

The University of Oklahoma – Norman Campus

Independent Auditor's Reports and Financial Statements

June 30, 2021 and 2020

The University of Oklahoma – Norman Campus
June 30, 2021 and 2020

Contents

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Financial Statements	
Statements of Net Position	13
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	18
Notes to Financial Statements	21
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited).....	68
Schedule of the University’s Proportionate Share of the Net Pension Liability (Unaudited)	69
Schedule of the University’s Contributions (Unaudited)	70
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 – Independent Auditor’s Report	71
Schedule of Findings and Responses	73

Independent Auditor's Report

Regents of the University of Oklahoma
The University of Oklahoma – Norman Campus
Norman, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of The University of Oklahoma – Norman Campus (the University), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2021, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

The 2020 financial statements, before they were restated for the matter discussed in *Note 17*, were audited by other auditors, and their report thereon, dated October 16, 2020, expressed an unmodified opinion.

As part of our audit of the 2021 financial statements, we also audited the adjustments described in *Note 17* that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the University other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole. Our opinion is not modified with respect to these matters.

Reporting Entity

As discussed in *Note 1*, the accompanying financial statements of the University are intended to present the financial position, changes in financial position, and cash flows of only the activities of the Norman Campus. They do not purport to, and do not, present fairly the financial position of The University of Oklahoma as of June 30, 2021 and 2020, and the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension information, and other postemployment benefit 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 29, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Tulsa, Oklahoma
October 29, 2021

The University of Oklahoma – Norman Campus

Management’s Discussion and Analysis

Years Ended June 30, 2021 and 2020

The discussion and analysis of The University of Oklahoma – Norman Campus’s (the University) financial statements provides an overview of the University’s financial activities for the years ended June 30, 2021 and 2020. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Certain amounts presented in 2020 have been restated to correct the presentation. The amounts for 2019 have not been restated for similar corrections.

Financial Highlights

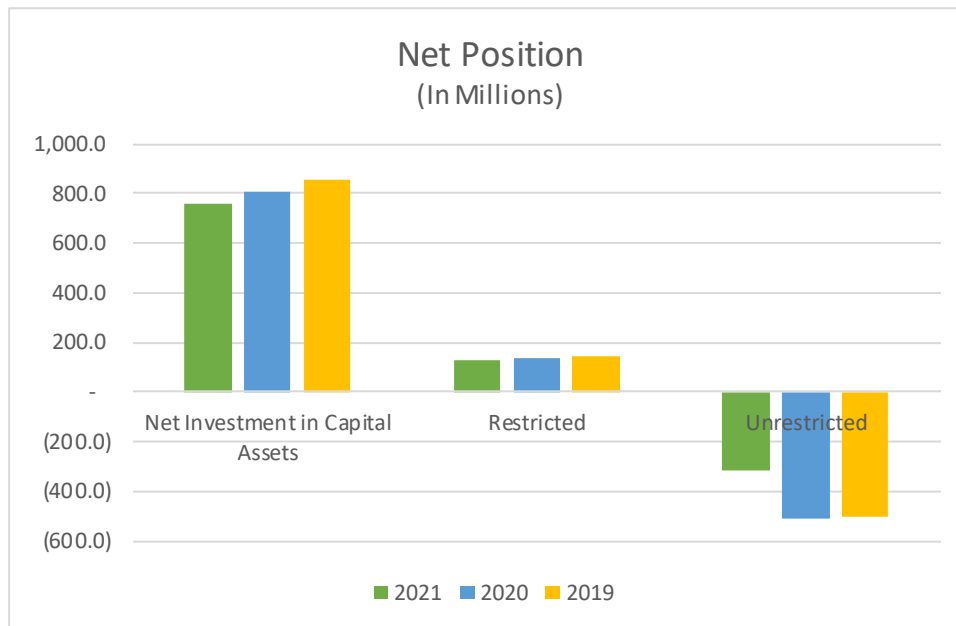
2021

During fiscal year 2021, the University experienced a positive change in net position, recording an increase of \$132.2 million or 30.2% over the prior year. The increase was primarily due to changes made to the University’s retiree insurance plan (see *Note 13*). Net investment in capital assets decreased \$51.2 million over the previous year. Restricted net position increased by \$15.3 million, while unrestricted net position increased \$168.1 million.

2020

During fiscal year 2020, net position decreased \$59.4 million or 11.9% over the prior year primarily due to the restatement described in *Note 17*. Net investment in capital assets decreased \$49.1 million over the previous year. Restricted net position decreased by \$11.8 million, while unrestricted net position increased \$1.5 million.

The following graph illustrates the comparative change in net position by category for the years ended June 30:



Overview of the Financial Statements and Financial Analysis

This report consists of management's discussion and analysis; the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements provide both long-term and short-term financial information on the University as a whole.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

The statement of net position and the statement of revenues, expenses, and changes in net position report the University's net position and how it has changed. Net position—the difference between combined assets and deferred outflows of resources and combined liabilities and deferred inflows of resources—is one way to measure the University's financial health, or position. Over time, increases or decreases in the University's net position are indicators of whether its financial health is improving. Nonfinancial factors are also important to consider, including student recruitment, enrollment, and retention and the condition of campus facilities.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, as well as the University's revenues, expenses, and changes in net position for the years ended June 30:

Condensed Statements of Net Position – June 30 (in Millions)

	2021	2020 Restated (Note 17)	2019
Assets			
Current assets	\$ 338.9	\$ 296.2	\$ 273.8
Capital assets, net	1,710.5	1,748.7	1,851.1
Other noncurrent assets	162.5	141.2	155.7
Total assets	<u>2,211.9</u>	<u>2,186.1</u>	<u>2,280.6</u>
Deferred Outflows of Resources	<u>165.4</u>	<u>110.1</u>	<u>88.7</u>
Liabilities			
Current liabilities	211.9	180.1	206.1
Noncurrent liabilities	1,513.4	1,617.2	1,567.6
Total liabilities	<u>1,725.3</u>	<u>1,797.3</u>	<u>1,773.7</u>
Deferred Inflows of Resources	<u>82.0</u>	<u>61.2</u>	<u>98.5</u>
Net Position			
Net investment in capital assets	757.2	808.4	857.5
Restricted	145.0	129.7	141.5
Unrestricted	(332.3)	(500.4)	(501.9)
Total net position	<u>\$ 569.9</u>	<u>\$ 437.7</u>	<u>\$ 497.1</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Position – Years Ended June 30 (in Millions)

	2021	2020 Restated (Note 17)	2019
Operating Revenues	\$ 716.2	\$ 747.0	\$ 751.4
Operating Expenses	<u>881.9</u>	<u>986.6</u>	<u>942.0</u>
Operating Loss	(165.7)	(239.6)	(190.6)
Net Nonoperating Revenues	278.7	222.8	226.2
Other Revenues, Expenses, and Gains (Losses)	<u>19.2</u>	<u>39.2</u>	<u>26.9</u>
Change in Net Position	<u><u>\$ 132.2</u></u>	<u><u>\$ 22.4</u></u>	<u><u>\$ 62.5</u></u>

The following summarizes the University's operating revenues for the years ended June 30 (in millions):

	2021	2020 Restated (Note 17)	2019
Operating Revenues			
Student tuition and fees	\$ 354.1	\$ 355.5	\$ 358.6
Grants and contracts	180.8	188.2	172.1
Auxiliary enterprises	149.2	180.9	192.3
Other	<u>32.1</u>	<u>22.4</u>	<u>28.4</u>
Total operating revenues	<u><u>\$ 716.2</u></u>	<u><u>\$ 747.0</u></u>	<u><u>\$ 751.4</u></u>

2021

Student tuition and fees reflected a slight decrease compared to prior year, resulting from a small decrease in enrollment during fiscal year 2021. Grants and contracts decreased \$7.4 million or 3.9% due to declines in State of Oklahoma contract work, offset by growth in federal research grants. Due to the COVID-19 pandemic and associated safety measures implemented, the University experienced decreases in housing and food services revenues (\$5.6 million or 9.8%) and athletics revenues (\$30.7 million or 30.7%).

2020

Student tuition and fees reflected a slight decrease compared to prior year, resulting from a small decrease in enrollment during fiscal year 2020. Grants and contracts increased \$16.1 million or 9.4% due to increases in NASA GeoCarb, NOAA, and K20 GEAR UP grants. This increase was offset by notable decreases in housing and food services (\$7.0 million or 11.0%) and athletic revenues (\$2.3 million or 2.2%). Each of those decreases occurred due to the COVID-19 pandemic, which resulted in the early closing of housing and the cancellation of athletic and educational events.

The following summarizes the University's operating expenses for the years ended June 30 (in millions):

	2021	2020 Restated (Note 17)	2019
Operating Expenses			
Compensation and benefits	\$ 451.6	\$ 569.0	\$ 524.8
Contractual services	177.7	145.3	131.9
Supplies and materials	33.3	34.6	39.3
Depreciation	72.9	70.9	75.0
Utilities	43.3	40.1	48.1
Communications	6.9	6.1	6.3
Scholarships and fellowships	60.0	54.7	47.2
Other	36.2	65.9	69.4
	<u>36.2</u>	<u>65.9</u>	<u>69.4</u>
Total operating expenses	<u>\$ 881.9</u>	<u>\$ 986.6</u>	<u>\$ 942.0</u>

2021

Total operating expenses decreased \$104.7 million or 10.6% in fiscal year 2021. Compensation decreased \$117.4 million or 20.6% primarily due to a decrease in other postemployment benefit (OPEB) expense offset by an increase in pension expense, as full-time employee headcount was relatively unchanged. Contractual services increased \$32.4 million or 22.3% partially due to increased operating costs in response to the COVID-19 pandemic. Other expenses decreased \$29.7 million or 45.1% primarily due to a decline in travel expense in response to the COVID-19 pandemic. Scholarships and fellowships increased \$5.3 million or 9.7% due to federal *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSA Act) funding received and distributed as scholarships to students.

2020

Total operating expenses increased \$44.6 million or 4.7% in fiscal year 2020. Compensation increased \$44.2 million or 8.4% due to an increase in pension and OPEB expense, accrued leave, and a slight across-the-board faculty and staff pay raise distributed during the year. Supplies and utilities both reflected decreases compared to prior year. Scholarships and fellowships increased \$7.5 million or 15.9% due to federal *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) funding received and distributed as scholarships to students.

The following summarizes the University's nonoperating revenues and expenses for the years ended June 30 (in millions):

	2021	2020 Restated (Note 17)	2019
Nonoperating Revenues (Expenses)			
State appropriations	\$ 111.7	\$ 115.4	\$ 111.8
On-behalf payments	13.5	16.0	14.5
Federal grants and contracts	56.9	33.2	27.0
State grants and contracts	14.2	17.6	17.4
Private gifts	74.7	58.4	78.2
Interest on indebtedness	(33.0)	(37.9)	(40.5)
Net investment income	30.7	9.0	9.7
Endowment income	10.0	11.1	8.1
	<u>10.0</u>	<u>11.1</u>	<u>8.1</u>
Net nonoperating revenues (expenses)	<u>\$ 278.7</u>	<u>\$ 222.8</u>	<u>\$ 226.2</u>

2021

State appropriations decreased \$3.7 million or 3.2%, as the University's appropriation was reduced for fiscal year 2021. Federal grants and contracts increased \$23.7 million or 71.4% due to the receipt of federal COVID-19 relief funding under the CARES Act and CRRSA Act. Private gifts increased \$16.3 million or 28.0% primarily due to increased gift support for Athletics. Net investment income increased \$21.7 million or 241.1% due to improved investment performance during the fiscal year.

2020

Federal grants and contracts increased \$6.2 million or 23.0% due to the receipt of federal CARES Act funds for student scholarships. Private gifts decreased \$19.8 million or 25.3% due to reduced private gifts for Athletics received through the Regents Fund. Endowment income increased \$3.0 million or 37.0% due to reimbursements to endowed chairs and professorships through the OU Foundation.

The following summarizes the University's other revenues (expenses) and gains (losses) for the years ended June 30:

	2021	2020 Restated (Note 17)	2019
Building America Bonds subsidy	\$ 0.4	\$ 0.8	\$ 0.8
Private gifts for capital purposes	5.9	19.9	14.9
Transfer from OU Health Sciences Center	-	8.3	-
State school land funds	8.9	9.1	9.5
On-behalf payments for OCIA capital leases	2.7	2.7	3.1
Gain (loss) on sale of fixed assets	0.3	(1.7)	(2.5)
Additions to permanent endowments	1.0	0.1	1.1
	<u>1.0</u>	<u>0.1</u>	<u>1.1</u>
Total other revenues (expenses) and gains (losses)	<u>\$ 19.2</u>	<u>\$ 39.2</u>	<u>\$ 26.9</u>

2021

Other revenues (expenses) and gains (losses) decreased by \$20.0 million or 51.0% primarily due to one-time capital activity experienced in fiscal year 2020 that did not occur in fiscal year 2021. The University continues to receive support from state school land funds managed by the Commissioners of the Land Office, which provides annual distributions for capital improvements.

2020

Other revenues (expenses) and gains (losses) increased by \$12.3 million or 45.8%. This resulted from a transfer from the University of Oklahoma Health Sciences Center of an appropriation to be used for research and an increase in gifts recorded for GFOMS Bowl Improvement and Armory Renovation projects.

The Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of the University during a period. This statement also aids in the assessment of the University's ability to generate future net cash flows and meet obligations as they come due as well as needs for external financing.

