



Audited Financial Report and Reports Required by  
Uniform Guidance

As of and for the Years Ended June 30, 2016 and 2015

# The University of Oklahoma Health Sciences Center

The University of Oklahoma Health Sciences Center

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June 30, 2016 and 2015

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## Independent Auditor's Report

Board of Regents of the University of Oklahoma  
University of Oklahoma Health Sciences Center  
Norman, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the The University of Oklahoma Health Sciences Center (the Center), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2016, 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.

### 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 misstatements.

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 of Oklahoma Health Sciences Center as of June 30, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

As discussed in Note 1, the financial statements of the Center reporting entity are intended to present the financial position, changes in financial position and cash flows of only the activities of the Center. They do not purport to, and do not, present fairly the financial position of the Regents as of June 30, 2016, the changes in its financial position or its cash flows for the year 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**

The financial statements of the University of Oklahoma Health Sciences Center, as of and for the year ended June 30, 2015, were audited by other auditors, whose report dated October 20, 2015, expressed an unmodified opinion on those statements.

## *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and the required supplementary information on pages 60 through 62 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is not a required part of the financial statements. The detailed schedule of expenditures of federal awards on pages 68 through 80 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards and detailed schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and detailed schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2016 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed text of the firm's name and location.

Oklahoma City, Oklahoma  
October 20, 2016

The discussion and analysis of The University of Oklahoma Health Sciences Center's (the Center) financial statements provides an overview of the Center's financial activities for the years ended June 30, 2016 and 2015. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

### Financial Highlights

#### 2016

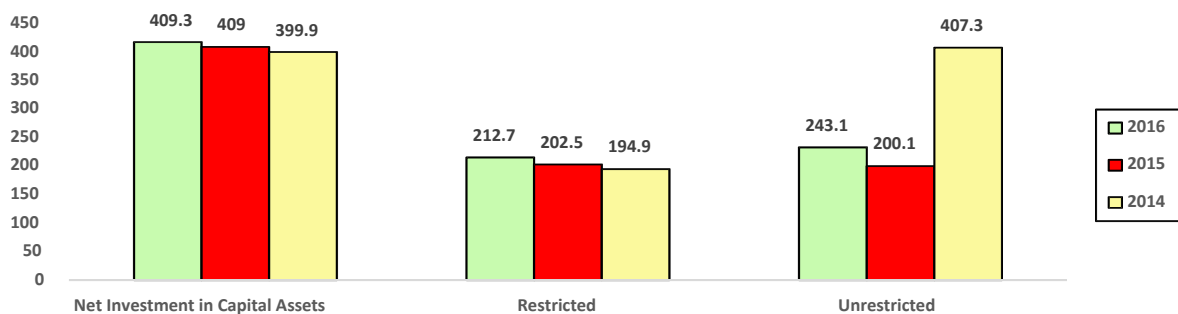
The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2016. Net position increased approximately \$53.5 million or 6.6 percent over the previous year. The change resulted from increases in net investment in capital assets of \$8.3 million, unrestricted net position of \$43 million, and restricted net position of \$10.2 million.

#### 2015

The Center's financial position, as a whole, improved during the fiscal year ended June 30, 2015. Net position increased approximately \$51 million or 5.1 percent over the previous year (before cumulative effect of change in accounting principle). After the cumulative effect of change in accounting principle, net position reflected a \$190.5 million decrease. As a result, the adjusted change in net position reflected an increase in net investment in capital assets of \$9.1 million, a decrease in unrestricted net position of \$207.2 million, and an increase in restricted net position of \$7.6 million.

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

#### Net Position (in Millions)



### Overview of the Financial Statements and Financial Analysis

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

#### The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report the Center'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 Center's financial health, or position. Over time, increases or decreases in the Center's net position are indicators of whether its financial health is improving. Non-financial factors are also important to consider, including student enrollment, condition of campus buildings, patient census, and trends in national health care reimbursement policies.

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

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

**Condensed Statements of Net Position, June 30 (In Millions)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current assets	\$ 737.6	\$ 747.8	\$ 743.6
Capital assets, net	581.2	588.9	587.3
Other noncurrent assets	160.7	100.6	49.2
Total assets	<u>\$ 1,479.5</u>	<u>\$ 1,437.3</u>	<u>\$ 1,380.1</u>
Deferred Outflows of Resources	<u>\$ 28.5</u>	<u>\$ 17.4</u>	<u>\$ 0.6</u>
Liabilities			
Current liabilities	\$ 135.2	\$ 127.3	\$ 106.3
Noncurrent liabilities	484.3	465.9	271.5
Total liabilities	<u>\$ 619.5</u>	<u>\$ 593.2</u>	<u>\$ 377.8</u>
Deferred Inflows of Resources	<u>\$ 23.4</u>	<u>\$ 49.9</u>	<u>\$ 0.8</u>
Net Position			
Net investment in capital assets	\$ 409.3	\$ 409.0	\$ 399.9
Restricted	212.7	202.5	194.9
Unrestricted	243.1	200.1	407.3
Total net position	<u>\$ 865.1</u>	<u>\$ 811.6</u>	<u>\$ 1,002.1</u>
Increase (decrease) in net position	<u>\$ 53.5</u>	<u>\$ (190.5)</u>	

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

**Condensed Statements of Revenues, Expenses, and Changes in Net Position, June 30 (In Millions):**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 881.1	\$ 840.8	\$ 809.2
Operating expenses	<u>973.7</u>	<u>939.7</u>	<u>890.0</u>
Operating loss	(92.6)	(98.9)	(80.8)
Net nonoperating revenues	128.3	136.9	137.4
Other revenues, expenses and gains or losses	<u>17.8</u>	<u>13.0</u>	<u>15.0</u>
Net change in net position	53.5	51.0	71.6
Net Position at beginning of year	811.6	1,002.1	930.5
Restatement - Implementation of GASB 68 and 71		(241.5)	
Net Position at end of year	<u>\$ 865.1</u>	<u>\$ 811.6</u>	<u>\$ 1,002.1</u>

The following summarizes the Center's operating revenues for the years ended June 30 (In Millions):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues:			
Tuition and fees	\$ 61.4	\$ 59.2	\$ 57.7
Patient care	397.2	380.6	372.7
Grants and contracts	307.1	292.9	299.8
Sales and services of educational activities	1.6	1.6	1.3
Auxiliary enterprises	31.2	29.8	27.5
Other	82.6	76.7	50.2
Total operating revenues	<u>\$ 881.1</u>	<u>\$ 840.8</u>	<u>\$ 809.2</u>



Changes in operating revenues included the following:

**2016**

Student tuition and fees revenue increased 3.7 percent or \$2.2 million in fiscal year 2016.

Patient care increased over the past year with additional revenues of \$16.6 million. This was due to increased patient volume, procedures performed and higher gross charges within the OU Physicians clinical practice.

Federal grants and contracts increased during the year by \$6.4 million. This was primarily in awards funded by the National Institutes of Health.

State grants and contracts increased during 2016 by \$5 million. This was due to increased support from the University Hospital Trust, and the Oklahoma Tobacco Settlement Endowment Trust Fund grants.

Sales and services of auxiliary enterprises had an increase in revenues during 2016 of \$1.4 million, resulting from increased lease revenues at the University Research Park and the University Village Apartments.

Other revenues increased \$5.9 million during the year. This was primarily due to increased pharmaceutical sales during the year.

**2015**

Student tuition and fees revenue increased 2.6 percent or \$1.5 million in fiscal year 2015.

Patient care increased moderately over the past year with additional revenues of \$7.9 million. This was due to increased patient volume, procedures performed and higher gross charges within the OU Physicians clinical practice.

Federal grants and contracts decreased during the year by \$3.5 million. This was primarily in awards funded by the National Institutes of Health.

State grants and contracts decreased during 2015 by \$4.7 million. This was due to the loss of Urology support from the University Hospital Trust, and the cessation of grants at the College of Medicine-Tulsa.

Sales and services of auxiliary enterprises had an increase in revenues during 2015 of \$2.3 million, resulting from increased lease revenues at the University Research Park.

Other revenues increased \$26.5 million during the year. This was primarily due to increased pharmaceutical sales during the year.

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

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The following summarizes the Center's operating expenses for the years ended June 30 (In Millions):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Expenses:			
Compensation and benefits	\$ 642.5	\$ 629.3	\$ 610.9
Contractual services	81.8	74.0	66.6
Supplies and materials	128.5	122.9	98.6
Depreciation	27.9	27.6	26.7
Utilities	12.3	13.8	13.6
Communications	10.4	7.3	6.8
Scholarships	2.4	2.2	2.3
Other	67.9	62.6	64.5
Total operating expenses	<u>\$ 973.7</u>	<u>\$ 939.7</u>	<u>\$ 890.0</u>

Changes in operating expenses were the result of the following:

**2016**

Compensation and benefits expense increased 2.1 percent or \$13.2 million during fiscal year 2016. This was due to an increase in faculty and staff salaries during the year, as well as an increase in professional practice plan supplementation payments. There also was an increase in associated benefit costs.

Contractual services expense increased \$7.8 million during the past year. This was primarily due to a new contract to manage the TSET Quitline.

Supplies and materials expense increased \$5.6 million. This was due to the increased cost of pharmaceutical drugs used in patient care, particularly cancer fighting drugs.

Communications expense showed a significant increase for the year of 42.5 percent, or \$3.1 million. This was due to a change in data hosting fees.

**2015**

Compensation and benefits expense increased 3.0 percent or \$18.4 million during fiscal year 2015. This was due to an increase in faculty and staff salaries during the year, as well as an increase in professional practice plan supplementation payments. There also was an increase in associated benefit costs.

Contractual services expense increased \$7.4 million during the past year. This was due to the timing of library online services, and an increase in data processing type payments during the year.

Supplies and materials expense showed a significant increase for the year of 24.6 percent, or \$24.3 million. This was due to the increased cost of pharmaceutical drugs used in patient care, particularly cancer fighting drugs.

Depreciation expense increased 3.3 percent or \$.9 million for the year. The increase was due to an overall increase in the capital asset base.

The University of Oklahoma Health Sciences Center  
Management's Discussion and Analysis

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The following summarizes the Center's non-operating revenues and expenses for the years ended June 30 (In Millions):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Nonoperating Revenue:			
State appropriations	\$ 85.2	\$ 97.9	\$ 97.9
On-behalf payments	14.0	13.4	12.9
Private gifts	13.3	11.4	12.1
Interest on indebtedness	(8.8)	(9.0)	(8.4)
Investment income	8.9	10.0	11.1
Endowment income	15.7	13.2	11.8
Net nonoperating revenue	<u>\$ 128.3</u>	<u>\$ 136.9</u>	<u>\$ 137.4</u>

Changes in nonoperating revenues and expenses were the result of the following:

**2016**

State appropriations decreased during 2016 by 13 percent or \$12.7 million, due to a shortfall in the State's general revenue.

On-behalf payments increased \$.6 million for the year, resulting from both an increase in the Oklahoma Capital Improvement Authority (OCIA) debt payments and the Oklahoma Teachers Retirement System (OTRS) on-behalf payments.

Private gifts increased 16.7 percent or \$1.9 million for the year.

Investment income decreased 11 percent or \$1.1 million for the year. This was mainly a result of a decrease in endowment investments.

Endowment income had a significant percentage increase of 18.9 percent or \$2.5 million for the year. The increase was the result of higher endowment activity among established chairs, and also a small increase due to recently filled positions.

**2015**

State appropriations were flat during 2015, resulting in the same amount of revenue as 2014.

On-behalf payments increased \$.5 million for the year, resulting from both an increase in the OCIA debt payments and the OTRS on-behalf payments.

Private gifts experienced a decrease of 5.7 percent or \$.7 million for the year.

Interest on indebtedness increased 7 percent or \$.6 million in fiscal year 2015. The increase was primarily the result of interest incurred related to the Series 2013 General Revenue Bonds issued in September 2013.

Investment income showed a slight decrease of \$1.1 million during fiscal year 2015.

Endowment income had a significant percentage increase of 11.9 percent or \$1.4 million for the year. The increase was the result of higher endowment activity due to recently filled endowed chair positions.

**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 an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

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

**Condensed Statements of Cash Flows for the Years Ended June 30 (In Millions)**

	2016	2015	2014
Cash provided (used) by:			
Operating activities	\$ (67.9)	\$ (34.5)	\$ (44.5)
Noncapital financing activities	111.2	121.1	98.4
Capital and related financing activities	(16.4)	(32.8)	(46.6)
Investing activities	(35.2)	(41.9)	8.9
Net change in cash	(8.3)	11.9	16.2
Cash, beginning of the year	606.9	595.0	578.8
Cash, end of year	<u>\$ 598.6</u>	<u>\$ 606.9</u>	<u>\$ 595.0</u>

**2016**

The Center's overall liquidity declined during the year, with a net decrease to cash of \$8.3 million. Cash used in operating activities totaled \$67.9 million, an increase of approximately \$33.4 million over the prior year. The use of cash was due to overall revenues not being sufficient to offset increased compensation, benefits, contractual services and other operating costs. Significant cash flow increases were related to changes in patient revenues (\$18.4 million), other additions (\$8.2 million), pharmacy sales (\$6.6 million), and federal grants and contracts (\$4.1 million) and to a smaller degree in tuition and fees (\$2.3 million). There was a significant decrease in cash flows in private grants and contracts (\$10.6 million) and state grants and contracts (\$5.9 million).

