

# THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012

# THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012

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## Independent Auditors' Report

Board of Regents of the University of Oklahoma  
University of Oklahoma  
Norman, Oklahoma

We have audited the accompanying statements of net assets of the University of Oklahoma Norman Campus (the "University"), a component unit of the State of Oklahoma, as of and for the years ended June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2012 and 2011, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2012, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (schedule of funding progress and notes to 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of Oklahoma Norman Campus for the year ended June 30, 2012, taken as a whole. The supplementary schedule of revenue bond systems outstanding-schedule of revenues, expenditures and changes in fund balances-year ended June 30, 2012 with comparative totals for the year ended June 30, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule provides information that is required pursuant to the trust indentures governing each outstanding bond issue listed on the accompanying schedule, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The trust indentures do not require the University to record a provision for depreciation on its capital assets. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the matter described above, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 11, 2012

## UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

### Management's Discussion and Analysis

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

This report consists of Management's Discussion and Analysis (this part), the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, 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, 2012, with comparative information for the years ended June 30, 2011 and June 30, 2010. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

#### *Statements of Net Assets*

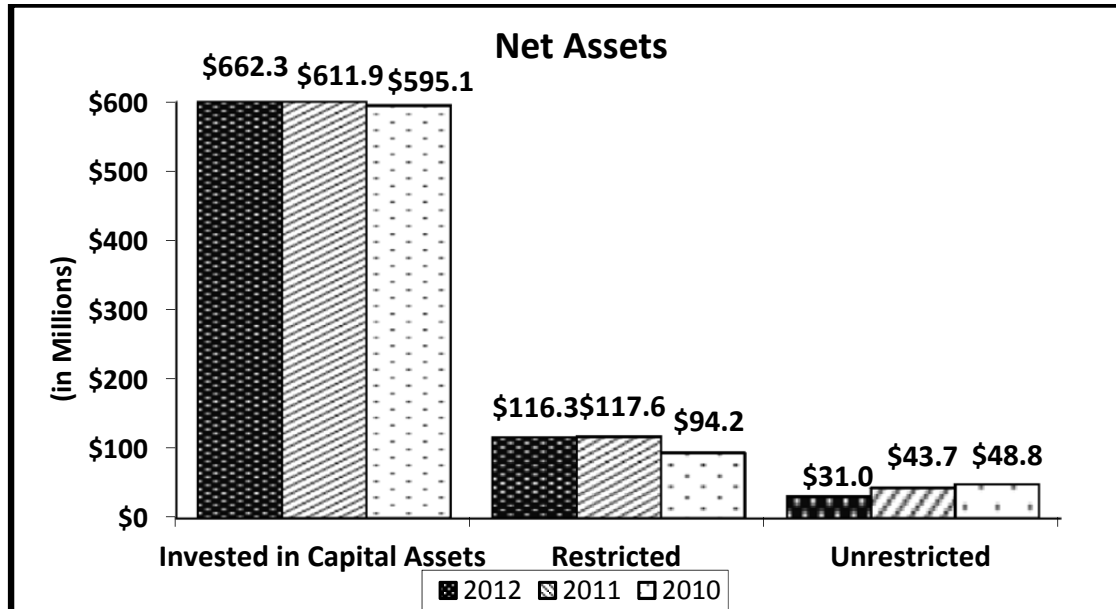
The Statements of Net Assets present the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) as of the end of the fiscal years audited. The purpose of the Statements of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the University. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements. These statements include all assets and liabilities using the accrual basis of accounting.

Net assets - the difference between assets and liabilities - is one way to measure the University's financial health, or position. Over time, changes in the University's net assets 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 assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant, and equipment. The next category, restricted assets, provides the University's assets 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 assets are available to the University for any lawful purpose of the institution.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2012. Net assets increased approximately \$36.4 million from June 30, 2011 to June 30, 2012.

The following graph illustrates the comparative change in net assets by the three major categories mentioned above for fiscal years 2012, 2011, and 2010:



The following table summarizes the University's assets, liabilities, and net assets as of June 30, 2012, 2011, and 2010:

<b>Condensed Statements of Net Assets</b>				
<b>End of Year (in millions)</b>				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	
<b>Assets:</b>				
Current Assets	\$ 351.6	\$ 333.1	\$ 299.8	
Capital Assets, net	1,404.1	1,315.3	1,236.3	
Other Noncurrent Assets	<u>212.5</u>	<u>214.6</u>	<u>178.7</u>	
<b>Total Assets</b>	<u>1,968.2</u>	<u>1,863.0</u>	<u>1,714.8</u>	
<b>Liabilities:</b>				
Current Liabilities	195.8	176.7	172.5	
Noncurrent Liabilities	<u>962.8</u>	<u>913.1</u>	<u>804.2</u>	
<b>Total Liabilities</b>	<u>1,158.6</u>	<u>1,089.8</u>	<u>976.7</u>	
<b>Net Assets:</b>				
Invested in capital assets, net of related debts	662.3	611.9	595.1	
Restricted	116.3	117.6	94.2	
Unrestricted	<u>31.0</u>	<u>43.7</u>	<u>48.8</u>	
<b>Total Net Assets</b>	<u>\$ 809.6</u>	<u>\$ 773.2</u>	<u>\$ 738.1</u>	
<b>Increase in Net Assets</b>	<u>\$ 36.4</u>	<u>\$ 35.1</u>	<u>\$ 54.5</u>	

Total assets of the University increased \$105.2 million from June 30, 2011. The current year increase was primarily due to an increase in capital assets, net of depreciation, of \$88.8 million and an increase in cash and cash equivalents of \$37.6 million due to private gifts.

At June 30, 2012, the University had approximately \$1,404.1 million invested in capital assets, net of accumulated depreciation of \$643.7 million. Depreciation charges for the current year totaled \$58.4 million compared to \$54.2 million and \$45.8 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 \$68.8 million from June 30, 2011. This increase was primarily due to increases in revenue bonds payable (\$62.5 million) and OPEB (\$7.0 million).

At June 30, 2012, the University had approximately \$754.1 million in outstanding bonds and capital leases. Additional information related to the University's long-term liabilities is presented in Note 10 to the financial statements.

Total assets of the University increased \$148.2 million from June 30, 2010 to June 30, 2011. This increase was primarily due to an increase in capital assets, net of depreciation, of \$79.0 million and an increase in accounts receivable of \$43.0 million as a result of the utilities management agreement. Note 10 discusses the utilities management agreement.

Total liabilities of the University increased \$113.1 million from June 30, 2010 to June 30, 2011. This increase was primarily due to an increase in utilities management agreement liabilities (\$113.7) and other post-employment benefits (OPEB) liabilities (\$15.3 million), partially offset by a decrease in capital leases and revenue bond payables (\$20.4). Note 10 discusses the utilities management agreement and Note 13 discusses the OPEB reporting requirements and related information.

### ***Statements of Revenues, Expenses, and Changes in Net Assets***

The following table summarizes the University's revenues, expenses and changes in net assets for the years ended June 30 2012, 2011, and 2010:

<b>Condensed Statements of Revenues, Expenses, and Changes in Net Assets (in millions)</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating Revenues	\$ 497.4	\$ 466.0	\$ 442.3
Operating Expenses	<u>(794.1)</u>	<u>(752.6)</u>	<u>(728.7)</u>
Operating Loss	(296.7)	(286.6)	(286.4)
Nonoperating revenues and expenses	<u>276.6</u>	<u>281.7</u>	<u>278.7</u>
Income before other revenues, expenses, gains or losses	(20.1)	(4.9)	(7.7)
Other revenues, expenses, gains or losses	<u>56.5</u>	<u>40.0</u>	<u>62.2</u>
<b>Increase in Net Assets</b>	<b>\$ 36.4</b>	<b>\$ 35.1</b>	<b>\$ 54.5</b>

Trends in the relationship between operating revenues and operating expenses are significant indicators of the University's financial health. Operating revenues increased \$55.1 million (12.5%) from June 30, 2010 to June 30, 2012, while operating expenses increased \$65.4 million (9.0%). The slower growth in operating expenses is a reflection of the University's efforts to reduce expenses to better match anticipated revenues. These efforts will continue in the upcoming fiscal years as the State's economic outlook is still uncertain.

**Operating revenues** of \$497.4 million increased \$31.4 million (6.7%) in 2012 when compared to the prior year. Operating revenues of \$466.0 million for the year ended June 30, 2011 increased \$23.7 million (5.4%) when compared to the year ended June 30, 2010. The following table summarizes the University's operating revenues for the years ended June 30, 2012, 2011, and 2010:

<b>Operating Revenues (in millions)</b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Tuition and fees	\$ 227.5	\$ 211.0	\$ 201.7
Grants and contracts	99.5	94.3	89.6
Sales and services of educational activities	12.8	12.4	8.5
Auxiliary enterprises	144.0	136.4	128.8
Other revenues	13.6	11.9	13.7
<b>Total Operating Revenues</b>	<b><u>\$ 497.4</u></b>	<b><u>\$ 466.0</u></b>	<b><u>\$ 442.3</u></b>

For the year ended June 30, 2012 the increase in operating revenues from 2011 is primarily due to an increase in tuition and fees rates and an increase in housing revenues due to increased room and board rates and occupancy. Grants and contracts revenue increased due to increased activity.

The increase in operating revenues from the year ended June 30, 2010 to June 30, 2011 was due to an increase in tuition and fees rates and an increase in Housing revenues due to concession sales in athletic facilities and increased room and board rates.

**Operating expenses** of \$794.1 million increased \$41.5 million (5.5%) in 2012 when compared to the prior year. Operating expenses of \$752.6 million for the year ended June 30, 2011 increased \$23.9 million (3.3%) when compared to the year ended June 30, 2010. The following table summarizes the University's operating expenses for the years ended June 30, 2012, 2011, and 2010:

<b>Operating Expenses (in millions)</b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Compensation and benefits	\$ 465.2	\$ 453.9	\$ 444.6
Contractual services	79.7	72.4	73.6
Supplies and materials	18.7	17.1	15.3
Depreciation	58.4	54.2	45.8
Utilities	34.5	34.5	26.9
Communications	7.4	6.8	6.7
Scholarships and fellowships	31.8	30.9	34.0
Other	98.4	82.8	81.8
<b>Total Operating Expenses</b>	<b><u>\$ 794.1</u></b>	<b><u>\$ 752.6</u></b>	<b><u>\$ 728.7</u></b>



For the year ended June 30, 2012 the increase in operating expenses from 2011 is primarily due to an increase in compensation and benefits due to the pay plan that went into effect July 1, 2011, increased depreciation as a result of new buildings placed into service, and an increase in other operating expenses.

The increase in operating expenses from the year ended June 30, 2010 to June 30, 2011 was primarily due to an increase in fringe benefit expense included in compensation and benefits and increased depreciation and utilities as a result of new buildings being placed into service.

**Non operating revenues (expenses)** of \$276.6 million decreased \$5.1 million (1.8%) in 2012 when compared to the prior year. Non operating revenues (expenses) of \$281.7 million for the year ended June 30, 2011 increased \$3.0 million (1.1%) when compared to the year ended June 30, 2010. The following table summarizes the University's non operating revenues and expenses for the years ended June 30, 2012, 2011, and 2010:

<b>Nonoperating Revenues (Expenses) (in millions)</b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
State appropriations	\$ 144.2	\$ 145.1	\$ 144.7
State payments from federal ARRA revenues	-	10.0	11.5
On-behalf payments for OTRS	15.2	13.0	11.5
Endowment income	8.3	7.0	6.9
Grants and contracts	88.2	88.7	91.3
Private gifts	43.5	28.0	26.6
Student fees for capital projects	5.9	5.6	5.6
Interest on indebtedness	(31.3)	(28.0)	(27.3)
Investment income	<u>2.6</u>	<u>12.3</u>	<u>7.9</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<b><u>\$ 276.6</u></b>	<b><u>\$ 281.7</u></b>	<b><u>\$ 278.7</u></b>

Appropriations from the State of Oklahoma remained relatively stable during fiscal year 2012. There were no American Recovery and Reinvestment Act (ARRA) funds remaining in fiscal year 2012, investment income fell due to the continuing economic downturn, and interest on indebtedness increased due to additional bonds being issued. These decreases in net nonoperating revenues were partially offset by private gifts.

During fiscal year 2011, appropriations from the State of Oklahoma remained relatively stable during fiscal year 2011 and federal funds available through the ARRA decreased \$1.5 million. Grants and contracts decreased primarily as a result of decreased activity. Investment income increased due to higher rates of return for the current year and improved market conditions.

**Other revenues, expenses, gains or losses** of \$56.5 million increased \$16.5 million (41.3%) in 2012 when compared to the prior year. Other revenues, expenses, gains or losses of \$40.0 for the year ended June 30, 2011 decreased \$22.2 million (36.0%) when compared to the year ended June 30, 2010. The following table summarizes the University's other revenues, expenses, gains or losses for the years ended June 30, 2012, 2011, and 2010:

<b>Other Revenues, Expenses, Gains or (Losses) (in millions)</b>			
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Grants and contracts for capital purposes	\$ -	\$ 0.2	\$ 0.2
Build America Bonds subsidy	0.9	1.0	-
Private gifts for capital purposes	37.9	18.6	44.6
Federal ARRA funds for capital projects	-	7.0	-
State school land funds	11.9	9.8	10.1
On-behalf payments for OCIA capital leases	3.6	2.0	6.7
Additions to permanent endowments	<u>2.2</u>	<u>1.4</u>	<u>0.6</u>
<b>Total Other Revenues, Expenses, Gains or (Losses)</b>	<b><u>\$ 56.5</u></b>	<b><u>\$ 40.0</u></b>	<b><u>\$ 62.2</u></b>

The increase from June 30, 2011 to June 30, 2012 is primarily due to an increase in privately funded capital projects in fiscal year 2012 and the increase of Section 13/New College funding for capital projects, partially offset by a reduction of ARRA funds received for capital projects.