The following summarizes the University's cash flows for the years ended June 30:

Condensed Statements of Cash Flows – Years Ended June 30 (in Millions)

	2021	2020 Restated (Note 17)	2019
Net Cash Provided by (Used in)			
Operating activities	\$ (211.3)	\$ (148.2)	\$ (119.0)
Noncapital financing activities	260.4	243.9	240.2
Capital and related financing activities	(66.8)	(97.3)	(120.5)
Investing activities	13.4	18.6	7.5
Increase (Decrease) in Cash and Cash Equivalents	(4.3)	17.0	8.2
Cash and Cash Equivalents, Beginning of Year	231.9	214.9	206.7
Cash and Cash Equivalents, End of Year	\$ 227.6	\$ 231.9	\$ 214.9

2021

The University's overall liquidity decreased slightly during the year, with a net decrease to cash of \$4.3 million. Cash used in operating activities totaled \$211.3 million, an increase of \$63.1 million compared to cash used in the prior year. The increase in the use of cash was due to a decrease of cash received from operating revenues primarily due to auxiliary enterprises impacted by the COVID-19 pandemic. Major sources of operating funds were tuition and fees of \$353.4 million, grants and contracts of \$172.6 million, and auxiliary enterprises of \$130.4 million, which were offset by the payment of compensation and benefits of \$525.3 million and other operating expenses of \$368.7 million.

Cash provided by noncapital financing activities totaled \$260.4 million, an increase of \$16.5 million compared to the prior year. Major sources of noncapital financing activities were state appropriations of \$111.7 million, grants and contracts of \$68.7 million, and private gifts of \$70.0 million.

Cash used in connection with capital and related financing activities totaled \$66.8 million, a decrease of \$30.5 million compared to the prior year. An increase due to the receipt of bond proceeds in the current year was offset by the termination payout of the utilities management agreement and refinancing of various debt series. Major sources of capital and related financing activities were proceeds from revenue bonds of \$207.1 million, which were offset by refunded debt of \$121.2 million, settlement of the utilities management agreement of \$71.2 million, and principal and interest payments on capital debt and leases of \$66.4 million.

Cash provided by investing activities totaled \$13.4 million, a decrease of \$5.2 million compared to the prior year. This decrease was primarily the result of a decrease in realized investment income and in proceeds from investments received from the Regents Fund. Major sources of investing activities were proceeds from sales and maturities of investments of \$8.4 million.

2020

The University's overall liquidity improved during the year, with a net increase to cash of \$17.0 million. Cash used in operating activities totaled \$148.2 million, an increase of \$29.2 million compared to cash used in the prior year. The increase in the use of cash was due to a decrease of cash received from operating revenues that was negatively offset by an increased cash outlay for compensation and benefits. Major sources of operating funds were student tuition and fees of \$354.6 million, grants and contracts of \$179.2 million, and auxiliary enterprises of \$170.5 million, which were offset by the payment of compensation and benefits of \$537.4 million and other operating expenses of \$339.9 million.

Cash provided by noncapital financing activities totaled \$243.9 million, an increase of \$3.7 million compared to the prior year. Major sources of noncapital financing activities were state appropriations of \$115.4 million, grants and contracts of \$47.9 million, and private gifts of \$60.3 million.

Cash used in connection with capital and related financing activities totaled \$97.3 million, a decrease of \$23.2 million compared to the prior year. This was due the receipt of bond proceeds in fiscal year 2020, as well as an increase in private gifts for capital assets, offset by a decrease in the purchase of capital assets in fiscal year 2020. Major sources of capital and related financing activities were proceeds from revenue bonds of \$84.0 million, which were offset by purchases of capital assets of \$53.1 million and principal and interest payments on capital debt and leases of \$73.9 million.

Cash provided by investing activities totaled \$18.6 million, an improvement of \$11.1 million compared to the prior year. This improvement was primarily the result of an increase in proceeds from investments received from the Regents Fund of \$11.1 million.

Capital Asset and Debt Administration

The following summarizes the University's capital assets at June 30:

Capital Assets, Net – June 30 (in Millions)

	2021	2020 Restated (Note 17)	2019
Land and land improvements	\$ 49.3	\$ 47.7	\$ 48.1
Buildings	1,323.4	1,357.4	1,356.8
Construction in progress	25.3	47.5	68.5
Furniture, fixtures, and equipment	247.5	233.5	228.8
Infrastructure	47.4	43.0	44.7
Library books and periodicals	17.6	19.6	104.2
Capital assets, net	<u>\$ 1,710.5</u>	<u>\$ 1,748.7</u>	<u>\$ 1,851.1</u>

2021

At June 30, 2021, the University had \$1,710.5 million invested in capital assets, net of accumulated depreciation of \$1,108.7 million. Depreciation expense for the current year totaled \$72.9 million compared to \$70.9 million in the prior year. As discussed in *Note 17*, the University restated certain prior period capital asset balances. More detailed information related to the University's capital assets is presented in *Note 6* to the financial statements.

2020

At June 30, 2020, the University had \$1,748.7 million invested in capital assets, net of accumulated depreciation of \$1,040.5 million. Depreciation expense for the current year totaled \$70.9 million compared to \$75.0 million in the prior year. More detailed information related to the University's capital assets is presented in *Note 6* to the financial statements.

Debt

The following summarizes outstanding debt by type at June 30:

Outstanding Debt – June 30 (in Millions)

	2021	2020 Restated (Note 17)	2019
Utilities management agreement	\$ -	\$ 71.2	\$ 75.9
General revenue bonds	926.8	878.4	906.3
Lease obligations	40.8	41.7	42.7
Total outstanding debt	<u>\$ 967.6</u>	<u>\$ 991.3</u>	<u>\$ 1,024.9</u>

2021

At June 30, 2021, the University had \$967.6 million in outstanding debt, a decrease of \$23.7 million or 2.4% over the prior year.

The University refinanced Series 2010B, 2011A, and 2011E bonds on a tax-exempt basis using proceeds of the Series 2020B bonds during fiscal year 2021, resulting in a present value savings of \$9.4 million. The University also refinanced Series 2011C and 2012A bonds on a taxable basis using proceeds of the Series 2020C bonds during fiscal year 2021, resulting in a present value savings of \$9.5 million. The 2020C bonds were also used to acquire certain contractual capital assets of the utility system facilities. Acquisition of these utility assets allowed the University to exit the related utilities management agreement with a third-party provider.

2020

At June 30, 2020, the University had \$991.3 million in outstanding debt, a decrease of \$33.6 million or 3.3% over the prior year.

The University refinanced Series 2011B and D bonds during fiscal year 2020, resulting in a present value savings of \$25.2 million. Debt repayments of \$31.6 million were made during the year. More detailed information related to the University's long-term liabilities is presented in *Note 11* to the financial statements.

Future Outlook

The University's future outlook continues to be closely related to its role as one of the State's premier comprehensive institutions. It benefits from ongoing financial and political support from the State of Oklahoma. In connection with the *Lead On, University Strategic Plan*, the University continues to scrutinize budget allocations and prioritize investment in areas aligned with the strategic plan. For fiscal year 2022, state appropriations are budgeted to increase by \$6.4 million or 6.3%, as targeted investments were made in engineering and education workforce development initiatives.

In response to the COVID-19 pandemic, the University has undertaken a number of actions to ensure the safety and well-being of students, faculty, and staff. For the Fall 2021 semester, the University welcomed both students and employees back to campus for in-person learning and plans to offer primarily in-person learning for the Spring 2022 semester as well.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. The University continues to attract top students from across the nation and more than 100 countries around the world. Enrollment continues to remain stable each year and retention rates remain strong. In the Fall 2021 semester, headcount enrollment increased 1.0% compared to the Fall 2020 semester. Additionally, the University welcomed its largest freshmen class of 4,582 in the Fall 2021 semester.

The University of Oklahoma – Norman Campus
Statements of Net Position
June 30, 2021 and 2020
(In Thousands)

Assets

	2021	2020 Restated (Note 17)
Current Assets		
Cash and cash equivalents	\$ 152,360	\$ 159,482
Restricted cash and cash equivalents	55,582	56,490
Accrued interest receivable	90	251
Accounts receivable, net of allowance for doubtful accounts	118,289	72,976
Inventories and supplies	2,674	2,104
Loans to students, net of allowance for uncollectible loans	1,610	1,846
Deposits and prepaid expenses	8,300	3,139
Total current assets	338,905	296,288
Noncurrent Assets		
Restricted cash and cash equivalents	19,670	15,934
Endowment investments	91,874	66,768
Other long-term investments	39,195	42,451
Investments in real estate and mineral interests	220	220
Net other postemployment benefits and pension assets	901	3,180
Loans to students, net	10,130	12,248
Deposits and prepaid expenses	465	378
Capital assets, net	1,710,502	1,748,710
Total noncurrent assets	1,872,957	1,889,889
Total assets	2,211,862	2,186,177

Deferred Outflows of Resources

Deferred Loss on Refunding of Bonds	9,386	9,795
Deferred Loss on Defeasance of Bonds and Master Lease	544	791
Deferred Outflows		
Pensions	123,843	68,259
OPEB	31,623	31,254
Total deferred outflows of resources	165,396	110,099

The University of Oklahoma – Norman Campus
Statements of Net Position, continued
June 30, 2021 and 2020
(In Thousands)

Liabilities

	2021	2020 Restated (Note 17)
Current Liabilities		
Accounts payable and accrued expenses	\$ 53,804	\$ 55,940
Utilities management agreement, current portion	-	4,720
Accrued compensated absences	19,582	18,725
Unearned revenues	78,706	46,077
Accrued interest payable	16,306	16,497
Capital leases and revenue bonds payable – current portion	41,841	36,126
Deposits held in trust for others	1,692	1,984
	<u>211,931</u>	<u>180,069</u>
Noncurrent Liabilities		
Utilities management agreement	-	66,520
Other postemployment benefits	178,747	297,417
Net pension liability	380,147	311,555
Retirement plan liability	8,965	6,869
Accrued compensated absences	10,544	11,954
Unearned revenues	-	27,426
Federal loan program contributions refundable	9,131	11,460
Capital lease obligations	37,365	40,731
Revenue bonds payable	888,496	843,282
	<u>1,513,395</u>	<u>1,617,214</u>
Total noncurrent liabilities	<u>1,513,395</u>	<u>1,617,214</u>
Total liabilities	<u>1,725,326</u>	<u>1,797,283</u>
Deferred Inflows of Resources		
Pensions	53,890	32,444
OPEB	23,961	26,363
OCIA lease restructure	2,235	2,435
Bond refunding	1,911	-
	<u>81,997</u>	<u>61,242</u>
Total deferred inflows of resources	<u>81,997</u>	<u>61,242</u>

The University of Oklahoma – Norman Campus
Statements of Net Position, continued
June 30, 2021 and 2020
(In Thousands)

Net Position

	2021	2020 Restated (Note 17)
	2021	(Note 17)
Net Investment in Capital Assets	\$ 757,240	\$ 808,464
Restricted for		
Nonexpendable	62,706	45,400
Expendable		
Education, general, and auxiliary operations	14,333	13,928
Capital projects	19,376	20,189
Debt service	35,989	32,772
Other postemployment benefits and pension	901	3,180
Athletics	11,670	14,245
Unrestricted	(332,280)	(500,427)
Total net position	\$ 569,935	\$ 437,751

The University of Oklahoma – Norman Campus
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020 Restated (Note 17)
Operating Revenues		
Student tuition and fees, net of scholarship allowances; 2021 – \$115,713, 2020 – \$112,033	\$ 354,055	\$ 355,452
Federal grants and contracts	125,934	114,777
State grants and contracts	42,699	49,100
Private grants and contracts	12,153	24,378
Interest on student loans receivable	398	404
Housing and food service revenues	51,239	56,795
Athletic revenues, net of scholarship allowances; 2021 – \$10,755, 2020 – \$10,993	69,361	100,038
Sales and services of auxiliary enterprises – other	28,598	24,057
Other revenues	31,726	22,046
Total operating revenues	716,163	747,047
Operating Expenses		
Compensation and benefits	451,575	569,049
Contractual services	177,659	145,288
Supplies and materials	33,358	34,558
Depreciation	72,908	70,877
Utilities	43,269	40,129
Communications	6,854	6,086
Scholarships and fellowships	60,056	54,714
Other	36,215	65,926
Total operating expenses	881,894	986,627
Operating Loss	(165,731)	(239,580)
Nonoperating Revenues (Expenses)		
State appropriations	111,684	115,441
On-behalf payments	13,498	16,070
Federal grants and contracts	56,861	33,167
State grants and contracts	14,214	17,569
Private gifts	74,739	58,403
Interest on indebtedness	(32,974)	(37,919)
Net investment income	30,704	8,969
Endowment income	10,006	11,096
Net nonoperating revenues (expenses)	278,732	222,796
Income (Loss) Before Other Revenues (Expenses) and Gains (Losses)	113,001	(16,784)

The University of Oklahoma – Norman Campus
Statements of Revenues, Expenses, and Changes in Net Position, continued
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020 Restated (Note 17)
Other Revenues (Expenses) and Gains (Losses)		
Building America Bonds subsidy	\$ 362	\$ 742
Private gifts for capital purposes	5,909	19,929
Transfer from OU Health Sciences Center	-	8,300
State school land funds	8,902	9,111
On-behalf payments for OCIA capital leases	2,669	2,669
Gain (loss) on sale of fixed assets	319	(1,700)
Additions to permanent endowments	1,022	124
Total other revenues (expenses) and gains (losses)	19,183	39,175
Change in Net Position	132,184	22,391
Net Position, Beginning of Year	437,751	415,360
Net Position, End of Year	\$ 569,935	\$ 437,751

