eligibility for University retirement on or before December 31, 2015.  
Group 2- Current employees hired on or before January 1, 2008 who will meet eligibility requirements on or after January 1, 2016.
2. The University will continue to provide a 100% premium subsidy for Group 1 retirees.
3. An insurance premium subsidy for Group 2 was established as follows:

Retirement Age	Years of Service			
	10-14	15-19	20-24	25+
Under 55	Employees can retire with 25 years of service. No university subsidy until age 55.			
55-61	Not eligible	55%-must meet rule of 80	65%-must meet rule of 80	75%
62-64	55%	65%	75%	85%
65+	65%	75%	85%	100%

4. For University Medicare Plan participants who retired on or after July 1, 1995, an individual deductible will be phased in beginning January 1, 2013. Effective January 1, 2016, the Medicare coordination method will be changed to "exclusion" and the annual out-of-pocket maximum will be reduced from \$3,000 to \$1,500.
5. Beginning January 1, 2013, retirees are allowed a one-time opportunity to opt-out of OU retiree medical plan coverage if the individual is enrolled in other coverage. The retiree may return to the University's plan if medical coverage is maintained during the opt-out period.

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS--Continued

Funding Policy: For the University's plan, the contribution requirement is based on a projected pay-as-you-go basis. The funding policy may be amended by the Regents of the University of Oklahoma. The University pays the premiums for the retirees hired prior to January 1, 2008, with varying premium subsidies based on retirement age and years of service. At their own expense, retirees may also elect health or dental coverage for eligible dependents. For the years ended June 30, 2017 and 2016, the University contributed \$6,035 and \$5,872 respectively for current retirees.

Annual OPEB Cost and Net OPEB Obligation: The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost, the amount actually contributed by the University, and changes in the University's net OPEB obligation for the years ended June 30:

	2017	2016
Annual Required Contribution (ARC)	\$ 12,942	\$ 13,948
Interest on Net OPEB Obligation	5,552	5,111
Adjustment to ARC	<u>(4,751)</u>	<u>(4,373)</u>
Annual OPEB Cost	13,743	14,686
Contributions paid during year	<u>(6,035)</u>	<u>(5,872)</u>
Increase in net OPEB Obligation	7,708	8,814
Net OPEB obligation, beginning of year	<u>111,031</u>	<u>102,217</u>
Net OPEB obligation, end of year	<u>\$ 118,739</u>	<u>\$ 111,031</u>

Funded Status and Funding Progress: The unfunded actuarial accrued liability (UAAL), totaled \$199,256 as of the July 1, 2016 actuarial valuation date. The UAAL is being amortized over an open period of thirty years using the level percentage of projected covered payroll amortization method. The covered payroll (annual payroll of active employees covered by the plan) was \$331,660 and \$330,468 for 2017 and 2016, and the ratio of the UAAL to the covered payroll was 60.1 percent for 2017.

NOTE 14--OTHER POSTEMPLOYMENT BENEFITS--Continued

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

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Liability
2017	\$ 13,743	44.0%	\$ 118,739
2016	14,686	40.0%	111,031
2015	14,012	37.5%	102,217

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the Retirement Policy document, amended as of July 1, 2002. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in reported amounts and reflect a long-term perspective of the calculations. In the July 1, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5.0 percent investment rate of return, which is based on the expected long-term investment returns of the University's own investments, an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to 4.5 percent after seven years, and a payroll annual inflation rate of 3.5 percent.

NOTE 15--RISK MANAGEMENT

Due to the diverse risk exposure of the University, 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 Division of Capital Assets Management Risk Management Division ("DCAMRMD"). In addition to these basic policies, the University's Department of Risk Management establishes guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

## NOTE 15--RISK MANAGEMENT--Continued

The University and individual employees are provided sovereign immunity when performing official business within the scope of their employment under the Oklahoma State Tort Claims Act.

Beyond acceptable retention levels, complete risk transfer is practiced by purchasing conventional insurance coverage either directly from a provider or through DCAMRMD. These coverages are as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$750 deductible.
- 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 DCAMRMD. To complement coverage provided by State Statute, 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.
- The aircraft claims filed as of June 30, 2017 and 2016 were \$49 and \$0, respectively. Aircraft are insured by National Union as provided through the Office of Management and Enterprise Services - State Risk Management's broker, Marsh.

Settled claims have not exceeded coverage in any of the three preceding years.

*Self-Funded Programs*

The University's workers' compensation program is self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid on a monthly basis and administrative expenses are paid on a quarterly basis. Benefits provided are prescribed by State Statute and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations. As of June 30, 2017 and 2016, the accrued workers' compensation liability totaled approximately \$2,433 and \$1,692, respectively.

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission ("OESC"). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The University's reserve with the OESC is the average claims paid over the past three years. As of June 30, 2017 and June 30, 2016, the required reserves were \$302 and \$292, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

NOTE 15--RISK MANAGEMENT--Continued

Effective January 1, 2015 the University entered into an agreement for self-funded employee health insurance. The self-funded plan applies to non-HMO employee health coverage. The plan is administered and claims are paid by Blue Cross Blue Shield (through December 31, 2016) and Cigna (beginning January 1, 2017). The premiums for the insurance are collected and recorded in a self-insurance fund at the University. The claims and administrative expenses are paid as incurred directly from the fund. The University records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2017, the cash balance for the plan was \$11,401 and the accrued liability for claims not yet reported totaled \$4,458.

Changes in the claims liability for the University from July 1, 2015 to June 30, 2017 are as follows:

	Workers'		
	<u>Compensations</u>	<u>Healthcare</u>	<u>Total</u>
Claims liability and related payables, June 30, 2015	\$ 2,189	\$ 3,112	\$ 5,301
Claims incurred and changes in estimates	1,464	35,370	36,834
Claims paid	<u>(1,961)</u>	<u>(35,662)</u>	<u>(37,623)</u>
Claims liability and related payables, June 30, 2016	1,692	2,820	4,512
Claims incurred and changes in estimates	2,502	41,186	43,688
Claims paid	<u>(1,761)</u>	<u>(39,548)</u>	<u>(41,309)</u>
Claims liability and related payables, June 30, 2017	<u>\$ 2,433</u>	<u>\$ 4,458</u>	<u>\$ 6,891</u>

NOTE 16--COMMITMENTS AND CONTINGENCIES

At June 30, 2017 and 2016, the University had outstanding commitments under construction contracts totaling \$82,410 and \$148,247, respectively.