Overall, cash provided by noncapital and related activities was \$111.2 million, a net decrease of approximately \$9.9 million over the prior year. This decrease in cash flows was primarily due to lower State appropriations received (\$12.7 million). In addition, there was a modest increase in private gifts (\$1.5 million) and in endowment income (\$1.3 million).

Cash flows used in connection with capital and related financing activities totaled \$16.4 million, a decrease of \$16.4 million compared to the prior year. This was a result of a decrease in cash used for the purchase of capital assets (\$8.3 million). In addition, cash provided by private gifts for capital projects increased (\$6.9 million).

Cash flows used in investing activities totaled \$35.2 million, a decrease of \$6.7 million from the prior year. This decrease in cash flows was primarily the result of a decrease in the purchase of investments (\$6.1 million), and a slight increase in proceeds received from sales and maturities of investments (\$.3 million).

**2015**

The Center's overall liquidity improved during the year, with a net increase to cash of \$11.9 million. Cash used in operating activities totaled \$34.5 million, a decrease of approximately \$10 million over the prior year. The use of cash was due to overall revenues not being sufficient to offset increased compensation, benefits, contractual services and other operating costs. Significant cash flow increases were related to changes in private grants and contracts (\$24.4 million), patient revenues (\$25.1 million), other additions (\$31.6 million), sales and services of auxiliary enterprises (\$3.2 million), and to a much smaller degree in tuition and fees (\$1.3 million). There was a significant decrease in cash flows in state grants and contracts (\$5.7 million) and a moderate decrease in federal grants and contracts (\$1.1 million).

Overall, cash provided by noncapital and related activities was \$121.1 million, a net increase of approximately \$22.7 million over the prior year. This increase in cash flows was primarily due to lower Medical Resident FICA refund payments (\$22.4 million). In addition, there was a modest increase in endowment income (\$1.6 million), offset by a similar decrease in private gifts (\$1.5 million).

Cash flows used in connection with capital and related financing activities totaled \$32.8 million, a decrease of \$13.9 million compared to the prior year. This was a result of a decrease in proceeds from bonds payable (\$62.2 million), offset by a decrease in cash used for the purchase of capital assets (\$83.7 million). In addition, cash provided by state grants and contracts for capital projects decreased by (\$4 million) and was partially offset by an increase in cash used for principal and interest payments (\$3.6 million).

Cash flows used in investing activities totaled \$41.9 million, an increase of \$50.8 million from the prior year. The use of cash primarily resulted from the purchase of investments (\$51.1 million) during FY15, and was slightly offset by the receipt of investment income (\$.3 million).

**Capital Asset and Debt Administration**

The following summarizes the Center's Capital Assets at June 30:

**Capital Assets, Net, at Year-End (In Millions)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Art	\$ 0.7	\$ 0.7	\$ 0.7
Land and infrastructure	37.1	34.3	28.2
Construction in-progress	2.2	5.4	12.3
Buildings	492.8	501.2	500.3
Furniture, fixtures, and equipment	46.4	44.7	42.3
Library materials	2.0	2.6	3.5
Totals	<u>\$ 581.2</u>	<u>\$ 588.9</u>	<u>\$ 587.3</u>

**2016**

At June 30, 2016, the Center had approximately \$581.2 million invested in capital assets, net of accumulated depreciation of \$318.9 million. Depreciation charges for the current year totaled \$27.9 million compared to \$27.6 million in the prior year.

**2015**

At June 30, 2015, the Center had approximately \$588.9 million invested in capital assets, net of accumulated depreciation of \$298.6 million. Depreciation charges for the current year totaled \$27.6 million compared to \$26.7 million in the prior year.

**Debt**

The following summarizes outstanding debt by type as of June 30:

**Outstanding Debt, at Year-End (In Millions)**

	2016	2015	2014
General revenue bonds	\$ 143.4	\$ 148.1	\$ 152.6
Auxiliary facility revenue bonds	3.2	4.0	4.7
Lease obligations	24.6	27.1	29.2
Notes payable	-	0.2	0.7
Totals	<u>\$ 171.2</u>	<u>\$ 179.4</u>	<u>\$ 187.2</u>

**2016**

At fiscal year-end 2016, the Center had approximately \$171.2 million in outstanding debt, a decrease of approximately \$8.2 million over the prior year.

The Center had no new debt during 2016. Debt repayments of \$8.2 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in Note 12 to the financial statements.

**2015**

At fiscal year-end 2015, the Center had approximately \$179.4 million in outstanding debt, a decrease of approximately \$7.8 million over the prior year.

The Center entered into a five year lease agreement with Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bond Series 2014C. The Center financed \$.4 million to purchase a Practice Management System. Debt repayments of \$8.2 million were made during the year. More detailed information related to the Center's long-term liabilities is presented in Note 12 to the financial statements.

**Economic Outlook**

The Center's economic position is closely related to its role as the state's primary resource for the training of health care professionals. Future success is dependent upon the ability to recruit and retain highly qualified students, faculty, and staff, as well as, ongoing financial and political support from state government. While support remains strong, a shortfall in the State's general revenue resulted in a 4.9 percent decrease in appropriations for fiscal year 2017. However, this will be partially offset by the receipt of an additional allotment in 2017 as a result of State general revenue reconciliation funding, resulting in a net decrease for 2017 of 2.6 percent.

Despite the downturn in the State's economy, the Center's overall financial position enables it to provide consistent levels of service to students, patients, researchers, and citizens state-wide. Increases in tuition and mandatory fees are expected to produce an additional 3.6 percent in the current year. Another important factor impacting the Center's economic outlook is the operation of its professional practice plans. The professional practice plans continue to contribute significantly to the Center's financial performance and are expected to remain stable.

The University of Oklahoma Health Sciences Center  
 Statements of Net Position  
 June 30, 2016 and 2015

	2016	2015
Assets	(In Thousands)	
<b>Current Assets</b>		
Cash and cash equivalents	\$ 567,430	\$ 578,645
Restricted cash and cash equivalents	15,041	28,239
Accounts receivable, net of allowances	148,104	135,348
Inventories and supplies	3,157	1,785
Loans to students, net of allowance for uncollectible loans	1,158	1,135
Deposits and prepaid expenses	2,748	2,690
Total current assets	737,638	747,842
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	16,089	-
Endowment investments	39,343	41,135
Other long-term investments	97,987	51,968
Investments in real estate	175	175
Loans to students, net	5,549	5,269
Deposits and prepaid expenses	1,528	2,034
Capital assets, net	581,198	588,894
Total noncurrent assets	741,869	689,475
Total assets	\$ 1,479,507	\$ 1,437,317
<b>Deferred Outflows of Resources</b>		
Deferred outflow—pensions	\$ 28,508	\$ 17,148
Deferred charge on OCIA lease restructure	-	279
Total deferred outflows of resources	\$ 28,508	\$ 17,427

The University of Oklahoma Health Sciences Center  
 Statements of Net Position  
 June 30, 2016 and 2015

	2016	2015
Liabilities	(In Thousands)	
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 79,364	\$ 76,601
Unearned revenue	9,602	9,111
Accrued interest payable	3,699	3,786
Deposits held in custody for others	1,687	1,580
Long-term liabilities, current portion:		
Accrued compensated absences	27,690	24,133
Post employment benefits obligation	4,545	3,959
Capital lease payable	2,997	2,566
Notes payable	-	240
Revenue bonds payable	5,621	5,420
Total current liabilities	135,205	127,396
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	6,495	6,807
Net pension liability	217,743	197,023
Post employment benefits obligation	90,381	83,697
Federal loan program contributions refundable	7,109	7,147
Capital lease payable	21,570	24,567
Revenue bonds payable	141,002	146,623
Total noncurrent liabilities	484,300	465,864
Total liabilities	\$ 619,505	\$ 593,260
<b>Deferred Inflows of Resources</b>		
Deferred inflows—pensions	\$ 22,686	\$ 49,155
Deferred credit on OCIA lease restructure	675	723
Total deferred inflows of resources	\$ 23,361	\$ 49,878
<b>Net Position</b>		
Net investment in capital assets	\$ 409,333	\$ 409,034
Restricted for:		
Nonexpendable	28,592	28,592
Expendable		
Education and general	156,005	147,182
Capital projects	17,648	16,943
Debt service	10,438	9,756
Unrestricted	243,133	200,099
Total net position	\$ 865,149	\$ 811,606



The University of Oklahoma Health Sciences Center  
Statements of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2016 and 2015

	2016	2015
	(In Thousands)	
Operating Revenues		
Student tuition and fees (net of scholarship allowances of \$3,925 and \$3,834 for 2016 and 2015, respectively)	\$ 61,376	\$ 59,165
Patient care (net of provisions for contractual, bad debt and other adjustments of \$488,534 and \$453,385 for 2016 and 2015, respectively)	397,187	380,646
Federal grants and contracts	83,494	77,137
State grants and contracts	88,867	83,836
Private grants and contracts	134,784	131,937
Sales and services of educational activities	1,589	1,556
Sales and services of auxiliary enterprises:		
Steam and chilled water plant revenues (revenues are pledged as security for the Utility System, System Revenue Bonds Series 2004)	6,367	6,375
Other	24,818	23,447
Other revenues (including \$168 and \$188 from interest on student loans for 2016 and 2015, respectively)	82,638	76,735
	<u>881,120</u>	<u>840,834</u>
 Operating Expenses		
Compensation and benefits	642,537	629,361
Contractual services	81,791	73,966
Supplies and materials	128,505	122,889
Depreciation	27,881	27,580
Utilities	12,268	13,827
Communication	10,398	7,321
Scholarships	2,411	2,232
Other	67,911	62,608
	<u>973,702</u>	<u>939,784</u>
 Operating Loss	 (92,582)	 (98,950)
 Nonoperating Revenues and (Expenses)		
State appropriations	85,267	97,900
On-behalf payments	13,969	13,395
Private gifts	13,322	11,432
Interest on indebtedness	(8,840)	(9,038)
Net investment income	8,886	10,008
Endowment income	15,687	13,231
	<u>128,291</u>	<u>136,928</u>
 Net nonoperating revenues and (expenses)	 <u>128,291</u>	 <u>136,928</u>
 Income before other revenues, (expenses), gains, or (losses)	 <u>35,709</u>	 <u>37,978</u>

The University of Oklahoma Health Sciences Center  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended June 30, 2016 and 2015

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	2016	2015
	(In Thousands)	
Other revenue, (expenses), gains, or (losses):		
State grants and contracts for capital projects	\$ 630	\$ 498
State appropriations for capital projects	5,692	5,610
Private gifts for capital projects	7,796	3,755
State school land funds	3,716	3,113
Total other revenue, (expenses), gains, or (losses)	17,834	12,976
Change in net position	53,543	50,954
Net Position, Beginning of Year	811,606	760,652
Net Position, End of Year	\$ 865,149	\$ 811,606

The University of Oklahoma Health Sciences Center

Statements of Cash Flows  
Years Ended June 30, 2016 and 2015

	2016	2015
	(In Thousands)	
Operating Activities		
Tuition and fees	\$ 61,384	\$ 59,033
Patient revenues	400,193	381,720
Federal grants and contracts	83,630	79,490
State grants and contracts	75,086	81,016
Private grants and contracts	133,527	144,097
Sales and services of auxiliary enterprises	24,698	23,507
Sales and services of educational activities	1,534	1,457
Steam and chilled water plant revenues	6,315	6,407
Interest on loans receivable	168	188
Other additions	13,995	12,347
Pharmacy sales	69,601	63,044
Loans issued to students	(1,546)	(917)
Collection of loans	1,227	1,312
Compensation and benefits	(635,507)	(603,759)
Contractual services	(82,123)	(73,977)
Supplies and materials, utilities, communications, scholarships and fellowships, other and deposits held in custody	(220,098)	(209,440)
Net Cash used for Operating Activities	<u>(67,916)</u>	<u>(34,475)</u>
Noncapital Financing Activities		
State appropriations	85,267	97,900
FICA refund	-	(207)
Endowment income	13,157	11,869
Private gifts	12,857	11,401
Direct loan receipts	62,152	64,418
Direct loan disbursements	(62,152)	(64,418)
Net increase (decrease) to Federal loan program contributions refundable	(38)	87
Net Cash from Noncapital Financing Activities	<u>111,243</u>	<u>121,050</u>

The University of Oklahoma Health Sciences Center

Statements of Cash Flows  
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
	(In Thousands)	
Capital and Capital Related Financing Activities		
State grants and contracts for capital projects	631	528
State appropriations for capital projects	5,705	5,573
Private gifts for capital projects	9,373	2,476
Purchases of capital assets	(21,855)	(30,155)
Principal paid on capital debt and leases	(6,282)	(6,315)
Interest paid on capital debt and leases	(7,719)	(7,971)
Receipt of State school land funds	<u>3,716</u>	<u>3,113</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(16,431)</u>	<u>(32,751)</u>
Investing Activities		
Investment income	8,358	8,128
Proceeds from sales and maturities of investments	1,422	1,032
Purchase of investments	<u>(45,000)</u>	<u>(51,050)</u>
Net Cash used for Investing Activities	<u>(35,220)</u>	<u>(41,890)</u>
Net Change in Cash and Cash Equivalents	(8,324)	11,934
Cash and Cash Equivalents, Beginning of Year	<u>606,884</u>	<u>594,950</u>
Cash and Cash Equivalents, End of Year	<u>\$ 598,560</u>	<u>\$ 606,884</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	\$ 567,430	\$ 578,645
Restricted cash and cash equivalents	15,041	28,239
Noncurrent assets		
Restricted cash and cash equivalents	<u>16,089</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 598,560</u>	<u>\$ 606,884</u>

The University of Oklahoma Health Sciences Center

Statements of Cash Flows  
Years Ended June 30, 2016 and 2015

	2016	2015
	( In Thousands)	
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	\$ (92,582)	\$ (98,950)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	27,881	27,580
Loss on disposal of capital assets	1,471	1,449
OTRS on-behalf contribution	11,046	10,556
Change in assets and liabilities:		
Accounts receivable (does not include endowment)	(11,463)	10,442
Inventories and supplies	(1,372)	(62)
Loans to students	(303)	375
Deposits and prepaid expenses	649	(1)
Deferred outflows related to pensions	(11,360)	(938)
Accounts payable and accrued expenses	7,693	18,745
Unearned revenue	491	1,074
Compensated absences	3,245	(2,257)
Deferred inflows related to pensions	(26,469)	49,155
Post employment benefits obligation	7,270	6,964
Net pension liability	20,720	(60,675)
Deposits held in custody for others	(4,833)	2,068
Net Cash used for Operating Activities	<u>\$ (67,916)</u>	<u>\$ (34,475)</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
On-behalf interest paid by OCIA	\$ 942	\$ 912
On-behalf principal payments made by OCIA	1,981	1,927
Amortization of bond insurance cost	2	3
Amortization of bond discount/premium	(40)	(39)
Amortization of ODFA discount	3	1
Capitalization of interest	2	36
Capital assets acquired via capital lease	-	401

## **Note 1 - Summary of Significant Accounting Policies**

### **Nature of the Organization**

The University of Oklahoma Health Sciences Center (the Center) is a comprehensive university operating under the jurisdiction of the Board of Regents of the University of Oklahoma (Board of Regents) and the Oklahoma State Regents for Higher Education.