The University of Oklahoma – Norman Campus
Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020 Restated (Note 17)
Cash Flows from Operating Activities		
Student tuition and fees	\$ 353,437	\$ 354,565
Sales and services of auxiliary enterprises	30,452	23,802
Housing and food service revenues	48,338	56,275
Athletic revenues	51,594	90,374
Federal grants and contracts	118,684	107,624
State grants and contracts	33,598	47,668
Private grants and contracts	20,304	23,873
Interest on loans receivable	398	404
Other additions	24,510	23,116
Loans issued to students	(786)	(806)
Collection of loans	2,213	2,226
Compensation and benefits	(525,326)	(537,368)
Other operating expenses	(368,743)	(339,917)
	<u>(211,327)</u>	<u>(148,164)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	111,684	115,441
Federal grants and contracts	54,532	30,358
State grants and contracts	14,214	17,569
Transfer from OU Health Sciences Center	-	8,300
Endowment income	10,006	11,877
Private gifts	70,034	60,319
Federal Family Education loan receipts	132,443	130,943
Federal Family Education loan disbursements	(132,443)	(130,943)
	<u>260,470</u>	<u>243,864</u>
Cash Flows from Capital and Related Financing Activities		
Additions to permanent endowment	1,022	124
Proceeds from revenue bonds and capital leases	207,064	83,999
Payment under utilities management agreement	(71,240)	(4,720)
Private gifts for capital assets	5,908	19,929
Proceeds from sale of capital assets	567	-
State school land funds	8,902	9,111
Build America Bonds subsidy	372	742
Purchases of capital assets	(31,792)	(53,058)
Principal paid on capital debt and leases	(34,055)	(35,946)
Payments to trustee for extinguishment of debt	(121,228)	(79,595)
Interest paid on capital debt and leases	(32,346)	(37,910)
	<u>(66,826)</u>	<u>(97,324)</u>

The University of Oklahoma – Norman Campus
Statements of Cash Flows, continued
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020 Restated (Note 17)
Cash Flows from Investing Activities		
Investment income	\$ 5,242	\$ 9,907
Proceeds from sales and maturities of investments	8,435	11,114
Purchases of investments	(288)	(2,374)
	13,389	18,647
Net cash provided by investing activities	13,389	18,647
Increase (Decrease) in Cash and Cash Equivalents	(4,294)	17,023
Cash and Cash Equivalents, Beginning of Year	231,906	214,883
Cash and Cash Equivalents, End of Year	\$ 227,612	\$ 231,906
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	\$ 152,360	\$ 159,482
Restricted cash and cash equivalents	55,582	56,490
Noncurrent assets		
Restricted cash and cash equivalents	19,670	15,934
	19,670	15,934
Total cash and cash equivalents	\$ 227,612	\$ 231,906
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (165,731)	\$ (239,580)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	72,908	70,877
On-behalf contributions related to pensions	13,498	16,070
Changes in assets and liabilities		
Accounts receivable	(40,617)	(11,700)
Inventories and supplies	(570)	80
Loans to students	2,354	2,564
Deposits and prepaid expenses	(5,248)	353
Deferred outflows related to pensions and OPEB	(55,953)	(18,757)
Accounts payable and accrued expenses	(5,293)	3,427
Unearned revenue	5,595	(7,531)
Compensated absences	(553)	1,338
Deferred inflows related to pensions and OPEB	18,653	(18,191)
Total OPEB liability	(118,670)	19,720
Net pension liability	68,592	32,443
Deposits held in custody for others	(292)	723
	(292)	723
Net cash used in operating activities	\$ (211,327)	\$ (148,164)

The University of Oklahoma – Norman Campus
Statements of Cash Flows, continued
Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020 Restated (Note 17)
Supplemental Schedule of Noncash Investing, Capital, and Financing Activities		
Principal on capital debt paid by state agency on behalf of the University	\$ 806	\$ 768
Interest on capital debt paid by state agency on behalf of the University	\$ 1,863	\$ 1,901
Capital asset acquisitions included in accounts payable	\$ 3,455	\$ 7,440
Change in fair value of investments	\$ 25,622	\$ (1,495)

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Note 1: Summary of Significant Accounting Policies

Nature of the Organization

The University of Oklahoma – Norman Campus (the University) is a comprehensive institution providing undergraduate, graduate, and professional education in a variety of academic programs. The University operates under the jurisdiction of the Board of Regents of The University of Oklahoma (the Board of Regents) and the Oklahoma State Regents for Higher Education (the State Regents) and is an agency of the State of Oklahoma.

Reporting Entity

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

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

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

For financial reporting purposes, the University has included all funds, organizations, agencies, boards, commissions, and authorities within the reporting entity defined above. The University has also considered all potential component units for which it is financially accountable and other organizations for which the nature or significance of their relationship with the University are such that the exclusion would cause the University's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the University to impose its will on that organization or 2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the University. The University does not have any material component units that meet GASB criteria.

Although the University is a beneficiary of The University of Oklahoma Foundation, Inc. (the Foundation), the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University or the Board of Regents. Assets that the University places with the Foundation for investment, together with investment income, are held, administered, and distributed to the University under the direction and supervision of the Foundation based upon the University's

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

policies and instructions. With the exception of assets that the University and others have placed with the Foundation for investment (and the investment income from such assets), the assets of the Foundation are the exclusive property of the Foundation. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. Neither the University nor the Board of Regents has the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The trustees of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the University.

Third parties dealing with the University, the Board of Regents, the State Regents, and the State of Oklahoma (or any agency thereof) should not rely upon any financial information contained herein about the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Financial Statement Presentation

The University presents its financial statements in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management 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*, which require a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

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.

Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents and are carried at amortized cost.

Restricted cash and cash equivalents pertain to amounts that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase capital or other noncurrent assets.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 72, *Fair Value Measurement and Application*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the accompanying statements of revenues, expenses, and changes in net position.

Accounts Receivable

Accounts receivable consist of tuition and fees charged to students and auxiliary enterprise services provided to external parties. Accounts receivable also include amounts due from 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 length of time accounts receivable are past due and the University's previous loss history. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventories and Supplies

Inventories and supplies are carried at the lower of cost or market. Inventory is primarily comprised of goods held by printing services, facilities management, Goddard Health, and other miscellaneous areas.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or acquisition 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. Construction of or renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings; 20 years for infrastructure, land improvements, and library books; 5 years for software; and 3 to 18 years for equipment or the duration of the lease term for capital leases.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

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 accompanying statements of revenues, expenses, and changes in net position. The University does not have significant impairments during the years reported.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year that relate to a subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned. Noncurrent unearned revenues include receipt of funding associated with the ground lease discussed in *Note 10: Operating Leases*.

Accrued Compensated Absences

The liability and expense incurred for employee vacation pay are recorded as accrued compensated absences in the accompanying statements of net position and as a component of compensation and benefits expense in the accompanying statements of revenues, expenses, and changes in net position.

Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in other long-term liabilities.

Estimated Self-Insurance Reserves

The University provides for self-insurance reserves for estimated incurred but not reported claims for its employee and student health plans, workers' compensation program, and unemployment compensation insurance program. These reserves, which are included in accounts payable and accrued expenses on the accompanying statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in compensation and benefits on the accompanying statements of revenues, expenses, and changes in net position in the period in which the change in estimate is identified.

Noncurrent Liabilities

Noncurrent liabilities include 1) principal amounts of revenue bonds payable and capital lease obligations; 2) estimated amounts for accrued compensated absences; 3) other postemployment benefits (OPEB) and net pension liabilities; and 4) other liabilities that will not be paid within the next fiscal year.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Pensions and Benefit Plans

The University participates in a cost-sharing multiple-employer defined benefit pension plan, the Oklahoma Teachers' Retirement System (OTRS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The University participates in a cost-sharing multiple-employer defined benefit OPEB plan, OTRS. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The University has a single-employer defined benefit OPEB plan providing health and dental insurance to retirees (the OPEB Plans). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported on by the OPEB Plans. For this purpose, benefit payments are made on a pay-as-you-go basis as there are no assets accumulated in a trust for the purpose of this plan.

Deferred Inflows/Outflows of Resources

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, deferred outflows of resources and deferred inflows of resources result from the consumption or acquisition of net position in one period that is applicable to future periods. These items are to be reported separately from assets and liabilities.

The University reports increases in net position generated by its defined benefit pension plan or OPEB that relate to future periods and the cost of refunding debt as deferred outflows of resources in a separate section of its statements of net position.

The University reports decreases in net position generated by its defined benefit pension plan or OPEB that relate to future periods and savings of refunding debt and OCIA leases as deferred inflows of resources in a separate section of its statements of net position.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets – Represents the University's investment in capital assets, net of accumulated depreciation, and outstanding debt obligations and deferred inflows of resources and deferred outflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

Restricted Net Position – Expendable – Includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or enabling legislation.

Unrestricted Net Position – Represents resources derived from student tuition and fees, state appropriations, 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. Auxiliary enterprises are substantially self-supporting activities that provide services to the public, outside parties, students, faculty, and staff.

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

Classification of Revenues

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

Operating Revenues – Include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship allowances; 2) sales and services of auxiliary enterprises; 3) certain federal, state, and local grants and contracts; and 4) interest on institutional student loans.

Nonoperating Revenues – Include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations, certain grants, and investment income.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Scholarship Allowances

Student tuition and fee revenue and certain other revenues from students, are reported net of scholarship allowances in the accompanying statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as 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.

Contributions

From time to time, the University receives contributions from individuals and private organizations. Revenues from contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported as capital grants, gifts, and donations.

Endowments are provided to the University on a voluntary basis by individuals and private organizations. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, the net appreciation of the investments of endowment funds are recorded with investment income in nonoperating revenue.

Tax Status

As a state institution of higher education, the income of the University is exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code (IRC); however, income generated from activities unrelated to the exempt purpose is subject to income tax under IRC Section 511(a)(2)(B).

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on the change in net position.

Revisions

Certain revisions have been made to the 2020 financial statements to correct various items. These revisions did not have a significant impact on the financial statement line items and did not change overall net position.

Financial statement line items impacted include:

- Sales and services of educational activities decreased by \$6,808 with offsetting increases to other revenues of \$6,584, private grants and contracts of \$223, and sales and services of auxiliary enterprises of \$1 to appropriately reflect the underlying transactions.
- Current accrued compensated absences decreased by \$8,579 with the offset to noncurrent accrued compensated absences to appropriately reflect these balances.
- Contractual expenses increased by \$2,232 with an offsetting decrease to other expenses to appropriately reflect the underlying transactions.
- Deferred inflows of resources for the advance payment on ground lease decreased by \$18,715 with an offsetting increase to current unearned revenues of \$391 and noncurrent unearned revenues of \$18,324. These changes were also reflected in *Note 8: Unearned Revenues* and in *Note 10: Operating Leases*.
- Net investment in capital assets was increased by \$13,332 and unrestricted net position was decreased by \$13,332 to account for other capital asset-related items.
- Net position restricted for capital assets decreased \$1,515, net position restricted for OPEB and pension increased by \$3,180, and unrestricted net position decreased by \$1,665.
- Capital asset activity in *Note 6: Capital Assets* was revised to reflect construction in progress that should have been placed in service during fiscal year 2020 of \$35,400.

The accompanying statement of cash flows was revised for certain items above and to correct the presentation of various transactions. In addition to the above-referenced financial statement revisions, the following footnotes were also revised. *Note 10: Operating Leases* was revised to include operating leases for office space where the University is the lessee and to include disclosure of operating leases where the University is the lessor. *Note 11: Long-Term Liabilities* was revised to remove bond premium/discount amounts from the principal amounts disclosed for debt related to pledged revenues.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

New Accounting Pronouncements Adopted in Fiscal Year 2021

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. GASB 84 is now effective for reporting periods beginning after December 15, 2019. The adoption of GASB 84 did not have a significant impact on the University's financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. GASB 97 increases consistency and compatibility related to the reporting of fiduciary component units; mitigates the costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans; and enhances the relevance, consistency, and comparability of the accounting and financial reporting for IRC Section 457 deferred compensation plans. The requirements of GASB 97 that related to the accounting and financial reporting for Section 457 plans are effective for periods beginning after June 15, 2021. The adoption of GASB 97 did not have a significant impact on the University's financial statements.

New Accounting Pronouncements Issued Not Yet Adopted

GASB has also issued several new accounting pronouncements that will be effective for the University in subsequent years. A description of the new accounting pronouncements and the fiscal year in which they are effective are described below:

In June 2017, GASB issued Statement No. 87, *Leases*. GASB 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB 87 is now effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 is now effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. GASB 96 defines a SBITA, establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. To the extent

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

relevant, the standards for SBITAs are based on standards established in GASB 87. GASB 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

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

Note 2: Deposits and Investments

Deposits

The carrying amounts of the University's deposits included as cash and cash equivalents on the accompanying statements of net position as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
State Treasurer	\$ 174,955	\$ 182,353
U.S. and foreign financial institutions	280	172
Trustees related to bond indentures	52,295	49,269
Petty cash and change funds	<u>82</u>	<u>112</u>
	<u>\$ 227,612</u>	<u>\$ 231,906</u>

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. To mitigate this risk, the University deposits most of its funds with the Oklahoma State Treasurer (OST). Oklahoma Statutes require the OST to ensure that all state funds are either insured by the FDIC, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. All deposits with the OST are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the OST may determine, in the State's name.