The decrease from June 30, 2010 to June 30, 2011 is primarily due to a decrease in privately funded capital projects in fiscal year 2011 and the refunding of OCIA bonds, partially offset by ARRA funds received for 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 increased during the current year, with a net increase to cash and cash equivalents of \$37.6 million. Overall liquidity also increased from June 30, 2010 to June 30, 2011, with a net increase to cash and cash equivalents of \$5.3 million. The following table summarizes the University's cash flows for the years ended June 30, 2012, 2011, and 2010:

<b>Condensed Statement of Cash Flows for the Year (in millions)</b>			
	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Cash provided (used) by:</b>			
Operating activities	\$ (204.1)	\$ (204.3)	\$ (216.1)
Noncapital financing activities	283.8	277.2	282.3
Capital and related financing activities	(49.0)	(72.9)	(16.9)
Investing activities	<u>6.9</u>	<u>5.3</u>	<u>(0.6)</u>
<b>Net Change In Cash</b>	37.6	5.3	48.7
<b>Cash and equivalents, beginning of the year</b>	<u>302.2</u>	<u>296.9</u>	<u>248.2</u>
<b>Cash and equivalents, end of the year</b>	<u>\$ 339.8</u>	<u>\$ 302.2</u>	<u>\$ 296.9</u>

Cash used by operating activities during fiscal year 2012 of \$204.1 million was comparable to the prior year (\$204.3 million). Major sources of operating funds were tuition and fees (\$228.6 million), grants and contracts (\$95.6 million) and auxiliary enterprises (\$151.9 million), which were offset by the payment of compensation and benefits (\$441.1 million) and other operating expenses (\$262.7 million).

Cash provided by noncapital financing activities during fiscal year 2012 of \$283.8 million increased \$6.6 million (2.4%) compared to the prior year (\$277.2 million). Major sources of noncapital financing activities were state appropriations (\$144.2 million), grants and contracts (\$88.2 million), and private gifts (\$43.5 million).

Cash used in capital and related financing activities during fiscal year 2012 of \$49.0 million decreased \$23.9 million (32.8%) when compared to the prior year (\$72.9 million) due primarily to the timing of the receipt of bond proceeds and related expenditures and an increase in private gifts for capital assets. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$103.1 million) and private gifts (\$37.9 million), which were offset by purchases of capital assets (\$145.8 million) and principal and interest payments on capital debt and leases (\$73.3 million).

Cash provided by investing activities during fiscal year 2012 of \$6.9 million increased \$1.6 million when compared to the prior year (\$5.3 million).

Cash used by operating activities during fiscal year 2011 of \$204.3 million decreased \$11.8 million (5.5%) when compared to the prior year (\$216.1 million). Major sources of operating funds were tuition and fees (\$210.3 million), grants and contracts (\$94.6 million) and auxiliary enterprises (\$137.0 million), which were offset by the payment of compensation and benefits (\$424.8 million) and other operating expenses (\$250.8 million).

Cash provided by noncapital financing activities during fiscal year 2011 of \$277.2 million decreased \$5.1 million (1.8%) compared to the prior year (\$282.3 million). Major sources of noncapital financing activities were state appropriations (\$145.0 million), state payments from federal ARRA revenues (\$10.0 million), grants and contracts (\$88.7 million), and private gifts (\$28.0 million).

Cash used in capital and related financing activities during fiscal year 2011 of \$72.9 million increased \$56.0 million (331.4%) when compared to the prior year (\$16.9 million) due primarily to the timing of the receipt of bond proceeds and related expenditures and the defeasance of the 2009 series A, B, and C bonds (\$48.6 million). Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$118.3 million) and proceeds from a utilities management agreement, which were offset by purchases of capital assets (\$139.2 million) and principal and interest payments on capital debt and leases (\$170.7 million).

Cash provided by investing activities during fiscal year 2011 of \$5.3 million increased \$5.9 million when compared to the prior year (\$0.6).

## **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 State government. The University has engaged in budget allocations to better match anticipated revenues and expenses. This effort will continue in the upcoming fiscal years as the University focuses attention to even greater scrutiny and management of our existing resources.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. While current economic conditions facing our state and nation are challenging, the University's competitive position remains strong. The Fall 2012 freshmen class is the largest in University history and the most academically talented in the history of the state. During the 2011-12 academic year, the University conferred the largest number of degrees of any college or university in Oklahoma history. Our faculty continues to compete for and win national awards, and our research expenditures continue to grow.

# STATEMENTS OF NET ASSETS

## THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	June 30 (in thousands)	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 162,054	\$ 148,401
Restricted cash and cash equivalents	107,455	94,469
Short-term investments	1,014	1,991
Accrued interest receivable	663	577
Accounts receivable, net of allowance for doubtful accounts	70,999	75,257
Notes receivable, current portion	-	148
Inventories and supplies, at cost	4,301	5,229
Loans to students, net of allowance for uncollectible loans	2,368	2,404
Deposits and prepaid expenses	2,750	4,645
TOTAL CURRENT ASSETS	<u>351,604</u>	<u>333,121</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	70,340	59,324
Endowment investments	75,509	78,749
Other long-term investments	12,861	11,575
Investments in real estate	395	395
Accounts receivable, long-term portion	21,000	33,000
Notes receivable, net of current portion	-	193
Loans to students, net	16,631	16,367
Deposits and prepaid expenses	15,801	15,010
Capital assets, net of accumulated depreciation	1,404,068	1,315,312
TOTAL NONCURRENT ASSETS	<u>1,616,605</u>	<u>1,529,925</u>
TOTAL ASSETS	<u>\$ 1,968,209</u>	<u>\$ 1,863,046</u>

(Continued)

STATEMENTS OF NET ASSETS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	June 30 (in thousands)	
	2012	2011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 48,130	\$ 42,801
Utilities management agreement, current portion	4,720	4,720
Other postemployment benefits, current portion	5,264	5,237
Accrued compensated absences, current portion	26,003	24,850
Deferred revenue	63,330	59,847
Deferred revenue - long-term contracts, current portion	2,918	2,922
Accrued interest payable	13,517	10,530
Capital leases and revenue bonds payable, current portion	27,976	21,641
Deposits held in custody for others, current portion	3,949	4,172
TOTAL CURRENT LIABILITIES	<u>195,807</u>	<u>176,720</u>
NONCURRENT LIABILITIES, net of current portion		
Utilities management agreement	104,280	109,000
Other postemployment benefits	73,673	66,655
Accrued compensated absences	4,589	4,045
Deferred revenue - long-term contracts	4,972	6,450
Federal loan program contributions refundable	14,551	14,687
Capital lease obligations	94,547	101,359
Revenue bonds payable	631,606	573,330
Deposits held in custody for others	34,603	37,542
TOTAL NONCURRENT LIABILITIES	<u>962,821</u>	<u>913,068</u>
TOTAL LIABILITIES	<u>\$ 1,158,628</u>	<u>\$ 1,089,788</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 662,307	\$ 611,894
Restricted for:		
Nonexpendable	24,796	22,532
Expendable:		
Educational, general and auxiliary operations	21,874	25,098
Capital projects	34,230	42,609
Debt service	16,284	11,018
Athletics	19,120	16,417
Unrestricted	30,970	43,690
TOTAL NET ASSETS	<u>\$ 809,581</u>	<u>\$ 773,258</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30 (in thousands)	
	2012	2011
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$55,490 and \$51,888 for 2012 and 2011, respectively)	\$ 227,472	\$ 211,029
Federal grants and contracts (revenues of \$11,225 for 2012 and \$14,951 for 2011 were used as security for the Research Facilities Revenue Bonds Series 2003)	55,330	54,123
State grants and contracts (revenues of \$1,951 for 2012 and \$409 for 2011 were used as security for the Research Facilities Revenue Bonds Series 2003)	21,627	15,510
Private grants and contracts (revenues of \$4,757 for 2012 and \$1,956 for 2011 were used as security for the Research Facilities Revenue Bonds Series 2003)	22,590	24,611
Interest on student loans receivable	409	479
Sales and services of educational activities	12,779	12,448
Housing revenues (revenues are used as security for the Student Housing Revenue Bonds Series 2002 and 2004)	51,441	46,117
Athletic revenues (net of scholarship allowances of \$6,121 and \$4,844 for 2012 and 2011, respectively; revenues were used as security for the ODFA Public Facilities Revenue Bonds Series 2003B)	63,864	61,970
Real estate revenues (revenues are pledged as security for the Research Facility Revenue Bonds Series 2004)	7,633	7,469
Sales and services of auxiliary enterprises--other	21,083	20,816
Other revenues	13,208	11,419
<b>TOTAL OPERATING REVENUES</b>	<b>497,436</b>	<b>465,991</b>
<b>OPERATING EXPENSES</b>		
Compensation and benefits	465,226	453,923
Contractual services	79,701	72,395
Supplies and materials	18,749	17,091
Depreciation	58,404	54,224
Utilities	34,498	34,552
Communications	7,440	6,754
Scholarships and fellowships	31,761	30,906
Other	98,389	82,834
<b>TOTAL OPERATING EXPENSES</b>	<b>794,168</b>	<b>752,679</b>
<b>OPERATING LOSS</b>	<b>(296,732)</b>	<b>(286,688)</b>
		(Continued)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30 (in thousands)	
	2012	2011
NONOPERATING REVENUES (EXPENSES)		
State appropriations	144,183	145,041
State payments from federal ARRA revenues	-	9,953
On-behalf payments for OTRS	15,184	13,012
Endowment income	8,323	7,089
Federal grants and contracts	38,486	39,797
State grants and contracts	46,252	45,489
Private grants and contracts	3,424	3,418
Private gifts	43,505	28,014
Student fees for capital projects (\$3,408 for 2012 and \$3,145 for 2011 revenues were pledged as security for the Student Union Revenue Bond Series 2004 and \$2,505 for 2012 and \$2,496 for 2011 for the Multiple Facility Revenue Bonds Series 2003)	5,913	5,641
Interest on indebtedness	(31,256)	(28,043)
Investment income	2,590	12,327
NET NONOPERATING REVENUES	276,604	281,738
LOSS BEFORE OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)	(20,128)	(4,950)
Federal grants and contracts for capital purposes	-	204
Build America Bonds subsidy	863	997
Private gifts for capital projects	37,940	18,614
Federal ARRA funds for capital projects	-	7,000
State school land funds (revenues used as security for the ODFA Public Facilities Revenue Bonds Series 2003A)	11,857	9,804
On-behalf payments for OCIA capital leases	3,642	2,048
Additions to permanent endowments	2,149	1,409
NET INCREASE IN NET ASSETS	36,323	35,126
NET ASSETS AT BEGINNING OF YEAR	773,258	738,132
NET ASSETS AT END OF YEAR	\$ 809,581	\$ 773,258

See notes to financial statements.