### **Reporting Entity**

The Center 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 four institutions (University of Oklahoma Health Sciences Center, University of Oklahoma Norman Campus, Rogers State University, and Cameron University). The 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 Center 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.

The Center consists of seven academic colleges, including Colleges of Medicine, Public Health, Allied Health, Dentistry, Nursing, and Pharmacy, and also the Graduate College.

Faculty members in the Colleges of Medicine, Public Health, Allied Health, Dentistry, Nursing, and Pharmacy may participate in Professional Practice Plans (PPP's). Faculty who participate in a PPP are primarily committed to the academic and research programs of the Center; however, they also engage in professional practice activities related to patient care and services. A significant portion of PPP revenue is generated from patient care services provided to patients through the OU Medical Center. The OU Medical Center includes Presbyterian Hospital, University Hospital, and Children's Hospital of Oklahoma, all located in Oklahoma City. The financial position and operations of the PPPs are included in the accompanying financial statements of the Center.

For financial reporting purposes, the Center has included all funds, organizations, agencies, boards, commissions and authorities within the reporting entity defined above. The Center has also considered all potential component units for which it is financially accountable and other organizations for which the nature of significance of their relationship with the Center are such that the exclusion would cause the Center's financial statements to be misleading or incomplete. The 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 Center 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 Center. The Center does not have a component unit which meets the GASB criteria.

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

### **Financial Statement Presentation**

The GASB is the recognized standard-setting body for accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to public sector institutions of higher education. The Center applies all applicable GASB pronouncements.

### **Basis of Accounting**

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

### **Cash Equivalents**

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

### **Investments**

The Center accounts for its investments at fair value. Investments held by OU Foundation are pooled investments. Ownership interest in those pools are unitized. The OU Foundation calculates the net asset value per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from those pools for the benefit of the unit holders are transmitted at the net asset value per unit on the monthly valuation dates. With the exception of alternative investments, the pooled funds are held in the custody of the Bank of New York-Mellon. Changes in unrealized gain (loss), if any, on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position.

### **Accounts Receivable**

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal, state, and local governments, and private sources, in connection with reimbursement of allowable expenditures made pursuant to the Center's grants and contracts, construction projects, and unspent proceeds from capital leases. Additionally, a significant portion of the accounts receivable is comprised of amounts due for services provided through the PPPs and clinics. Accounts receivable are recorded net of contractual adjustments and estimated uncollectible amounts. Payments on patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

# The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

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The Center determines its uncollectible balances and contractual allowances by considering a number of factors, including the length of time accounts receivable are past due and the Center's previous loss history (including historical payment trends by payor for PPP receivable balances), which is indirectly impacted by the condition of the general economy and the industry as a whole. The Center writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to patient care revenue.

The Center grants credit without collateral to its patients. The following summarizes the estimated percentage of net patient accounts receivable from all payors as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Medicare	20%	17%
Medicaid	23%	21%
Other third-party and commercial payors	35%	33%
Other, including self pay	22%	29%

## Medical Malpractice Coverage Claims

The Center is covered for medical malpractice risks under a medical malpractice insurance policy (See Note 16). The Center pays a fixed premium for coverage of malpractice claims the Center might potentially incur.

## Restricted Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase capital or other noncurrent assets are classified as restricted in the statements of net position. Restricted cash and cash equivalents available to be used for operating expenses, the repayment of liabilities classified as current or other expenditures within a year are classified as current assets.

## Inventories and Supplies

Inventories, consisting of merchandise for resale and supplies, are stated at the lower of aggregate cost or aggregate market. Cost is determined for the various types of inventory using the first-in, first-out and average cost methods, as deemed appropriate.

## Contributions

From time to time, the Center 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 non-operating revenues. Amounts restricted to capital acquisitions are reported as capital grants, gifts, and donations.

Endowments are provided to the Center 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 non-operating revenue.



### **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The Center's capitalization policy for furniture, fixtures, and equipment includes all items with a unit cost of \$5 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 20 years for infrastructure, 10 years for land improvements, library materials, furniture, fixtures and equipment, and five years for vehicles, computers, and computer accessories 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 Center capitalizes interest as a component of capital assets constructed for its own use. In 2016, total interest incurred was \$8,842, of which \$2 was capitalized. In 2015, total interest incurred was \$9,077, of which \$36 was capitalized.

Intangible assets are reported with capital assets. Intangible assets subject to amortization are amortized over their respective estimated useful lives ranging from five to 15 years. Intangible assets with indefinite useful lives are not material to the financial statements.

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the statement of revenues, expenses, and changes in net position. There were no events or changes in conditions requiring recognition of an impairment loss in either 2016 or 2015.

### **Unearned Revenues**

Unearned revenues consist primarily of grant revenues for which the work on the grant has not yet been completed. They also consist of prepaid patient revenues on long-term contracts received during the year but related to the subsequent accounting period and amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period.

### **Compensated Absences**

Employees' compensated absences are accrued when earned. The obligation at the end of the year and expenditure incurred during the year are recorded as accrued compensated absences in the statements of net position and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net position. The current portion of the obligation is determined by calculating a five year average annual usage value and applying it to the total obligation.

### **Noncurrent Liabilities**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) federal loans liability; (3) amounts for accrued compensated absences; (4) postemployment benefits obligation; (5) net pension liability; and other liabilities that will not be paid within the next fiscal year. Bond issuance costs are expensed as incurred regardless of whether they are included in bond proceeds.

## Pensions

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

## Deferred Outflows of Resources

Deferred outflows are the consumption of net position by the Center that are applicable to a future reporting period. At June 30, 2015, the Center's deferred outflows of resources included deferred charges on an Oklahoma Capital Improvement Authority (OCIA) lease restructure. The OCIA deferred outflows of resources were recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2016 and 2015, deferred outflows also included deferred charges related to pensions. The Center's deferred outflows related to pensions are recognized as a component of compensation expense in the following year, or over the expected remaining service life of the plan.

## Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the Center that are applicable to a future reporting period. At June 30, 2016 and 2015, the Center has deferred inflows of resources related to an OCIA lease restructure. The OCIA deferred inflows of resources are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2016 and 2015, there were also deferred inflows related to pensions. The Center's deferred inflows related to pensions are recognized as a component of compensation expense over five years for the difference in projected and actual investment earnings, or over the expected remaining service life of the plan.

## Net Position

The Center's net position is classified as follows:

*Net investment in capital assets* represents the Center's investment in capital assets (net of accumulated depreciation) and related deferred outflows reduced by outstanding debt obligations and related deferred inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of 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 Center is legally or contractually obligated to spend resources 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, sales and services of educational departments, and patient service revenue. These resources are used for transactions relating to the educational and general operations of the Center, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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

### **Classification of Revenues**

The Center has classified its revenues as either operating or non-operating 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) patient revenues, (3) sales and services of educational activities, (4) sales and services of auxiliary enterprises, (5) most federal, state, and local grants and contracts, and (6) interest on student loans.

*Nonoperating revenues* include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB, such as state appropriations and investment income.

### **Scholarship Allowances**

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

### **Tax Status**

As a state institution of higher education, the income of the Center is exempt from federal and state income taxes; however, income generated from activities unrelated to the exempt purpose is subject to income tax under Internal Revenue Code Section 511 (a)(2)(B). These amounts are immaterial to the financial statements of the Center.

### **Use of Estimates**

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

### **New Accounting Pronouncements Adopted In Fiscal Year 2016**

The Center adopted new accounting pronouncements during the year ended June 30, 2016, as follows:

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72) addresses accounting and financial reporting issues related to fair value measurements. The Statement defines *fair value* as 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of GASB No. 72 expanded the Center's disclosure requirements as seen in Note 3, but did not impact amounts recorded by the Center.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB No. 73) establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of GASB No. 73 did not have an impact on the Center's financial statement presentation.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76) supersedes Statement No 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The adoption of GASB No. 76 did not have an impact on the Center's financial statement presentation.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB No. 79) addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of GASB No. 79 did not have an impact on the Center's financial statement presentation.

### **New Accounting Pronouncements Issued Not Yet Adopted**

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) was issued in June 2015 and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It addresses accounting and financial reporting for OPEB and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, it identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Also addressed are note disclosure and required supplementary information requirements. The provisions of GASB No. 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 77, *Tax Abatement Disclosures* (GASB No. 77) was issued in August 2015 and requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB No. 78) was issued December 2015 and is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* (GASB No. 80) was issued January 2016 and is to improve financial reporting by clarifying the financial statement presentation for certain component units. It amends the blending requirements established in paragraph 53 of Statement No. 14. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB No. 81) was issued March 2016 and is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. It also requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and, No. 73* (GASB No. 82) was issued March 2016 and is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

## **Note 2 - Deposits and Investments**

### **Deposits – Custodial Credit Risk**

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

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

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

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

### **Cash and Cash Equivalents**

At June 30, 2016 and 2015, the carrying amount of the Center's deposits with the State Treasurer and other financial institutions were \$598,560 and \$606,884, respectively. At June 30, 2016 and 2015, these amounts consisted of deposits with the OST (\$568,360 and \$576,785), deposits with financial institutions (\$21,045 and \$21,053), deposits with trustees (\$9,109 and \$9,001), and petty cash and change funds (\$46 and \$45).

### ***OK INVEST***

Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$448,307 and \$486,086 at June 30, 2016 and 2015 and are reported as cash equivalents. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the OST establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's and its funds' and agencies' daily cash flow requirements.

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

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

Unless significant or unusual losses are incurred by *OK INVEST*, the Center's interest in *OK INVEST* is stated at cost, plus accrued interest. *OK INVEST* provides the Center with a stated rate of return rather than an equivalent share of investment gains or losses. Amounts invested in *OK INVEST* are available for unrestricted withdrawal.

The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

The distribution of investments in *OK INVEST* at June 30, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
U.S. agency securities	41%	40%
Mortgage backed agency securities	41%	40%
Money market mutual funds	11%	13%
Certificates of deposit	3%	3%
Municipal bonds	2%	2%
U.S. Treasury obligations	1%	1%
Foreign bonds	1%	1%
	<u>100%</u>	<u>100%</u>

As of June 30, 2016 and 2015, the Center held approximately 7.8% and 7.5% of the *OK INVEST* fund. The market value of *OK INVEST* as of June 30, 2016 and 2015 was \$5,803,308 and \$6,545,992, respectively, and the amortized cost was \$5,723,314 and \$6,493,593, respectively.

**Investments**

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

	<u>2016</u>	<u>2015</u>
	(In Thousands)	
Consolidated Investment Fund (CIF) - OU Foundation	\$ 31,692	\$ 33,819
Expendable Investment Pool II (EIP II) - OU Foundation	104,989	58,488
Fidelity revenue sharing investments	649	796
Real property	175	175
	<u>\$ 137,505</u>	<u>\$ 93,278</u>

The Center has entrusted the University of Oklahoma Foundation (OU Foundation) with a portion of their funds totaling \$136,681 and \$92,307 as of June 30, 2016 and 2015, respectively, of which \$35,933 and \$37,852 are endowment funds. These funds are held in the Consolidated Investment Fund (CIF) and the Expendable Investment Pool II (EIP II) at the OU Foundation on behalf of the Center. Investments in the CIF and the EIP II consist of pooled investments. The Fidelity investments category consists of accumulated funds from revenue sharing arrangements in employee defined contribution accounts held and managed by Fidelity.

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



Information regarding the various risk categories for the Center's deposits and investments and the policies for managing that risk are included below:

### **Credit Risk**

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

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the Center are generally limited to direct obligations of the United States government and its agencies, certificates of deposit, and demand deposits.
- The Board has authorized endowment and similar funds to be invested in direct obligations of the United States government and its agencies, certificates of deposit, prime commercial paper, bankers acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities. In addition, the Board authorized investments in the CIF and EIP II with the OU Foundation.

### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a depository institution, the Center will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Center 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 Center'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 Center and bondholders.
- Endowment investments are pooled with the University of Oklahoma Norman Campus (the University) in the CIF and EIP II with the OU Foundation and held in the Regent's name.
- Long term investments are held in the EIP II with the OU Foundation.

### **Concentration of Credit Risk**

The Center's investments can be exposed to a concentration of credit risk if significant amounts are invested in any one issuer. The Center's short term investment strategy imposes a limit on the amount the Center may invest in any one issuer to 50 percent of the total investment portfolio. The Center has adopted the OU Foundation's "Statement of Investment Policy" for the CIF and EIP II investments with the OU Foundation. Within the CIF, investments consist of money market funds, 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. Both of these funds are held with the OU Foundation. Due to the diversification within these investments, the Center believes it does not have any significant concentrations of credit risk.

### **Interest Rate Risk**

The Center 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 Center has adopted the OU Foundation's "Statement of Investment Policy" for funds invested at the OU Foundation. The Center is responsible for determining its operating cash flow requirements and to insure that adequate funds are available to maintain the Center's operations. In determining liquidity needs, the appropriate mix of short-term, intermediate, and long-term investments will be evaluated.

### **Note 3 - Fair Value Measurement**

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

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

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

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

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

The University of Oklahoma Health Sciences Center

Notes to Financial Statements

June 30, 2016 and 2015 (in thousands)

The following table presents fair value measurements as of June 30:

	Total June 30, 2016	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)
Investments				
Fidelity revenue sharing investments	\$ 649	\$ 649	\$ -	\$ -
Real property	175	-	-	175
Total investments by fair value level	824	649	-	175
Investments measured at net asset value				
CIF - OU Foundation	31,692			
EIP II - OU Foundation	104,989			
Total investments at net asset value	136,681			
Total investments measured at fair value	\$ 137,505			
	Total June 30, 2015	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments				
Fidelity revenue sharing investments	\$ 796	\$ 796	\$ -	\$ -
Real property	175	-	-	175
Total investments by fair value level	971	796	-	175
Investments measured at net asset value				
CIF - OU Foundation	33,819			
EIP II - OU Foundation	58,488			
Total investments at net asset value	92,307			
Total investments measured at fair value	\$ 93,278			

# The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

Fidelity revenue sharing investments (Level 1): These investments include short-term money market mutual funds.

Real property (Level 3): This is investments owned directly by the Center 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.

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

*Consolidated Investment Fund* – Investments in this pool consist primarily of money market funds, domestic and international equity securities, U.S. government securities, derivative financial instruments and alternative holdings. The OU Foundation considers the underlying investments within this pool to include Level 1, 2 and 3 inputs. The Center owns approximately 3.1% and 3.2% of the fund as of June 30, 2016 and 2015.

*Expendable Investment Pool II* – Investments in these pools primarily consist of liquid money market funds, mutual funds, equities and separate accounts holding U.S. government and corporate fixed income securities. The OU Foundation considers the underlying investments within this pool to include Level 1 and 2 inputs. The Center owns approximately 84% and 62% of the fund as of June 30, 2016 and 2015.

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

The Center’s investments have no unfunded commitments and funds may be redeemed daily with no redemption notice. Within the CIF pool, certain investments held do have unfunded commitments and limitations on redemption frequency, including redemption notice periods. The total market value of the CIF fund as of June 30, 2016 totaled \$1,007,805. Unfunded commitments within this fund totaled \$218,847. There were redemption limitations that ranged from quarterly to 3 years with a 30 to 90 day redemption notice period on investments with a total market value of \$186,976.

## Note 4 - Accounts Receivable

Accounts receivable are shown net of contractual allowances and doubtful accounts in the accompanying statements of net position. At June 30, the accounts receivable and allowances are as follows:

	2016	2015
	(In Thousands)	
Accounts receivable	\$ 246,389	\$ 234,491
Less allowance and contractual adjustments	(98,285)	(99,143)
Accounts receivable, net	\$ 148,104	\$ 135,348

The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

The following is a breakdown of the June 30 accounts receivable balances:

	2016	2015
	(In Thousands)	
Auxiliary enterprises:		
Accounts receivable	\$ 5,541	\$ 7,519
Less allowance	(102)	(106)
Accounts receivable, net	<u>\$ 5,439</u>	<u>\$ 7,413</u>
PPP patient billings:		
Accounts receivable	\$ 157,796	\$ 164,062
Less contractual adjustments	(78,661)	(77,504)
Less allowance	(19,522)	(21,533)
Accounts receivable, net	<u>\$ 59,613</u>	<u>\$ 65,025</u>
Due from federal, state and private grants		
Accounts receivable, no allowance	<u>\$ 81,292</u>	<u>\$ 60,205</u>
State tuition and fees:		
Accounts receivable, no allowance	<u>\$ 1,306</u>	<u>\$ 1,221</u>
Other accounts receivable, no allowance	<u>\$ 454</u>	<u>\$ 1,484</u>

**Note 5 - Net Patient Service Revenue**

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates that vary accordingly to the Current Procedural Terminology (CPT) code billed by the provider. These codes are established by the American Medical Association and are adopted for use by the Center for Medicaid and Medicare Services (CMS) as a basis for their provider reimbursement methodology.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate or established fee.

Workers' compensation: Inpatient and outpatient services rendered under workers' compensation are reimbursed according to the State of Oklahoma fee schedule or at a predetermined discount from the State of Oklahoma fee schedule.

Other carriers: The Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates and discounts from established charges.

# The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

Differences between the Center's established patient care rates and agreed upon rates with third party payors total \$446,249 and \$413,898 for the years ending June 30, 2016 and 2015, respectively, and are reflected as contractual and other adjustments to patient care revenues in the statements of revenues, expenses, and changes in net position. The Center's bad debt expenses related to patient care services, which are determined after application of contractual and other adjustments, total \$42,285 and \$39,487 for the years ending June 30, 2016 and 2015, respectively, and are included in patient care revenues in the statements of revenues, expenses, and changes in net position.

The following summarizes the estimated percentage of gross patient charges from all payors as of June 30, 2016 and June 30, 2015.

	2016	2015
Medicare	23%	22%
Medicaid	31%	32%
Other third-party and commercial payors	39%	38%
Other, including self pay	7%	8%

## Note 6 - Inventories and Supplies

Inventories and supplies consisted of the following at June 30:

	2016	2015
	(In Thousands)	
Site support	\$ 241	\$ 240
Telecommunications	133	199
Other service units	160	109
Dental supply store	364	423
Other auxiliaries	9	9
Pharmacies	2,250	805
	\$ 3,157	\$ 1,785

## Note 7 - Loans to Students

The Center had student loans outstanding of \$6,707 and \$6,404 (net of allowance for uncollectible loans of \$353 and \$337) at June 30, 2016 and 2015, respectively. Student loans made under the Health Professions Student Loan Program and the Nursing Student Loan Program represented approximately \$6,677 and \$6,135 (net of allowance for uncollectible loans of \$351 and \$323) of these amounts. Under these programs, the U.S. Department of Health and Human Services, Bureau of Health Professions, provides funds for eight-ninths (8/9) of the loans, and the Center provides the remaining funds. The Center had a cash balance of \$1,321 and \$1,906, which is included in cash and cash equivalents in the Statements of Net Position, at June 30, 2016 and 2015, respectively, for these programs. At June 30, 2016 and 2015, \$7,109 and \$7,147, respectively, are included as federal loan program contributions refundable in the statements of net position as these amounts are refundable to the U.S. government upon cessation of the programs.

**Note 8 - Funds Held in Trust by Others**

The University of Oklahoma (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 percent of the distribution of income produced by “Section Thirteen State Educational Institutions Fund” assets and 100 percent of the distribution of income produced by the University’s “New College Fund.”

The University, as a whole, received \$9,246 and \$9,384 during the years ended June 30, 2016 and 2015, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. Of these amounts, the Center received approximately \$3,716 and \$3,113 in 2016 and 2015, respectively. Present state law prohibits the distribution of any corpus of these funds. The estimated fair value of the total trust fund for the University, held in trust by the Commissioners of the Land Office, was approximately \$174,719 (\$168,951 restricted corpus) and \$183,330 (\$172,328 restricted corpus) at June 30, 2016 and 2015, respectively. Such trust funds, held by the Commissioners of the Land Office, have not been reflected in the accompanying financial statements.

In connection with the State Regents’ Endowment Program, the State of Oklahoma has matched contributions received under the program. The cumulative match amount, plus any retained accumulated earnings, totaled \$172,049 and \$160,987 at June 30, 2016 and 2015, respectively, and is invested by the State Regents on behalf of the Center. The Center will receive an annual distribution of earnings on these funds; however, as legal title of the state match is retained by the State Regents, only the funds available for distribution, for which the Center has incurred allowable reimbursable expenses, or \$7,554 and \$6,835 at June 30, 2016 and 2015, respectively, have been reflected as assets in the statements of net position.

With regard to the institutional matching funds, approximately \$266,831 and \$260,702, of cumulative undisbursed contributions have been made to the OU Foundation, for the benefit of the Center, and are on deposit with the OU Foundation at June 30, 2016 and 2015, respectively. These funds are not recorded by the Center. The Center has incurred allowable reimbursable expenses of \$8,022 and \$6,222 at June 30, 2016 and 2015, respectively, which are included in accounts receivable in the statements of net position.

The University of Oklahoma Health Sciences Center  
Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

**Note 9 - Capital Assets**

Capital asset activity for the year ended June 30, 2016, includes the following (In Thousands):

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Art	\$ 735	\$ -	\$ -	\$ -	\$ 735
Land	32,006	-	-	-	32,006
Construction in-progress	5,376	5,744	(8,896)	-	2,224
<b>Total capital assets not being depreciated</b>	<b>38,117</b>	<b>\$ 5,744</b>	<b>\$ (8,896)</b>	<b>\$ -</b>	<b>34,965</b>
Capital assets being depreciated:					
Improvements	16,000	\$ 334	\$ 8	\$ -	16,342
Buildings	614,018	1,672	7,869	-	623,559
Equipment	144,552	13,469	924	(8,992)	149,953
Infrastructure	6,542	164	95	-	6,801
Leasehold improvements	38,596	116	-	-	38,712
Library materials	29,623	157	-	-	29,780
<b>Total capital assets being depreciated</b>	<b>849,331</b>	<b>\$ 15,912</b>	<b>\$ 8,896</b>	<b>\$ (8,992)</b>	<b>865,147</b>
Less accumulated depreciation					
Improvements	13,387	\$ 658	\$ -	\$ -	14,045
Buildings	133,294	12,354	-	-	145,648
Equipment	99,880	11,232	-	(7,521)	103,591
Infrastructure	1,506	314	-	-	1,820
Leasehold improvements	23,472	2,571	-	-	26,043
Library materials	27,015	752	-	-	27,767
<b>Total accumulated depreciation</b>	<b>298,554</b>	<b>\$ 27,881</b>	<b>\$ -</b>	<b>\$ (7,521)</b>	<b>318,914</b>
<b>Total capital assets being depreciated, net</b>	<b>550,777</b>				<b>546,233</b>
<b>Capital assets, net</b>	<b>\$ 588,894</b>				<b>\$ 581,198</b>



The University of Oklahoma Health Sciences Center  
Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

Capital asset activity for the year ended June 30, 2015, includes the following (In Thousands):

	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Art	\$ 722	\$ 13	\$ -	\$ -	\$ 735
Land	32,005	1	-	-	32,006
Construction in-progress	12,332	10,713	(17,669)	-	5,376
<b>Total capital assets not being depreciated</b>	<b>45,059</b>	<b>\$ 10,727</b>	<b>\$ (17,669)</b>	<b>\$ -</b>	<b>38,117</b>
Capital assets being depreciated:					
Improvements	15,941	\$ 13	\$ 46	\$ -	16,000
Buildings	591,824	7,048	15,373	(227)	614,018
Equipment	135,440	12,504	2,123	(5,515)	144,552
Infrastructure	6,442	19	81	-	6,542
Leasehold improvements	38,324	226	46	-	38,596
Library materials	29,568	55	-	-	29,623
<b>Total capital assets being depreciated</b>	<b>817,539</b>	<b>\$ 19,865</b>	<b>\$ 17,669</b>	<b>\$ (5,742)</b>	<b>849,331</b>
Less accumulated depreciation					
Improvements	12,676	\$ 711	\$ -	\$ -	13,387
Buildings	121,352	11,942	-	-	133,294
Equipment	93,186	10,987	-	(4,293)	99,880
Infrastructure	1,200	306	-	-	1,506
Leasehold improvements	20,795	2,677	-	-	23,472
Library materials	26,058	957	-	-	27,015
<b>Total accumulated depreciation</b>	<b>275,267</b>	<b>\$ 27,580</b>	<b>\$ -</b>	<b>\$ (4,293)</b>	<b>298,554</b>
<b>Total capital assets being depreciated, net</b>	<b>542,272</b>				<b>550,777</b>
<b>Capital assets, net</b>	<b>\$ 587,331</b>				<b>\$ 588,894</b>

**Note 10 - Accounts Payable and Accrued Expenses**

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

	2016	2015
	(In Thousands)	
Accounts payable and other accrued expenses	\$ 31,401	\$ 30,688
Accrued payroll	43,445	40,841
Self insurance reserves	4,518	5,072
	<b>79,364</b>	<b>76,601</b>

The University of Oklahoma Health Sciences Center  
Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

**Note 11 - Unearned Revenue**

Unearned revenue consists of the following at June 30:.