Some deposits with the OST are placed in their investment pool, OK INVEST. Only agencies that are part of the State's reporting entity in the State's Annual Comprehensive Financial Report can participate in OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. Treasury securities that are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities that carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds that participate in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; (d) collateralized certificates of deposit; (e) obligations of state and local governments; and (f) foreign bonds.

Of funds on deposit with the OST, amounts invested in OK INVEST totaled \$77,913 and \$136,207 at June 30, 2021 and 2020, respectively, and are included as cash and cash equivalents on the accompanying statements of net position.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

As of June 30, the distribution of deposits in OK INVEST is as follows:

	2021		2020	
	Cost	Market Value	Cost	Market Value
U.S. Treasury securities	\$ 19,552	\$ 19,728	\$ 43,318	\$ 44,402
U.S agency securities	31,175	31,190	31,573	31,984
Mortgage-backed securities	22,573	23,231	50,610	52,861
Money market mutual funds	3,431	3,431	7,106	7,106
Certificates of deposit	527	527	2,010	2,010
Municipal bonds	109	111	175	181
Foreign bonds	546	546	1,415	1,414
	<u>\$ 77,913</u>	<u>\$ 78,764</u>	<u>\$ 136,207</u>	<u>\$ 139,958</u>

Oklahoma Statutes and the State Treasurer’s Investment Policy, which can be found on the State Treasurer’s website at <http://www.ok.gov/treasurer>, establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the management of OK INVEST, with an emphasis on safety of the capital, the probable income to be derived, and meeting the State’s daily cash flow requirements. The State Treasurer, at their discretion, may further limit or restrict 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 10 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 OK INVEST Information Statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer’s Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State of Oklahoma, the FDIC, or any other government agency.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Investments

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such a quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

At June 30, the University’s investments consisted of the following:

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Investments				
Fidelity revenue-sharing investments	\$ 75	\$ 75	\$ -	\$ -
InvesTrust retirement plan investments	9,677	9,677	-	-
Mineral interests	212	-	-	212
Real property	8	-	-	8
Total investments, at fair value	<u>9,972</u>	<u>\$ 9,752</u>	<u>\$ -</u>	<u>\$ 220</u>
Investments, at NAV				
CIF – OU Foundation	91,818			
EIP II – OU Foundation	<u>29,499</u>			
Total investments, at NAV	<u>121,317</u>			
Total investments	<u>\$ 131,289</u>			

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020				
Investments				
Fidelity revenue-sharing investments	\$ 56	\$ 56	\$ -	\$ -
InvesTrust retirement plan investments	7,565	7,565	-	-
Mineral interests	212	-	-	212
Real property	8	-	-	8
Total investments, at fair value	7,841	\$ 7,621	\$ -	\$ 220
Investments, at NAV				
CIF – OU Foundation	69,083			
EIP II – OU Foundation	32,515			
Total investments, at NAV	101,598			
Total investments	\$ 109,439			

Fidelity Revenue-Sharing Investments – Level 1 – These investments include bonds, stable value investments, and short-term money market mutual funds.

InvesTrust Retirement Plan Investments – Level 1 – These investments include target retirement date mutual funds.

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

Mineral Interests – Level 3 – These are investments owned directly by the University and held for investment purposes.

Investments Measured at NAV per Unit – 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 that is consistent with the terms of the gift as

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

stipulated by the donor and with the provision of any applicable laws. The University has entrusted the Foundation with a portion of its funds totaling \$121,316 and \$101,598 as of June 30, 2021 and 2020, respectively. The investments held at the Foundation on behalf of the University within two separate investment pools are as follows:

Consolidated Investment Fund (CIF) – Investments in this pool consist primarily of domestic and international equity securities, U.S. government securities, derivative financial instruments, and alternative holdings. The Foundation considers the underlying investments within this pool to include Level 1, 2, 3, and net asset value (NAV) inputs. The University owns 4.9% and 5.0% of the fund as of June 30, 2021 and 2020, respectively.

Expendable Investment Pool II (EIP II) – Investments in this pool primarily consist of liquid money market funds, mutual funds, equities, and separate accounts holding U.S. government and corporate fixed income securities. The Foundation considers the underlying investments within this pool to include Level 1, 2, and NAV inputs. The University owns 46.5% and 76.4% of the fund as of June 30, 2021 and 2020, respectively.

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

The University's investments have no unfunded commitments, and funds may be redeemed daily with no redemption notice. Within the CIF pool, certain investments held do have unfunded commitments and limitations on redemption frequency, including redemption notice periods. The total market value of the CIF as of June 30, 2021 and 2020, totaled \$1,883,224 and \$1,372,043, respectively. Unfunded commitments within this fund totaled \$245,768 and \$182,031 at June 30, 2021 and 2020, respectively. There were redemption limitations that ranged from quarterly to three years with a 30- to 90-day redemption notice period on investments with a total market value of \$306,711 and \$268,800 at June 30, 2021 and 2020, respectively. Investments held in real estate funds and private equity funds with a total market value of \$610,930 and \$384,945 at June 30, 2021 and 2020, respectively, cannot be redeemed and are subject to the terms of the individual funds. These funds typically have lives up to 10 years (with the potential for extensions, if necessary) and distributions at the discretion of the general partners.

Credit Risk – Risk that the issuer or other counterparty to an investment will not fulfill its obligation. 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.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

- Short-term investments managed by the University are generally limited to direct obligations of the United States government and its agencies, certificates of deposit, and demand deposits.
- Investments in municipal money market funds are limited to funds with a rating of AAAM by Standard & Poor's.
- The Board of Regents has authorized endowment and similar funds to be invested in direct obligations of the U.S. 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. In addition, the Board of Regents authorized investments in the CIF and EIP II.
- The University's fixed income securities are generally limited to holdings of high-quality fixed income securities.

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

- Investment securities held in bond debt service reserve funds are held by the respective bond trustee for the benefit of the University and bondholders.
- Endowment investments are pooled with the University of Oklahoma Health Sciences Center in the CIF and EIP II with the Foundation and held in the Board of Regents' name.
- Long-term investments are held in the CIF and EIP II with the Foundation.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of the University's investment in a single issuer. The University has adopted the Foundation's "Statement of Investment Policy" for the CIF and EIP II investments with the Foundation. Within the CIF, investments consist of domestic and international equity securities, U.S. government securities, derivative financial instruments, and alternative holdings. Within the EIP II, investments consist of liquid money market funds, mutual funds, equities, and separate accounts holding U.S. government and corporate fixed income securities. Due to the diversification within these investments, the University believes it does not have any significant concentrations of credit risk. For investments not held by the Foundation, the University places no limit on the amount the University may invest in any one issuer. However, most of the investments are in pooled investments and mutual funds.

Interest Rate Risk – The risk that changes in interest rates will negatively affect the value of an investment. The University has a short-term investment strategy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The University has adopted the Foundation's "Statement of Investment Policy" for funds invested at the Foundation. The University is responsible for determining its

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

operating cash flow requirements and to ensure 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 reconciliation between investments per the accompanying statements of net position and total investments is as follows at June 30:

	<u>2021</u>	<u>2020</u>
Endowment investments	\$ 91,874	\$ 66,768
Other long-term investments	39,195	42,451
Investments in real estate and mineral interest	<u>220</u>	<u>220</u>
	<u>\$ 131,289</u>	<u>\$ 109,439</u>

Note 3: Accounts Receivable

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

	<u>2021</u>	<u>2020 Restated (Note 17)</u>
Student tuition and fees	\$ 52,025	\$ 51,005
Federal, state, and private grants and contracts	50,558	44,842
Auxiliary enterprises	35,385	12,837
Other operating activities	<u>13,204</u>	<u>810</u>
	151,172	109,494
Less allowance for doubtful accounts	<u>(32,883)</u>	<u>(36,518)</u>
Accounts receivable, net	<u>\$ 118,289</u>	<u>\$ 72,976</u>

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Note 4: Inventories and Supplies

Inventories and supplies consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
University printing services	\$ 838	\$ 442
Facilities management	581	252
Goddard Health Services	299	286
University Press	297	361
Jimmie Austin Golf Course	194	228
Other	465	535
	<u>\$ 2,674</u>	<u>\$ 2,104</u>

Note 5: Loans to Students

Student loans made through the Federal Perkins Loan Program (the Program) comprised 68% and 75% of the student loan balance at June 30, 2021 and 2020, respectively. 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 federal government upon cessation of the Program of \$9,131 and \$11,460 at June 30, 2021 and 2020, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University-funded loans and the University portion of federal 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, 2021 and 2020, the allowance for uncollectible loans was \$493 and \$458, respectively.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 6: Capital Assets

Capital asset activity as of and for the year ended June 30, 2021, includes the following:

	Restated Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Land	\$ 44,799	\$ 49	\$ -	\$ (198)	\$ 44,650
Art	-	48	-	-	48
Construction in progress	47,477	15,451	(37,620)	-	25,308
	<u>92,276</u>	<u>15,548</u>	<u>(37,620)</u>	<u>(198)</u>	<u>70,006</u>
Total capital assets not being depreciated					
Capital assets being depreciated					
Buildings	1,900,525	153	1,524	(724)	1,901,478
Equipment	255,654	10,119	(25)	(3,957)	261,791
Leasehold improvements	-	188	3,181	-	3,369
Capital improvements	251,052	4,865	9,304	-	265,221
Land improvements	33,368	137	16,339	-	49,844
Software	38,758	2,799	2,060	-	43,617
Infrastructure	100,192	407	5,237	-	105,836
Library books	117,414	938	-	(331)	118,021
	<u>2,696,963</u>	<u>19,606</u>	<u>37,620</u>	<u>(5,012)</u>	<u>2,749,177</u>
Total capital assets being depreciated					
Less accumulated depreciation					
Buildings	543,112	35,329	-	(393)	578,048
Equipment	190,789	13,740	(2)	(3,712)	200,815
Leasehold improvements	-	1,317	-	-	1,317
Capital improvements	82,465	13,112	(14,794)	-	80,783
Land improvements	30,431	1,192	13,540	-	45,163
Software	36,967	842	-	(316)	37,493
Infrastructure	58,984	4,353	1,256	-	64,593
Library books	97,781	3,023	-	(335)	100,469
	<u>1,040,529</u>	<u>72,908</u>	<u>-</u>	<u>(4,756)</u>	<u>1,108,681</u>
Total accumulated depreciation					
Total capital assets being depreciated, net	<u>1,656,434</u>	<u>(53,302)</u>	<u>37,620</u>	<u>(256)</u>	<u>1,640,496</u>
Capital assets, net	<u>\$ 1,748,710</u>	<u>\$ (37,754)</u>	<u>\$ -</u>	<u>\$ (454)</u>	<u>\$ 1,710,502</u>

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Capital asset activity as of and for the year ended June 30, 2020, as restated, includes the following:

	Beginning Balance	Additions	Transfers	Deductions	Restated Ending Balance
Capital assets not being depreciated					
Land	\$ 44,799	\$ -	\$ -	\$ -	\$ 44,799
Construction in progress	68,527	28,796	(49,846)	-	47,477
	<u>113,326</u>	<u>28,796</u>	<u>(49,846)</u>	<u>-</u>	<u>92,276</u>
Total capital assets not being depreciated					
Capital assets being depreciated					
Buildings	1,864,404	-	36,288	(167)	1,900,525
Equipment	246,425	11,472	2	(2,245)	255,654
Nonstructural improvements	229,125	9,233	13,394	(700)	251,052
Land improvements	33,304	64	-	-	33,368
Software	38,256	493	9	-	38,758
Infrastructure	99,672	367	153	-	100,192
Library books	117,719	431	-	(736)	117,414
	<u>2,628,905</u>	<u>22,060</u>	<u>49,846</u>	<u>(3,848)</u>	<u>2,696,963</u>
Total capital assets being depreciated					
Less accumulated depreciation					
Buildings	507,617	35,495	-	-	543,112
Equipment	177,611	15,197	-	(2,019)	190,789
Nonstructural improvements	70,701	11,764	-	-	82,465
Land improvements	29,997	434	-	-	30,431
Software	36,686	281	-	-	36,967
Infrastructure	54,939	4,045	-	-	58,984
Library books	94,856	3,661	-	(736)	97,781
	<u>972,407</u>	<u>70,877</u>	<u>-</u>	<u>(2,755)</u>	<u>1,040,529</u>
Total accumulated depreciation					
Total capital assets being depreciated, net	<u>1,656,498</u>	<u>(48,817)</u>	<u>49,846</u>	<u>(1,093)</u>	<u>1,656,434</u>
Capital assets, net	<u>\$ 1,769,824</u>	<u>\$ (20,021)</u>	<u>\$ -</u>	<u>\$ (1,093)</u>	<u>\$ 1,748,710</u>

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

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Note 7: Accounts Payable and Accrued Expenses

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

	2021	2020
Accounts payable	\$ 36,578	\$ 41,361
Accrued payroll	11,692	8,999
Self-insurance reserves	5,534	5,580
	\$ 53,804	\$ 55,940

Note 8: Unearned Revenues

Unearned revenues consisted of the following at June 30:

	2021	2020 Restated (Note 17)
Prepaid tuition and student fees	\$ 23,026	\$ 18,682
Prepaid athletic ticket sales	26,002	21,729
Grants and contracts	7,136	9,621
Other auxiliary enterprises	4,218	4,756
Ground lease	18,324	18,715
	\$ 78,706	\$ 73,503

Note 9: Funds Held in Trust by Others

Beneficial Interest in State School Land Funds

The University 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 \$8,902 and \$9,111 during the years ended June 30, 2021 and 2020, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. Per direction and approval of the Board of Regents, during the years ended June 30, 2021 and 2020, the University distributed \$3,759 and \$4,104, respectively, of these funds to the University of Oklahoma Health Sciences Center. Present state law prohibits the distribution of any corpus of

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

these funds. The total funds for the University, held in trust by the Commissioners of the Land Office, is \$319,214 and \$175,106 at June 30, 2021 and 2020, respectively, and have not been reflected in the accompanying financial statements.