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

As a result of legislation, the University, as an agency of the state of Oklahoma, is subject to the state of Oklahoma's self-insurance program with regard to comprehensive general liability, comprehensive auto liability, personal injury and general property insurance. Also, the University is self-insured relative to workers' compensation and unemployment insurance. Reserves relating to the University's self-insurance are calculated based on projected claims. These areas include stop-loss provisions that limit the University's exposure.

NOTE 16--COMMITMENTS AND CONTINGENCIES--Continued

The Federal Perkins student loan program expired effective September 30, 2017. The University will no longer be able to award or disburse new loans under this program barring a reinstatement of the program. The University has not yet received communication from the Department of Education regarding requirements related to the expiration of the program, but will comply with any requirements once they are determined.

In the normal course of operations, the University receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that the liability, if any, for any reimbursement that may arise as the result of audits would not be material.



Required Supplementary Information  
June 30, 2017 and 2016

# The University of Oklahoma - Norman Campus



University of Oklahoma Norman Campus Retiree Health/Dental Insurance  
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)  
(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2016	-	\$ 199,256	\$ 199,256	-	\$ 331,660	60.1%
7/1/2015	-	208,113	208,113	-	330,468	63.0%
7/1/2014	-	192,813	192,813	-	320,363	60.2%

The University obtains actuarial valuation biannually in accordance with the provisions of GASB No. 45.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual Required Contributions: See Note 14 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

Benefit Provisions: During the year ended June 30, 2012, the University's Board of Regents approved significant changes to the University's retiree health/dental insurance plans. A more complete description of changes is included in Note 14 to the financial statements. The proposed changes were projected to reduce the University's post-retirement benefit obligation by 26%, with annual cost savings of \$2.3 million beginning in 2016.

The University of Oklahoma - Norman Campus  
Schedule of Proportionate Share of Net Pension Liability  
June 30, 2017 and 2016

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University of Oklahoma Norman Campus Pension Plan (OTRS)  
SCHEDULE OF NET PENSION LIABILITY (UNAUDITED)  
Last 10 Fiscal Years\*

Fiscal Year	Proportion of Net Pension Liability (NPL)	Share of Net Pension Liability (a) (in thousands)	Covered Payroll (b) (in thousands)	NPL as a % of Covered Payroll	Plan Net Position as a % of Total NPL
2017	4.76%	\$ 409,362	\$ 208,855	196.00%	62.24%
2016	4.81%	302,466	215,864	140.12%	70.31%
2015	4.27%	243,235	213,329	114.02%	72.43%

Notes to schedule:

\* 10-year data is not yet available.

The University of Oklahoma - Norman Campus  
 Schedule of Employer Contributions  
 June 30, 2017 and 2016

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University of Oklahoma Norman Campus Pension Plan (OTRS)  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS (UNAUDITED)  
 (in thousands)  
 Last 10 Fiscal Years

Fiscal Year	Required Contributions (a)	Actual Contributions (b)	Difference in Required and Actual Contributions (a)-(b)	Covered Payroll	Contributions as a % of Covered Payroll
2017	\$ 21,834	\$ 21,834	\$ -	\$ 208,855	10.45%
2016	22,926	22,926	-	215,864	10.62%
2015	22,451	22,451	-	213,329	10.52%
2014	20,217	20,217	-	207,859	9.73%
2013	19,856	19,856	-	204,538	9.71%
2012	19,548	19,548	-	206,366	9.47%
2011	18,974	18,974	-	199,835	9.49%
2010	18,296	18,296	-	201,312	9.09%
2009	17,130	17,130	-	200,878	8.53%
2008	15,656	15,656	-	198,096	7.90%



Reports Required by Government Auditing Standards and  
Uniform Guidance  
June 30, 2017

# The University of Oklahoma - Norman Campus



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

To the Board of Regents  
The University of Oklahoma - Norman Campus  
Norman, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The University of Oklahoma - Norman Campus (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 16, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma  
October 16, 2017



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Regents  
The University of Oklahoma - Norman Campus  
Norman, Oklahoma

### **Report on Compliance for Each Major Federal Program**

We have audited The University of Oklahoma - Norman Campus's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The University of Oklahoma - Norman Campus's major federal programs for the year ended June 30, 2017. The University of Oklahoma - Norman Campus's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of The University of Oklahoma - Norman Campus's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University of Oklahoma - Norman Campus's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The University of Oklahoma - Norman Campus's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, University of Oklahoma - Norman Campus (the University) complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

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## Report on Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-003, and 2017-005 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-004, and 2017-006 to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. University of Oklahoma - Norman Campus's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Oklahoma City, Oklahoma  
October 16, 2017



The University of Oklahoma - Norman Campus  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2017