	2016	2015
	(In Thousands)	
Prepaid tuition and student fees	\$ 1,129	\$ 1,036
Auxiliary enterprises and other activities	242	222
Contracts	8,231	7,853
	\$ 9,602	\$ 9,111

**Note 12 - Long-Term Liabilities**

The following is a summary of long-term obligation transactions of the Center for the year ended June 30, 2016 (In Thousands):

	Issue Dates	Interest Rates (in Percent)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases:								
Revenue bonds payable:								
Utility System Series 2004 A&B	2004	2.61-4.85	11/1/2019	\$ 3,946	\$ -	\$ (731)	\$ 3,215	\$ 761
General Revenue Bonds Series 2008 A&B	2008	3.28-6.63	7/1/2036	63,155	-	(1,486)	61,669	1,581
General Revenue Bonds Series 2010 A&B	2010	1.24-5.00	7/1/2030	23,561	-	(2,145)	21,416	2,206
General Revenue Bonds Series 2013A	2013	.46-6.0	7/1/2043	61,381	-	(1,058)	60,323	1,073
				152,043	-	(5,420)	146,623	5,621
Notes payable				240	-	(240)	-	-
ODFA capital leases payable				4,504	-	(573)	3,931	591
OCIA capital leases payable				22,617	-	(1,981)	20,636	2,406
Equipment capital lease				12	-	(12)	-	-
Total bonds, notes, and capital leases				179,416	-	(8,226)	171,190	8,618
Other noncurrent liabilities:								
Accrued compensated absences				30,940	30,293	(27,048)	34,185	27,690
Net pension liability				197,023	20,720	-	217,743	-
Post employment benefits obligation				87,656	10,759	(3,489)	94,926	4,545
Federal loans program contributions refundable				7,147	-	(38)	7,109	-
Total other noncurrent liabilities				322,766	61,772	(30,575)	353,963	32,235
Total noncurrent liabilities				\$ 502,182	\$ 61,772	\$ (38,801)	\$ 525,153	\$ 40,853

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The following is a summary of long-term obligation transactions of the Center for the year ended June 30, 2015 (In Thousands):

	Issue Dates	Interest Rates (in Percent)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases:								
Revenue bonds payable:								
Utility System Series 2004 A&B	2004	2.61-4.85	11/1/2019	\$ 4,652	\$ -	\$ (706)	\$ 3,946	\$ 731
General Revenue Bonds Series 2008 A&B	2008	3.28-6.63	7/1/2036	64,551	-	(1,396)	63,155	1,486
General Revenue Bonds Series 2010 A&B	2010	1.24-5.00	7/1/2030	25,667	-	(2,106)	23,561	2,145
General Revenue Bonds Series 2013A	2013	.46-6.0	7/1/2043	62,429	-	(1,048)	61,381	1,058
				<u>157,299</u>	<u>-</u>	<u>(5,256)</u>	<u>152,043</u>	<u>5,420</u>
Notes payable				706	-	(466)	240	240
ODFA capital leases payable				4,649	401	(546)	4,504	573
OCIA capital leases payable				24,543	-	(1,926)	22,617	1,981
Equipment capital lease				20	-	(8)	12	12
Total bonds, notes, and capital leases				<u>187,217</u>	<u>401</u>	<u>(8,202)</u>	<u>179,416</u>	<u>8,226</u>
Other noncurrent liabilities:								
Accrued compensated absences				33,197	26,601	(28,858)	30,940	24,133
Net pension liability				-	197,023	-	197,023	-
Post employment benefits obligation				80,692	10,045	(3,081)	87,656	3,959
Federal loans program contributions refundable				7,060	87	-	7,147	-
Total other noncurrent liabilities				<u>120,949</u>	<u>233,756</u>	<u>(31,939)</u>	<u>322,766</u>	<u>28,092</u>
Total noncurrent liabilities				<u>\$ 308,166</u>	<u>\$ 234,157</u>	<u>\$ (40,141)</u>	<u>\$ 502,182</u>	<u>\$ 36,318</u>

### Revenue Bonds Payable

In fiscal year 2009, General Revenue Bonds, Series 2008A and 2008B, were issued by the Board of Regents pursuant to the Master Resolution establishing the University of Oklahoma Health Sciences Center General Revenue Financing System in support of funding for the OU Cancer Institute. The revenue pledged as security for these obligations is any or all revenues of the Center which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature (except for in certain circumstances the Dedicated Tobacco Tax Revenues), funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for Prior Encumbered Obligations.

In fiscal year 2010, General Revenue Bonds, Series 2010A and 2010B, were issued by the Board of Regents pursuant to the Master Resolution establishing the University of Oklahoma Health Sciences Center General Revenue Financing System. These bonds were issued to provide funds to refund certain prior bond issues and to construct, renovate, remodel, expand, and equip certain additions and improvements to parking, utility, and data center facilities on the Center's Oklahoma City campus. The revenue pledged as security for these obligations is any or all revenues of the Center which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature, funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for prior encumbered obligations.

In fiscal year 2014, General Revenue Bonds, Series 2013A, were issued by the Board of Regents pursuant to the Master Resolution establishing the University of Oklahoma Health Sciences Center General Revenue Financing System. These bonds were issued to provide funds to acquire a research park for the Center. The revenue pledged as security for these obligations is any or all revenues of the Center which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature, funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for prior encumbered obligations.

At June 30, 2016 and 2015, the total principal and interest remaining to be paid on the General Revenue Bonds was \$247,107 and \$259,271. Total pledged revenue received during the years ended June 30, 2016 and 2015 was \$629,507 and \$592,669. Debt service payments of \$12,082 and \$12,107, including both principal and interest, were 1.9 percent and 2 percent of pledged revenues at June 30, 2016 and 2015.

Utility System Revenue bonds issued prior to the Resolution (prior encumbered obligations) are payable both as to principal and interest from the net revenues arising from operations of the physical plant utilities system. At June 30, 2016 and 2015, the Center had \$531 and \$515 respectively, of cash and investments, reported as restricted cash on the Statements of Net Position, held in trust for the bond indentures, restricted to the payment of principal and interest.

#### **Tulsa Campus Series 2003 Defeasance**

On December 5, 2006, the Board of Regents of The University of Oklahoma authorized the issuance of the \$3,500 Board of Regents of the University of Oklahoma on behalf of the University of Oklahoma Health Sciences Center Refunding Revenue Note, Series 2007 (the Series 2007 Note). The proceeds of the Series 2007 Note along with existing Center funds were used to advance refund the remainder of the \$17,770 The Board of Regents of the University of Oklahoma University of Oklahoma Tulsa Campus Revenue Bonds Series 2003A (the Series 2003 Bonds) which was loaned to the Board of Regents of the University of Oklahoma and used in the acquisition of the Tulsa Campus located at 4502 E. 41st Street, Tulsa, Oklahoma. The Series 2007 Note is dated June 1, 2007 and is payable solely from the net revenues of the clinical operations of the Tulsa branch of the University of Oklahoma College of Medicine. The Series 2007 Note bears interest at 3.94 percent and is payable over 8.5 years, with annual payments of \$489. The outstanding balance at June 30, 2016 and 2015, was \$0 and \$240, respectively. In accordance with the advanced refunding, the Center deposited \$17,360 into an escrow fund and purchased government securities bearing interest in amounts sufficient to pay the Series 2003 Bonds at January 1, 2013. Accordingly, the Series 2003 Bonds are considered to have been extinguished, and neither the 2003 Series Bonds nor the associated escrow fund is included in the Center's statements of net position as of June 30, 2016 or 2015.

#### **Capital Lease Obligations**

*ODFA master lease obligations:* In August 2005, the Center entered into a 7 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2005B. The Center financed \$2,300 to upgrade the parking access system. Assets under this capital lease totaled \$0 and \$140 net of accumulated depreciation of \$1,997 and \$1,874 at June 30, 2016 and 2015, respectively. As of 2016, assets totaling \$303 were retired with accumulated depreciation of \$261. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

# The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
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In December 2007, the Center entered into a 15 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2007B. The Center financed \$6,067 to renovate the Medical Student Education Facility on the Oklahoma City, Oklahoma campus. Assets under this capital lease totaled \$5,096 and \$5,218 net of accumulated depreciation of \$971 and \$849 as of June 30, 2016 or 2015, respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

In December 2007, the Center entered into a 15 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2007C. The Center financed \$1,304 to construct a cooling tower on the Tulsa Oklahoma campus. Assets under this capital lease totaled \$1,093 and \$1,119 net of accumulated depreciation of \$211 and \$185 at June 30, 2016 and 2015, respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

In December 2014, the Center entered into a 5 year lease agreement with ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds Series 2014C. The Center financed \$401 to purchase a Practice Management System. Assets under this capital lease totaled \$256 and \$345 net of accumulated depreciation of \$142 and \$53 at June 30, 2016 and 2015, respectively. Depreciation expense on these capital lease assets is included in depreciation expense on the statements of revenues, expenses, and changes in net position.

*OCIA capital lease obligations:* The Oklahoma Capital Improvement Authority (OCIA) periodically issues bonds, which are allocated to the State Regents for Higher Education (the State Regents), to be used for specific projects at Oklahoma higher education institutions. The Center has participated in these projects as discussed below. In each of the transactions, OCIA and the Center have entered into a lease agreement with terms characteristic of a capital lease. As a result, the Center 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 Center.

In the fall of 2005, the Center entered into a 25 year lease agreement with the OCIA and the State Regents as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F and 2005G. The Center received \$26,146 of the proceeds for capital improvement projects on the Oklahoma City and Tulsa Campuses as approved by the Regents. Assets under these capital leases totaled \$22,064 and \$22,587, net of accumulated depreciation of \$4,082 and \$3,559 at June 30, 2016 and 2015, respectively.

In August 2010, the Center's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The Center's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the Center's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The Center has recorded a deferred outflow of resources of \$2,295 on restructuring that is being amortized over a period of 6 years and wrote off \$623 of previously capitalized deferred outflows of resources from the refinanced 2005F agreement. During the years ended June 30, 2016 and 2015, amortization of the deferred outflows of resources was \$279. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$113 which also approximates the economic cost of the lease restructuring.

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In April 2014, the Center's 2005F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued a new bond, Series 2014A. The Center's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief by restructuring debt service. Consequently, the Center's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has reduced the principal payments. The Center has recorded a deferred inflow of resources \$783, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the debt, whichever is shorter. During the years ended June 30, 2016 and 2015, amortization of the deferred inflows of resources was \$48. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$1,828.

During the year ended June 30, 2016, the State Regents made lease principal and interest payments totaling \$2,923 on behalf of the Center. These on-behalf payments have been recorded in the Center's statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

Maturities of principal and interest requirements on revenue bonds payable and capital lease obligations are as follows at June 30, 2016 (In Thousands):

	2017	2018	2019	2020	2021	2022 - 2026	2027 - 2031	2032 - 2036	2037 - 2041	2042 - 2044	Total
Utility System Series											
2004 A&B	\$ 875	\$ 871	\$ 870	\$ 872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,488
General Revenue Bonds											
Series 2008 A&B	4,804	4,798	4,795	4,790	4,784	23,891	23,891	23,774	4,735	-	100,262
Series 2010 A&B	3,049	2,903	2,900	2,283	2,278	11,339	1,525	-	-	-	26,277
Series 2013 A	4,308	4,305	4,307	4,306	4,304	21,523	21,520	21,535	21,536	12,924	120,568
<b>Total principal and interest</b>	<b>13,036</b>	<b>12,877</b>	<b>12,872</b>	<b>12,251</b>	<b>11,366</b>	<b>56,753</b>	<b>46,936</b>	<b>45,309</b>	<b>26,271</b>	<b>12,924</b>	<b>250,595</b>
Less interest	7,415	7,186	6,936	6,668	6,401	27,613	20,882	13,653	6,076	1,142	103,972
<b>Total principal</b>	<b>5,621</b>	<b>5,691</b>	<b>5,936</b>	<b>5,583</b>	<b>4,965</b>	<b>29,140</b>	<b>26,054</b>	<b>31,656</b>	<b>20,195</b>	<b>11,782</b>	<b>146,623</b>
Capital leases	4,055	4,057	4,023	1,337	1,283	8,775	8,915	-	-	-	32,445
Less interest	1,058	937	796	711	686	2,692	998	-	-	-	7,878
<b>Total principal</b>	<b>2,997</b>	<b>3,120</b>	<b>3,227</b>	<b>626</b>	<b>597</b>	<b>6,083</b>	<b>7,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,567</b>
<b>Total principal</b>	<b>\$ 8,618</b>	<b>\$ 8,811</b>	<b>\$ 9,163</b>	<b>\$ 6,209</b>	<b>\$ 5,562</b>	<b>\$ 35,223</b>	<b>\$ 33,971</b>	<b>\$ 31,656</b>	<b>\$ 20,195</b>	<b>\$ 11,782</b>	<b>\$ 171,190</b>

## Note 13 - Operating Leases

### Lessee Commitments

The Center has entered into certain other operating leases for equipment, office space, vehicles, and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures under all operating leases were approximately \$8,929 and \$9,660 for the years ended June 30, 2016 and 2015, respectively.