Oklahoma State Regents for Higher Education Endowment Fund Program

In connection with the State Regents' Endowment Fund Program, the State of Oklahoma matches contributions received under this program. The cumulative state match amount, plus any retained accumulated earnings, totaled \$162,572 and \$131,967 at June 30, 2021 and 2020, respectively, and is invested by the State Regents on behalf of the University. The University is entitled to receive an annual distribution of earnings on these funds. The distribution of \$5,469 and \$4,481 received during 2021 and 2020, respectively, has been reflected as endowment income in the accompanying statements of revenues, expenses, and changes in net position. Institutional matching funds are on deposit with the Foundation for the benefit of the University.

Note 10: Operating Leases

Lessee Commitments

The University has entered into certain operating leases for equipment, office space, vehicles, and other miscellaneous items as a lessee. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures from operating leases were \$13,923 and \$12,180 for the years ended June 30, 2021 and 2020, respectively.

Lessor Arrangements

The University has entered into certain operating leases for equipment, office space, and other miscellaneous items as a lessor. All operating leases are for a one-year term with an option to renew based on available funding. Rental revenues from operating leases were \$11,243 and \$12,105 for the years ended June 30, 2021 and 2020, respectively.

Ground Lease

In March 2017, the University entered into a 51-year agreement (the ground lease) to lease two parcels of land within the boundaries of the University's campus to a nonprofit corporation (the Lessee). The Lessee also entered into a loan agreement with the Oklahoma Development Finance Authority (ODFA), whereby the Lessee utilized proceeds from bonds issued by ODFA (the ODFA bonds) to develop and construct a student housing facility on the land leased from the University. In accordance with the terms of the ground lease, the University received a nonrefundable payment of \$20,000 from the Lessee in March 2017. The payment was recorded as unearned revenue and is being recognized as revenue over the term of the lease. The remaining balance to be amortized was \$18,324 and \$18,715 as of June 30, 2021 and 2020, respectively.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

In December 2019, the Lessee filed a lawsuit against the University alleging claims for breach of contract, promissory estoppel, unjust enrichment, constructive trust, and “money had and received” with respect to the student housing facility. The Lessee asserted damages in the lawsuit in amounts the University believed unsupported by both law and fact. The ground lease required the parties to mediate prior to filing suit, which occurred in February 2020. The Lessee withdrew from mediation in March 2020. The University was served with the Lessee’s lawsuit, filed an answer denying Lessee’s allegations, and counterclaimed that Lessee is breaching the ground lease.

In May 2021, after restart of private mediation, a Settlement and Release Agreement was reached between the Lessee, the University, and UMB Bank, N.A., in its capacity as successor trustee of the ODFA Bonds Trust Indenture, and Sovereign Properties Holdco, LLC (Sovereign), a wholly owned subsidiary of the Chickasaw Nation. The Settlement and Release Agreement resolves all issues related to the student housing facility, including the pending litigation.

In June 2021, in accordance with the Settlement and Release Agreement, Sovereign acquired the student housing facility and the land lease held by the Lessee and entered into a sublease agreement with the University that is in effect until the University secures its own financing, as planned through the issuance of 2021A Bonds, to acquire the student housing facility.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Note 11: Long-Term Liabilities

Long-term liability activity was as follows for the years ended June 30:

	Interest Rates	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2021							
Bonds and capital leases							
General Revenue Bonds, Series 2010B	3.72%–6.27%	7/1/2039	\$ 37,540	\$ -	\$ (37,540)	\$ -	\$ -
General Revenue Bonds, Series 2011A	0.70%–5.00%	7/1/2035	6,530	-	(6,530)	-	-
General Revenue Bonds, Series 2011B	0.75%–6.39%	7/1/2040	730	-	(730)	-	-
General Revenue Bonds, Series 2011C	2.00%–4.75%	7/1/2036	8,650	-	(8,265)	385	385
General Revenue Bonds, Series 2011D	0.81%–5.63%	7/1/2041	2,765	-	(1,355)	1,410	1,410
General Revenue Refunding Bonds, Series 2011E	0.40%–5.00%	7/1/2026	10,995	-	(10,995)	-	-
General Revenue Bonds, Series 2012A	2.00%–5.00%	7/1/2041	60,760	-	(58,950)	1,810	1,810
General Revenue Refunding Bonds, Series 2012D	0.40%–3.12%	7/1/2027	15,275	-	(1,735)	13,540	1,775
General Revenue Bonds, Series 2013A	2.00%–3.38%	7/1/2042	9,720	-	(315)	9,405	320
General Revenue Bonds, Series 2013B	0.52%–4.29%	7/1/2042	42,895	-	(1,265)	41,630	1,290
General Revenue Refunding Bonds, Series 2013D	0.54%–5.12%	7/1/2034	11,420	-	(1,035)	10,385	1,070
General Revenue Bonds, Series 2014A	2.00%–4.50%	7/1/2043	11,060	-	(290)	10,770	295
General Revenue Bonds, Series 2014B	0.58%–5.17%	7/1/2043	10,795	-	(255)	10,540	265
General Revenue Refunding Bonds, Series 2014C	1.00%–5.00%	7/1/2034	68,570	-	(4,000)	64,570	4,195
General Revenue Bonds, Series 2015A	3.00%–5.00%	7/1/2044	27,300	-	(605)	26,695	-
General Revenue Bonds, Series 2015B	0.68%–2.68%	7/1/2024	3,700	-	(355)	3,345	990
General Revenue Refunding Bonds, Series 2015C	3.00%–5.00%	7/1/2045	213,705	-	-	213,705	-
General Revenue Bonds, Series 2015D	1.56%–3.37%	7/1/2025	31,210	-	(5,590)	25,620	5,735
General Revenue Bonds, Series 2016A	2.00%–5.00%	7/1/2031	61,935	-	(4,705)	57,230	4,910
General Revenue Bonds, Series 2016B	2.00%–5.00%	7/1/2046	65,970	-	-	65,970	610
General Revenue Bonds, Series 2016C	1.00%–3.38%	7/1/2032	14,495	-	(3,095)	11,400	2,460
General Revenue Bonds, Series 2017A	3.00%–5.00%	7/1/2047	14,360	-	-	14,360	-
General Revenue Bonds, Series 2017B	1.85%–3.00%	7/1/2025	2,199	-	(360)	1,839	370
General Revenue Refunding Bonds, Series 2017C	2.00%–5.00%	7/1/2034	27,800	-	(675)	27,125	700
General Revenue Refunding Bonds, Series 2020A	1.37%–2.93%	7/1/2041	84,230	-	(1,624)	82,606	1,940
General Revenue Refunding Bonds, Series 2020B	3.00%–5.00%	7/1/2039	-	45,250	-	45,250	3,795
General Revenue Refunding Bonds, Series 2020C	0.41%–3.26%	7/1/2041	-	150,805	-	150,805	1,660
			<u>844,609</u>	<u>196,055</u>	<u>(150,269)</u>	<u>890,395</u>	<u>35,985</u>
Premium (discount)			<u>33,824</u>	<u>7,874</u>	<u>(5,310)</u>	<u>36,388</u>	<u>2,302</u>
Total revenue bonds payable			<u>878,433</u>	<u>203,929</u>	<u>(155,579)</u>	<u>926,783</u>	<u>38,287</u>
OCIA 2014A capital leases payable			25,631	-	-	25,631	2,389
OCIA 2014C capital leases payable			15,100	-	(806)	14,294	845
ODFA master leases payable			979	708	(930)	757	154
			<u>41,710</u>	<u>708</u>	<u>(1,736)</u>	<u>40,682</u>	<u>3,388</u>
Premium (discount)			<u>(4)</u>	<u>90</u>	<u>(1)</u>	<u>85</u>	<u>14</u>
Total capital leases payable			<u>41,706</u>	<u>798</u>	<u>(1,737)</u>	<u>40,767</u>	<u>3,402</u>
Total bonds and capital leases			<u>920,139</u>	<u>204,727</u>	<u>(157,316)</u>	<u>967,550</u>	<u>41,689</u>
Other noncurrent liabilities							
Utilities management agreement			71,240	-	(71,240)	-	-
Accrued compensation absences			30,679	18,172	(18,725)	30,126	19,582
Total other noncurrent liabilities			<u>101,919</u>	<u>18,172</u>	<u>(89,965)</u>	<u>30,126</u>	<u>19,582</u>
			<u>\$ 1,022,058</u>	<u>\$ 222,899</u>	<u>\$ (247,281)</u>	<u>\$ 997,676</u>	<u>\$ 61,271</u>

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

	Interest Rates	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
2020							
Bonds and capital leases							
General Revenue Bonds, Series 2010B	3.72%–6.27%	7/1/2039	\$ 38,850	\$ -	\$ (1,310)	\$ 37,540	\$ 1,350
General Revenue Bonds, Series 2011A	0.70%–5.00%	7/1/2035	6,800	-	(270)	6,530	280
General Revenue Bonds, Series 2011B	0.75%–6.39%	7/1/2040	30,615	-	(29,885)	730	730
General Revenue Bonds, Series 2011C	2.00%–4.75%	7/1/2036	9,010	-	(360)	8,650	370
General Revenue Bonds, Series 2011D	0.81%–5.63%	7/1/2041	54,480	-	(51,715)	2,765	1,355
General Revenue Refunding Bonds, Series 2011E	0.40%–5.00%	7/1/2026	12,345	-	(1,350)	10,995	1,390
General Revenue Bonds, Series 2012A	2.00%–5.00%	7/1/2041	62,435	-	(1,675)	60,760	1,745
General Revenue Refunding Bonds, Series 2012D	0.40%–3.12%	7/1/2027	16,975	-	(1,700)	15,275	1,735
General Revenue Bonds, Series 2013A	2.00%–3.38%	7/1/2042	10,030	-	(310)	9,720	315
General Revenue Bonds, Series 2013B	0.52%–4.29%	7/1/2042	44,135	-	(1,240)	42,895	1,265
General Revenue Refunding Bonds, Series 2013D	0.54%–5.12%	7/1/2034	12,425	-	(1,005)	11,420	1,035
General Revenue Bonds, Series 2014A	2.00%–4.50%	7/1/2043	11,340	-	(280)	11,060	290
General Revenue Bonds, Series 2014B	0.58%–5.17%	7/1/2043	11,040	-	(245)	10,795	255
General Revenue Refunding Bonds, Series 2014C	1.00%–5.00%	7/1/2034	72,405	-	(3,835)	68,570	4,000
General Revenue Bonds, Series 2015A	3.00%–5.00%	7/1/2044	27,890	-	(590)	27,300	605
General Revenue Bonds, Series 2015B	0.68%–2.68%	7/1/2024	4,050	-	(350)	3,700	355
General Revenue Refunding Bonds, Series 2015C	3.00%–5.00%	7/1/2045	213,705	-	-	213,705	-
General Revenue Bonds, Series 2015D	1.56%–3.37%	7/1/2025	36,680	-	(5,470)	31,210	5,590
General Revenue Bonds, Series 2016A	2.00%–5.00%	7/1/2031	66,460	-	(4,525)	61,935	4,705
General Revenue Bonds, Series 2016B	2.00%–5.00%	7/1/2046	65,970	-	-	65,970	-
General Revenue Bonds, Series 2016C	1.00%–3.38%	7/1/2032	17,545	-	(3,050)	14,495	3,095
General Revenue Bonds, Series 2017A	3.00%–5.00%	7/1/2047	14,360	-	-	14,360	-
General Revenue Bonds, Series 2017B	1.85%–3.00%	7/1/2025	2,554	-	(355)	2,199	360
General Revenue Refunding Bonds, Series 2017C	2.00%–5.00%	7/1/2034	28,465	-	(665)	27,800	675
General Revenue Refunding Bonds, Series 2020A	1.37%–2.93%	7/1/2041	-	84,230	-	84,230	1,625
			870,564	84,230	(110,185)	844,609	33,125
Premium (discount)			35,774	(231)	(1,719)	33,824	2,025
Total revenue bonds payable			906,338	83,999	(111,904)	878,433	35,150
OCIA 2014A capital leases payable			25,631	-	-	25,631	-
OCIA 2014C capital leases payable			15,868	-	(768)	15,100	806
ODFA master leases payable			1,231	-	(252)	979	169
			42,730	-	(1,020)	41,710	975
Premium (discount)			(3)	-	(1)	(4)	1
Total capital leases payable			42,727	-	(1,021)	41,706	976
Total bonds and capital leases			949,065	83,999	(112,925)	920,139	36,126
Other noncurrent liabilities							
Utilities management agreement			75,960	-	(4,720)	71,240	4,720
Accrued compensation absences			29,341	28,171	(26,833)	30,679	27,304
Total other noncurrent liabilities			105,301	28,171	(31,553)	101,919	32,024
			\$ 1,054,366	\$ 112,170	\$ (144,478)	\$ 1,022,058	\$ 68,150

Revenue Bonds Payable

Principal and interest on these revenue bonds are collateralized by a pledge of revenues produced by the facilities constructed with the bond proceeds, student facility fees, and/or a pledge of certain contributions made for the benefit of the University. In the case of General Revenue bonds, beginning in fiscal year 2007, 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 principal and interest is secured by a pledge of general revenues of the University. General revenues consist of all lawfully available funds excluding: 1) revenues appropriated by the Oklahoma legislature from tax receipts; 2) funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations; and 3) funds pledged pursuant to separate bond resolutions to revenue bond issues issued and

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

outstanding prior to the creation of the financing system. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method, which is not significantly different from the effective interest method.