	FEDERAL CFDA	PASS-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
<b>RESEARCH AND DEVELOPMENT PROGRAMS</b>				
<b>RESEARCH AND DEVELOPMENT PROGRAMS</b>				
<b>Department of Agriculture - Direct</b>				
Agricultural Research Service	10.001		\$ -	\$ 141,344
National Institute of Food and Agriculture	10.310		66,645	547,535
			<u>66,645</u>	<u>688,879</u>
<b>Department of Agriculture - Pass Through</b>				
Kansas State University	10.310	SI5197		286,435
Oklahoma State University	10.320	AB568450OU2	4,335	20,488
Community Services Council of Greater Tulsa	10.331	FY17ORA213		31,867
OK Department of Health	10.557	3409021467		18,870
			<u>4,335</u>	<u>357,660</u>
<b>Department of Agriculture - Total</b>			<u><b>70,980</b></u>	<u><b>1,046,539</b></u>
<b>Department of Commerce - Direct</b>				
National Oceanic and Atmospheric Administration	11.431		263,234	636,404
National Oceanic and Atmospheric Administration	11.432		2,402,570	17,417,437
National Oceanic and Atmospheric Administration	11.459			1,159,335
National Oceanic and Atmospheric Administration	11.468			755,155
National Oceanic and Atmospheric Administration	11.483			275,434
			<u>2,665,804</u>	<u>20,243,765</u>
<b>Department of Commerce - Pass Through</b>				
Atmospheric & Environmental Research, Inc.	11.431	P1960001		4,302
Colorado State University	11.619	G007453		348,720
				<u>353,022</u>
<b>Department of Commerce - Total</b>			<u><b>2,665,804</b></u>	<u><b>20,596,787</b></u>
<b>Department of Defense - Direct</b>				
Army	12.300			66,417
Navy	12.300		34,934	110,706
Office of Naval Research	12.300		137,542	866,571
Subtotal	12.300			<u>1,043,695</u>
Defense Threat Reduction Agency	12.351		9,846	862,412
Medical Research Acquisition Activity	12.420			87,594
Advanced Research Projects Agency	12.431			26,599
Army Research Office	12.431			258,542
Subtotal	12.431			<u>285,140</u>
Air Force	12.800			350,196
Air Force Office of Scientific Research	12.800			377,742
Subtotal	12.800			<u>727,938</u>
National Security Agency	12.901			39,202
Advanced Research Projects Agency	12.910			407,598
			<u>182,322</u>	<u>3,453,579</u>
<b>Department of Defense - Pass Through</b>				
H.M. Jackson Foundation for Advancement of Military Medicine	12.420	681244		1,774
				<u>1,774</u>
<b>Department of Defense - Total</b>			<u><b>182,322</b></u>	<u><b>3,455,353</b></u>
<b>Department of Interior - Direct</b>				
Bureau of Land Management	15.224			1,000
Fish and Wildlife	15.615			10,876
Fish and Wildlife	15.650			15,061
Geological Survey	15.807			30,368
Geological Survey	15.810			133,360
Geological Survey	15.819			19,722
Geological Survey	15.820		921,529	1,742,348
			<u>921,529</u>	<u>1,952,735</u>
<b>Department of Interior - Pass Through</b>				
OK Wildlife and Conservation Commission	15.605	3209006577		13,691
OK Wildlife and Conservation Commission	15.605	AGMT092515		936
Subtotal	15.605			<u>14,627</u>
OK Wildlife and Conservation Commission	15.615	F16AP00154	11,075	
OK Wildlife and Conservation Commission	15.615	F17AP00204	1,410	
OK Wildlife and Conservation Commission	15.615	F17AP00208	6,754	
Subtotal	15.615		<u>19,239</u>	

The University of Oklahoma - Norman Campus  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2017

	FEDERAL CFDA	PASS-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
OK Wildlife and Conservation Commission	15.632	F13AF01188		9,658
OK Wildlife and Conservation Commission	15.634	3209006301		4,390
OK Wildlife and Conservation Commission	15.634	3209006399		74,813
OK Wildlife and Conservation Commission	15.634	F14AF01224		33,285
OK Wildlife and Conservation Commission	15.634	F14AF01225		38,627
OK Wildlife and Conservation Commission	15.634	F14AF01227		6,343
OK Wildlife and Conservation Commission	15.634	F14AF01355		32,645
OK Wildlife and Conservation Commission	15.634	F15AF01149		51,956
OK Wildlife and Conservation Commission	15.634	F15AF01321		9,591
OK Wildlife and Conservation Commission	15.634	F16AF00296		229
OK Wildlife and Conservation Commission	15.634	F16AF01213		9,682
Southwestern OK State University	15.634	FY17089		4,110
University of Arkansas	15.634	SA1703165		1,105
Subtotal	15.634			266,776
Wildlife Management Institute	15.669	GPLCC201601		35,979
AmericaView	15.815	AV14OK01		22,751
Oklahoma Historical Society	15.904	15101	9,068	
Oklahoma Historical Society	15.904	15201	7,993	
Oklahoma Historical Society	15.904	16101	79,941	
Oklahoma Historical Society	15.904	16202	25,304	
Oklahoma Historical Society	15.904	AGMT103015	11,637	
Subtotal	15.904			133,943
				502,973
<b>Department of Interior - Total</b>			<b>921,529</b>	<b>2,455,708</b>
<b>Department of Transportation - Direct</b>				
Federal Aviation Administration	20.108			3,213
Federal Aviation Administration	20.109			140,361
Federal Transit Administration	20.514		49,308	49,643
Office of Assistant Secretary for Research and Technology	20.701		1,264,330	1,870,698
			1,313,638	2,063,915
<b>Department of Transportation - Pass Through</b>				
OK Department of Transportation	20.200	1308		23,112
OK Department of Transportation	20.200	1915		114,505
OK Department of Transportation	20.200	2228		59,554
OK Department of Transportation	20.200	2243		38,235
OK Department of Transportation	20.200	2252		36,602
OK Department of Transportation	20.200	2256		66,451
OK Department of Transportation	20.200	2258		-
OK Department of Transportation	20.200	2262		42,515
OK Department of Transportation	20.200	2273		87,780
OK Department of Transportation	20.200	2276		53,071
OK Department of Transportation	20.200	2300		190,098
OK Department of Transportation	20.200	AGMT092515		276,737
OK Department of Transportation	20.200	AGMT100114		30,349
OK Department of Transportation	20.200	SPR1916		107,505
OK Department of Transportation	20.200	SPR2160B	241,647	813,858
Oklahoma State University	20.200	AA55947501		4,011
Oklahoma State University	20.200	156134601		19,843
Oklahoma State University	20.200	156323601		19,409
Oklahoma State University	20.200	156619701		17,198
Subtotal	20.200			2,000,833
OK Department of Transportation	20.205	AGMT011416	99,956	311,110
OK Department of Transportation	20.205	FFY2017	51,360	221,869
State of Missouri, Department of Transportation	20.205	TR201516	10,820	10,820
Subtotal	20.205			543,799
OK Department of Transportation	20.509	TRAMS2016	80,000	244,636
OK Department of Transportation	20.509	TRAMS2017	160,000	444,796
Subtotal	20.509			689,432
Oklahoma Highway Safety Office	20.616	M3DA16060210		190,172
Oklahoma Highway Safety Office	20.616	M3DA16060313		30,038
Oklahoma Highway Safety Office	20.616	M3DA17060114		25,569
Oklahoma Highway Safety Office	20.616	OHSOFFY2017OU00105		159,175
Oklahoma Highway Safety Office	20.616	OHSOFFY2017OU00123		21,226
Subtotal	20.616			426,180
Missouri University of Science and Technology	20.701	0004213405		88,062
			643,783	3,748,306
<b>Department of Transportation - Total</b>			<b>1,957,421</b>	<b>5,812,221</b>