# STATEMENTS OF CASH FLOWS

## THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30, (in thousands)	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 228,632	\$ 210,334
Sales and services of educational activities	13,031	12,954
Sales and services of auxiliary enterprises	28,005	20,231
Housing revenues	51,591	46,066
Athletic revenues	64,625	63,243
Real estate operations revenues	7,633	7,469
Federal grants and contracts	49,712	54,722
State grants and contracts	22,515	14,740
Private grants and contracts	23,327	25,169
Interest on loans receivable	409	479
Other additions	10,420	15,696
Loans issued to students	(2,671)	(2,681)
Collection of loans	2,485	2,858
Compensation and benefits	(441,113)	(424,765)
Other operating expenses	(262,670)	(250,798)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(204,069)</b>	<b>(204,283)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	144,183	145,041
State payments from federal ARRA revenues	-	9,953
Federal grants and contracts	38,486	39,797
State grants and contracts	46,252	45,489
Private grants and contracts	3,424	3,418
Net decrease in Federal loan advances refundable	(136)	(76)
Endowment income	8,128	5,584
Private gifts	43,505	28,014
Direct loan receipts	113,985	109,815
Direct loan disbursements	(113,985)	(109,815)
<b>NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>283,842</b>	<b>277,220</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to permanent endowment	2,149	1,409
Proceeds from revenue bonds and capital leases	103,095	118,287
Proceeds from utilities management agreement	13,000	75,000
Payments under utilities management agreement	(4,720)	-
Federal grants and contracts for capital purposes	-	204
Student fees for capital projects	5,913	5,641
Private gifts for capital projects	37,940	18,614
Federal ARRA funds for capital projects	-	7,000
State school land funds	11,857	9,804
Build America Bonds Subsidy	863	997
Purchases of capital assets	(145,816)	(139,236)
Principal paid on capital debt and leases	(43,697)	(140,928)
Interest paid on capital debt and leases	(29,624)	(29,743)
<b>NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(49,040)</b>	<b>(72,951)</b>

(Continued)

STATEMENTS OF CASH FLOWS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30, (in thousands)	
	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	8,060	2,008
Proceeds from sales and maturities of investments	15,049	32,305
Purchase of investments	(16,187)	(29,012)
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	6,922	5,301
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,655	5,287
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	302,194	296,907
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 339,849</u>	<u>\$ 302,194</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (296,732)	\$ (286,688)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	58,404	54,224
Loss on disposal of capital assets	1,773	901
OTRS On-behalf contributions	15,184	13,012
Change in operating assets and liabilities:		
Accounts receivable	3,793	(474)
Inventory	929	(234)
Student loans receivable	(228)	251
Deposits and prepaid expenses	1,104	(7,595)
Accounts payable and accrued expenses	4,123	(952)
Other postemployment benefits	7,046	15,314
Deferred revenue	2,000	1,725
Compensated absences	1,697	724
Deposits held in custody for others	(3,162)	5,509
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (204,069)</u>	<u>\$ (204,283)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net capitalized interest	\$ 1,910	\$ 1,933
Deposits and prepaids acquired via issuance of revenue bonds	352	842
Principal on capital debt paid by State Agency on behalf of the University	1,590	39
Deferred cost on OCIA lease restructure	-	2,247
Unfunded utilities management agreement	-	43,000
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets		
Cash and cash equivalents	\$ 162,054	\$ 148,401
Restricted cash and cash equivalents	107,455	94,469
Noncurrent assets		
Restricted cash and cash equivalents	70,340	59,324
	<u>\$ 339,849</u>	<u>\$ 302,194</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

Organization and Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The accompanying financial statements include the accounts of the Norman Campus and Law Center of The University of Oklahoma (hereafter referred to collectively as the "University" or the "Norman Campus"), which are agencies of the State of Oklahoma. The University is governed by the Board of Regents of The University of Oklahoma (the "Board"), and is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education ("State Regents"). These financial statements do not include the operations of the University of Oklahoma Health Sciences Center (the "Health Sciences Center" or "HSC"), Cameron University, and Rogers State University, which are distinct operational entities that prepare separate financial statements for the Board. Each of these entities receive separate state appropriations, prepare separate budgets, and are managed as separate component units supported in large part by separate systems and management personnel. The University is part of the State of Oklahoma's higher education component unit, and accordingly, is included in the comprehensive annual financial report of the State.

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 resources received and held by the Foundation are not entirely or almost entirely held for the benefit of the Norman Campus. As a result, the OU Foundation is not considered a component unit of the Norman Campus under the definition of GASB Statement No. 39.

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

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

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

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

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.

Deposits and Investments: The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. 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 assets.

Accounts Receivable: Accounts receivable consist primarily of tuition and fee charges to students and to 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

Accounts Receivable--Continued: 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; this established an upfront payment of \$75,000 and a receivable balance of \$43,000 over the next four years. In July 2011, a concession advance of \$13,000 was received, reducing the outstanding receivable balance to \$30,000.

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.

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. 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.

Cost incurred during construction of long-lived assets is 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 2012, total interest incurred was \$33,166 of which \$1,910 was capitalized. In 2011, total interest incurred was \$29,976, of which \$1,933 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 assets. For 2012, there were no impairment adjustments. For 2011 impairment adjustments totaled \$538.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

Deferred Revenue: Deferred revenue consists primarily of advance ticket sales for athletic events, summer school tuition not earned during the current year and contract advances. Deferred 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 assets and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net assets.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) amounts due on the utilities management agreement.

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

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

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

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) most Federal, state and local grants and contracts and Federal appropriations and (4) interest on student loans.

*Nonoperating revenues* - include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenues and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, 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 assets. 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.

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.

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; 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).

Reclassifications: Certain reclassifications have been made to the 2011 financial statements to conform with the 2012 financial statement presentation. Such reclassifications have had no effect on changes in net assets as previously reported. A reclassification was made to correctly reflect total private grants and contracts revenue and other expense.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

New Accounting Pronouncements: The GASB has issued several new accounting pronouncements which will be effective to the University in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

*Fiscal Year Ended June 30, 2013*

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.

GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The University will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

- Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*.

GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The University does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation.

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The University does not believe that the adoption of GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.

- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the University to make changes in its financial statement presentation.



## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

##### New Accounting Pronouncements--Continued:

*Fiscal Year Ended June 30, 2014*

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The University has not quantified the effects of adoption of GASB No. 65 on its net position.

*Fiscal Year Ended June 30, 2015*

- Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the University has not yet determined the impact that implementation will have on its net position.

#### 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.

# NOTES TO FINANCIAL STATEMENTS--Continued

## THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

Deposits--Continued: 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 participates 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, 2012 and 2011, the carrying amounts of the University's deposits with the State Treasurer and other financial institutions were \$339,849 and \$302,194, respectively. These amounts consisted of deposits with the OST (\$306,852 and \$277,786), U.S. and foreign financial institutions (\$198 and \$42), deposits with trustees (\$29,808 and \$20,946), intermediate investment funds (\$335 and \$1,165), petty cash and change funds (\$134 and \$140), and other cash equivalents (\$2,522 and \$2,115). Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$264,474 in 2012 and \$229,673 in 2011.

For financial reporting purposes, deposits with the OST that are invested in *OK INVEST* are classified as cash equivalents. The distribution of deposits in *OK INVEST* are as follows:

At June 30, 2012		
OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 93,505	\$ 93,780
Money market mutual funds	36,201	36,201
Certificates of deposit	8,542	8,542
Mortgage backed agency securities	116,735	124,026
Municipal bonds	4,744	5,412
Foreign bonds	1,331	1,331
U.S. Treasury obligations	3,416	4,262
	<u>\$ 264,474</u>	<u>\$ 273,554</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Cash and Cash Equivalents--Continued:

At June 30, 2011		
OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 83,884	\$ 84,557
Money market mutual funds	25,251	25,251
Certificates of deposit	10,845	10,844
Tri-party repurchase agreements	15,498	15,499
Mortgage backed agency securities	83,314	86,994
Municipal bonds	4,578	4,957
Foreign bonds	854	854
Commercial paper	2,135	2,135
U.S. Treasury obligations	3,314	3,926
	<u>\$ 229,673</u>	<u>\$ 235,017</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's comprehensive annual financial report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements.

Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the OST website at <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 a substantial investment 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.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

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

*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.

Investments: At June 30, the fair value of the University's investments consisted of the following:

	June 30	
	2012	2011
U.S. equities	\$ 44,312	\$ 43,971
International equities	8,532	14,469
Fixed income funds and bonds	30,249	27,740
Fidelity	6,291	-
TIAA CREF	-	6,135
Real property	183	183
Mineral interests	212	212
	<u>\$ 89,779</u>	<u>\$ 92,710</u>

Information regarding the various risk categories for the University's investments and the policies for managing that risk are included below.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Credit Risk--Continued:

- 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.
- 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: 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 in fixed income funds are investments guaranteed by the U.S. Government.

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. The University's investments are categorized by maturity dates to reflect the fair values that are sensitive to changes in interest rates.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Investment maturities were as follows at June 30, 2012:

Investment Type	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. equities	\$ 44,312	\$ 44,312	\$ -	\$ -	\$ -	\$ -
International equities	8,532	8,532	-	-	-	-
Investments Fidelity	6,291	6,291	-	-	-	-
Fixed income funds and bonds	30,249	17,138	1,014	10,021	2,076	-
Real property	183	183	-	-	-	-
Mineral interests	212	212	-	-	-	-
	<u>\$ 89,779</u>	<u>\$ 76,668</u>	<u>\$ 1,014</u>	<u>\$ 10,021</u>	<u>\$ 2,076</u>	<u>\$ -</u>

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.

The Health Sciences Center has entrusted the Norman Campus with a portion of their funds totaling \$37,732 and \$40,583 for 2012 and 2011, of which \$34,603 and \$37,542 are endowment funds. These funds are held in the Regents' Fund investments on behalf of the Health Sciences Center. These endowment funds are reflected in the financial statements as deposits held in custody for others.

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

	2012	2011
Short-term investments	\$ 1,014	\$ 1,991
Endowment investments	75,509	78,749
Other long-term investments	12,861	11,575
Investments in real estate and mineral interests	395	395
	<u>\$ 89,779</u>	<u>\$ 92,710</u>

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 3--ACCOUNTS RECEIVABLE

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

	2012	2011
Student tuition and fees	\$ 38,451	\$ 38,673
Federal, state and private grants and contracts	39,887	41,664
Utilities management agreement	30,000	43,000
Contributions and gifts	5,612	5,417
Auxiliary enterprises and other operating activities	3,248	4,697
	117,198	133,451
Less allowance for doubtful accounts	(25,199)	(25,194)
Less long-term accounts receivable	(21,000)	(33,000)
Net current accounts receivable	<u>\$ 70,999</u>	<u>\$ 75,257</u>

Included in the amounts above is approximately \$941 at June 30, 2012, and \$697 at June 30, 2011, which is due from the U.S. government.

#### NOTE 4--INVENTORIES

Inventories consisted of the following at June 30:

	2012	2011
University Press	\$ 1,144	\$ 1,224
Other Auxiliaries	756	727
University Printing Services	298	425
Facilities Management	302	382
College of Continuing Education operations	135	338
Museum retail operations	246	239
IT Store	1,354	1,833
Other	66	61
	<u>\$ 4,301</u>	<u>\$ 5,229</u>

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 5--LOANS TO STUDENTS

Net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 87% of the June 30, 2012 and 2011 loan balances. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993 under the 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 \$14,551 and \$14,687 at June 30, 2012 and 2011, respectively, are reflected in the accompanying statements of net assets as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2012 and 2011, the allowance for uncollectible loans, including loans made under the program, was approximately \$849 and \$892, 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 \$11,857 and \$9,804 during the years ended June 30, 2012, and 2011, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2012 and 2011, respectively, the University distributed \$2,138 and \$2,159 of these funds to the Health Sciences Center and \$648 and \$654 to the Tulsa campus. 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 \$148,008 (\$136,656 restricted corpus) and \$147,388 (\$135,631 restricted corpus) at June 30, 2012 and 2011, respectively. Such trust funds, held by the Commissioners of the Land Office, are not included in the financial statements of the University.



## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### 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 \$109,612 and \$112,895 at June 30, 2012 and 2011, 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 \$5,612 and \$5,417 as of June 30, 2012 and 2011, respectively, have been reflected as assets in the statements of net assets. With regard to the institutional matching funds, approximately \$150,680 and \$144,982 are on deposit with the Foundation for the benefit of the University as of June 30, 2012 and 2011, respectively.

#### NOTE 7--RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended June 30, 2012 and 2011 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, 2012 and 2011, net assets of the Foundation were approximately \$927,028 and \$941,933, respectively. The Foundation expended on behalf of the Norman Campus and Health Sciences Center approximately \$97,648 in 2012 and \$91,764 in 2011 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships, of which approximately \$61,195 in 2012 and \$33,352 in 2011 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 7--RELATED PARTY TRANSACTIONS--Continued

*University of Oklahoma Health Sciences Center*

As discussed in Note 1, The University of Oklahoma Health Sciences Center (the "Health Sciences Center" or "the HSC") is an agency of the state of Oklahoma governed by The University of Oklahoma Board of Regents and the Oklahoma State Regents for Higher Education. The HSC is a distinct operational entity from the University of Oklahoma Norman Campus. However, Norman Parking and Transportation/CART had incurred two bond system obligations, each of which a portion was used to benefit HSC Parking and Transportation. Although there is no legal note obligation that the HSC must reimburse Norman Campus for their portion of the principal and interest payments of the related bond obligations, the HSC has agreed to reimburse Norman Campus for their portion of the debt service.