At June 30, 2021 and 2020, total principal and interest remaining to be paid on these bonds was \$1,244,239 and \$1,239,944, respectively, and the total pledged revenue received was \$730,522 and \$727,255, respectively. Debt service payments, including both principal and interest, of \$65,631 and \$67,169 were 9.0% and 9.2% of pledged revenues at June 30, 2021 and 2020, respectively.

Maturity Information

The scheduled maturities of the revenue bonds are as follows at June 30, 2021:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 35,985	\$ 31,779	\$ 67,764
2023	35,350	30,518	65,868
2024	42,910	29,324	72,234
2025	43,850	28,008	71,858
2026	45,400	26,537	71,937
2027–2031	220,565	109,055	329,620
2032–2036	212,020	69,664	281,684
2037–2041	148,465	35,210	183,675
2042–2046	103,235	9,899	113,134
2047–2051	2,615	87	2,702
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 890,395</u>	<u>\$ 370,081</u>	<u>\$ 1,260,476</u>

Refunding Bonds

In March 2020, the General Revenue Refunding Bonds 2020A were issued to refund the General Revenue Bonds 2011B (having a total principal balance outstanding of \$29,915, of which \$29,185 was refunded) and the General Revenue Bonds 2011D (having a total principal balance outstanding of \$53,175, of which \$50,410 was refunded). This resulted in cash flow savings of \$25,177 and net present value savings (economic gain) of \$25,182. Funds of \$29,989 and \$53,776 were transferred to trustees to purchase escrow securities for the defeasement of 2011B and 2011D, respectively. The total principal outstanding on General Revenue Bonds 2011B was \$0 and \$29,185 at June 30, 2021 and 2020, respectively. The total principal outstanding on General Revenue Bonds 2011D was \$50,410 at both June 30, 2021 and 2020.

In December 2020, the General Revenue Refunding Bonds 2020B were issued to refund the General Revenue Bonds 2010B (having a total principal balance outstanding of \$36,190, all of which was refunded); the General Revenue Bonds 2011A (having a total principal balance outstanding of \$6,250, all of which was refunded); and the General Revenue Bonds 2011E (having a total principal balance outstanding of \$9,605, all of which was refunded). This resulted in cash

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

flow savings of \$9,431 and net present value savings (economic gain) of \$9,433. There was no principal balance outstanding on the refunded bonds as of June 30, 2021.

In December 2020, the General Revenue Refunding Bonds 2020C were issued to refund the General Revenue Bonds 2011C (having a total principal balance of \$8,280, of which \$7,895 was refunded), and the General Revenue Bonds 2012A (having a total principal balance of \$59,015, of which \$57,205 was refunded). This resulted in cash flow savings of \$9,529 and net present value savings (economic gain) of \$9,532. Funds of \$67,879 were transferred to trustees to purchase escrow securities for the defeasement of 2011C and 2012A. The total principal outstanding on the General Revenue Bonds 2011C was \$7,895 at June 30, 2021. The total principal outstanding on the General Revenue Bonds 2012A was \$57,205 at June 30, 2021.

Capital Lease Obligations

OCIA Capital Lease Obligations

The Oklahoma Capital Improvement Authority (OCIA) periodically issues bonds, notes, or other obligations to finance construction of buildings or other facilities for the State of Oklahoma and its departments and agencies. OCIA may also issue refunding bonds to refinance its existing obligations. The OCIA issues bonds and the State Regents allocate amounts to the University, who then enters into lease agreements with OCIA for projects being funded. These bonds have varying maturities ranging from 15–20 years.

As a result, the University recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly lease principal and interest payments on-behalf of the University. The University's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. During the years ended June 30, 2021 and 2020, the State Regents made lease principal and interest payments totaling \$2,669 in each year on behalf of the University. These on-behalf payments have been recorded in the University's statements of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature. The leases range from 5–25 years and secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues.

As OCIA restructures the bond obligations, the leases are also restructured, which can result in a gain or loss on restructuring. This gain or loss is recorded as deferred inflows or deferred outflows of resources and amortized over the shorter of the remaining life of the old lease or the life of the new lease. As of June 30, 2021 and 2020, \$2,235 and \$2,435, respectively, were included in deferred inflows of resources.

The cost of University assets held under OCIA capital leases totaled \$97,063 as of June 30, 2021 and 2020. Accumulated amortization of the assets totaled \$24,198 and \$22,257 as of June 30, 2021 and 2020, respectively.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Debt service requirements on capital leases with OCIA are as follows:

Years Ending June 30,	Principal	Interest	Total
2022	\$ 3,235	\$ 1,823	\$ 5,058
2023	3,390	1,675	5,065
2024	3,486	1,521	5,007
2025	3,641	1,367	5,008
2026	3,818	1,188	5,006
2027–2031	18,318	3,156	21,474
2032–2035	4,037	308	4,345
	<u>\$ 39,925</u>	<u>\$ 11,038</u>	<u>\$ 50,963</u>

ODFA Master Lease Obligations

The University has entered into various master lease agreements with ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds. These bonds have varying maturities ranging from 15–20 years. The proceeds have been used by the University to fund the acquisition of major personal and real property that provide cost efficiencies in finance and administration. The lease terms vary by the useful life of the equipment purchased, but the useful life must not exceed 20 years for personal property and 30 years for real property projects. The cost of University assets that had not been fully depreciated and were held under ODFA capital leases totaled \$1,018 and \$4,550 as of June 30, 2021 and 2020, respectively. Accumulated depreciation of the leased assets totaled \$672 and \$3,790 as of June 30, 2021 and 2020, respectively. The University makes lease payments to the State Regents who then forward the payments to the trustee bank.

Utilities Management Agreement

In August 2010, the University entered into a 50-year agreement with a third-party utility company to operate and maintain the utility systems for steam, electrical, natural gas, chilled water, potable water, and wastewater. At the time the contract was signed, an advance of \$75,000 was received. Additional proceeds were received through fiscal year 2015, bringing the proceeds to a total of \$118,000. The advance was to be repaid to the third party over 25 years. With the issuance of the 2020C General Revenue Bonds, the University terminated its agreement with the third party and repaid the remaining balance due from the advance. The University has no remaining obligation under the now terminated agreement.

Of the advance received, \$55,268 was transferred to trustees to purchase escrow securities for the defeasement of a portion of the General Revenue Bonds Series 2009A (36.3%), General Revenue Bonds Series 2009B (76.1%), 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

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

July 1, 2022. Total principal outstanding on the defeased debt was \$1,510 and \$2,370 as of June 30, 2021 and 2020, respectively.

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:

Name of Plan/System	Type of Plan
Oklahoma Teachers’ Retirement System (OTRS)	Cost-Sharing Multiple-Employer Defined Benefit Plan
Oklahoma Law Enforcement Retirement System (OLERS) – certain University employees	Cost-Sharing Multiple-Employer Defined Benefit Plan
University of Oklahoma Defined Contribution Plan (DCP)	Single-Employer Defined Contribution Plan
University of Oklahoma Optional Retirement Plan (ORP)	Single-Employer Defined Contribution Plan

The following is a summary of the University’s pension plans – their related liability, deferred inflows, deferred outflows, and pension expense for the years ended June 30:

	Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
2021				
OTRS Pension	\$ 376,881	\$ 53,608	\$ 122,254	\$ 66,009
OLERS Pension	3,266	282	1,589	1,056
	<u>\$ 380,147</u>	<u>\$ 53,890</u>	<u>\$ 123,843</u>	<u>\$ 67,065</u>
2020				
OTRS Pension	\$ 309,430	\$ 31,975	\$ 67,063	\$ 39,644
OLERS Pension	2,125	469	1,196	661
	<u>\$ 311,555</u>	<u>\$ 32,444</u>	<u>\$ 68,259</u>	<u>\$ 40,305</u>

Oklahoma Teachers’ Retirement System

Plan Description

The University contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes assigns the authority for

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

management and operation of OTRS to the Board of OTRS. OTRS issues a publicly available annual financial report that can be obtained at www.ok.gov/TRS/.

Benefits Provided

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

Benefit provisions include:

- Members that joined OTRS prior to November 1, 2017, become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Those who become members on or after November 1, 2017, become 100% vested in retirement benefits earned to date after seven years of credited Oklahoma service. Members who joined OTRS prior to July 1, 1992, are eligible to retire with an unreduced benefit at age 62 or when their age and years of creditable service total 80. Members who joined OTRS July 1, 1992, or after, and before November 1, 2011, may retire with an unreduced benefit at age 62 or when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55. Members who joined on or after November 1, 2011, may retire with an unreduced benefit at age 65, or when the member's age is at least 60 and age and years of creditable service total at least 90. A reduced annuity is available at the minimum age of 60. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined OTRS prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40 or \$25, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the University.
- Upon the death of a member, the designated beneficiary shall receive the member's total contributions and 100% of interest on those contributions. Members who are in an active in-service status can receive an additional \$18 benefit.
- Upon the death of a retired member, OTRS will pay \$5 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan or by the IRC.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

- Members were able to make additional contributions to a tax-sheltered annuity plan up to the exclusion allowance provided under IRC Section 403(b) until January 29, 2021, when this program ended.

Contributions

Employees of the University who are OTRS members are required to contribute to the plan at a rate established by the Oklahoma Legislature. For the years ended June 30, 2021 and 2020, the contribution rate was 7% of annual compensation. For the years ended June 30, 2021 and 2020, the local employer contribution rate was 8.55%. There is also a federal match required on all compensation paid from federal funds, which had a contribution rate of 7.7% for 2021 and 2020.

The University's contributions to OTRS for the years ended June 30, 2021 and 2020, which include the 8.55% regular employer contribution and the federal match, were \$19,014 and \$19,333, respectively.

In addition, the State of Oklahoma also contributed 3.5% of state revenues from sales, use, and individual income taxes to OTRS. The amounts contributed on-behalf of the University and recognized in the University's statements of revenues, expenses, and changes in net position as both revenues and compensation and benefits expense in 2021 and 2020 were \$13,130 and \$16,070, respectively. These on-behalf payments do not meet the definition of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the University reported a liability of \$376,881 and \$309,430, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and 2019, respectively. The University's proportion of the net pension liability was based on the University's contributions to OTRS relative to total contributions of OTRS for all participating employers for the years ended June 30, 2020 and 2019. Based upon this information, the University's proportion was 3.97% and 4.68% as of June 30, 2020 and 2019, respectively.

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$66,009 and \$39,644, respectively.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	2020
Deferred outflows of resources		
Changes in proportion	\$ 6,186	\$ 13,501
University contributions subsequent to measurement date*	19,014	19,333
Changes of assumptions	46,220	16,246
Difference between expected and actual experience	18,347	15,884
Net difference between projected and actual earnings on pension plan investments	32,487	2,099
	\$ 122,254	\$ 67,063
Deferred inflows of resources		
Differences between expected and actual experience	\$ 6,383	\$ 13,260
Changes of assumptions	5,445	10,443
Changes in proportion	41,780	8,272
	\$ 53,608	\$ 31,975

*Recognized as a reduction of net pension liability in the subsequent year

The average expected remaining life of the plan is determined by taking the calculated total future service years of the plan divided by the number of people in the plan, including retirees. The total future service years of the plan are determined using the mortality, termination, retirement, and disability assumptions associated with the plan. The average expected service life of the plan equals 5.30 years and 5.33 years at June 30, 2020 and 2019, respectively, the valuation date.

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Years Ending June 30,	Net Deferred Outflows
2022	\$ 4,601
2023	10,624
2024	19,981
2025	13,592
2026	834
	\$ 49,632

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Actuarial Assumptions

The total pension liability as of June 30, 2021 and 2020, was determined based on actuarial valuations using the following actuarial assumptions:

	2021	2020
Valuation date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry age normal	
Future ad hoc cost-of-living increases	None	
Inflation rate	2.25%	2.50%
Salary increase rate	3.00%	3.25%
Investment rate of return	7.00%	7.50%
Retirement age	Experience-based tables of rates based on age, service, and gender	
Mortality tables	Various based on age, gender, and status	

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

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2020 and 2019, are summarized in the following table:

	Target Allocation		Long-Term Expected Real Rate of Return	
	2020	2019	2020	2019
Domestic equity	43.5%	38.5%	7.5%	7.5%
International equity	19.0%	19.0%	8.5%	8.5%
Fixed income	22.0%	23.5%	2.5%	2.5%
Real estate*	9.0%	9.0%	4.5%	4.5%
Alternative assets	6.5%	10.0%	6.2%	6.1%
	<u>100.0%</u>	<u>100.0%</u>		

*The real estate total expected return is a combination of U.S. Direct Real Estate (unleveraged) and U.S. Value-Added Real Estate (unleveraged).