The University of Oklahoma - Norman Campus  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2017

	FEDERAL CFDA	PASS-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
<b>National Aeronautics and Space Administration - Direct</b>				
Langley Research Center	43.001			98,880
Shared Services Center	43.001		137,926	1,209,108
	Subtotal	43.001		1,307,988
Shared Services Center	43.008		794,849	1,084,070
			<u>932,775</u>	<u>2,392,058</u>
<b>National Aeronautics and Space Administration - Pass Through</b>				
Colorado School of Mines	43.001	400489		-
Smithsonian Astrophysical Observatory	43.001	AR718007X		16,929
Smithsonian Astrophysical Observatory	43.001	GO516022X		25,395
Smithsonian Astrophysical Observatory	43.001	GO516104X		23,942
Smithsonian Astrophysical Observatory	43.001	GO617051X		14,931
South Dakota State University	43.001	3TB330		29,808
South Dakota State University	43.001	3TB509		35,615
Texas State University	43.001	14010820911		11,262
University of Florida	43.001	UFDSP00011401		3,547
Pennsylvania State University	43.001	5477UONASAB50G		30,167
	Subtotal	43.001		191,596
University of Tulsa	43.008	142120532494802		45,041
University of Tulsa	43.008	142120763894802		-
	Subtotal	43.008		45,041
				<u>236,637</u>
<b>National Aeronautics and Space Administration - Total</b>			<u>932,775</u>	<u>2,628,695</u>
<b>Institute of Museum and Library Services - Direct</b>				
National Endowment for the Humanities	45.149			503
Institute of Museum and Library Services	45.301			20,302
Institute of Museum and Library Services	45.313			107,620
				<u>128,425</u>
<b>Institute of Museum and Library Services - Total</b>				
				<u>128,425</u>
<b>National Science Foundation - Direct</b>				
National Science Foundation	47.041		167,310	1,214,296
National Science Foundation	47.049		7,755	1,718,596
National Science Foundation	47.050		10,261	3,509,684
National Science Foundation	47.070		140,521	788,882
National Science Foundation	47.074			2,320,590
National Science Foundation	47.075		45,756	534,888
National Science Foundation	47.076		57,901	736,940
National Science Foundation	47.078			12,000
National Science Foundation	47.079			23,156
			<u>429,504</u>	<u>10,859,032</u>
<b>National Science Foundation - Pass Through</b>				
George Washington University	47.041	15S11		11,515
Oklahoma State University	47.041	AGMT061713		8,950
University of Delaware	47.041	33792		36,973
XPEED Turbine Technology, LLC	47.041	FY17ORA544		16,060
	Subtotal	47.041		73,498
Clark University	47.049	2A3117531		66,985
National Radio Astronomy Observatory	47.049	SOSPA4008		14,987
Research Foundation for the State University of New York	47.049	R868654		3,736
University of Texas at Arlington	47.049	2639062361		183,448
University of Texas, Austin	47.049	126510013061		7,985
University of Washington	47.049	744824		19,149
	Subtotal	47.049		296,290
University of Alaska-Fairbanks	47.050	UAF170103		6,614
University of Michigan	47.050	3003980653		16,046
University of Southern California	47.050	62591201		34,678
	Subtotal	47.050		57,338
Southern Nazarene University	47.070	FY17ORA512		9,638
University of California, Santa Barbara	47.070	KK1617		252,581
University of Illinois at Urbana-Champaign	47.070	08384216121		52,479
University of Illinois at Urbana-Champaign	47.070	15856		13,426
University of Illinois at Urbana-Champaign	47.070	20070107751		11,057
	Subtotal	47.070		339,181
Colorado State University	47.074	G25763		42,335
Purdue University	47.074	410279745		5,505
Tulane University	47.074	TULHSC4321213		2,649
University of California	47.074	20140024401		2,890
University of California, Davis	47.074	20111806201		-
University of California, Davis	47.074	201503777001		52,944
University of California, Los Angeles	47.074	2301GTB266		147,335
University of Georgia	47.074	RC3712514353838		76,924
	Subtotal	47.074		330,582
University of CA, Merced	47.075	E315GT A021		15,726
University of Texas Dallas	47.075	1503120		184,171
	Subtotal	47.075		199,897

The University of Oklahoma - Norman Campus  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2017