This has been reflected in the financial statements as a notes receivable, with current and noncurrent portions separately stated. During FY12, the HSC paid the remaining balance of their portion of the debt service. With respect to the 2004 Parking Refunding bonds, during the years ended 2012 and 2011, the HSC made principal and interest payments of \$363 and \$169 to Norman Campus, leaving a balance due of \$0 and \$341, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 8--CAPITAL ASSETS

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

	2012				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 30,131	\$ 2,029	\$ -	\$ (291)	\$ 31,869
Construction in progress	103,246	96,192	(91,469)	-	107,969
Total capital assets not being depreciated	<u>133,377</u>	<u>98,221</u>	<u>(91,469)</u>	<u>(291)</u>	<u>139,838</u>
Capital assets being depreciated:					
Buildings	1,212,345	5,930	90,102	(845)	1,307,532
Equipment	171,107	13,825	193	(4,808)	180,317
Nonstructural improvements	90,451	2,886	908	-	94,245
Land improvements	32,205	312	266	-	32,783
Software	45,266	16,153	-	-	61,419
Infrastructure	59,360	404	-	-	59,764
Library books	160,638	11,203	-	-	171,841
Total capital assets being depreciated	<u>1,771,372</u>	<u>50,713</u>	<u>91,469</u>	<u>(5,653)</u>	<u>1,907,901</u>
Less accumulated depreciation for:					
Buildings	314,244	22,258	-	(719)	335,783
Equipment	108,083	12,432	-	(3,451)	117,064
Nonstructural improvements	11,972	4,572	-	-	16,544
Land improvements	24,154	935	-	-	25,089
Software	22,024	9,856	-	-	31,880
Infrastructure	30,841	2,065	-	-	32,906
Library books	78,119	6,286	-	-	84,405
Total accumulated depreciation	<u>589,437</u>	<u>58,404</u>	<u>-</u>	<u>(4,170)</u>	<u>643,671</u>
Total capital assets being depreciated, net	<u>1,181,935</u>	<u>(7,691)</u>	<u>91,469</u>	<u>(1,483)</u>	<u>1,264,230</u>
Capital assets, net	<u>\$ 1,315,312</u>	<u>\$ 90,530</u>	<u>\$ -</u>	<u>\$ (1,774)</u>	<u>\$ 1,404,068</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 8--CAPITAL ASSETS--Continued

	2011				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 29,552	\$ 579	\$ -	\$ -	\$ 30,131
Construction in progress	111,125	87,805	(95,684)	-	103,246
Total capital assets not being depreciated	140,677	88,384	(95,684)	-	133,377
Capital assets being depreciated:					
Buildings	1,133,950	7,117	71,987	(709)	1,212,345
Equipment	161,511	12,374	1,267	(4,045)	171,107
Nonstructural improvements	67,874	3,316	19,261	-	90,451
Land improvements	32,205	-	-	-	32,205
Software	32,028	11,098	2,140	-	45,266
Infrastructure	57,897	434	1,029	-	59,360
Library books	149,305	11,333	-	-	160,638
Total capital assets being depreciated	1,634,770	45,672	95,684	(4,754)	1,771,372
Less accumulated depreciation for:					
Buildings	293,218	21,100	-	(74)	314,244
Equipment	98,490	13,372	-	(3,779)	108,083
Nonstructural improvements	8,102	3,870	-	-	11,972
Land improvements	23,199	955	-	-	24,154
Software	15,069	6,955	-	-	22,024
Infrastructure	28,743	2,098	-	-	30,841
Library books	72,245	5,874	-	-	78,119
Total accumulated depreciation	539,066	54,224	-	(3,853)	589,437
Total capital assets being depreciated, net	1,095,704	(8,552)	95,684	(901)	1,181,935
Capital assets, net	\$ 1,236,381	\$ 79,832	\$ -	\$ (901)	\$ 1,315,312

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--DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	2012	2011
Prepaid tuition and student fees	\$ 9,439	\$ 9,014
Prepaid athletic ticket sales	27,831	27,080
Auxiliary enterprises and other activities	8,511	2,698
Grants and contracts	17,549	21,055
Long-term contracts	7,890	9,372
	<u>\$ 71,220</u>	<u>\$ 69,219</u>

# NOTES TO FINANCIAL STATEMENTS--Continued

## THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

### NOTE 10--LONG-TERM LIABILITIES

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

	Issue Dates	Interest Rates	Maturity Through	2012				
				Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases		(percentages)						
Parking, Series 2001	2001	3.10-6.10	12/01/2026	\$ 20,945	\$ -	\$ (20,945)	\$ -	\$ -
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	6,420	-	(260)	6,160	270
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	26,995	-	(1,100)	25,895	1,145
ODFA Public Facility, Series 2003A	2003	2.00-4.06	07/01/2016	7,200	-	(1,095)	6,105	1,130
ODFA Public Facility, Series 2003B	2003	2.00-4.06	07/01/2016	4,450	-	(680)	3,770	700
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	29,900	-	(1,120)	28,780	1,160
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	935	-	(460)	475	475
Parking, Series 2004	2004	2.00-3.65	03/01/2016	2,405	-	(2,405)	-	-
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	75,060	-	(1,760)	73,300	1,830
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	18,015	-	(605)	17,410	635
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	103,165	-	(2,915)	100,250	3,030
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	9,845	-	(730)	9,115	765
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,625	-	-	34,625	-
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	17,610	-	(920)	16,690	960
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	36,750	-	(620)	36,130	640
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	2,045	-	(590)	1,455	605
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	4,637	-	(7)	4,630	1,127
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	8,440	-	-	8,440	215
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	34,930	-	-	34,930	575
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	11,270	-	-	11,270	295
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	62,620	-	-	62,620	1,050
General Revenue Bonds, Series 2011E	2012	.400-5.00	07/01/2026	-	20,995	-	20,995	1,425
General Revenue Bonds, Series 2011F	2012	.630-1.960	07/01/2016	-	1,900	-	1,900	370
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	-	70,379	(80)	70,299	161
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	-	5,560	-	5,560	-
Total revenue bonds payable				587,627	98,834	(36,292)	650,169	18,563
OCIA 1999A/2004A capital lease payable				2,689	-	(244)	2,445	257
OCIA 2005F capital lease payable				34,222	-	-	34,222	1,630
OCIA 2006D capital lease payable				24,178	-	(1,345)	22,833	-
OCIA 2010A capital lease payable				13,602	-	-	13,602	-
OCIA 2010B capital lease payable				4,773	-	-	4,773	-
ODFA master leases payable				29,239	4,261	(7,415)	26,085	7,526
Total bonds and capital leases				696,330	103,095	(45,296)	754,129	27,976
Other noncurrent liabilities								
Utilities management agreement				113,720	-	(4,720)	109,000	4,720
Other postemployment benefits				71,892	12,309	(5,264)	78,937	5,264
Accrued compensated absences				28,895	24,879	(23,182)	30,592	26,003
Federal loan program contributions refundable (see also Note 5)				14,687	-	(136)	14,551	-
Deferred revenue (long-term contracts)				9,372	-	(1,482)	7,890	2,918
Deposits held in custody for others				41,714	-	(3,162)	38,552	3,949
Total other noncurrent liabilities				280,280	37,188	(37,946)	279,522	42,854
Total noncurrent liabilities				\$ 976,610	\$ 140,283	\$ (83,242)	\$ 1,033,651	\$ 70,830

# NOTES TO FINANCIAL STATEMENTS--Continued

## THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

### NOTE 10--LONG-TERM LIABILITIES--Continued

	Issue Dates	Interest Rates	Maturity Through	2011				
				Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases		(percentages)						
Parking, Series 2001	2001	3.10-6.10	12/01/2026	\$ 21,810	\$ -	\$ (865)	\$ 20,945	\$ 905
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	6,670	-	(250)	6,420	260
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	28,060	-	(1,065)	26,995	1,100
ODFA Public Facility, Series 2003A	2003	2.00-4.06	07/01/2016	8,255	-	(1,055)	7,200	1,095
ODFA Public Facility, Series 2003B	2003	2.00-4.06	07/01/2016	5,100	-	(650)	4,450	680
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	30,985	-	(1,085)	29,900	1,120
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	1,375	-	(440)	935	460
Parking, Series 2004	2004	2.00-3.65	03/01/2016	2,915	-	(510)	2,405	530
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	76,760	-	(1,700)	75,060	1,760
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	18,595	-	(580)	18,015	605
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	105,950	-	(2,785)	103,165	2,915
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	10,535	-	(690)	9,845	730
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,625	-	-	34,625	-
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	18,495	-	(885)	17,610	920
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	57,690	-	(20,940)	36,750	620
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	8,555	-	(6,510)	2,045	590
General Revenue Bonds, Series 2009C	2009	2.00-4.00	07/01/2024	21,100	-	(21,100)	-	-
General Revenue Bonds, Series 2010Ban's	2010	1.61	11/01/2011	73,120	-	(73,120)	-	-
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	4,644	-	(7)	4,637	7
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	-	8,440	-	8,440	-
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	-	34,930	-	34,930	-
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	-	11,270	-	11,270	-
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	-	62,620	-	62,620	-
Total revenue bonds payable				604,604	117,260	(134,237)	587,627	14,297
OCIA 1999A/2004A capital lease payable				2,728	-	(39)	2,689	244
OCIA 2005F capital lease payable				47,299	-	(13,077)	34,222	-
OCIA 2006D capital lease payable				26,908	-	(2,730)	24,178	-
OCIA 2010A capital lease payable				-	13,602	-	13,602	-
OCIA 2010B capital lease payable				-	4,773	-	4,773	-
ODFA master leases payable				35,223	1,030	(7,014)	29,239	7,100
Total bonds and capital leases				716,762	136,665	(157,097)	696,330	21,641
Other noncurrent liabilities								
Accounts payable and accrued expenses				5,764	-	(5,764)	-	-
Utilities management agreement				-	118,000	(4,280)	113,720	4,720
Other postemployment benefits				56,578	20,549	(5,235)	71,892	5,237
Accrued compensated absences				28,170	23,768	(23,043)	28,895	24,850
Federal loan program contributions refundable (see also Note 5)				14,764	-	(77)	14,687	-
Deferred revenue (long-term contracts)				10,851	4	(1,483)	9,372	2,922
Deposits held in custody for others				36,205	5,509	-	41,714	4,172
Total other noncurrent liabilities				152,332	167,830	(39,882)	280,280	41,901
Total noncurrent liabilities				\$ 869,094	\$ 304,495	\$ (196,979)	\$ 976,610	\$ 63,542

# NOTES TO FINANCIAL STATEMENTS--Continued

## THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

### NOTE 10--LONG-TERM LIABILITIES--Continued

Maturities of principal and interest requirements on revenue bonds and capital leases are as follows at June 30, 2012:

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	Total
Student Housing, Series 2002	\$ 556	\$ 554	\$ 557	\$ 554	\$ 556	\$ 2,764	\$ 2,736	\$ 544	\$ -	\$ -	\$ -	\$ 8,821
Research Facilities, Series 2003	2,340	2,335	2,337	2,335	2,335	11,644	11,612	2,317	-	-	-	37,255
ODFA Public Facility, Series 2003	2,147	2,146	2,133	2,137	2,130	-	-	-	-	-	-	10,693
Multiple Facility, Series 2003	2,499	2,501	2,499	2,499	2,494	12,474	12,474	4,987	-	-	-	42,427
Student Union, Series 2004	481	-	-	-	-	-	-	-	-	-	-	481
Student Housing, Series 2004	5,391	5,385	5,378	5,376	5,353	26,694	26,506	26,271	15,621	-	-	121,975
Research Facilities, Series 2004	1,566	1,560	1,561	1,558	1,559	7,761	7,692	2,812	1,675	-	-	27,744
General Rev. Refunding, Series 2006A	7,579	7,573	7,586	7,587	7,588	40,764	41,111	30,678	-	-	-	150,466
General Revenue Bonds, Series 2007A	1,099	1,099	1,099	1,099	1,099	6,178	11,539	11,476	11,395	-	-	46,083
General Revenue Bonds, Series 2007B	1,224	1,225	1,219	1,216	1,214	5,345	-	-	-	-	-	11,443
General Revenue Bonds, Series 2007C	1,630	1,629	1,629	1,629	1,630	8,148	12,601	17,141	16,993	3,380	-	66,410
General Revenue Bonds, Series 2007D	1,863	1,855	1,852	1,846	1,846	9,141	4,616	-	-	-	-	23,019
General Revenue Bonds, Series 2009A	2,231	2,232	2,226	2,230	2,229	11,124	15,141	14,772	8,040	-	-	60,225
General Revenue Bonds, Series 2009B	637	635	225	-	-	-	-	-	-	-	-	1,497
General Revenue Bonds, Series 2010A	1,197	1,194	1,195	1,185	-	-	-	-	-	-	-	4,771
General Revenue Bonds, Series 2010B	2,465	2,465	2,465	2,465	3,630	17,805	17,070	16,064	14,336	7,504	-	86,269
General Revenue Bonds, Series 2011A	590	589	587	585	586	2,924	2,918	2,894	2,307	-	-	13,980
General Revenue Bonds, Series 2011B	2,570	2,568	2,567	2,565	2,566	12,785	12,732	12,668	12,596	10,008	-	73,625
General Revenue Bonds, Series 2011C	720	729	732	731	729	3,623	3,606	3,567	3,529	-	-	17,966
General Revenue Bonds, Series 2011D	4,169	4,230	4,227	4,220	4,212	20,981	20,822	20,649	20,456	20,212	-	124,178
General Revenue Bonds, Series 2011E	1,993	1,769	1,779	1,783	1,321	8,657	8,734	-	-	-	-	26,036
General Revenue Bonds, Series 2011F	391	393	393	392	390	-	-	-	-	-	-	1,959
General Revenue Bonds, Series 2012A	2,914	2,914	2,914	2,914	2,914	22,238	22,097	21,975	21,864	21,489	-	124,233
General Revenue Bonds, Series 2012B	67	67	1,885	1,877	1,875	-	-	-	-	-	-	5,771
Total principal & interest	48,319	47,647	49,045	48,783	48,256	231,050	234,007	188,815	128,812	62,593	-	1,087,327
Less: Interest	29,756	29,120	28,438	27,699	26,874	120,388	89,871	54,862	24,856	5,294	-	437,158
Total principal	18,563	18,527	20,607	21,084	21,382	110,662	144,136	133,953	103,956	57,299	-	650,169
Capital leases	14,023	14,549	12,464	11,519	10,857	25,162	25,415	30,288	9,979	-	-	154,256
Less: Interest	4,610	4,246	3,904	3,583	3,244	13,107	10,578	6,423	601	-	-	50,296
Total principal	9,413	10,303	8,560	7,936	7,613	12,055	14,837	23,865	9,378	-	-	103,960
Total	\$ 27,976	\$ 28,830	\$ 29,167	\$ 29,020	\$ 28,995	\$ 122,717	\$ 158,973	\$ 157,818	\$ 113,334	\$ 57,299	\$ -	\$ 754,129

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.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 10--LONG-TERM LIABILITIES--Continued

Revenue bonds issued prior to the Resolution (Prior Encumbered Obligations) are payable both as to principal and interest solely from the net revenues arising from operations of the athletics department, the facilities management utilities system, student housing, real estate operations, indirect cost recoveries associated with sponsored research activities, state school land funds and certain fees all of which are pledged under the various bond indentures. At June 30, 2012 and 2011, the University had \$27,976 and \$21,678, 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 \$4,612, net of accumulated depreciation of \$1,238 at June 30, 2012, and \$4,729, net of accumulated depreciation of \$1,121, at June 30, 2011.