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2021 and 2020, was 7.0% and 7.5%, respectively. Based on the stated assumptions and the projection of cash flows, the

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain at a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the University calculated using the discount rate of 7.0%, as well as what the University's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2021			
University's net pension liability	<u>\$ 503,008</u>	<u>\$ 376,881</u>	<u>\$ 272,467</u>

Oklahoma Law Enforcement Retirement System

The Oklahoma Law Enforcement Retirement System (OLERS) is the administrator of the Oklahoma Law Enforcement Retirement Plan, a cost-sharing defined benefit pension plan established by Oklahoma Statutes. OLERS is a component unit of the State of Oklahoma and is part of the State's reporting entity. Currently, University of Oklahoma campus police officers are included as members of this plan. The University has recorded the following amounts at June 30 related to these employees' participation in OLERS:

	2021	2020
Net pension liability	\$ 3,266	\$ 2,125
Deferred outflows related to pensions	\$ 1,589	\$ 1,196
Deferred inflows related to pensions	\$ 282	\$ 469
Pension expense	\$ 1,056	\$ 661

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

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Defined Contribution Plans

Plan Description

The University offers two 401(a) defined contribution plans that are administered by Fidelity Investments Inc. – the OU Contributory Retirement Plan and the OU Retirement Plan (DCP). All contributions to these plans are made by the University and directed by the plan participants to a variety of different fund options and companies within the plans. All new employees eligible for either of the plans must complete a 12-month waiting period before receiving contributions from the University. There is a three-year vesting period for both plans.

Participation

All benefits-eligible employees must decide within the first 30 days of employment if they wish to elect Option 1, which consists of the OTRS and the OU Contributory Retirement Plan. This is a one-time irrevocable election. Salaried employees that choose Option 2 will receive contributions to the OU Retirement Plan.

If an election is not made within the first 30 days of employment, employees will be automatically enrolled in Option 1.

Contributions

Contributions to the DCP are based on the hire date of the plan participants. For participants hired prior to July 1, 1995, and enrolled in OTRS, the rate is 15% of regular salary, supplemental salary, and wages paid during the plan year in excess of \$9. For participants hired on or after July 1, 1995, and enrolled in OTRS, the rate is 8% of regular salary, supplemental salary, and wages paid during the plan year in excess of \$9. The University's contributions to the DCP for the years ended June 30, 2021 and 2020, were \$13,485 and \$12,783, respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan," amended and restated November 1, 2011.

The University's contribution rate for the ORP and hourly DCP participants is 9% of regular salary, supplemental salary, and wages paid for the plan year. The University's contributions to the ORP for the years ended June 30, 2021 and 2020, were \$13,555 and \$13,247, respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Optional Retirement Plan," amended and restated November 1, 2011.

Special Retirement Plans

The University provides additional defined benefit and defined contribution plans for certain key employees. Contributions and benefits are determined based on individual agreements for each employee.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

The University has recorded the following amounts at June 30 related to these plans:

	2021	2020
Defined benefit plans		
Net pension asset	\$ (621)	\$ (335)
Pension expense offset	\$ (101)	\$ (194)
Defined contribution plans		
Pension liability	\$ 9,078	\$ 6,915
Pension expense	\$ 2,176	\$ 1,961

Because the University’s participation in these plans is not material to the University’s financial statements, additional information and disclosures are not included in these financial statements.

Note 13: Other Postemployment Benefits

The following is a summary of the University’s OPEB plans – their related liability, deferred inflows, deferred outflows, and expense for the years ended June 30:

	OPEB Liability (Asset)	Deferred Inflows	Deferred Outflows	OPEB Expense
2021				
OU OPEB	\$ 178,747	\$ 23,080	\$ 29,693	\$ (114,017)
OTRS OPEB	(393)	881	1,930	33
	\$ 178,354	\$ 23,961	\$ 31,623	\$ (113,984)
2020				
OU OPEB	\$ 297,417	\$ 24,871	\$ 31,212	\$ 14,148
OTRS OPEB	(2,891)	1,492	42	(361)
	\$ 294,526	\$ 26,363	\$ 31,254	\$ 13,787

Retiree Insurance Plan

Plan Description

The University’s retiree insurance plan is considered a single-employer defined benefit plan and does not issue a stand-alone financial report. The University, with approval by the Board of Regents, has the authority to establish and amend the benefit provisions and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Benefits Provided

Employees eligible for retirement that have been enrolled in the University’s medical insurance plan for five years immediately prior to retirement are eligible to participate in the group medical insurance plan as a retiree. Premiums are subsidized for employees hired prior to January 1, 2008, as described below. Employees hired on or after January 1, 2008, may participate in the retiree medical plan at the group rates at the retiree’s own expense. Retirees may also elect the University’s medical coverage for eligible dependents at their own expense. Retirees will be allowed a one-time opportunity to opt out of the University’s 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. Medicare eligible retirees enroll in Medicare Part A and Part B, with coverage provided by a Medicare Advantage plan. University medical coverage for active employees is not affected when they enroll in Medicare. As of January 1, 2021, all Medicare eligible retirees moved from the University’s self-insured plan to a fully insured Medicare Advantage plan.

There are currently two eligible groups for subsidized retiree medical benefits:

- Group 1 – Employees that were eligible for retirement on or before December 31, 2015. The University provides a 100% premium subsidy for retirees in this group.
- Group 2 – Employees that were eligible for retirement on or after January 1, 2016. The University will subsidize premiums for retirees in this group as follows:

Retirement Age	Years of Service			
	10–14	15–19	20–24	25+
Under 65		No university subsidy until age 55.		
55–61	No subsidy	55% – must meet rule of 80	65% – must meet rule of 80	75%
61–64	55%	65%	75%	85%
65+	65%	75%	85%	100%

Employees who qualify for University retirement and have been enrolled in the University’s dental insurance plan for five years immediately prior to retirement are eligible to participate in the group dental plan as a retiree. Dental premiums will be fully subsidized by the University for employees hired prior to January 1, 2008. Retirees may also elect coverage for dependents at their own expense.

On June 30, 2021 and 2020, there were 1,448 and 1,561 active participants with subsidized benefits and 1,864 and 1,905 retirees, respectively, with University benefits. All active employees who are eligible for subsidized benefits are assumed to elect coverage at retirement and are included in the calculation of the total OPEB liability. Active employees without subsidized benefits, who are required to pay the full cost of coverage, are not included in the calculation of the total OPEB liability.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Contributions

Contribution requirements of the University are established and may be amended by the Board of Regents. All contributions are made by the University. Benefits are funded on a pay-as-you-go method. For the years ended June 30, 2021 and 2020, the University made benefit payments in the amount of \$4,925 and \$7,175, respectively, for current retirees.

Total OPEB Liability

The following schedule shows the changes in the University’s total OPEB liability for fiscal years 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Total OPEB liability, beginning of year	\$ 297,417	\$ 277,747
Service cost	5,484	2,876
Interest	7,992	9,725
Change in benefit terms	(129,954)	-
Changes of assumptions	17,650	25,935
Differences between expected and actual experience	(14,917)	(11,691)
Benefit payments	<u>(4,925)</u>	<u>(7,175)</u>
Total OPEB liability, end of year	<u>\$ 178,747</u>	<u>\$ 297,417</u>

Changes of assumptions reflect a change in the discount rate from 2.66% in 2020 to 2.19% in 2021. Changes of assumptions reflect a change in the discount rate from 3.51% in 2019 to 2.66% in 2020. The change in benefit terms reflects a substantive plan provision change effective January 1, 2021, when all Medicare-eligible retirees moved to a fully insured Medicare Advantage plan. This resulted in a significant decrease in liability.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

Actuarial Assumptions

The total OPEB liability as of June 30 was determined based on actuarial valuations using the following actuarial assumptions:

	2021	2020
Valuation and measurement date	June 30, 2021	June 30, 2020
Actuarial cost method	Entry age normal level	
Discount rate	2.19%	2.66%
Inflation rate	3.00%	2.50%
Payroll growth	Includes inflation plus various amounts ranging from 3.0%–11.0% given years of service	
Retirement age	Experience-based tables of rates based on age and gender	
Mortality tables	Various based on age, gender, and status	

The discount rate was based on a range of indices, including the Bond Buyer Go 20-Bond Municipal Bond Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year Go Municipal Bond Index.

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate

The following table presents the total OPEB liability of the University for the year ended June 30, 2021, calculated using the current health care cost trend rate 8.0%, decreasing to an ultimate rate of 4.5%, as well as what the University's total OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower (7.0% decreasing to 3.5%) or 1 percentage point higher (9.0% decreasing to 5.5%) than the current health care cost trend rates:

	1% Decrease (7.0% Decreasing to 3.5%)	Current Health Care Trend Rate (8.0% Decreasing to 4.5%)	1% Increase (9.0% Decreasing to 5.5%)
2021			
Total OPEB liability	\$ 149,168	\$ 178,747	\$ 215,866

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

The following table presents the total OPEB liability of the University for the year ended June 30, calculated using the current discount rate as well as what the University's total OPEB liability would be if calculated using rates that are 1 percentage point lower or 1 percentage point higher than the current discount rates:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
2021			
Total OPEB liability	\$ 209,485	\$ 178,747	\$ 154,087

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$(114,017) and \$14,148, respectively.

At June 30, 2021 and 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	2020
Deferred outflows of resources		
Changes of assumptions	<u>\$ 29,693</u>	<u>\$ 31,212</u>
Deferred inflows of resources		
Differences between expected and actual experience	\$ 23,080	\$ 23,171
Changes of assumptions	<u>-</u>	<u>1,700</u>
	<u>\$ 23,080</u>	<u>\$ 24,871</u>

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense using the average expected remaining service life of the plan as follows:

Years ending June 30,	
2022	\$ 5,682
2023	<u>931</u>
	<u>\$ 6,613</u>

The average expected remaining service life of the plan is determined by taking the calculated total future service years of the plan divided by the number of people in the plan, including retirees. The average expected remaining service life of the plan equals three years at June 30, 2021 and 2020.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Oklahoma Teachers' Retirement System

There is a closed group of retirees at June 30, 2021, who are enrolled in the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) plans. The University pays the premiums for these retirees. The liability (asset) for these retirees is included in the OTRS valuation. The University has recorded the following amounts related to these retirees' participation in the OTRS:

	<u>2021</u>	<u>2020</u>
Net OPEB asset	\$ (393)	\$ (2,891)
Deferred outflows related to OPEB	\$ 1,930	\$ 42
Deferred inflows related to OPEB	\$ 881	\$ 1,492
OPEB expense	\$ 33	\$ (361)

Because the University's participation in OTRS is not material to the University's financial statements, additional information and disclosures are not included in these financial statements. OTRS issues a publicly available annual financial report that can be obtained at www.ok.gov/TRS/.

Note 14: The University of Oklahoma Foundation, Inc.

The Foundation is a public foundation organized to receive and administer gifts for the benefit of the University and the University of Oklahoma Health Sciences Center. The Foundation expended on behalf of the University and the University of Oklahoma Health Sciences Center \$127,076 (unaudited) and \$125,280 in 2021 and 2020, respectively, for facilities and equipment, salary supplements, general university educational assistance, and student scholarships. Of these expenditures, \$79,227 and \$73,508 in 2021 and 2020, respectively, are reflected in the University's financial statements as revenue. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes and amounts reflected in the University of Oklahoma Health Sciences Center's financial statements.

The University's investments, other than marketable securities, are also held by the Foundation (see *Note 2*).

Note 15: Risk Management

Due to the diverse risk exposure of the University, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all state agencies in basic tort, educators' legal liability, property and casualty programs, and fidelity bonding provided by the Office of Management and Enterprise Services Division of Capital Assets Management Risk Management Department (OMES Risk Management). In addition to these basic policies, the University's Office of Enterprise Risk Management (ERM) establishes guidelines for risk assessment, risk avoidance, risk acceptance, and risk transfer.

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

The University and its individual employees are provided sovereign immunity when performing official business within the course and scope of their employment in accordance with the *Oklahoma Governmental Tort Claims Act*.

Beyond acceptable retention levels, complete risk transfer is practiced by purchasing conventional insurance coverage through an insurance broker or through OMES Risk Management. 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, product liability, auto liability, and cybersecurity) are purchased by the University from OMES Risk Management. The University has filed four claims with the State in the past three fiscal years.
- Additional coverage is purchased by the University (including property, aircraft liability, and watercraft liability) based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. The University has not filed any material claims under these policies in the past three fiscal years.

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

Self-Funded Programs

The University is self-funded for unemployment compensation, workers' compensation, employee health and dental care, and student health care. These programs are all administered by a third party and the estimated liabilities for incurred but not reported claims recorded on the University's financial statements are based on annual actuarial valuations.

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.

Workers' compensation benefits are prescribed by State Statutes 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 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.