	FEDERAL CFDA	PASS-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
American Educational Research Association	47.076	LTR013015		15,664
Oklahoma State University	47.076	1567787		4,596
Oklahoma State University	47.076	AA546363		7,694
Oklahoma State University	47.076	AA556595OU		47,009
Subtotal	47.076			74,963
Oklahoma State University	47.079	1560686OU		262,855
Oklahoma State University	47.079	20173		654
Oklahoma State University	47.079	EPSCOR201313		2,000
Oklahoma State University	47.079	EPSCOR201317		86,815
Oklahoma State University	47.079	EPSCOR201318		732,639
Oklahoma State University	47.079	EPSCOR201319		666,248
Oklahoma State University	47.079	EPSCOR201320		101,425
Oklahoma State University	47.079	EPSCOR201415		4,696
Oklahoma State University	47.079	EPSCOR201513		5,000
Oklahoma State University	47.079	EPSCOR201524		1,375
Oklahoma State University	47.079	EPSCOR201525		2,570
Oklahoma State University	47.079	EPSCOR201526		3,222
Oklahoma State University	47.079	EPSCOR20161		18,778
Oklahoma State University	47.079	EPSCOR20171		4,000
University of Rhode Island	47.079	4978113015		306,385
Subtotal	47.079			2,198,662
Oklahoma State University	47.080	EPSCOR20133		24,108
Oklahoma State University	47.080	EPSCOR20138		2,940
Subtotal	47.080			27,048
University of Connecticut	47.083	115706		75,079
				3,672,538
<b>National Science Foundation - Total</b>			<b>429,504</b>	<b>14,531,570</b>
<b>Environmental Protection Agency - Direct</b>				
Environmental Protection Agency	66.509		54,616	278,770
			54,616	278,770
<b>Environmental Protection Agency - Total</b>			<b>54,616</b>	<b>278,770</b>
<b>Department of Energy - Direct</b>				
US Department of Energy	81.049		709,144	2,280,753
US Department of Energy	81.087		258,102	908,017
US Department of Energy	81.138			28,441
US Department of Energy	81.502			(4,264)
			967,246	3,212,947
<b>Department of Energy - Pass Through</b>				
Brookhaven National Laboratory	81.049	181673		7,509
Glomics, Inc.	81.049	FY17ORA543		9,599
Helios Remote Sensing Systems	81.049	FY17ORA117		39,939
MicroChem Solutions	81.049	FY13ORA216		5,926
MicroChem Solutions	81.049	FY15ORA219		18,135
Northern Arizona University	81.049	100279201		77,436
Northern Arizona University	81.049	100286701		62
Texas A&M University	81.049	068150620		107,561
Univ of California, Berkeley	81.049	00008322		91,731
Univ of California, Berkeley	81.049	00009014		338,742
Univ of California, Berkeley	81.049	00009292		31,912
University of Texas, Austin	81.049	UTA15001188		131,298
Subtotal	81.049			859,850
Biodiversity Research Institute	81.087	FY13ORA124		5,739
New Mexico Institute of Mining and Technology	81.089	P0011839		(93)
Research Partnership to Secure Energy for America	81.089	1212291		15,698
Subtotal	81.089			15,605
Univ of California, Berkeley	81.003	6847566		763,413
				1,644,607
<b>Department of Energy - Total</b>			<b>967,246</b>	<b>4,857,554</b>
<b>Department of Education - Direct</b>				
US Department of Education	84.200			2,739
US Department of Education	84.324		97,874	296,841
US Department of Education	84.325			188,839
US Department of Education	84.326			134,023
US Department of Education	84.334		690,271	3,355,795
			788,145	3,978,237
<b>Department of Education - Pass Through</b>				
Indiana University & Purdue University at Indianapolis	84.004	1939993		13,112
OK Department of Education	84.329	2659014380		20,742
OK State Regents for Higher Education	84.367	201617ESEA		120,625
OK State Regents for Higher Education	84.367	AGMT041816		111,175
National Writing Project Corporation	84.367	92OK02SEED20161L1		7,898
Subtotal	84.367			239,698
				273,552
<b>Department of Education - Total</b>			<b>788,145</b>	<b>4,251,789</b>

The University of Oklahoma - Norman Campus  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2017

	FEDERAL CFDA	PASS-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
<b>Department of Health and Human Services - Direct</b>				
Public Health Service	93.085			56,146
National Institutes of Health	93.172		319,616	721,488
National Institutes of Health	93.173		29,354	535,017
National Institutes of Health	93.286			263,492
National Institutes of Health	93.393			73,086
National Cancer Institute	93.394		6,266	254,755
National Institutes of Health	93.394		700,730	1,218,081
Subtotal	93.394			1,472,836
National Institutes of Health	93.395			116,129
National Institutes of Health	93.397		136,591	292,021
Administration for Children and Families	93.600			23,180
National Institutes of Health	93.855		331,190	1,217,900
National Institutes of Health	93.856			161,059
National Institutes of Health	93.859		727,898	2,860,191
			<u>2,251,645</u>	<u>7,792,545</u>
<b>Department of Health and Human Services - Pass Through</b>				
ABT Associates Inc	93.009	40140		170
Health Sciences Center	93.110	TS2011149110A1		-
Oklahoma Department of Health	93.136	3409021712		6,987
Health Sciences Center	93.273	RS2013194304		15,292
University of Alaska-Fairbanks	93.389	UAF140039		9,834
University of Texas Health Science Ctr	93.395	158817/158513		25,781
University of Texas Health Science Ctr	93.395	159236/153201		55,294
University of Texas Health Science Ctr	93.395	160754/160664		189,392
Subtotal	93.395			270,467
Benaroya Research Institute at Virginia Mason	93.855	0109805SI4		30,154
Colorado State University	93.855	G641112		98,088
University of Central Florida	93.855	22206079		25,804
Subtotal	93.855			154,046
Health Sciences Center	93.859	RS2012058951		41,120
Health Sciences Center	93.859	RS2013049431		-
Health Sciences Center	93.859	RS2013049440		129,818
Health Sciences Center	93.859	RS20132225102		14,935
Indiana University & Purdue University at Indianapolis	93.859	IN4698014OK		17,987
Oklahoma State University	93.859	5553670		920
University of Arkansas	93.859	SA1701154		33,335
University of California, San Francisco	93.859	9663SC		35,033
Subtotal	93.859			273,148
Health Sciences Center	93.866	RS2014089203		23,443
Johns Hopkins University	93.989	2003124170		3,525
				<u>756,912</u>
<b>Department of Health and Human Services - Total</b>			<u>2,251,645</u>	<u>8,549,457</u>
<b>TOTAL RESEARCH AND DEVELOPMENT PROGRAMS **</b>			<u>11,221,987</u>	<u>68,592,868</u>
<b>OTHER PROGRAMS</b>				
<b>Department of Agriculture - Pass Through</b>				
Oklahoma State University	10.001	AB568330OU		90,465
OK Department of Health	10.557	PO3409016349		-
OK Department of Human Services	10.580	PO0210422		2,035
				<u>92,500</u>
<b>Department of Agriculture - Total</b>				
				<u>92,500</u>
<b>Department of Commerce - Direct</b>				
Economic Development Administration	11.303			20,355
				<u>20,355</u>
<b>Department of Commerce - Total</b>				
				<u>20,355</u>
<b>Department of Defense - Direct</b>				
National Security Agency	12.900			62,427
				<u>62,427</u>
<b>Department of Defense - Pass Through</b>				
Institute of International Education	12.550	0054OU6ARA280PO1		209,814
Institute of International Education	12.550	0054OU6SSA280PO2		35,647
Institute of International Education	12.550	NSEPU631083OUARA		52,519
Subtotal	12.550			297,980
Health Sciences Center	12.598	TS2014152603		9,453
Health Sciences Center	12.598	TS2014152604		49,360
Subtotal	12.598			58,813
				<u>356,793</u>
<b>Department of Defense - Total</b>				
				<u>419,220</u>