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 \$85,724, net of accumulated depreciation of \$5,489 on the completed projects, at June 30, 2012, and \$87,549, net of accumulated depreciation of \$3,664 on the completed projects, at June 30, 2011.



## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 10--LONG-TERM LIABILITIES--Continued

##### Capital Lease Obligations--Continued

###### *OCIA Capital Lease Obligations--Continued*

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 prepaid expense of \$2,247 has been recorded as a deferred cost that will be amortized over a period of six 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.

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*

In August 2003, the University entered into a lease agreement with terms ranging from 5 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2003B (the "Master Lease 2003B"). The University received a net amount of \$4,021 of the proceeds to fund the purchase and construction of capital items. These items include upgrades to the Mesonet system, an offset press, stadium and lounge improvements and furniture, and a facilities management system. Assets under this capital lease are fully depreciated.

In May 2005, the University entered into a lease agreement with terms ranging from 7 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2005A (the "Master Lease 2005A"). The University received a net amount of \$2,173 of the proceeds to fund the purchase of various capital items, including three aircraft, a stitching machine for printing services, network equipment, and research equipment. Assets purchased under this capital lease totaled \$43, net of accumulated depreciation of \$2,130 at June 30, 2012, and \$58, net of accumulated depreciation of \$2,115 at June 30, 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

*ODFA Master Lease Obligations--Continued*

In August 2005, the University entered into a lease agreement with terms ranging from 3 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2005B (the "Master Lease 2005B"). The University received a net amount of \$3,421 of the proceeds to fund the purchase of a supercomputer and housing furniture and equipment for Traditions Square. Assets under this capital lease are fully depreciated.

In December 2005, the University entered into a 10 year lease agreement, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2005C (the "Master Lease 2005C"). The University received a net amount of \$1,466 of the proceeds to fund the purchase of housing furniture. These funds were fully expended as of June 30, 2007. None of these purchased items met the University's capitalization threshold to be capitalized.

In May 2006, the University entered into a lease agreement with terms ranging from 5 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2006A (the "Master Lease 2006A"). The University received a net amount of \$3,332 of the proceeds to fund the purchase of research equipment, housing furniture and a new door security system for the residence halls. Assets under this capital lease totaled \$749, net of accumulated depreciation of \$2,582 at June 30, 2012, and \$913, net of accumulated depreciation of \$2,419 at June 30, 2011.

In December 2006, the University entered into a lease agreement with terms ranging from 5 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2006C (the "Master Lease 2006C"). The University received a net amount of \$3,136 of the proceeds to fund the purchase of housing furniture, housing renovations, and a satellite system. Assets under this capital lease totaled \$2,410, net of accumulated depreciation of \$726 at June 30, 2012, and \$2,555, net of accumulated depreciation of \$581 at June 30, 2011.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 10--LONG-TERM LIABILITIES--Continued

##### Capital Lease Obligations--Continued

###### *ODFA Master Lease Obligations--Continued*

In May 2007, the University entered into a lease agreement with terms ranging from 3 to 7 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2007A (the "Master Lease 2007A"). The University received a net amount of \$1,434 of the proceeds to fund the purchase of wireless equipment for Information Technology, radar lab equipment, and research furniture. Assets under this capital lease totaled \$538, net of accumulated depreciation of \$896 at June 30, 2012 and \$717, net of accumulated depreciation of \$717 at June 30, 2011.

In July 2007, the University entered into a lease agreement with terms ranging from 5 to 20 years, with the Oklahoma Development Finance Authority ("ODFA") and the State Regents as beneficiary of a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2007B (the "Master Lease 2007B" series). The University received a net amount of \$4,605 of the proceeds to fund the purchase of furniture for the residence halls, network connectivity equipment to support the campus-wide network refresh project, an offset press for Printing Services, scoreboard replacement for athletic venues, and renovations of the North Campus Building 600 project, which will house a radar operations center. Assets under this capital lease totaled \$2,806, net of accumulated depreciation of \$1,799 at June 30, 2012 and \$3,166, net of accumulated depreciation of \$1,439 at June 30, 2011.

In November 2007, the University entered into a lease agreement with terms ranging from 5 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2007C (the "Master Lease 2007C" series). The University received a net amount of \$11,364 of the proceeds to fund the purchase of furniture for the residence halls, scoreboard replacement for athletic venues, licensing, implementation, and technical staffing costs for a new student information system, a storage system for the new student e-mail system, installation of a web content management system, and maintenance equipment for the Jimmie Austin Golf Course. Assets under this capital lease totaled \$4,046, net of accumulated depreciation of \$7,318 at June 30, 2012 and \$5,744, net of accumulated depreciation of \$5,620 at June 30, 2011.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 10--LONG-TERM LIABILITIES--Continued

##### Capital Lease Obligations--Continued

###### *ODFA Master Lease Obligations--Continued*

In September 2008, the University entered into a lease agreement with terms ranging from 3 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2008A (the "Master Lease 2008A" series). The University received a net amount of \$15,468 of the proceeds to fund the purchase of furniture and a camera security system for the residence halls, scoreboard replacement for athletic venues, museum exhibits, geology equipment, golf course vehicles and ground equipment, network fiber cable, a weather radar system, a mass spectrometer for research, a GCIRM spectrometer for geology and maintenance equipment and upgrades for core network services. Assets under this capital lease totaled \$7,648, net of accumulated depreciation of \$7,820 at June 30, 2012 and \$9,390, net of accumulated depreciation of \$6,078 at June 30, 2011.

In December 2008, the University entered into a lease agreement with terms ranging from 5 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2008B (the "Master Lease 2008B" series). The University received a net amount of \$1,724 of the proceeds to fund the purchase of furniture for the residence halls, kitchen equipment for Couch Cafeteria, research equipment for applied social sciences, and research equipment for genomics. Assets under this capital lease totaled \$1,246, net of accumulated depreciation of \$478 at June 30, 2012 and \$1,365 net of accumulated depreciation of \$359 at June 30, 2011.

In July, 2009, the University entered into a lease agreement with terms ranging from 5 to 20 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2009A (the "Master Lease 2009A" series). The University received a net amount of \$2,759 of the proceeds to fund the purchase of cafeteria equipment, residence hall heating equipment and furniture, sponsored programs furniture and information technology hardware and software. Assets under this capital lease totaled \$2,195, net of accumulated depreciation of \$564 at June 30, 2012 and \$2,383 net of accumulated depreciation of \$376 at June 30, 2011.

In December, 2009, the University entered into a lease agreement with terms ranging from 5 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2009B (the "Master Lease 2009B" series). The University received a net amount of \$1,576 of the proceeds to fund the purchase of core network equipment, facilities management equipment, and redundant fiber cable. Assets under this capital lease totaled \$1,173, net of accumulated depreciation of \$403 at June 30, 2012 and \$1,307 net of accumulated depreciation of \$269 at June 30, 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

*ODFA Master Lease Obligations--Continued*

In December, 2010, the University entered into a 5 year lease agreement with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2010B (the "Master Lease 2010B" series). The University received a net amount of \$1,029 of the proceeds to fund the purchase of furniture and equipment for psychology and food services concessions equipment. Assets under this capital lease totaled \$917, net of accumulated depreciation of \$112 at June 30, 2012 and \$973 net of accumulated depreciation of \$56 at June 30, 2011.

In November, 2011, the University entered into a lease agreement with terms ranging from 5 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2011C (the "Master Lease 2011C" series). The University received a net amount of \$4,261 of the proceeds to fund the purchase of a diode laser system, Sooner Vision equipment, a network upgrade, and faculty start-up equipment. Assets under this capital lease totaled \$3,702, net of accumulated depreciation of \$353 at June 30, 2012.

Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing fund and may use the interest earnings to reduce the University's future lease payments.

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 will be received through fiscal year 2014, 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 the 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, 2012, was \$52,363.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 10--LONG-TERM LIABILITIES--Continued

Refunding Bonds: In October 2011, General Revenue Refunding Bonds 2011E and 2011F were issued to refund the 2001 and 2004 Parking Revenue Bonds having a total principal balance outstanding of \$22,445. This resulted in cash flow savings of \$2,816, and a net present value benefit of \$2,200.

#### NOTE 11--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 \$2,138 and \$2,622, respectively, for the years ended June 30, 2012 and 2011.

#### NOTE 12--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 the Oklahoma Teachers' Retirement System ("OTRS" or "the System"), and the following defined contribution plans: Optional Retirement Plan ("ORP"), the University of Oklahoma Defined Contribution Plan ("Plan 1"), and the University of Oklahoma Defined Contribution Plan for Hourly Employees who are Non-OTRS Participants ("Plan 2"). If the previously mentioned plans do not provide a computed minimum amount of retirement benefits, the University provides the difference under the Supplemental Benefits Plan for those employees hired on or before June 30, 1991.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

A summary of significant data for each of the retirement plans follows:

Defined Benefit Plan - Oklahoma Teachers Retirement System

Plan Description: The University contributes to 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 Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of the System.

The System issues a publicly available annual financial report that includes financial statements and required supplementary information. That annual report may be obtained by writing to the OTRS, P.O. 53524, Oklahoma City, OK 73152, by calling (405) 521-2387, or at the OTRS website at [www.trrs.state.ok.us](http://www.trrs.state.ok.us).

Funding Policy: System members and the University are required to contribute at a rate set by statute. The contribution requirements of system members and the University are established and may be amended by the legislature of the state of Oklahoma. For the years ended June 30, 2012 and 2011, the contribution rate for System members of 7% is applied to their total compensation.

For the years ended June 30, 2012 and 2011, the State contributed 5% of State revenues from sales and use taxes and individual income taxes. Contributions made by the State from dedicated taxes are considered on-behalf payments for the University's employees. The amount benefiting the University's employees is estimated at \$15,184 and \$13,012 for the years ended June 30, 2012 and 2011, respectively, based on an allocation of the University's covered payroll to the total covered payroll for the OTRS. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses and changes in net assets.

For FY12 and FY11 the local employer contribution rate was 8.55%. The University's contributions to OTRS, for the years ended June 30, 2012, 2011, and 2010 were approximately \$19,548, \$18,974, and \$18,296, respectively, equal to the required contributions each year.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

Defined Contribution Plan - Optional Retirement Plan

Plan Description: Employees hired July 1, 2004 or later now have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 90 days of employment. This is a one time irrevocable election and if an employee does not make an election, the employee defaults into OTRS and will also participate in Plan 1 or Plan 2 of the Defined Contribution Plan noted below. During fiscal year 2012, changes were made to the Optional Retirement Plan in order to meet new federal regulations for retirement plans offered by public sector plan sponsors. Fidelity Investments was chosen to provide 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, 2012, 2011, and 2010 were approximately \$6,611, \$6,115, and \$5,761, 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.



NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

Defined Contribution Plan - Plan 1 and Plan 2--Continued

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 \$18,251 and \$2,952, respectively, for the year ended June 30, 2012. Total contributions to Plans 1 and 2 were \$17,985 and \$2,881, respectively, for the year ended June 30, 2011. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

Supplemental Benefits Plan

The University has a Supplemental Benefits Plan (the "Plan"), which provides for supplemental retirement benefits to employees who do not receive a calculated minimum amount from other Benefits Plans and Social Security. Eligibility for this Supplemental Plan is limited to employees hired on or before June 30, 1991.

Under the current provisions of the Plan, it is management's opinion that no current employee will qualify for the Plan. Benefits paid under this Plan during the years ended June 30, 2012, 2011 and 2010 to retired employees were \$8, \$28 and \$30, respectively. The Plan is an unfunded plan and management's estimates of the remaining pension benefit obligation under the Plan at June 30, 2012, 2011 and 2010 were approximately \$27, \$67 and \$134. The pension benefit obligation was determined as a part of an actuarial valuation at year end. Significant actuarial assumptions used include (a) a discount rate of 8.0% per year compounded annually, (b) projected post retirement benefit increases of 3.5% per year compounded annually, attributable to inflation and (c) the Internal Revenue Code "Ordinary Life Annuities" tables.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 13--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. 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 12) 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 at their May 2012 meeting.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

Plan Description--Continued:

5. Beginning January 1, 2013, retirees will be 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.

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, 2012 and 2011, the University contributed \$5,264 and \$5,235 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:

	2012	2011
Annual Required Contribution (ARC)	\$ 11,687	\$ 20,180
Interest on Net OPEB Obligation	3,594	2,829
Adjustment to ARC	(2,972)	(2,460)
Annual OPEB Cost	12,309	20,549
Contributions paid during year	(5,264)	(5,235)
Increase in net OPEB Obligation	7,045	15,314
Net OPEB obligation-beginning of year	71,892	56,578
Net OPEB obligation-end of year	<u>\$ 78,937</u>	<u>\$ 71,892</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

Funded Status and Funding Progress: The unfunded actuarial accrued liability (UAAL), totaled \$147,755 as of the January 1, 2012 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 \$301,065 and \$292,015 for 2012 and 2011, and the ratio of the UAAL to the covered payroll was 49 percent.