# The University of Oklahoma Health Sciences Center

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## Lessor Agreements

The Center has various non-cancelable operating leases consisting of Center owned building space or land leased to non-Center entities. The majority of the leases are for space leased at the University Research Park (URP) which was purchased by the Center in October 2013. Various other leases from other Center owned property are also in effect. The following schedule presents minimum future rentals receivable by property from these contracts (In Thousands):

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
University Research Park	\$ 5,303	\$ 5,407	\$ 3,971	\$ 3,816	\$ 2,977	\$ 3,832
Harold Hamm Diabetes Center (HHDC)	415	124	128	132	136	572
Student Union (SU)	15	15	15	15	15	30
Land leases	<u>45</u>	<u>45</u>	<u>46</u>	<u>46</u>	<u>46</u>	<u>1,861</u>
	<u>\$ 5,778</u>	<u>\$ 5,591</u>	<u>\$ 4,160</u>	<u>\$ 4,009</u>	<u>\$ 3,174</u>	<u>\$ 6,295</u>

The cost and carrying amount of the leased property attributed to non-cancelable leases as of June 30, 2016 (In Thousands) was as follows:

	<u>URP</u>	<u>HHDC</u>	<u>SU</u>	<u>Land</u>
Land cost	\$ -	\$ -	\$ -	\$ 500
Building cost	35,246	3,818	108	-
Less accumulated depreciation	<u>(1,865)</u>	<u>(486)</u>	<u>(36)</u>	<u>-</u>
Net leased property	<u>\$ 33,381</u>	<u>\$ 3,332</u>	<u>\$ 72</u>	<u>\$ 500</u>

The Center also has various other leases that are cancelable or currently month-to-month. The following schedule includes the cost and carrying amount of the leased property for these leases as of June 30, 2016 (In Thousands):

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Leased Property</u>
University Research Park	\$ 11,409	\$ (603)	\$ 10,806
Student Union	452	(152)	300
Biomedical Research Center	67	(20)	47
Basic Sciences Education Building	16	(7)	9
Family Medicine	76	(31)	45
O'Donoghue Building	404	(336)	68
Rogers Building	135	(35)	100
Stephenson Cancer Center	30,570	(3,048)	27,522
Tulsa Schusterman Center	2,558	(545)	2,013
Land	<u>310</u>	<u>-</u>	<u>310</u>
Net Leased Property	<u>\$ 45,997</u>	<u>\$ (4,777)</u>	<u>\$ 41,220</u>

**Note 14 - Retirement Plans**

The Center’s academic and nonacademic personnel are covered by various retirement plans depending on job classification. The plans available to Center 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
Oklahoma Public Employees Retirement Plan (OPERS)	Cost-Sharing Multiple Employer Defined Benefit Plan
Optional Retirement Plan (ORP)	Defined Contribution Plan
University of Oklahoma Defined Contribution Plan (Plan 1)	Defined Contribution Plan
University of Oklahoma Defined Contribution Plan for Hourly Employees who are Non-OTRS Participants (Plan 2)	Defined Contribution Plan

**Oklahoma Teachers Retirement System**

**Plan Description**

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

**Benefits Provided**

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



Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent 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 two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5 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 ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

# The University of Oklahoma Health Sciences Center

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## Contributions

The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual compensation. The Center's contribution rate is 8.55 percent for the years ended June 30, 2016 and 2015. In addition, the Center is required to contribute 2.5 percent as a result of the adoption of ORP, Plan 1 and Plan 2 (the Alternate Retirement Plans, or ARP) for certain employees that have elected not to participate in OTRS due to a one-time irrevocable election provision which became effective July 1, 2004. The Center's contributions to OTRS in 2016 and 2015, which include the 8.55 percent regular employer contribution and the 2.5 percent ARP contribution, were approximately \$17,656 and \$16,939, respectively, equal to the required contributions each year. In addition, the State of Oklahoma also contributed 5 percent of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the Center and recognized in the Center's Statement of Revenues, Expenses and Changes in Net Position as both revenues and compensation and employee benefit expense in 2016 and 2015 were \$10,645 and \$10,137, respectively. These on-behalf payments do not meet the definition of a special funding situation.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016 and 2015, the Center reported a liability of \$215,886 and \$196,223, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, respectively. The Center's proportion of the net pension liability was based on the Center's contributions to OTRS relative to total contributions of OTRS for all participating employers for the years ended June 30, 2015 and 2014. Based upon this information, the Center's proportion was 3.41236752% and 3.42693201% as of June 30, 2015 and 2014, respectively.

For the years ended June 30, 2016 and 2015, the Center recognized pension expense of \$10,852 and 15,071, respectively. At June 30, 2016 and 2015, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	2015
	(In Thousands)	
Deferred Outflows of Resources		
Changes of assumptions	\$ 9,923	\$ -
Center contributions subsequent to the measurement date	17,656	16,939
Total	\$ 27,579	\$ 16,939
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 7,039	\$ 3,039
Net difference between projected and actual earnings on pension plan investments	14,058	44,619
Changes in proportion	827	-
Total	\$ 21,924	\$ 47,658

# The University of Oklahoma Health Sciences Center

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Deferred pension outflows totaling \$17,656 at June 30, 2016, resulting from the Center's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Deferred pension outflows totaling \$16,939 at June 30, 2015, resulting from the Center's contributions subsequent to the measurement date, were recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred pension outflows totaling \$9,923 at June 30, 2016, resulting from the Center's portion of changes in assumptions, will be recognized in pension expense using the average expected remaining life of the Plan. The deferred inflows totaling \$14,058 and \$44,619 at June 30, 2016 and 2015, resulting from the difference between projected and actual earnings on pension plan investments, will be recognized in pension expense over five years. The deferred inflows totaling \$7,039 and \$3,039 at June 30, 2016 and 2015, resulting from differences between expected and actual experience, will be recognized in pension expense using the average expected remaining life of the Plan. The deferred inflows totaling \$827 at June 30, 2016, due to changes in proportion, will be recognized in pension expense using the average expected remaining life of the Plan. The average expected remaining service life of the plan participants is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the Plan are estimated at 6.22 and 6.32 years at June 30, 2015 and 2014, respectively and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

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

<u>Year Ended June 30:</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	(In Thousands)	
2017	\$ 1,901	\$ (7,909)
2018	1,901	(7,909)
2019	1,901	(7,909)
2020	1,901	3,247
2021	1,901	(1,216)
Thereafter	418	(228)
	<u>\$ 9,923</u>	<u>\$ (21,924)</u>

## Actuarial Assumptions

The total pension liability was determined based on actuarial valuations prepared as of July 1, 2015 and 2014, using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Amortization Method—Level Percentage of Payroll
- Amortization Period—Amortization over an open 30-year period
- Asset Valuation Method—5-year smooth market
- Inflation—3.00 percent
- Salary Increases:

July 1, 2015 - Composed of 3.75 percent inflation, including a 3.00 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service.

July 1, 2014 - Composed of 3.00 percent inflation, plus 1.00 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.

# The University of Oklahoma Health Sciences Center

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- Investment Rate of Return—8.00 percent
- Retirement Age:
  - July 1, 2015 - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
  - July 1, 2014 – Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality:
  - July 1, 2015 - RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 60 percent for males and 50 percent for females.
  - July 1, 2014 – RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90 percent for males and 80 percent for females.

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, 2015 and 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		2015	2014
Domestic All Cap Equity*	7.0%	6.0%	8.9%
Domestic Large Cap Equity	10.0%	5.3%	8.5%
Domestic Mid Cap Equity	13.0%	6.1%	9.2%
Domestic Small Cap Equity	10.0%	6.6%	9.2%
International Large Cap Equity	11.5%	5.8%	9.2%
International Small Cap Equity	6.0%	5.8%	9.2%
Core Plus Fixed Income	17.5%	1.8%	4.3%
High-yield Fixed Income	6.0%	4.1%	6.7%
Private Equity	5.0%	7.6%	10.1%
Real Estate**	7.0%	5.5%	7.8%
Master Limited Partnerships	7.0%	7.6%	10.1%
<b>Total</b>	<b>100.0%</b>		

\* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small Cap

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

The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

**Discount Rate**

The discount rate used to measure the total pension liability at June 30, 2015 and 2014 was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5 percent of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability of the Center calculated using the discount rate of 8.0 percent, as well as what the Center's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (7.0%) or 1-percentage point higher (9.0%) than the current rate (In Thousands):

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
<u>June 30, 2016</u>			
Center's net pension liability	<u>\$ 297,923</u>	<u>\$ 215,886</u>	<u>\$ 146,802</u>
<u>June 30, 2015</u>			
Center's net pension liability	<u>\$ 275,668</u>	<u>\$ 196,223</u>	<u>\$ 129,169</u>

**Oklahoma Law Enforcement Retirement System**

Certain Center employees are members of the OLERS. The Center has recorded the following amounts related to these employees participation in OLERS (In Thousands):

	2016	2015
Net pension liability	\$ 1,823	\$ 705
Deferred outflows related to pensions	900	174
Deferred inflows related to pensions	500	1,148
Pension expense	299	163

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

**Oklahoma Public Employees Retirement System**

Certain Center employees are members of the OPERS. The Center has recorded the following amounts related to these employees participation in OPERS (In Thousands):

	2016	2015
Net pension liability	\$ 34	\$ 95
Deferred outflows related to pensions	29	35
Deferred inflows related to pensions	262	349
Pension expense	(115)	6

Because the Center’s participation in OPERS is not material to the Center’s financial statements, additional information and disclosures are not included in these financial statements. OPERS issues a publicly available annual financial report that can be obtained at [www.opers.ok.gov](http://www.opers.ok.gov).

**Defined Contribution Plan—Optional Retirement Plan**

**Plan Description**

Monthly employees, hired July 1, 2004 or later, who would have been previously required to participate in OTRS, now have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 90 days of employment. This is a one-time election, and if an employee does not make an election, the employee defaults into OTRS and will also participate in Plan 1 or 2 of the Defined Contribution Plan noted below. Hourly employees not participating in OTRS are also included in this plan; however, their option to not participate in OTRS is revocable and can be changed upon their request.

Under the ORP, the Center contributes, at the direction of the participating employee, to the master record keeper, Fidelity Investments Company. The ORP is a non-contributory defined contribution plan, and the retirement investment firm is separately managed. Participants in the plan have the ability to direct their investments to a variety of different fund options and companies within the plan. The authority for contributing to the Defined Contribution plans is contained in the following policy document, “University of Oklahoma Defined Contribution Retirement Plan,” amended and restated July 2004.

**Funding Policy**

The ORP provisions and contribution requirements are established and may be amended by the Center. The Center’s contribution rate is 9 percent of covered payroll and is determined by the previously mentioned plan document. The Center’s contributions to the ORP for the years ended June 30, 2016 and 2015 were approximately \$24,599 and \$22,317, respectively. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

**Defined Contribution Plan—Plan 1 and Plan 2**

**Plan Descriptions**

For employees participating in OTRS, contributions to the defined contribution plan fall into Plan 1 or Plan 2 depending upon the employee’s participation date. The Center contributes, at the direction of the participating employee, to the master record keeper, Fidelity Investments Company. Plans 1 and 2 are non-contributory defined contribution plans, and the retirement investment firm is separately managed.

Participants in the plan have the ability to direct their investments to a variety of different fund options and companies within the plan. The authority for contributing to the Defined Contribution plans is contained in the following policy document, “University of Oklahoma Defined Contribution Retirement Plan,” amended and restated July 2004.

**Funding Policy**

Plan 1 and Plan 2 provisions and contribution requirements are established and may be amended by the Center. The Center’s contribution rate is 15 percent for Plan 1 and 8 percent for Plan 2 of covered payroll and is determined by the previously mentioned plan document. Total contributions to Plans 1 and 2 were \$12,276 and \$7,236, respectively, for the year ended June 30, 2016. Total contributions to Plans 1 and 2 were \$11,854 and \$6,620, respectively, for the year ended June 30, 2015. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

**Note 15 - Other Postemployment Benefits**

**Plan Description**

Health and dental insurance is provided by the Center for all retirees who began employment prior to January 1, 2008 and meet specific age and service requirements, with varying premium subsidies based on retirement age and years of service as described below. Employees hired on or after January 1, 2008 may participate in the retiree insurance plan at the group rates at the retiree’s own expense. Retirees may also elect the Center’s health and dental coverage for eligible dependents at their own expense. The Center’s retiree insurance plan is considered a single-employer defined benefit plan. After retirees become eligible for Medicare primary coverage, those participating in the OTRS (see Note 14) are provided with the Oklahoma State and Education Employees Group health plan as a secondary plan. For retirees not participating in OTRS, the Center’s insurance continues in a secondary role. The Center’s plan does not issue a standalone financial report. The Center has the authority to establish and amend the benefit provisions offered to retirees. The Board of Regents approved the following changes to the Retiree Medical Benefits Plan at their May 2012 meeting.

1. As part of these changes, two eligibility groups were established for future subsidized Center retiree medical benefits:

Group 1—Current retirees, employees currently eligible to retire, and those who will meet eligibility for retirement on or before December 31, 2015.

Group 2—Current employees hired on or before January 1, 2008 who will meet eligibility requirements on or after January 1, 2016.

2. The Center will continue to provide a 100 percent premium subsidy for Group 1 retirees.

3. An insurance premium subsidy for Group 2 was established as follows:

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

The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

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

**Funding Policy**

For the Center's plan, the contribution requirement is based on a projected pay-as-you-go basis. The funding policy may be amended by the Regents of the University. The Center pays the premiums for the current retirees. On June 30, 2016, there were 1,566 individuals who met the age and service eligibility requirements, and 1,027 were retired and participated in the plan. For the years ended June 30, 2016 and 2015, the Center contributed \$3,489 and \$3,081, respectively, for current retirees.