The University of Oklahoma - Norman Campus  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2017

	FEDERAL CFDA	PASS-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
<b>Department of Interior - Direct</b>				
Bureau of Reclamation	15.511			29,911
Fish and Wildlife	15.669			8,001
Geological Survey	15.820		31,061	238,456
National Park Service	15.922			86,712
			<u>31,061</u>	<u>363,080</u>
<b>Department of Interior - Total</b>				
			<u>31,061</u>	<u>363,080</u>
<b>Department of State - Direct</b>				
Department of State	19.022			8,848
Department of State	19.040			8,127
Department of State	19.415			865,491
Department of State	19.501			182,964
				<u>1,065,430</u>
<b>Department of State - Total</b>				
				<u>1,065,430</u>
<b>Department of Transportation - Direct</b>				
Federal Aviation Administration	20.106			3,912
Federal Aviation Administration	20.109			115,643
Federal Highway Administration	20.215			27,142
Federal Transit Administration	20.507			1,318,103
				<u>1,464,800</u>
<b>Department of Transportation - Pass Through</b>				
OK Department of Transportation	20.200	2160C	7,050	56,473
OK Department of Transportation	20.200	2161		111,018
Subtotal	20.200			<u>167,491</u>
			<u>7,050</u>	<u>167,491</u>
<b>Department of Transportation - Total</b>				
			<u>7,050</u>	<u>1,632,291</u>
<b>National Aeronautics and Space Administration - Direct</b>				
Shared Services Center	43.008		485,085	704,357
			<u>485,085</u>	<u>704,357</u>
<b>National Aeronautics and Space Administration - Total</b>				
			<u>485,085</u>	<u>704,357</u>
<b>Institute of Museum and Library Services - Direct</b>				
National Endowment for the Arts	45.024			39,132
National Endowment for the Humanities	45.160			61,014
National Endowment for the Humanities	45.162			23,414
National Endowment for the Humanities	45.163			41,621
Institute of Museum and Library Services	45.301			49,148
				<u>214,329</u>
<b>Institute of Museum and Library Services - Pass Through</b>				
Oklahoma Humanities Council	45.129	Y15.084		12,000
				<u>12,000</u>
<b>Institute of Museum and Library Services - Total</b>				
				<u>226,329</u>
<b>National Science Foundation - Direct</b>				
National Science Foundation	47.041			11,416
National Science Foundation	47.049			9,912
National Science Foundation	47.074			18,923
National Science Foundation	47.075			5,120
National Science Foundation	47.076			122,520
				<u>167,891</u>
<b>National Science Foundation - Pass Through</b>				
Oklahoma State University	47.076	AGR1/6/16		11,128
Oklahoma State University	47.076	AGR121416		9,487
Presbyterian College	47.076	20111204		5,856
Subtotal	47.076			<u>26,471</u>
Oklahoma State University	47.079	EPSCOR201614		13,321
				<u>39,792</u>
<b>National Science Foundation - Total</b>				
				<u>207,683</u>

The University of Oklahoma - Norman Campus  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2017

	FEDERAL CFDA	PASS-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
<b>Department of Education - Direct</b>				
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				
Pell	84.063			20,433,980
SEOG	84.007			530,593
TEACH	84.379			320,925
College Work-Study	84.033		1,817,504	
Job Location and Development Program	84.033		47,000	
Subtotal	84.033			1,864,504
Federal Perkins Loan Program	84.038			17,861,904
Federal Direct Student Loans	84.268			117,189,756
<b>TOTAL STUDENT FINANCIAL ASSISTANCE</b>				<b>158,201,662</b>
<b>TRIO CLUSTER</b>				
Department of Education - TRIO	84.042			423,729
Department of Education - TRIO	84.047			238,123
Department of Education - TRIO	84.217			207,804
<b>TOTAL TRIO</b>				<b>869,656</b>
US Department of Education	84.283			3,797,304
US Department of Education	84.325			500,622
				<b>4,297,926</b>
<b>Department of Education - Pass Through</b>				
Oklahoma State University	84.299	56230601		5,834
OK Department of Education	84.324	2659016211		21,600
Putnam City Public Schools	84.366	317120721		9,558
National Writing Project Corporation	84.367	92OK02SEED2012	544	
OK State Regents for Higher Education	84.367	ESEA	165	
OK State Regents for Higher Education	84.367	2015ESEA	119	
OK State Regents for Higher Education	84.367	201718ESEA	708	
Subtotal	84.367			1,536
				<b>38,528</b>
<b>Department of Education - Total</b>				
				<b>163,407,772</b>
<b>Department of Health and Human Services - Direct</b>				
Substance Abuse and Mental Health Services Administration	93.243			275,331
Substance Abuse and Mental Health Services Administration	93.276			74,716
				<b>350,047</b>
<b>Department of Health and Human Services - Pass Through</b>				
OK Department of Health	93.110	PO3409019573		(6,981)
OK Department of Mental Health	93.243	PO4529049840		116,311
OK Department of Human Services	93.674	PO0200113	159,013	
OK Department of Human Services	93.674	PO0700617	(133)	
Subtotal	93.674			158,880
OK Department of Mental Health	93.959	PO4529050213		148,500
				<b>416,710</b>
<b>Department of Health and Human Services - Total</b>				
				<b>766,757</b>
<b>Social Security Administration - Direct</b>				
Social Security Administration	96.008			244,300
				<b>244,300</b>
<b>Social Security Administration - Total</b>				
				<b>244,300</b>
<b>Department of Homeland Security - Pass Through</b>				
Southern Illinois University at Carbondale	97.039	SUIIC1425		19,478
				<b>19,478</b>
<b>Department of Homeland Security - Total</b>				
				<b>19,478</b>
<b>TOTAL OTHER PROGRAMS</b>			<b>523,196</b>	<b>169,169,552</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 11,745,183</b>	<b>\$ 237,762,420</b>

\*\*Denotes Research and Development Cluster major program.