Health and dental insurance premiums collected from employees, retirees, and students are recorded in a self-insurance pool at the University. The claims and administrative expenses are paid as incurred directly from this pool and the cash balance is included in cash and cash

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

equivalents on the accompanying statements of net position. As of June 30, 2021 and 2020, the cash balance of the self-insurance pool was \$29,446 and \$17,922, respectively.

Changes in the claims liability for the University from July 1, 2019 to June 30, 2021, are as follows:

	Unemployment	Workers' Compensation	Health and Dental	Total
Liabilities, July 1, 2019	\$ 278	\$ 1,621	\$ 4,877	\$ 6,776
Claims incurred and changes in estimates	498	989	50,665	52,152
Claim payments	<u>(450)</u>	<u>(1,402)</u>	<u>(51,496)</u>	<u>(53,348)</u>
Liabilities, June 30, 2020	326	1,208	4,046	5,580
Claims incurred and changes in estimates	453	887	55,757	57,097
Claim payments	<u>(362)</u>	<u>(1,097)</u>	<u>(55,685)</u>	<u>(57,144)</u>
Liabilities, June 30, 2021	<u>\$ 417</u>	<u>\$ 998</u>	<u>\$ 4,118</u>	<u>\$ 5,533</u>

Note 16: Contingencies and Commitments

At June 30, 2021 and 2020, the University had outstanding commitments under construction contracts totaling \$1,756 and \$7,494, respectively.

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

The University participates in certain federal and state grant programs. These activities are subject to financial and compliance audits by the grantor. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management is not aware of any disallowed expenditures or any potential liabilities.

The University experienced revenue losses and increased operating expenses related to the COVID-19 pandemic, primarily associated with our athletics and housing and food auxiliary activities. Some of these losses and expenses were offset from the CARES Act, the CRRSA Act, and the *American Rescue Plan Act* (ARP Act) described below and other COVID-related revenue sources. Under the CARES Act, the University received \$18,000, with \$9,000 for direct emergency payments to students and the remainder available for institutional costs associated with the pandemic. Under the CRRSA Act, the University was allocated \$28,000, with \$9,000 for direct financial assistance to students and the remainder available for institutional costs and revenue losses associated with the pandemic. Under the ARP Act, the University was allocated \$50,000, with \$25,000 for direct financial assistance to students and the remainder available for institutional

The University of Oklahoma – Norman Campus

Notes to Financial Statements

June 30, 2021 and 2020

(In Thousands)

costs and revenues losses associated with the pandemic. As of June 30, 2021, the University had distributed approximately \$18,000 in student support from the CARES Act and CRRSA Act and received approximately \$15,000 in institutional support from the CARES Act and CRRSA Acts. The University plans to draw the remaining institutional support of approximately \$38,000 in fiscal year 2022 to offset aforementioned expenses and revenue losses associated with the ongoing pandemic.

The University transitioned to remote learning beginning March 16, 2020, for the remainder of the Spring and Summer 2020 sessions. Effective May 11, 2020, the University began its phased return to full and normal operations plan (the Return Plan), with essential operations and research staff returning. Phase II began on July 6, 2020, with return of more faculty and staff. Phase III began on August 3, 2020, with preparation of the return of students. The University began the Fall 2020 session with a blend of in-person and online instruction, with a transition to online instruction and final exams after the Thanksgiving holiday. The Spring 2021 session was postponed one week and began on January 25, 2021, with no spring break to minimize the risk of an outbreak. The Spring 2021 session was also offered in a blend of in-person and online instruction. On June 7, 2021, the University moved to Phase IV of the Return Plan. Under Phase IV, staff with remote work options necessitated by the pandemic returned to campus by August 2, 2021, unless under special exception. Phase IV also established plans for resumption of in-person classes at regular capacity University-wide, opening of all food service operations and dining halls, and full capacity seating at University home football games.

Since the onset of the pandemic, the University has not provided any related discounts for tuition due to the change in instructional delivery. The University did waive approximately \$300 in student fees during the Summer 2020 session due to full online delivery. In Spring 2020, the University refunded approximately \$5,400 in room and board and parking pass charges. In Fall 2020, the University refunded approximately \$1,900 in room and board and parking pass charges.

Note 17: Restatement

The University restated its previously issued financial statements to appropriately account for the identified misstatements impacting account balances as of June 30, 2020 and 2019, as noted below:

Capital Assets – The University identified three instances of improper capitalization of assets. First, annual library online subscriptions have historically been capitalized within the library books asset category and depreciated over a 20-year useful life. After further review of these purchases and the associated contracts, they should be expensed in the year incurred. Second, an asset currently categorized as construction in progress was placed in service in fiscal year 2019 and should have been transferred into a depreciable asset at that time. Third, a capital improvement in fiscal year 2020 was expensed in the year incurred instead of being capitalized and depreciated over the appropriate useful life.

Accounts Receivable – The University identified an account receivable and a related overstatement of revenues associated with the State Regents' endowment program. A portion of this misstatement impacted fiscal year 2020 with the remaining impacting periods prior to fiscal year 2020.

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

Unearned Revenues – The University identified unearned revenues that did not have an associated performance obligation and, therefore, did not represent a liability to the University. This liability was reported by the University prior to fiscal year 2020 and will be reflected as an adjustment to beginning net position for fiscal year 2020.

The following is a summary of the effects of the restatement on the beginning net position for the year ended June 30, 2020:

Net position at July 1, 2019, as previously reported	\$ 497,096
Correction of capital assets	(81,293)
Correction of accounts receivable	(6,166)
Correction of unearned revenues	<u>5,723</u>
Net position at July 1, 2019, as restated	<u><u>\$ 415,360</u></u>

The following is a summary of the effects of the restatement on the University's June 30, 2020, statements of net position:

	As Previously Reported	Restatement Adjustment	Revision (see Note 1)	As Restated
Assets				
Accounts receivable, net	\$ 79,699	\$ (6,723)	\$ -	\$ 72,976
Capital assets, net	\$ 1,833,973	\$ (85,263)	\$ -	\$ 1,748,710
Total assets impact	\$ 1,913,672	\$ (91,986)	\$ -	\$ 1,821,686
Liabilities				
Unearned revenue, current	\$ 51,409	\$ (5,723)	\$ 391	\$ 46,077
Total liabilities impact	\$ 51,409	\$ (5,723)	\$ 391	\$ 46,077
Net Position	\$ 524,014	\$ (86,263)	\$ -	\$ 437,751

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

The following is a summary of the effects of the restatement on the University's June 30, 2020, statements of revenues, expenses, and changes in net position:

	As Previously Reported	Restatement Adjustment	Revision (see Note 1)	As Restated
Operating Expenses				
Contractual services	\$ 131,845	\$ 11,211	\$ 2,232	\$ 145,288
Depreciation	\$ 76,059	\$ (5,182)	\$ -	\$ 70,877
Other	\$ 70,218	\$ (2,060)	\$ (2,232)	\$ 65,926
Total operating expenses impact	\$ 278,122	\$ 3,969	\$ -	\$ 282,091
Nonoperating Revenues (Expenses)				
Endowment income	\$ 11,654	\$ (558)	\$ -	\$ 11,096
Total nonoperating revenues (expenses) impact	\$ 11,654	\$ (558)	\$ -	\$ 11,096
Change in Net Position	\$ 26,918	\$ (4,527)	\$ -	\$ 22,391
Net Position, Beginning of Year	\$ 497,096	\$ (81,736)	\$ -	\$ 415,360
Net Position, End of Year	\$ 524,014	\$ (86,263)	\$ -	\$ 437,751

The University of Oklahoma – Norman Campus
Notes to Financial Statements
June 30, 2021 and 2020
(In Thousands)

The following is a summary of the effects of the restatement on the University’s June 30, 2020, statements of cash flows:

	As Previously Reported	Restatement Adjustment	Revision (see Note 1)	As Restated
Other operating expenses	\$ (334,214)	\$ (5,703)	\$ -	\$ (339,917)
Net cash used in operating activities impact	\$ (334,214)	\$ (5,703)	\$ -	\$ (339,917)
Endowment income	\$ 11,104	\$ 773	\$ -	\$ 11,877
Net cash provided by noncapital financing activities impact	\$ 11,104	\$ 773	\$ -	\$ 11,877
Purchase of capital assets	\$ (59,234)	\$ 6,176	\$ -	\$ (53,058)
Net cash used in capital and related financing activities impact	\$ (59,234)	\$ 6,176	\$ -	\$ (53,058)

Note 18: Subsequent Events

The University has evaluated events and transactions that occurred subsequent to June 30, 2021, through October 29, 2021, the date these financial statements were available to be issued and determined there are no material subsequent events or transactions that would require additional disclosure in the University’s financial statements, except as noted below.

The University is in the process of issuing approximately \$180,000 in General Revenue Bonds, Series 2021A, to acquire the Cross Village Housing Complex discussed at *Note 10*. The bond issuance and related acquisition are expected to be completed by calendar year-end.

Required Supplementary Information

The University of Oklahoma – Norman Campus
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
(Amounts in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 5,484	\$ 2,876	\$ 2,870	\$ 3,592
Interest	7,992	9,725	10,469	9,929
Change of benefit terms	(129,954)	-	-	-
Changes of assumptions	17,650	25,935	23,204	(6,806)
Differences between expected and actual experience	(14,917)	(11,691)	(23,092)	(6,087)
Benefit payments	<u>(4,925)</u>	<u>(7,175)</u>	<u>(6,654)</u>	<u>(6,795)</u>
Net change in total OPEB liability	(118,670)	19,670	6,797	(6,167)
Total OPEB liability – beginning	<u>297,417</u>	<u>277,747</u>	<u>270,950</u>	<u>277,117</u>
Total OPEB liability – ending	<u>\$ 178,747</u>	<u>\$ 297,417</u>	<u>\$ 277,747</u>	<u>\$ 270,950</u>
Covered employee payroll	\$ 356,964	\$ 345,236	\$ 331,244	\$ 338,110
Total OPEB liability as a percentage of covered payroll	50.1%	86.1%	83.8%	80.1%

Notes to Schedule

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2021	2.19%
2020	2.66%
2019	3.51%
2018	3.87%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Changes in benefit terms reflect a substantive plan provision change effective January 1, 2021, when all Medicare-eligible retirees moved to a fully insured Medicare Advantage plan.

The University of Oklahoma – Norman Campus
Schedule of the University’s Proportionate Share of the Net Pension Liability
(Unaudited)
Oklahoma Teachers’ Retirement System
(Amounts in Thousands)

	2020	2019	2018	2017	2016	2015	2014
University’s proportion of the net pension liability	3.97%	4.68%	4.55%	4.64%	4.76%	4.81%	4.27%
University’s proportionate share of the net pension liability	\$ 376,881	\$ 309,430	\$ 277,494	\$ 312,042	\$ 409,362	\$ 302,466	\$ 243,235
University’s covered employee payroll	\$ 205,049	\$ 208,910	\$ 212,561	\$ 208,855	\$ 215,864	\$ 213,329	\$ 207,859
University’s proportionate share of the net pension liability as a percentage of its covered employee payroll	183.80%	148.12%	130.55%	149.41%	189.64%	141.78%	117.02%
Plan fiduciary net position as a percentage of the total pension liability	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

Notes to Schedule

Year as of measurement date.

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

The University of Oklahoma – Norman Campus
Schedule of the University’s Contributions (Unaudited)
Oklahoma Teachers’ Retirement System
(Amounts in Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 19,014	\$ 19,333	\$ 22,106	\$ 21,992	\$ 21,834	\$ 22,926	\$ 22,451
Actual contribution	<u>19,014</u>	<u>19,333</u>	<u>22,106</u>	<u>21,992</u>	<u>21,834</u>	<u>22,926</u>	<u>22,451</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University’s covered employee payroll	\$ 205,822	\$ 205,049	\$ 208,910	\$ 212,561	\$ 208,855	\$ 215,864	\$ 213,329
Contributions as a percentage of covered employee payroll	9.24%	9.43%	10.58%	10.35%	10.45%	10.62%	10.52%

Notes to Schedule

Year as of fiscal year-end date.

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**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**

Independent Auditor's Report

Regents of the University of Oklahoma
The University of Oklahoma – Norman Campus
Norman, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of Oklahoma – Norman Campus (the University), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021, which contained *Emphasis of Matters* paragraphs regarding a correction of errors in the prior year financial statements, discussion of the reporting entity, and a reference to other auditors who audited the prior year.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

Regents of the University of Oklahoma
The University of Oklahoma – Norman Campus

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

University’s Response to the Finding

The University’s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The University’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

BKD, LLP

Tulsa, Oklahoma
October 29, 2021

The University of Oklahoma – Norman Campus
Schedule of Findings and Responses
Year Ended June 30, 2021

Reference Number	Finding
2021-001	<p>Criteria or Specific Requirement – Management is responsible for designing, establishing, and maintaining effective internal controls to promote accurate recording and classification of accounting transactions.</p> <p>Condition – Management identified adjustments necessary for the prior year financial statements to be presented in accordance with generally accepted accounting principles.</p> <p>Effect – The 2020 financial statements were restated to correct material misstatements that were not previously identified by management.</p> <p>Cause – System limitations did not provide sufficient information for management to appropriately evaluate items for classification and proper recording related to capital assets, unearned revenue, and endowment receivables.</p> <p>Recommendation – Management should ensure that controls are adequate to properly evaluate and record accounting entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The conditions reported were identified by management and related to previously reported balances. Additional communication and training of staff, along with the implementation of a new general ledger system, will allow management to ensure proper classification and recording of the balances in the future.</p>