**Annual OPEB Cost and Net OPEB Obligation**

The Center's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* (GASB No. 45). The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

	2016	2015
	(In Thousands)	
Annual Required Contribution (ARC)	\$ 10,127	\$ 9,462
Interest on net OPEB obligation	4,383	4,035
Adjustment to ARC	<u>(3,751)</u>	<u>(3,452)</u>
Annual OPEB cost	10,759	10,045
Contributions paid during year	<u>(3,489)</u>	<u>(3,081)</u>
Increase in net OPEB obligation	7,270	6,964
Net OPEB Obligation—beginning of year	<u>87,656</u>	<u>80,692</u>
Net OPEB Obligation—end of year	<u>\$ 94,926</u>	<u>\$ 87,656</u>



**Funded Status and Funding Progress**

The unfunded actuarial accrued liability totaled \$137,216 as of the July 1, 2015 actuarial valuation date. The initial unfunded actuarial accrued liability (UAAL) is being amortized over an open period of thirty years using the level percentage of projected covered payroll amortization method. The covered payroll (annual payroll of active employees covered by the plan, subsidized and nonsubsidized) was \$356,147, and the ratio of the UAAL to the covered payroll was 39 percent.

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

**Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual OPEB</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2016	\$ 10,759	32%	\$ 94,926
2015	10,045	31%	87,656
2014	8,597	34%	80,692

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the Retirement Policy document, amended as of July 1, 2002. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in reported amounts and reflect a long-term perspective of the calculations. In the July 1, 2015 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5% investment rate of return, which is based on the expected long-term investment returns of the Center’s own investments, an annual healthcare cost trend rate of 8.5% initially, reduced by decrements to 4.5% after seven years, and a payroll annual inflation rate of 3.5%.

**Note 16 - Risk Management**

Due to the diverse risk exposure of the Center, the insurance portfolio contains a comprehensive variety of coverage. Oklahoma Statutes require participation of all State agencies in basic general liability, tort claim coverage, directors’ and officers’ liability, crime, and property and casualty programs provided by the State of Oklahoma Division of Capital Assets Management Risk Management Department (DCAMRM). In addition to these basic policies, the Center’s Office of Enterprise Risk Management (ERM) establishes guidelines in risk assessment, risk avoidance, risk acceptance, and risk transfer.

The Center and 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 either directly from a provider or through DCAMRM. These coverages are as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$500 deductible.
- In addition, certain fine arts and valuable papers are covered under a separate policy of insurance.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles, and equipment) are provided to the Center by DCAMRM. Also included in DCAMRM coverages is Foreign General Liability and ACE Executive Services to employees traveling internationally in the course and scope of their employment. The Governmental Crime Policy has differing deductibles, ranging from \$5 to \$25, depending on the type of coverage invoked. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the Center as a whole. The Center has filed one claim with the State in the past three fiscal years.
- Educators' Legal Liability/ Directors and Officers, with a \$150 retention (deductible).
- Medical malpractice losses are insured by Academic Physicians Insurance Company, a captive insurance company formed to finance the medical professional liability insurance for the Center.

To the best of ERM's knowledge, settled claims have not exceeded coverage in any of the three preceding years.

#### **Self-Funded Programs**

The Center's workers' compensation program is self-funded and is administered by a third party. The Center maintains a cash deposit with the administrator and reimburses the administrator for claims paid on a monthly basis, and administrative expenses are paid on a quarterly basis. Benefits provided are prescribed by State Statute and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The Center records a liability for workers' compensation in its financial statements based on annual actuarial valuations. As of June 30, 2016 and 2015, the accrued workers' compensation liability totaled approximately \$1,416 and \$1,835, respectively.

The Center's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission (OESC). As a reimbursing employer, the Center is billed quarterly by the OESC for benefits paid to former employees. The Center's reserve with the OESC is the average claims paid over the past three years. As of June 30, 2016 and 2015, the required reserve was \$338 and \$342, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

Effective July 1, 2013 the Center entered into an agreement for self-funded student health insurance. The plan is administered by a third party, and claims are processed by Blue Cross Blue Shield. The premiums for the insurance are paid by the student directly to Academic HealthPlans (AHP) into a fund managed by AHP. The claims and administrative expenses are paid as incurred directly from the fund. The Center records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2016 and 2015, the cash balance for the plan was \$331 and \$339, respectively, and the accrued liability for claims not yet reported totaled \$133 and \$111, respectively.

Effective January 1, 2015 the Center entered into an agreement for self-funded employee health insurance. The self-funded plan applies to non-HMO employee health coverage. The plan is administered and claims are paid by Blue Cross Blue Shield. The premiums for the insurance are collected and recorded in a self-insurance fund at the Center. The claims and administrative expenses are paid as incurred directly from the fund. The Center records the cash balance of the fund in its financial statements, as well as an actuarially determined liability for incurred but not reported claims. As of June 30, 2016 and 2015, the cash balance for the plan was \$7,676 and \$3,777, respectively and the accrued liability for claims not yet reported totaled \$2,479 and \$2,784, respectively.

### **Note 17 - Contingencies and Commitments**

At June 30, 2016 and 2015, the Center had outstanding commitments under construction contracts of \$123 and \$1,285, respectively.

In the normal course of operations, the Center is a defendant in several lawsuits; however, Center officials are of the opinion, based on the advice of in-house legal counsel, that the ultimate outcome of this litigation will not have a material effect on the future operations or financial position of the Center.

The U.S Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigation and compliance audits of health care providers. The Center is subject to these regulatory efforts. Management is currently unaware of any regulatory matters, which will have material adverse effect on the Center's financial position or results of operations.

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

### **Note 18 - Affiliates and Related Party Transactions**

**HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center:** The Center has contracts with HCA Health Services of Oklahoma, Inc. d/b/a OU Medical Center (HCA) for the Center's staff to provide in-service education and administrative duties within University Hospital and Children's Hospital of Oklahoma, two of the institutions comprising the OU Medical Center. In addition, the Center provides phone services and steam and chilled water for heating and cooling purposes to the OU Medical Center. Total sales and services under the above transactions were approximately \$39,605 and \$38,107 for 2016 and 2015, respectively. Amounts due from HCA for such transactions were \$8,687 and \$7,673 as of June 30, 2016 and 2015, respectively, and are included in accounts receivable, net of allowances, on the statements of net position.

**The Tulsa Foundation for Health Care Services, Inc.:** The Tulsa Foundation for Health Care Services, Inc. (the Tulsa Foundation) is an Oklahoma not-for-profit organization organized for the benefit of, to perform the functions of, or to carry out the purposes of the University of Oklahoma College of Medicine— Tulsa Bedlam Clinic and/or successor clinics. The purposes of the Tulsa Foundation are exclusively charitable, educational, and research, specifically to receive funds from various entities to provide compassionate medical and health care services for the underserved community in the greater Tulsa area with an emphasis on caring for children and their families through the Bedlam Clinic or its successor entities. The economic resources received and held by the Tulsa Foundation for the benefit of the Center are not significant to its overall financial position. As a result, the Tulsa Foundation is not considered a component unit of the Center.

**The Academic Physicians Insurance Company:** The Academic Physicians Insurance Company (the Captive), formed in 2006, is a not-for-profit insurance company formed and domiciled in the State of Vermont as an Alternative Risk Financing Vehicle for the purpose of financing the medical professional liability insurance for College of Medicine faculty practicing as OU Physicians. Premiums paid by the Center to obtain professional liability coverage from the Captive totaled \$10,398 and \$10,559 for fiscal years 2016 and 2015, respectively, thus eliminating the Center's deductible expense for current and future claims. As of and for the year ended June 30, 2016, the economic resources of the Captive include total assets of \$52,089, total revenue of \$8,758, and total equity of \$25,200. The Captive is not considered a component unit of the Center as the economic resources received and held by the Captive are not significant to the Center's overall financial position and the Center is not entitled to or have the ability to otherwise access a majority of the resources received or held by the Captive.

**The University of Oklahoma Foundation:** The OU Foundation is a public foundation organized to receive and administer gifts for the benefit of the Norman Campus and the Center. At June 30, 2016 and 2015, the OU Foundation had net position of approximately \$1,399,952 (unaudited) and \$1,354,034 (audited), respectively. The OU Foundation expended on behalf of the Norman Campus and the Center approximately \$105,278 in 2016 and \$88,189 in 2015 for facilities and equipment, salary supplements, general educational assistance, faculty awards, and scholarships. Of these expenditures, \$23,819 in 2016 and \$14,406 in 2015 are reflected in the Center's financial statements as revenue or private gifts and expenditures. The amounts not reflected herein consist of direct OU Foundation expenditures for general university educational purposes and amounts reflected in the Norman Campus financial statements.

The Center's investments are also held by OU Foundation.

As discussed in Note 1, the OU Foundation is not considered a component unit of the Center because the resources received and held by the OU Foundation are not entirely or almost entirely held for the benefit of the Center.

### **Note 19 - Subsequent Events**

The Center has evaluated events and transactions that occurred subsequent to June 30, 2016, through October 20, 2016, the date these financial statements were available to be issued, for potential recognition or disclosure in the financial statements. On June 20, 2016, the Board of Regents gave the Center the authority to enter into an agreement to acquire, for \$20,150, real property of the Oklahoma City Clinics. There are 4 locations across the Oklahoma City metro area, with the prominent location of the property within the clinical corridor of the campus. The settlement date of the property was July 15, 2016.

The University of Oklahoma Health Sciences Center

Notes to Financial Statements  
June 30, 2016 and 2015 (in thousands)

**Note 20 - Functional Classifications**

For the years ended June 30, 2016 and 2015, the following table represents operating expenses within functional classification:

	<u>2016</u>	<u>2015</u>
	(In Thousands)	
Function:		
Instruction	\$ 213,767	\$ 213,627
Research	87,826	82,877
Public service	26,045	27,712
Academic support	45,744	43,505
Student services	6,563	4,781
Institutional support	23,155	26,582
Operations and maintenance of plant	29,549	30,981
Scholarships/Fellowships	950	1,804
Clinical operations	503,945	476,123
Agency	4	1
Auxiliary enterprises	8,848	8,472
Service unit	16,975	17,138
Plant	<u>10,331</u>	<u>6,181</u>
Total operating expenses	<u>\$ 973,702</u>	<u>\$ 939,784</u>



Required Supplementary Information  
June 30, 2016 and 2015

**The University of Oklahoma Health  
Sciences Center**

The University of Oklahoma Health Sciences Center  
Schedule of Funding Progress for Other Post-Employment Health and Life Insurance Benefits (Unaudited)  
Year Ended June 30, 2016

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) —entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b/a) / c)
January 1, 2014	\$ -	\$ 106,445	\$ 106,445	-	\$ 330,214	32%
July 1, 2014	-	123,793	123,793	-	339,742	36%
July 1, 2015	-	137,216	137,216	-	356,147	39%

**Notes to Required Supplementary Information**

**Annual required contributions**

See Note 15 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

**Benefit provisions**

During the year ended June 30, 2012, the University's Board of Regents approved significant changes to the University's retiree health/dental insurance plans. A more complete description of changes is described in Note 15 to the financial statements.

The University of Oklahoma Health Sciences Center  
 Schedule of the Center's Proportionate Share of the Net Pension Liability (Unaudited)  
 Oklahoma Teacher's Retirement System (OTRS)

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**Last 10 Fiscal Years \***

(Dollar Amounts In Thousands)

	2016	2015
Center's proportion of the net pension liability	3.4%	3.4%
Center's proportionate share of the net pension liability	\$ 215,886	\$ 196,223
Center's covered-employee payroll	159,865	156,304
Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll	135.0%	125.5%
Plan fiduciary net position as a percentage of the total pension liability	70.3%	72.4%

**Notes to Schedule**

\* Only the current and prior fiscal years are presented because 10-year data is not yet available.



The University of Oklahoma Health Sciences Center  
 Schedule of the Center's Contributions (Unaudited)  
 Oklahoma Teacher's Retirement System (OTRS)

**Last 10 Fiscal Years**  
 (Dollar Amounts in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 13,734	\$ 13,364	\$ 13,291	\$ 13,174	\$ 13,279	\$ 12,711	\$ 12,480	\$ 11,714	\$ 10,998	\$ 9,406
Contributions in relation to the contractually required contribution	<u>(13,734)</u>	<u>(13,364)</u>	<u>(13,291)</u>	<u>(13,174)</u>	<u>(13,279)</u>	<u>(12,711)</u>	<u>(12,480)</u>	<u>(11,714)</u>	<u>(10,998)</u>	<u>(9,406)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Center's covered-employee payroll	<u>\$ 159,865</u>	<u>\$ 156,304</u>	<u>\$ 155,156</u>	<u>\$ 153,450</u>	<u>\$ 154,379</u>	<u>\$ 147,297</u>	<u>\$ 148,491</u>	<u>\$ 149,100</u>	<u>\$ 147,005</u>	<u>\$ 131,903</u>
Contributions as a percentage of covered-employee payroll	8.59%	8.55%	8.57%	8.59%	8.60%	8.63%	8.40%	7.86%	7.48%	7.13%



Other Supplementary Information  
Year Ended June 30, 2016

**The University of Oklahoma Health  
Sciences Center**



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

Board of Regents  
University of Oklahoma  
Norman, Oklahoma

We have audited, in accordance with the 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 Health Science Center (the Center), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2016, 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, which collectively comprise the Center’s basic financial statements, and have issued our report thereon dated October 20, 2016. Our report includes an emphasis of matter paragraph describing the acknowledgement that the Center is an organizational unit of the Regents and these financial statements reflect only the assets, liabilities, and revenues and expenses of the Center and not the Regents as a whole.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center’s internal control over financial reporting (internal control) to determine the 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 Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center’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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-A, that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**The Center's Response to Findings**

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center'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.