### **Note 1 -- Basis of Presentation and Significant Accounting Policies**

The purpose of the Schedule of Expenditures of Federal Awards (the "Schedule") is to present a summary of the activities of The University of Oklahoma Norman Campus (the "University") for the year ended June 30, 2017, which have been financed by the Government.

For purposes of the Schedule, federal awards have been classified into two types:

- Direct federal awards consisting of federal assistance and federal student financial aid, and
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

Because the schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances or the current funds revenues, expenditures or other changes of the University.

The schedule is prepared on the cash basis of accounting. Expenditures are recognized when paid.

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

The University has not elected to use the 10% de minimus cost rate.

Complete Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers were available. CFDA prefixes are presented for programs for which a complete CFDA number is not available.

Federal direct programs are presented by federal department and, where applicable, the funding agency within the department. Federal pass-through programs are presented by the entity through which the University received the federal award. Amounts provided to subrecipients from each federal program have been separately identified for additional analysis. These pass-through awards are included in total cash basis expenditures.

The University of Oklahoma Norman Campus administers Academic Competitiveness Grants, the Pell Grant program, Supplemental Education Opportunity Grants, National Science and Mathematics Access to Retain Talent Grants and College Work-Study student award programs for students attending both the Norman and Health Sciences Center campuses of the University. Grant revenues and expenditures under such programs for students attending these campuses are included in the financial statements of the Norman Campus. Therefore, the Norman Campus Schedule of Expenditures of Federal Awards includes expenditures under such programs for students attending these campuses.



Federal Contracts that do not meet the definition of Federal Domestic Assistance (i.e.: the United States Postal Service, the Oklahoma State Department of Human Services' Satellite Training Network ("SATTRN") and IV-E Social Work programs) have been excluded from the schedule as it was determined, based upon discussions with the University's federal cognizant agency or by the nature of the contract, that such contracts do not represent auditable federal awards under the provisions of Uniform Guidance. Also, fixed price and fixed rate programs have been excluded.

### **Note 2 -- Federal Direct Student Loan Program**

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University began participation in the Direct Loan Program on July 1, 2010. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

### **Note 3 -- Federal Perkins Loan Program**

The Federal Perkins Loan Program is administered directly by the University. The beginning balance of loans outstanding (as of July 1, 2016) plus disbursements made to students during the year ended June 30, 2017, has been included as federal expenditures in the schedule. As of June 30, 2017, the ending balance of the loans receivable under the Federal Perkins Loan Program was approximately \$16 million.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	84.063; 84.007; 84.379; 84.003; 84.038; 84.268
Research and Development Cluster	*

\* See the Schedule of Expenditures of Federal Awards for identification of CFDA numbers applicable to this major program.

Dollar threshold used to distinguish between type A and type B programs:	\$ 2,386,823
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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None.

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**Section III – Federal Award Findings and Questioned Costs**

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**2017-001                      Suspension and Debarment Control  
Research and Development Cluster  
Compliance Requirement: Suspension and Debarment  
Material Weakness in Internal Control over Compliance**

Criteria:                      Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition:                      The University does not appear to have a control in place to check vendors (excluding those considered subrecipients) for potential suspension and/or debarment for covered transactions. However, no vendors selected in our testwork were listed as suspended or debarred.

Cause:                              The University does not appear to have a process in place to check vendors (excluding subrecipients) under covered transactions (\$25,000 or more) in accordance with federal regulations.

Effect:                              The University is out of compliance with federal requirements regarding suspension and debarment controls.

Context/Sampling: All covered transactions in our nonstatistical sample did not appear to have a control in place to identify the vendor as suspended or debarred prior to transacting with that vendor.

Repeat Finding  
From Prior Year: No

Questioned costs: None, no vendors in our samples were listed as suspended or debarred.

Recommendation: Control procedures should be implemented to ensure that vendors are checked against the federal website for vendors that could be suspended or debarred prior to transacting with such vendors or another process as allowed by the federal regulations.

Views of  
Responsible  
Officials: We agree with the finding and we will make appropriate changes to our processes by recommending that Purchasing add a phrase to Purchase Orders to address the debarment and suspension issue

**2017-002      Inventory of Property Purchased with Federal Funds  
Research and Development Cluster  
Equipment and Real Property Management  
Significant Deficiency in Internal Control over Compliance**

Criteria: Non-Federal entities must follow 2 CFR sections 200.313(c) through (e) which includes that a physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).

Condition: The University does appear to have a control in place to inventory all property and equipment of the University, including the equipment purchased with federal funds. However, we identified some equipment items that were not inventoried within the required 2 years.

Cause: There were certain equipment items that were not identified and matched to a location before the start of the annual inventory process that led to such items not being inventoried at the regularly scheduled time.

Effect: The University is out of compliance with federal requirements regarding equipment and real property management to validate such property still exists at the University.

Context/Sampling: Three items in our sample of 40 equipment items had not been inventoried within the 2-year required period. Non statistical sampling was utilized.

Repeat Finding  
From Prior Year: No

Questioned costs: None reported.

Recommendation: Control procedures should be adjusted to ensure that all property and equipment purchased with federal funds is inventoried within the two-year requirement.

Views of  
Responsible  
Officials: We agree with the finding and we will make appropriate changes to our processes for future inventories.

**2017-003**                      **Direct Program from U.S. Department of Education  
Student Financial Aid Cluster (CFDA #'s 84.268, 84.038, 84.379, 84.063, 84.033,  
84.007)  
Special Tests: Enrollment Reporting  
Material Weakness in Internal Control over Compliance**

Criteria: A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.

Condition: In our student testing, there were 111 students that had a change in enrollment status (i.e. withdrawal, graduation, reduction from fulltime to parttime). We identified 9 status changes that were not reported to the NSLDS within the 60 day time requirement and we noted 12 instances where the status change date per the institution's records did not agree to the NSLDS records.

Questioned

Costs: None reported.

Effect: Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.

Cause: Internal controls do not appear to be in place to accurately and timely identify the relevant dates for reporting to NSLDS.