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
2012	\$ 12,309	43%	\$ 78,937
2011	20,549	25%	71,892
2010	24,133	21%	56,578

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 January 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5 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 9.0 percent initially, reduced by decrements to 4.5 percent after seven years, and a payroll annual inflation rate of 3.5 percent.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 14--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 Department of Central Services Risk Management Division ("DCSRMD"). 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.

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 DCSRMD. 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 DCSRMD. 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. There were no aircraft claims filed as of June 30, 2012 or 2011.

#### *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, 2012 and 2011, the accrued workers' compensation liability totaled approximately \$3,101 and \$3,265, respectively.

## NOTES TO FINANCIAL STATEMENTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

#### NOTE 14--RISK MANAGEMENT--Continued

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, 2012 and June 30, 2011, the required reserves were \$580 and \$498, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

#### NOTE 15--COMMITMENTS AND CONTINGENCIES

At June 30, 2012 and 2011, the University had outstanding commitments under construction contracts totaling \$47,586 and \$99,898, 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 and 2011 (in thousands)

NOTE 16--FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows for the years ended June 30:

	2012	2011
Instruction	\$ 225,214	\$ 215,003
Research	94,199	85,792
Public Service	52,408	51,543
Academic Support	80,341	63,339
Student Services	21,558	21,224
Institutional Support	31,383	36,857
Operation & Maintenance of Plant	112,862	105,283
Student Aid	31,760	30,906
Other	5,665	6,290
Auxiliary	138,778	136,442
Total Operating Expenses	<u>\$ 794,168</u>	<u>\$ 752,679</u>

# REQUIRED SUPPLEMENTARY INFORMATION



## REQUIRED SUPPLEMENTARY INFORMATION

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2012 (in thousands)

#### University of Oklahoma Norman Campus Retiree Health/Dental Insurance

#### SCHEDULE OF FUNDING PROGRESS

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 Percentage of Covered Payroll ((b-a)/c)
1/1/2010	-	226,881	226,881	-	291,957	78%
1/1/2011	-	222,920	222,920	-	292,015	76%
1/1/2012	-	147,755	147,755	-	301,065	49%

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 13 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 13 to the financial statements. The proposed changes are projected to reduce the University's post-retirement benefit obligation by 26%, with annual cost savings of \$2.3 million beginning in 2016.

## OTHER SUPPLEMENTARY INFORMATION

REVENUE BOND SYSTEMS OUTSTANDING  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2012 (with comparative totals for the year ended June 30, 2011)  
(in thousands)

	Student Union 2004	ODFA Public Facilities 2003A	Parking System 2001 & 2004	Athletics ODFA 2003B	Student Housing 2002 & 2004	Research Facilities 2003	Multiple Facilities Rev Bonds 2003	Research Facilities 2004	Totals (Memorandum Only)	
									2012	2011
REVENUES AND OTHER ADDITIONS										
Room rentals, food, and utility sales	\$ -	\$ -	\$ -	\$ -	\$ 57,944	\$ -	\$ -	\$ 11,871	\$ 69,815	\$ 63,223
Student fees	3,258	-	-	-	-	-	2,505	-	5,763	5,641
State school land funds	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	30
Parking permits and fines	-	-	-	-	-	-	-	-	-	5,200
Other sources	-	11,857	-	108,501	(5,472)	2,165	-	212	117,263	122,405
TOTAL REVENUES AND OTHER ADDITIONS	3,258	11,857	-	108,501	52,472	2,165	2,505	12,083	192,841	196,499
EXPENDITURES										
Salaries, wages and employee benefits	-	-	-	36,671	13,487	-	-	-	50,158	48,413
Repairs and maintenance	-	-	-	3,301	4,276	-	-	966	8,543	8,967
Utilities	-	-	-	2,363	4,546	-	-	1,518	8,427	8,190
Contractual services and equipment rentals	-	-	-	12,671	9,741	-	-	2,202	24,614	23,776
General and administrative	(8)	-	-	27,482	8,496	-	-	655	36,625	37,220
Interest on indebtedness	20	238	-	437	4,171	1,238	1,380	987	8,471	9,856
Closing costs and discount	5	89	-	8	37	24	14	9	186	195
Trustee fees	2	7	-	3	5	2	2	3	24	32
Retirement of equipment	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	19	334	-	82,936	44,759	1,264	1,396	6,340	137,048	136,649
TRANSFERS AMONG FUNDS										
From (To) other funds	-	-	-	-	-	-	-	-	-	-
From (To) general university	(2,791)	(10,481)	(19,900)	(3,662)	(317)	(2,646)	-	(3,416)	(43,213)	(21,139)
TOTAL TRANSFERS	(2,791)	(10,481)	(19,900)	(3,662)	(317)	(2,646)	-	(3,416)	(43,213)	(21,139)
NET INCREASE FOR THE YEAR	448	1,042	(19,900)	21,903	7,396	(1,745)	1,109	2,327	12,580	38,711
FUND BALANCES AT BEGINNING OF YEAR	8,930	12,376	19,900	191,099	138,944	43,072	9,573	35,413	459,307	420,596
FUND BALANCES AT END OF YEAR	\$ 9,378	\$ 13,418	\$ -	\$ 213,002	\$ 146,340	\$ 41,327	\$ 10,682	\$ 37,740	\$ 471,887	\$ 459,307

Note: The Revenue Bond Systems Outstanding Schedule of Revenues, Expenditures and Changes in Fund Balance is prepared on a different basis of accounting than the basic financial statements. These statements are prepared on a comprehensive basis of accounting in accordance with the trust indentures which do not require the University to record a provision for depreciation.

REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
AND OMB CIRCULAR A-133

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

Board of Regents of the University of Oklahoma  
University of Oklahoma  
Norman, Oklahoma

We have audited the financial statements of University of Oklahoma Norman Campus (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

*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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.



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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatements, 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*.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 11, 2012

Independent Auditors' Report on Compliance With  
Requirements That Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control Over Compliance in Accordance  
With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Board of Regents of the University of Oklahoma  
University of Oklahoma  
Norman, Oklahoma

Compliance

We have audited the compliance of University of Oklahoma Norman Campus (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance of based on our audit.

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

In our opinion, 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, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-01.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response, and accordingly, we express no opinion on the response.

### Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

*A 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.



Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 11, 2012

**THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

	<b>FEDERAL CFDA</b>	<b>FLOW-THRU IDENTIFYING NUMBER</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL CASH BASIS EXPENDITURES</b>
<b>RESEARCH-DIRECT PROGRAMS</b>				
<b>Department of Agriculture</b>				
Agricultural Research Service	10.001		\$ -	\$ 1,950
Cooperative State Research Services	10.206		62,603	325,460
Forestry Service	10.652		-	3,307
Forestry Service	10.XXX		-	24,978
			<b>62,603</b>	<b>355,695</b>
<b>Department of Commerce</b>				
National Center for Atmospheric Research	11.432		-	37,326
National Institute for Standards and Technology	11.609		-	8,781
National Oceanic and Atmospheric Administration	11.431		-	125,437
National Oceanic and Atmospheric Administration	11.432		442,940	11,713,063
National Oceanic and Atmospheric Administration	11.468		-	90,375
			<b>442,940</b>	<b>11,974,982</b>
<b>Department of Defense</b>				
Air Force	12.630		-	265,255
Air Force	12.800		-	288,807
Air Force	12.910		103,908	1,539,712
Air Force	12.XXX		-	(74,865)
Army Medical Research Acquisition Activity	12.420		-	95,678
Army Medical Research Acquisition Activity	12.XXX		-	63,556
Army	12.420		-	30,802
Army	12.431		-	107,706
Army Research Office	12.431		2,580	277,448
Army Research Office	12.XXX		-	3,569
Advanced Research Projects Agency	12.431		15,040	307,474
Advanced Research Projects Agency	12.910		140,523	539,135
Medical Research Acquisition Activity	12.420		6,839	101,998
Medical Research Acquisition Activity	12.XXX		20,279	103,897
National Security Agency	12.900		-	103,128
National Security Agency	12.901		-	16,642
Office of Naval Research	12.300		518,010	2,140,483
			<b>807,179</b>	<b>5,910,425</b>
<b>Department of Interior</b>				
Bureau of Land Management	15.238		-	7,792
Bureau of Reclamation	15.511		-	20,256
Fish and Wildlife	15.615		-	3,124
Fish and Wildlife	15.649		-	33,516
Fish and Wildlife	15.655		-	9,975
National Park Service	15.XXX		-	8,763
Office of Surface Mining	15.255		-	67,763
Geological Survey	15.807		-	51,386
Geological Survey	15.808		-	15,048
Geological Survey	15.810		-	112,824
Geological Survey	15.814		-	11,580
Geological Survey	15.819		-	19,952
Geological Survey	15.820		-	9,516
			<b>-</b>	<b>371,495</b>
<b>Department of Transportation</b>				
Federal Aviation Administration	20.XXX		-	376,122
Federal Transit Administration	20.514		56,309	237,314
			<b>56,309</b>	<b>613,436</b>
<b>Environmental Protection Agency</b>				
Environmental Protection Agency	66.514		-	9,573
Environmental Protection Agency	66.516		-	13,667
			<b>-</b>	<b>23,240</b>
<b>Department of Health and Human Services</b>				
Health Resources & Services Admin	93.887		-	26,596
National Cancer Institute	93.394		145,052	254,673
National Institutes of Health	93.113		-	126,176
National Institutes of Health	93.173		57,132	328,393
National Institutes of Health	93.286		343	161,682
National Institutes of Health	93.310		-	619,110
National Institutes of Health - ARRA	93.701		153,507	481,635
National Institutes of Health	93.846		-	57,636
National Institutes of Health	93.853		40,067	369,259
National Institutes of Health	93.855		-	851,564
National Institutes of Health	93.859		181,644	1,346,977
National Institutes of Health	93.865		2,498	200,853
National Institutes of Health	93.866		-	79,682
National Institutes of Health	93.879		-	22,402
National Institutes of Health	93.985		-	132,851
National Institutes of Health	93.989		425,232	656,417
			<b>1,005,475</b>	<b>5,715,906</b>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

	<b>FEDERAL CFDA</b>	<b>FLOW-THRU IDENTIFYING NUMBER</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL CASH BASIS EXPENDITURES</b>
<b>National Aeronautics and Space Administration</b>				
Goddard Space Flight Center	43.001		69,915	93,362
Goddard Space Flight Center	43.XXX		283,009	689,142
Langley Research Center	43.001		-	82,932
Marshall Space Flight Center	43.001		-	97,974
Shared Services Center	43.001		177,637	758,052
Shared Services Center	43.008		347,771	840,300
Shared Services Center	43.009		-	1,779
Shared Services Center	43.XXX		3,000	235,818
			<b>881,332</b>	<b>2,799,359</b>
<b>National Science Foundation</b>				
National Science Foundation	47.041		231,538	1,898,306
National Science Foundation	47.047		-	81,452
National Science Foundation	47.049		450,257	2,883,334
National Science Foundation	47.050		73,109	2,784,611
National Science Foundation	47.070		16,565	754,292
National Science Foundation	47.074		55,899	3,129,277
National Science Foundation	47.075		3,715	296,179
National Science Foundation	47.076		-	541,694
National Science Foundation	47.079		-	18,426
National Science Foundation	47.080		-	173,451
National Science Foundation	47.081		62,685	1,136,837
National Science Foundation - ARRA	47.082		114,887	3,011,515
National Science Foundation	47.XXX		-	258,193
			<b>1,008,655</b>	<b>16,967,567</b>
<b>Other Federal Agencies</b>				
Institute of Museum Services	45.301		-	50,719
Institute of Museum Services	45.313		-	84,400
Library of Congress	42.XXX		-	(13)
National Archives and Records Administration	89.003		-	36,422
National Endowment for the Humanities	45.160		-	(15,459)
National Endowment for the Humanities	47.075		-	61,959
Department of State	19.009		-	227,529
Department of State	19.415		-	140,484
Department of Justice	16.560		-	300,185
			<b>-</b>	<b>886,226</b>
<b>Department of Energy</b>				
Department of Energy	81.049		581,109	3,579,984
Department of Energy	81.086		-	511,223
Department of Energy	81.089		-	292,625
Department of Energy	81.XXX		-	862,061
			<b>581,109</b>	<b>5,245,893</b>
<b>Department of Education</b>				
Department of Education	84.184		-	20,417
Department of Education	84.200		-	226,058
Department of Education	84.324		-	432,983
Department of Education	84.325		-	26,422
Department of Education	84.326		-	114,933
Department of Education	84.334		58,726	3,516,091
			<b>58,726</b>	<b>4,336,904</b>
<b>TOTAL RESEARCH DIRECT PROGRAMS</b>			<b>4,904,328</b>	<b>55,201,128</b>

**RESEARCH-FLOW THROUGH PROGRAMS**

**Commercial and Commercial Related**

ADDx Corporation	81.064	ADDXOK100820110001	-	83,001
Advanced Dynamics, Inc.	43.001	FY11ORA164	-	95,200
Anautics, Incorporated	12.XXX	FY09ORA228	-	18,340
APTIMA, INC.	12.300	07091582	-	134,626
ARCADIS US, Inc.	12.102	LA03001200003	-	13,596
Atmospheric Technology Services Company, LLC	20.108	FY12ORA109	-	13,725
Atmospheric Technology Services Company, LLC	12.XXX	FY10ORA316	-	2,148
AWSTTruePower	81.064	SRA050911	-	114,849
Battelle	81.036	154608	-	34,992
Battelle	81.064	US0010000261968	-	33,619
Battelle	81.117	138292	-	65,639
Battelle	81.XXX	109479	-	655,170
Battelle	81.XXX	4000057553	-	928
Chugach Company	12.901	201150071002	-	9,726
Courtesy Associates	93.113	LTR111010	-	22,365
Eyak Development Corporation	12.XXX	FY10ORA309	-	879,362
Glomics, Inc.	81.049	FY12ORA320	-	26,863

See accompanying notes to Schedule of Expenditures of Federal Awards.

**THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

	<b>FEDERAL CFDA</b>	<b>FLOW-THRU IDENTIFYING NUMBER</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL CASH BASIS EXPENDITURES</b>
Glomics, Inc.	81.049	FY12ORA321	-	28,069
Impact Technologies, LLC	12.116	S1420	-	7,346
Intelligent Automation, Inc.	12.XXX	6591	-	6,532
Intelligent Automation, Inc.	12.XXX	7901	-	19,999
Intelligent Automation, Inc.	43.XXX	5541	-	21,455
Intelligent Automation, Inc.	43.XXX	7061	-	7,494
ITT Industries, Inc.	12.XXX	334344J	-	28,515
MicroChem Solutions	81.087	FY11ORA261	-	36,340
Nanolight, Inc.	12.XXX	FY08ORA315	-	12,040
Phononic Devices, Inc. - ARRA	81.135	FY10ORA219	-	4,855
Research Partnership to Secure Energy for America	81.089	0912211	-	233,428
Sandia National Laboratories	81.064	974632	-	58,709
Sandia National Laboratories	81.XXX	995519	-	138,685
SI International	12.XXX	S2LG8SC389	-	140,402
TSM Corporation	12.XXX	044148066	-	3,922
University Corporation for Atmospheric Research	11.432	0345040	-	11,184
University Corporation for Atmospheric Research	11.467	S0975796	-	3,698
University Corporation for Atmospheric Research	47.003	Z1287896	-	8,806
University Corporation for Atmospheric Research	47.003	Z1295940	-	47,656
			-	3,023,284
<b>Foundations</b>				
H.M. Jackson Foundation for Advancement of Military Medicine	12.420	681244	-	2,851
Oklahoma Partnership for School Readiness Foundation, Inc. - ARRA	93.701	90SC0008001	-	39,865
Oklahoma Partnership for School Readiness Foundation, Inc. - ARRA	93.701	90SC0008003	-	19,904
Oklahoma Partnership for School Readiness Foundation, Inc. - ARRA	93.701	AGMT042612	-	25,384
Texas A&M Research Foundation	10.200	99S120052	-	615
			-	88,619
<b>Not for Profit Organizations</b>				
American Association of Physics Teachers	47.XXX	MOU111505	-	11,448
Argonne National Laboratory	81.036	0F34901	-	8,859
Argonne National Laboratory	81.049	1F31403	-	24,408
Argonne National Laboratory	81.049	1F32281	-	22,729
Beggs Public Schools	84.374	FY11ORA102	-	28,443
Botanical Research Institute of Texas	47.074	AGMT050211	-	1,951
Brookhaven National Laboratory	81.049	177166	-	1,351
Brookhaven National Laboratory	81.049	181673	-	46,501
Central Oklahoma Workforce Investment Board	17.004	AGMT122210	-	5,905
Educational Development Center, Inc	47.076	5550	-	(2,025)
Fermi National Accelerator Laboratory	81.064	601531	-	59,223
Fermi National Accelerator Laboratory	81.064	603440	-	10,000
Institute of International Education	12.XXX	NSEPU631023OUARA08D1	-	448,083
National Academy of Sciences	19.501	PGAP210874	-	116,293
National Writing Project Corporation	84.928	92OK02	-	37,357
Ohio Aerospace Institute	12.800	AGMT041812	-	10,422
Ohio Aerospace Institute	12.800	AGMT051311	-	6,994
Oklahoma City Public Schools	84.013	FY12ORA114	-	26,905
Oklahoma City Public Schools	84.367	FY11ORA159	-	61,479
Oklahoma City Public Schools	84.367	FY11ORA160	-	68,452
Oklahoma Humanities Council	45.129	Y11017	-	500
Oklahoma Humanities Council	45.129	Y11026	-	500
Oklahoma Humanities Council	45.129	Y11500	-	5,017
Putnam City Public Schools	84.336	FY11ORA253	-	10,882
Putnam City Public Schools	84.336	FY11ORA354	-	9,473
Putnam City Public Schools	84.336	FY12ORA240	-	1,780
Putnam City Public Schools	84.336	FY12ORA241	-	7,058
Putnam City Public Schools	84.336	FY12ORA242	-	306
Putnam City Public Schools	84.366	FY11ORA253	-	1,085
Smithsonian Astrophysical Observatory	43.001	AR213003X	-	2,964
Smithsonian Astrophysical Observatory	43.001	GO011119X	-	12,385
Smithsonian Astrophysical Observatory	43.001	GO112130X	-	38,426
Smithsonian Astrophysical Observatory	43.001	GO112139B	-	1,566
Smithsonian Astrophysical Observatory	43.001	GO213132A	-	(323)
Smithsonian Astrophysical Observatory	43.001	G090132A	-	1,671
Space Telescope Science Institute	43.001	HSTGO1173207A	-	10,575
Space Telescope Science Institute	43.001	HSTGO1219507A	-	3,088
Space Telescope Science Institute	43.001	HSTGO1220706A	-	25,008
Space Telescope Science Institute	43.001	HSTGO1226802A	-	1,113
Space Telescope Science Institute	43.001	HSTGO1260005A	-	3,503
U.S. Civilian Research and Development Foundation	47.079	UKG12967KV09	-	5,971
			-	1,137,326

See accompanying notes to Schedule of Expenditures of Federal Awards.

**THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

	<b>FEDERAL CFDA</b>	<b>FLOW-THRU IDENTIFYING NUMBER</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL CASH BASIS EXPENDITURES</b>
<b>State of Oklahoma</b>				
Department of Commerce	81.041	14275SEP10	14,989	14,674
Department of Education	84.367	AGMT072511	-	93,999
Department of Education	84.367	AGMT093010	-	3,122
Department of Rehabilitation Services	84.133	8059012597	-	29,025
Department of Transportation	20.200	AGMT092811	-	461,354
Department of Transportation	20.200	AGMT092910	-	133,477
Department of Transportation	20.200	SPRY0010056PL	136,371	142,871
Department of Transportation	20.223	900151	-	17,645
Department of Transportation	20.223	AGMT011812	25,431	153,092
Department of Transportation	20.223	AGMT101810	-	149,752
Department of Transportation	20.509	AGMT071211	202,500	424,251
Department of Transportation	20.514	3459029349	26,750	34,309
Department of Transportation	20.XXX	HPP155E527HP	57,373	309,549
Health Sciences Center	93.110	TS2011149103	-	12,259
Health Sciences Center	93.865	RS2010008702	-	29,363
Health Sciences Center - ARRA	93.113	RS2009226301	-	19,176
Health Sciences Center - ARRA	93.701	RS2009204203	-	15,000
Health Sciences Center - ARRA	93.701	RS2009204206	-	14,900
Health Sciences Center - ARRA	93.701	RS2009204207	-	25,291
Health Sciences Center - ARRA	93.701	RS2009204208	-	27,582
Health Sciences Center - ARRA	93.701	RS2009204209	3,773	22,965
North Dakota Game & Fish Department	15.634	T30R1	-	33,471
Office of State Finance - ARRA	11.558	FY10ORA325	-	125,745
OK Commission for Teacher Preparation	84.215	2699000468	-	3,819
Oklahoma Conservation Commission	66.XXX	AGMT012210	-	33,233
Oklahoma Conservation Commission	66.XXX	AGMT061009	13,811	118,231
Oklahoma Conservation Commission - ARRA	66.XXX	AGMT102609	-	7,673
Oklahoma Corporation Commission - ARRA	81.XXX	1859009032	-	120,436
Oklahoma Highway Safety Office	20.600	5859013719	-	74,204
Oklahoma Highway Safety Office	20.600	K912060206	-	137,232
Oklahoma Highway Safety Office	20.614	K911060408	-	26,212
Oklahoma Highway Safety Office	20.614	K912060309	-	32,001
Oklahoma Historical Society	15.904	10101	-	10,279
Oklahoma Historical Society	15.904	11101	-	90,255
Oklahoma Historical Society	15.904	11204	-	19,445
Oklahoma Historical Society	15.904	11403	-	25,097
Oklahoma Historical Society	15.904	11404	-	21,570
Oklahoma State University	10.001	AB566690OU	-	120,709
Oklahoma State University	10.200	AB566990OU	-	754
Oklahoma State University	10.200	AB567370OU	-	55,119
Oklahoma State University	15.805	2011OK207BOU1	-	13,246
Oklahoma State University	20.701	AA52241803	-	7,934
Oklahoma State University	20.701	AA53004901	-	19,111
Oklahoma State University	20.701	AA53334001	-	84,784
Oklahoma State University	20.701	AA54210201	-	4,098
Oklahoma State University	20.701	OTCEOS102002	-	206,503
Oklahoma State University	20.701	OTCEOS10211	343	154,792
Oklahoma State University	20.701	OTCES10210	121,414	176,914
Oklahoma State University	20.701	OTCREOS10111	-	110,459
Oklahoma State University	20.701	OTCREOS10118	-	32,566
Oklahoma State University	20.701	OTCREOS10121	-	37,284
Oklahoma State University	20.701	OTCREOS10132	-	116,101
Oklahoma State University	20.701	OTCREOS10134	75,000	114,530
Oklahoma State University	20.701	OTCREOS10135	-	67,803
Oklahoma State University	20.701	OTCREOS10145	8,165	117,613
Oklahoma State University	20.701	OTCREOS11106	-	52,262
Oklahoma State University	20.701	OTCREOS11114	-	47,644
Oklahoma State University	20.701	OTCREOS11126	-	10,392
Oklahoma State University	20.701	OTCREOS11127	-	48,189
Oklahoma State University	20.701	OTCREOS11145	-	33,923
Oklahoma State University	20.701	OTCREOS11146	3,786	42,366
Oklahoma State University	20.701	OTCREOS11154	-	36,878
Oklahoma State University	20.701	OTCREOS11157	8,560	8,561
Oklahoma State University	20.701	OTCREOS11165	14,950	48,437
Oklahoma State University	20.701	OTCREOS7125	-	34,075
Oklahoma State University	20.701	OTCREOS7137	-	64,129
Oklahoma State University	20.701	OTCREOS7152	-	14,949
Oklahoma State University	20.701	OTCREOS9113	-	89,072
Oklahoma State University	20.701	OTCREOS9121	-	57,746
Oklahoma State University	20.701	OTCREOS9123	-	17,761
Oklahoma State University	20.701	OTCREOS9127	-	100,437
Oklahoma State University	20.701	OTCREOS9134	-	71,061
Oklahoma State University	20.701	OTCREOS9136	6,287	89,459

See accompanying notes to Schedule of Expenditures of Federal Awards.

**THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS  
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YEAR ENDED JUNE 30, 2012**

	<b>FEDERAL CFDA</b>	<b>FLOW-THRU IDENTIFYING NUMBER</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL CASH BASIS EXPENDITURES</b>
Oklahoma State University	20.701	OTCREOS9142	-	40,544
Oklahoma State University	47.076	AA529769OUBD	-	265,380
Oklahoma State University	47.076	AA529849OU	-	49,519
Oklahoma State University	47.076	AA531470OU	-	6,785
Oklahoma State University	47.080	EPSCOR20085	-	847,971
Oklahoma State University	47.081	EPSCOR20081	-	5,000
Oklahoma State University	47.081	EPSCOR201112	-	4,951
Oklahoma State University	47.081	EPSCOR201113	-	3,950
Oklahoma State University	47.081	EPSCOR201116	-	3,350
Oklahoma State University	47.081	EPSCOR201118	-	4,000
Oklahoma State University	47.081	EPSCOR201119	-	20,404
Oklahoma State University	47.081	EPSCOR20113	-	3,047
Oklahoma State University	47.081	EPSCOR201134	-	1,500
Oklahoma State University	47.081	EPSCOR201136	-	1,545
Oklahoma State University	81.087	AA531220	-	(1,517)
Oklahoma State University	93.213	54128201	-	9,433
Oklahoma State University	81.XXX	AA582174	-	28,803
Southwestern OK State University	47.041	FY10004	-	6,072
State Regents for Higher Education	84.267	2010NCLB	-	260
State Regents for Higher Education	84.336	AGMT032111	-	127,903
Wildlife and Conservation Commission	15.605	3209002687	-	20,052
Wildlife and Conservation Commission	15.605	F43D	-	11,209
Wildlife and Conservation Commission	15.605	F43D25	-	2,540
Wildlife and Conservation Commission	15.605	F61R6	-	379,791
Wildlife and Conservation Commission	15.615	E73R1	-	13,634
Wildlife and Conservation Commission	15.634	T59R1	-	4,778
Wildlife and Conservation Commission	15.XXX	3209001710	-	(409)
Wildlife and Conservation Commission - ARRA	81.122	WGA20123	-	12,609
			<b>719,503</b>	<b>7,193,324</b>
<b>Other States</b>				
Arizona - ARRA	81.087	OKEE0002850	-	79,856
			<b>-</b>	<b>79,856</b>
<b>Universities and Colleges</b>				
California Institute of Technology	43.XXX	RSA1364730	-	10,411
Colorado School of Mines	81.089	44294217050	-	25,970
Colorado School of Mines	81.XXX	44291516770	-	178,722
Cornell University	47.074	0901	-	1,724,079
Desert Research Institute	66.509	DAS663718301	-	17,291
Duke University	12.910	10DARPA1093	-	62,810
Duke University	81.049	12DOE1059	-	-
East Central University	93.113	AGMT061311	-	975
Georgia Institute of Technology	47.050	RA965G1	-	(5)
Langston University	20.701	20090001	-	22,418
Langston University	20.701	OTCREOS9108	-	29,079
Massachusetts Institute of Technology	47.049	5710002802	-	242
Michigan State University	12.910	RC100950B	-	63,088
Michigan State University	81.049	613257A	-	138,649
Michigan Technological University	81.049	MTU050516Z22	-	8,940
Northwestern University	93.853	60026338UO	-	118,606
Purdue University - ARRA	93.701	410232653	-	107,700
Southern Illinois University at Carbondale	97.007	SIUC1018	-	18,250
St Louis University	93.389	AGMT113011	-	32,693
Texas A&M University	10.025	57710	-	29,995
Univ of California, Berkley	81.049	00006285	-	64,122
Univ of California, Berkley	81.049	00007342	-	1,653
Univ of California, Berkley	81.XXX	6847566	-	772,826
University of Alabama	12.420	001	-	22,783
University of Alabama	93.394	000354248001	-	52,792
University of Arizona	12.910	34107	-	83,171
University of Arizona	47.041	Y552101	9,836	12,283
University of California at Santa Cruz	47.049	S0183171	-	62,674
University of California, Davis	10.310	0900234301	-	39,022
University of California, Davis	47.074	20111806201	-	31,183
University of California, Los Angeles	45.313	0285GPA028	-	646
University of California, Los Angeles	66.509	2155GKB025	-	43,104
University of California, Los Angeles	81.049	2301GKE643	-	136,439
University of Colorado	93.279	FY09150001	-	816
University of Colorado	93.600	FY09494006	-	220
University of Connecticut	43.001	PSA6912	-	11,176
University of Delaware	15.808	27108	-	29,200
University of Florida	81.049	UF11243	-	45,209
University of Georgia	45.024	RE0211464785246	-	20,091
University of Illinois at Urbana-Champaign	10.310	20090680103	-	22,182
University of Kansas - ARRA	81.087	FY2011050	-	-

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**THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS  
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YEAR ENDED JUNE 30, 2012**

	<b>FEDERAL CFDA</b>	<b>FLOW-THRU IDENTIFYING NUMBER</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL CASH BASIS EXPENDITURES</b>
University of Maryland	11.417	CA1016	-	981
University of Maryland	11.440	Z763706	45,146	98,124
University of Massachusetts	47.041	04002341A00	-	487,806
University of Minnesota	93.855	H000708301	-	20,460
University of Missouri	47.079	C000148273	-	123,283
University of North Carolina Chapel Hill	11.473	536398	-	58,225
University of North Carolina Chapel Hill	97.061	536341	-	-
University of North Carolina Chapel Hill	97.061	536437	-	50,476
University of Pittsburgh	93.837	0011797	-	34,972
University of Pittsburgh	93.853	0005308	-	35,183
University of Texas at Arlington	47.049	2639036861	-	107,160
University of Texas Dallas	93.173	100980	-	7,277
University of Texas Dallas - ARRA	93.701	100841	-	78,263
University of Texas, Austin	47.049	2639062361	-	25,130
University of Vermont	20.205	25483	-	33,023
University of Wisconsin	81.049	331K133	-	62,365
			54,982	5,264,233
<b>TOTAL RESEARCH FLOW-THROUGH PROGRAMS</b>			774,485	16,786,642
<b>TOTAL RESEARCH</b>			5,678,813	71,987,770
<b>STUDENT FINANCIAL ASSISTANCE</b>				
<b>Department of Education</b>				
ACG	84.375		-	-
Pell	84.063		-	21,634,435
SEOG	84.007		-	490,846
SMART	84.376		-	-
TEACH	84.379		-	54,139
College Work-Study	84.033		-	1,763,046
Federal Perkins Loan Program	84.038		-	15,760,447
Federal Direct Student Loans	84.268		-	115,857,514
<b>TOTAL STUDENT FINANCIAL ASSISTANCE</b>				155,560,427
<b>TRIO</b>				
Department of Education - TRIO	84.042		-	432,879
Department of Education - TRIO	84.047		-	272,268
Department of Education - TRIO	84.217		-	192,099
<b>TOTAL TRIO</b>				897,246
<b>OTHER FEDERAL PROGRAMS</b>				
<b>Department of Education</b>				
State Fiscal Stabilization Fund (SFSF) - Government Svs.	84.397		-	1,273,337
<b>Department of Transportation</b>				
Federal Transit Administration	20.507		-	1,302,557
Federal Aviation Administration	20.XXX		-	1,883,785
<b>TOTAL OTHER FEDERAL PROGRAMS</b>				4,459,679
<b>UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS</b>				
<b>Department of Commerce</b>			-	-
<b>Department of Transportation</b>			-	-
<b>Department of Health and Human Services</b>				
Administration for Children and Families	93.600		-	472,143
Administration for Children and Families	93.623		-	1,752,547
Administration for Children and Families	93.652		-	1,088,983
			-	3,313,673
<b>Other Federal Agencies</b>				
Social Security Administration	96.008		-	228,688
Department of Labor	17.720		-	310,715
			-	539,403
<b>Department of Education</b>				
Department of Education	84.283		-	2,057,332
			-	2,057,332
<b>TOTAL UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS</b>			-	5,910,408

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**THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS  
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YEAR ENDED JUNE 30, 2012**

	<b>FEDERAL CFDA</b>	<b>FLOW-THRU IDENTIFYING NUMBER</b>	<b>AMOUNT PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL CASH BASIS EXPENDITURES</b>
<b>UNIVERSITY OUTREACH (CCE and CLS) FLOW-THROUGH PROGRAMS</b>				
<b>Not for Profit Organizations</b>				
Cherokee Nation of Oklahoma	10.557	PO109026	-	3,403
Eagle Ridge Institute	84.310	AGR11/16/09	-	45,914
Educational Development Center, Inc	93.230	11210OU8	-	599,974
Educational Development Center, Inc	93.230	11210UOK004	-	513,660
			-	1,162,951
<b>Commercial and Commercial Related</b>				
Miko Group	84.371	AGR1/4/12	-	256,357
				256,357
<b>State of Oklahoma</b>				
Department of Commerce	17.260	14633OUFY11WDWYF	-	166,661
Department of Commerce - ARRA	17.258	AGR91310	-	2,577
Department of Education	10.588	63-105	-	16,080
Department of Health	10.557	PO3409016349	-	117,905
Department of Human Services	93.605	AGR10/6/11	-	26,133
Department of Human Services	93.652	AGR12/13/11	-	146,934
Department of Human Services	93.652	PO0723975	-	346,347
Department of Human Services	93.674	PO0700617	-	1,552,351
Department of Mental Health	93.104	PO4529037762	-	904
Department of Mental Health	93.104	PO4529037839	-	12,693
Department of Mental Health	93.104	PO4529040472	-	394,547
Department of Mental Health	93.243	PO4529037565	-	7,274
Department of Mental Health	93.243	PO4529037761	-	1,287
Department of Mental Health	93.243	PO4529038484	-	(205)
Department of Mental Health	93.243	PO4529039841	-	80,082
Department of Mental Health	93.243	PO4529040481	-	41,307
Department of Mental Health	93.243	PO4529041144	-	65,856
Department of Mental Health	93.959	PO4529039841	-	169,334
Department of Transportation	20.205	SB2009OK55653	-	2,688
Department of Transportation	20.205	SBOK200552655	-	3,186
Department of Transportation	20.205	STPY155E751EH	-	65,927
East Central University	83.382	ATP11/9/11	-	1,308
Health Sciences Center - ARRA	93.723	AGR62011	-	2,763
Health Sciences Center - ARRA	93.723	AGR9/26/11	-	36,579
Oklahoma Development Disabilities Council	93.630	PO0800439	-	5,000
Oklahoma Employment Security Commission	17.260	93481OUFY11RRDLW	-	18,105
Oklahoma Highway Safety Office	16.727	K811020102	-	24,104
Oklahoma Highway Safety Office	20.600	PO5859013219	-	13,633
Oklahoma Highway Safety Office	20.600	PO8589014961	-	113,779
Oklahoma Highway Safety Office	20.601	K812020303	-	26,401
Oklahoma State University	47.076	AA529849OUEVALUATOR	-	20,002
			-	3,481,542
<b>TOTAL UNIVERSITY OUTREACH (CCE and CLS) FLOW-THROUGH PROGRAMS</b>			-	4,900,850
<b>TOTAL UNIVERSITY OUTREACH PROGRAMS</b>			-	10,811,258
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			\$ 5,678,813	\$ 243,716,380

See accompanying notes to Schedule of Expenditures of Federal Awards.



## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2012

1. 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, 2012, which have been financed by the U.S. 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.

2. 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.
3. 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.
4. 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.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2012

5. 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.

The Federal Perkins Loan Program is administered directly by the University. The balance of loans outstanding as of June 30, 2012, has been included as federal expenditures in the schedule.

6. 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 OMB Circular A-133. Also, fixed price and fixed rate programs have been excluded.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2011

### Section I--Summary of Auditors' Results

#### *Financial statements*

Type of auditors' report issued:

*Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

#### *Federal Awards*

Internal control over major programs:

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

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

*Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

Student Financial Aid Cluster \*

Research and Development Cluster \*

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

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2012

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

None to report for the June 30, 2012 period.

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

See Finding 2012-01.

**Summary of Prior Audit Findings**

There were no prior year findings or questioned costs.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

### UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2012

#### **Finding 2012-01**

Program CFDA No:

84.063 Pell Grant

Federal Award Year:

June 30, 2012

#### Finding:

In one of the student files selected for testing, we noted that the student withdrew from the University in February 2012. At the time the student withdrew, the University correctly determined the student's R2T4 calculation at \$768.63, and the University refunded the Pell program that much. On May 17, 2012, the University ran a Banner program, RPEPELL and an unintended result of running this program was that certain students, including the student selected in the sample, had their Pell refunds canceled, and the University re-awarded the Pell grant that had previously been refunded to these students.

#### Cause:

The University's internal control system requires that when R2T4 calculations are made for students that withdraw, the Pell award should be "locked" so that no subsequent adjustments can be made to the student's account. This is a manual process, and the University's system of internal controls does not provide for a check to determine if the accounts were locked. As a result, when the University ran RPEPELL on May 17, 2012, all students who had withdrawn and whose accounts were inadvertently not locked were re-awarded their Pell grants that had previously been canceled.

#### Criteria:

Pell grants should only be awarded to eligible students, and a student who has withdrawn should not receive a Pell award.

#### Effect:

For the students who had withdrawn and whose Pell grants were subsequently re-established, the University incorrectly awarded Pell grants to those students.

#### Context:

We selected a sample of 40 student files and noted 1 student who had withdrawn and whose Pell grant was subsequently re-awarded. We requested that the University determine the extent of this matter, and the University isolated the occurrence to the running of the RPEPELL program on May 17, 2012. The University subsequently determined that 33 students received Pell awards totaling \$32,568 as a result of this situation.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

### THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2012

Questioned Cost: \$32,568

Recommendation:

We recommend that the University refund the Pell grant program for the amounts that had been incorrectly posted to student's accounts.

Institution Response:

As stated above, RPEPELL was run on May 17<sup>th</sup>, 2012 which updated previously cancelled Pell grant awards. We were able to isolate the incident to May 17<sup>th</sup> and requested a report from the Manager of Student Operations within the Bursar's office, Misti Keenan. She was able to provide us with a report of all Pell transactions occurring on May 17<sup>th</sup> and Tracey Duke, Associate Director for Special Programs within the Financial Aid Services office was able to review each disbursement to determine student eligibility. We determined 33 students were inadvertently repackaged with improper Pell funds and have since then made the proper adjustments to the student account and returned the funds to the Pell Grant account. Measures are now in place to ensure we lock any funds that we lower during the R2T4 calculation process. As well, we will run the RPEPELL program to ensure all students are awarded the proper Pell grant amount in a test database, and manually update any needed increases or decreases. This will also be a good double check to ensure we have locked Pell grants on R2T4 students.