Repeat finding

From Prior Year:  
Yes, 2016-002, 2015-001

Context: Out of the 108 sample of enrollment status changes, 12 of the status change dates did not agree with NSLDS and 9 status changes were not reported to NSLDS within the time required by the federal regulations. Non-statistical sampling was used.

Recommendation:

We recommend that management update their control processes to ensure that the proper status date changes are being reported to NSLDS.

Views of Responsible Officials:

Management has started corrective actions to address these issues for Fall 2017 submission of files.

**2017-004      Direct Program from U.S. Department of Education  
Student Financial Aid Cluster (CFDA #'s 84.268, 84.038, 84.379, 84.063, 84.033, 84.007)  
Special Tests: Return of Funds  
Significant Deficiency in Internal Control over Compliance**

- Criteria:            When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his/her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined by the regulations. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement (34 CFR section 668.22(a)(1) through (a)(5)).
- Condition:        We identified three instances where the incorrect date was used to calculate the return of funds that resulted in an incorrect calculation of funds to be returned. Two of these instances resulted in funds due back to the student.
- Cause:            Internal controls do not appear to be in place to accurately and timely identify the relevant dates for return of fund calculation purposes.
- Effect:            Use of improper dates in the return of funds calculation will likely result in incorrect calculations and potential questioned costs.
- Question  
Costs:            None reported.
- Context/Sampling:  
                      Three withdrawals in our sample of 68 withdrawals had an incorrect calculation of the return of funds due to an improper date being used for the calculation. Non-statistical sampling was used.
- Repeat Finding from Prior Year:  
                      No.
- Recommendation:  
                      We recommend that management update their control processes to ensure that the proper status date changes are being used for return of funds calculations.
- Views of Responsible Officials:  
                      Management agrees with the finding and will implement corrective measures.

**2017-005      Direct Program from U.S. Department of Education  
Student Financial Aid Cluster (CFDA #'s 84.268, 84.038, 84.379, 84.063, 84.033, 84.007)  
Special Tests: Disbursements to Students  
Material Weakness in Internal Control over Compliance**

**Criteria:** If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System (NSLDS) Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will “monitor” those students on the school’s “inform” list and alert the school of any relevant financial aid history changes. A school must wait 7 days after it “informs” NSLDS about a transfer student before disbursing Title IV aid to that student. However, a school does not have to wait if it receives an alert from NSLDS during the 7-day period or if it obtains the student’s financial aid history by accessing the NSLDS Financial Aid Professional website. When a school receives an alert from NSLDS, before making a disbursement of Title IV aid, it must determine if the change to the student’s financial aid history affects the student’s eligibility (34 CFR section 668.19).

**Condition:** We noted 17 instances in our sample of 60 transfer students where the Institution had not notified NSLDS about a transfer student to use NSLDS monitoring procedures.

**Questioned  
Costs:** None reported.

**Effect:** Use of data that is not current from NSLDS could result in changes in eligible funds for the transfer student and inaccurate disbursements could be made.

**Cause:** Internal controls do not appear to be in place to accurately and timely identify and report transfer students prior to the disbursement to those students.

**Context:** Out of the 60 sample of transfer students, 17 transfer students were not reported to NSLDS within the time required by the federal regulations. Non-statistical sampling was used.

**Repeat Finding from Prior Year:**  
Yes, 2016-002



Recommendation:

We recommend that management update their control processes to ensure that the proper status date changes are being reported to NSLDS.

Views of Responsible Officials:

Management agrees with the finds and has implemented procedures to assure we accurately submit the correct students in our future files.

**2017-006      Direct Program from U.S. Department of Education  
Student Financial Aid Cluster (CFDA # 84.038)  
Special Tests: Student Loan Repayments (Perkins)  
Significant Deficiency in Internal Control over Compliance**

Criteria: Federal Perkins Loans (FPL) are repayable in equal or graduated periodic installments in amounts calculated on the basis of a 10-year repayment period. The institution must establish a repayment plan. The repayment period begins after an initial grace period of either 6 months or 9 months after the student ceases to be at least a half-time student. Borrowers may be eligible for loan deferments under certain circumstances. FPL loans may also be canceled based on qualifying employment, qualifying services (such as law enforcement, military, or Peace Corps), or due to the school's closure or bankruptcy.

Institutions must exercise due care and diligence in the collection of loans such as:

- a. A requirement to conduct an exit interview with the borrower before he or she leaves the institution and to contact the borrower a minimum of three times during the initial grace period for loans with 9-month grace periods or two times for loans with 6-month grace periods (34 CFR section 674.42).
- b. Specific billing procedures to notify borrowers of overdue payments and to demand overdue amounts (34 CFR section 674.43).
- c. Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (34 CFR section 674.45).

Condition: We found the following three conditions:

- We tested 68 FPL students that had separation dates resulting in entering repayment status in FY2017 and noted three instances where the loan did not enter into repayment status timely.
- We tested 40 FPL students that had separation dates resulting in entering repayment status in FY2017 and noted three instances where the student was not contacted the minimum of three time during the 9-month grace period.
- We tested 10 students that were in delinquent status and noted 2 instances where the institution's default procedures were not followed by sending out all required letters.

Questioned  
Costs: None reported.

Effect: Some student loans did not go into repayment status on a timely basis. Further, some students in default did not receive all proper notifications to follow the specific collection procedures to recover such loans.

Cause: Internal controls do not appear to be in place for all FPL activity to ensure proper repayment of such loans. It should be noted that the University utilizes a service organization for the majority of these controls. The majority of these control failures appear to be at the service organization that caught and corrected the matter in early FY17 per their notification to the University.

Context: Out of the 68 sample of students entering repayment status, 3 loans did not timely enter repayment status. For sample of 40 students entering repayment status, 3 students did not have a minimum of 3 contacts within the grace period. Further, out of 10 delinquent loans, we identified 2 students that did not have all required communications sent. Non-statistical sampling was used.

Repeat Finding from Prior Year:  
No.

Recommendation:  
We recommend that management consult with their service provider to validate that all such matters identified above are corrected. Further, we recommend that management implement control procedures at the University if and where feasible.

Views of Responsible Officials:  
Management agrees with the finding and will be working with our third party servicer, ECSI to ensure compliance.