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

Oklahoma City, Oklahoma  
October 20, 2016



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

Board of Regents of the University of Oklahoma  
University of Oklahoma Health Science Center  
Norman, Oklahoma

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

We have audited the compliance of the University of Oklahoma Health Sciences Center (the Center) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2016. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

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

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

The Center's responses to the internal control over compliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The Center's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Oklahoma City, Oklahoma  
October 20, 2016

The University of Oklahoma Health Sciences Center  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2016

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**Research and Development**

Department of Health and Human Services	\$ 57,507,465
Department of Defense	177,857
Department of Education	1,066,071
National Science Foundation	109,484
Other Federal Agencies	123,249
	<u>123,249</u>

Total Research and Development	<u>58,984,126</u>
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**Instruction**

Department of Health and Human Services - ARRA	56,160
Department of Health and Human Services	3,886,971
Department of Defense	341,052
Department of Agriculture	1,610,012
Department of Justice	1,559,089
Other Federal Agencies	194,130
	<u>194,130</u>

Total Instruction	<u>7,647,414</u>
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**Other**

Department of Health and Human Services	11,598,190
Department of Agriculture	282,820
Department of Justice	118,473
	<u>118,473</u>

Total Other	<u>11,999,483</u>
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**Student Financial Aid**

Department of Education	62,151,596
Department of Health and Human Services	7,956,733
	<u>7,956,733</u>

Total Student Financial Aid	<u>70,108,329</u>
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Total Federal Program Expenditures	<u>\$ 148,739,352</u>
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The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
<b>DHHS Research - Direct</b>						
Department of Health and Human Services	Direct	93.110	1R40MC29449	Maternal and Child Health Bureau	19,530	
Department of Health and Human Services	Direct	93.121	2R15DE019940	Natl Inst of Dental & Craniofacial Research	53,279	
Department of Health and Human Services	Direct	93.121	1R01DE021726	Natl Inst of Dental & Craniofacial Research	148,166	
Department of Health and Human Services	Direct	93.121	1R21DE024235	Natl Inst of Dental & Craniofacial Research	205,458	
Department of Health and Human Services	Direct	93.127	5H33MC06689	Maternal and Child Health Bureau	168,950	
Department of Health and Human Services	Direct	93.213	1R01AT006526	Natl Ctr on Complementary & Alternative Medicine	160,010	
Department of Health and Human Services	Direct	93.226	1R21HS024064	Agency for Healthcare Research & Quality	153,069	
Department of Health and Human Services	Direct	93.226	1R18HS023919	Agency for Healthcare Research & Quality	4,179,022	97,790
Department of Health and Human Services	Direct	93.226	1P30HS021644	Agency for Healthcare Research & Quality	108,281	72,292
Department of Health and Human Services	Direct	93.226	1R18HS023237	Agency for Healthcare Research & Quality	273,269	62,703
Department of Health and Human Services	Direct	93.242	7K08MH099240	Natl Inst of Mental Health	102,105	
Department of Health and Human Services	Direct	93.262	5R01OH010241	Natl Inst of Occupational Safety & Health	648,413	73,762
Department of Health and Human Services	Direct	93.273	1R21AA022596	Office of Aids Research	130,412	7,193
Department of Health and Human Services	Direct	93.273	2R01AA012207	Natl Inst on Alcohol Abuse & Alcoholism	562,730	257,295
Department of Health and Human Services	Direct	93.279	7R01DA032581	National Institute on Drug Abuse	74,044	
Department of Health and Human Services	Direct	93.279	7R21DA038001	National Institute on Drug Abuse	42,433	
Department of Health and Human Services	Direct	93.307	1R01MD011266	Natl Ctr on Complementary & Alternative Medicine	10,091	
Department of Health and Human Services	Direct	93.307	2P20MD000528	Natl Ctr on Minority Health & Health Disparities	1,279,113	186,476
Department of Health and Human Services	Direct	93.351	1P40OD010431	Office of the Director, NIH	751,422	132,207
Department of Health and Human Services	Direct	93.351	2P40OD010988	Office of Research Infrastructure Program	1,307,559	242,586
Department of Health and Human Services	Direct	93.393	7R01CA160271	Natl Cancer Inst	245,510	16,634
Department of Health and Human Services	Direct	93.393	2R01CA094962	Natl Cancer Inst	286,184	
Department of Health and Human Services	Direct	93.393	1R01CA19620001A1	Natl Cancer Inst	507,925	
Department of Health and Human Services	Direct	93.393	7R01CA178456	Natl Cancer Inst	284,766	
Department of Health and Human Services	Direct	93.393	7R01CA197314-02	Natl Cancer Inst	128,454	
Department of Health and Human Services	Direct	93.393	7R01CA172786	Natl Cancer Inst	486,832	248,379
Department of Health and Human Services	Direct	93.393	1R03CA181584	Natl Cancer Inst	48,322	
Department of Health and Human Services	Direct	93.394	1R33CA202898	Natl Cancer Inst	20,179	
Department of Health and Human Services	Direct	93.395	R01CA157481	Natl Cancer Inst	263,230	3,346
Department of Health and Human Services	Direct	93.395	1R01CA167516	Natl Cancer Inst	472,364	19,125
Department of Health and Human Services	Direct	93.395	1U10CA180798	Natl Cancer Inst	1,539,213	



The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.395	2R01CA136494	Natl Cancer Inst	109,640	
Department of Health and Human Services	Direct	93.395	7R01CA138701	Natl Cancer Inst	183,005	
Department of Health and Human Services	Direct	93.395	1R21CA186175	Natl Cancer Inst	159,188	
Department of Health and Human Services	Direct	93.395	1R01CA200126	Natl Cancer Inst	6,191	
Department of Health and Human Services	Direct	93.396	1R01CA154745	Natl Cancer Inst	229,631	
Department of Health and Human Services	Direct	93.396	7R01CA096991	Natl Cancer Inst	30,093	
Department of Health and Human Services	Direct	93.396	7R01CA170006	Natl Cancer Inst	182,696	
Department of Health and Human Services	Direct	93.396	1R01CA203108	Natl Cancer Inst	86,513	1,339
Department of Health and Human Services	Direct	93.396	1R01CA182869	Natl Cancer Inst	294,627	37,843
Department of Health and Human Services	Direct	93.396	1R01CA186338	Natl Cancer Inst	324,960	55,075
Department of Health and Human Services	Direct	93.837	1R01HL118558	Natl Heart, Lung and Blood Institue	303,812	
Department of Health and Human Services	Direct	93.837	1R56HL128393	Natl Heart, Lung and Blood Institue	292,314	68,677
Department of Health and Human Services	Direct	93.837	2R56HL056267	Natl Heart, Lung and Blood Institue	226,057	
Department of Health and Human Services	Direct	93.837	1R01HL122166	Natl Heart, Lung and Blood Institue	306,750	
Department of Health and Human Services	Direct	93.837	1R01HL109284	Natl Heart, Lung and Blood Institue	893,081	
Department of Health and Human Services	Direct	93.837	1R01HL120585	Natl Heart, Lung and Blood Institue	515,439	35,360
Department of Health and Human Services	Direct	93.837	1R01HL105302	Natl Heart, Lung and Blood Institue	79,949	
Department of Health and Human Services	Direct	93.837	F31HL127982	Natl Heart, Lung and Blood Institue	17,832	
Department of Health and Human Services	Direct	93.837	1R01HL102074	Natl Heart, Lung and Blood Institue	141,441	
Department of Health and Human Services	Direct	93.837	41R01HL117729	Natl Heart, Lung and Blood Institue	824,589	324,497
Department of Health and Human Services	Direct	93.838	1R01HL116863	Natl Heart, Lung and Blood Institue	355,995	
Department of Health and Human Services	Direct	93.839	1R01HL104286	Natl Heart, Lung and Blood Institue	195,524	
Department of Health and Human Services	Direct	93.846	1R01AR064211	Natl Inst of Arthritis & Musculoskeletal Disease	426,673	
Department of Health and Human Services	Direct	93.847	5R01DK082766	Natl Inst of Diabetes & Digestive Kidney Disease	48,431	
Department of Health and Human Services	Direct	93.847	5U01DK085508	Natl Inst of Diabetes & Digestive Kidney Disease	6,539	
Department of Health and Human Services	Direct	93.847	7R01DK097092	Natl Inst of Diabetes & Digestive Kidney Disease	444,460	
Department of Health and Human Services	Direct	93.847	1R01DK093403	Natl Inst of Diabetes & Digestive Kidney Disease	264,731	
Department of Health and Human Services	Direct	93.847	1R01DK089034	Natl Inst of Diabetes & Digestive Kidney Disease	55,244	6,925
Department of Health and Human Services	Direct	93.847	5R01DK059599	Natl Inst of Diabetes & Digestive Kidney Disease	49,591	
Department of Health and Human Services	Direct	93.847	1P20DK097799	Natl Inst of Diabetes & Digestive Kidney Disease	12,302	
Department of Health and Human Services	Direct	93.853	1F31NS089358	Natl Inst of Neurological Disorder & Stroke	28,513	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.853	1R01NS064901	Natl Inst of Neurological Disorder & Stroke	181,092	58,237
Department of Health and Human Services	Direct	93.853	2R01NS056218	Natl Inst of Neurological Disorder & Stroke	326,998	
Department of Health and Human Services	Direct	93.853	1R21NS082639	Natl Inst of Neurological Disorder & Stroke	211,217	
Department of Health and Human Services	Direct	93.853	1R21NS090117	Natl Inst of Neurological Disorder & Stroke	216,399	
Department of Health and Human Services	Direct	93.853	1R01NS072418	Natl Inst of Neurological Disorder & Stroke	144,969	
Department of Health and Human Services	Direct	93.853	1R21NS077466	Natl Inst of Neurological Disorder & Stroke	14,836	
Department of Health and Human Services	Direct	93.855	1R13AI120518	Natl Inst of Allergy & Infectious Disease	10,000	
Department of Health and Human Services	Direct	93.855	2R15AI072718	Natl Inst of Allergy & Infectious Disease	86,672	
Department of Health and Human Services	Direct	93.855	1R21AI121925	Natl Inst of Allergy & Infectious Disease	55,006	
Department of Health and Human Services	Direct	93.855	1R01AI119048	Natl Inst of Allergy & Infectious Disease	233,392	
Department of Health and Human Services	Direct	93.855	1R03AI123951	Natl Inst of Allergy & Infectious Disease	10,142	
Department of Health and Human Services	Direct	93.855	1R13AI120495	Natl Inst of Allergy & Infectious Disease	7,000	
Department of Health and Human Services	Direct	93.855	2R01AI059373	Natl Inst of Allergy & Infectious Disease	309,440	
Department of Health and Human Services	Direct	93.855	2R01AI037657	Natl Inst of Allergy & Infectious Disease	404,700	
Department of Health and Human Services	Direct	93.855	2R56AI078993	Natl Inst of Allergy & Infectious Disease	145,867	12,687
Department of Health and Human Services	Direct	93.855	1R21AI094141	Natl Inst of Allergy & Infectious Disease	5,637	
Department of Health and Human Services	Direct	93.855	7R56AI118836	Natl Inst of Allergy & Infectious Disease	253,112	
Department of Health and Human Services	Direct	93.855	2R01AI053108	Natl Inst of Allergy & Infectious Disease	255,671	
Department of Health and Human Services	Direct	93.855	1R01AI088011	Natl Inst of Allergy & Infectious Disease	341,664	33,331
Department of Health and Human Services	Direct	93.859	2R01GM060651	Natl Inst of General Medical Sciences	321,035	
Department of Health and Human Services	Direct	93.859	7R01GM094268	Natl Inst of General Medical Sciences	379,905	
Department of Health and Human Services	Direct	93.859	9P20GM104934	Natl Inst of General Medical Sciences	2,083,315	274,085
Department of Health and Human Services	Direct	93.859	5P20GM103639	Natl Inst of General Medical Sciences	1,978,165	
Department of Health and Human Services	Direct	93.859	1R01GM113940	Natl Inst of General Medical Sciences	334,963	
Department of Health and Human Services	Direct	93.859	2P20GM103447	Natl Inst of General Medical Sciences	3,745,530	1,157,978
Department of Health and Human Services	Direct	93.859	1U54GM104938	Natl Inst of General Medical Sciences	3,973,281	1,388,898
Department of Health and Human Services	Direct	93.859	1R01GM104251	Natl Inst of General Medical Sciences	310,228	
Department of Health and Human Services	Direct	93.859	2R01GM074692	Natl Inst of General Medical Sciences	162,837	
Department of Health and Human Services	Direct	93.859	2R01GM062964	Natl Inst of General Medical Sciences	132,874	
Department of Health and Human Services	Direct	93.865	1U10HD077680	Natl Inst of Child Health & Human Development	289,425	36,519
Department of Health and Human Services	Direct	93.865	1R01HD074579	Natl Inst of Child Health & Human Development	277,305	77,938
Department of Health and Human Services	Direct	93.866	1R01AG045693	Natl Inst on Aging	686,354	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.866	1R01AG049780	Natl Inst on Aging	51,183	
Department of Health and Human Services	Direct	93.866	1R01AG047879	Natl Inst on Aging	268,904	
Department of Health and Human Services	Direct	93.866	1R01AG038747	Natl Inst on Aging	495,004	73,680
Department of Health and Human Services	Direct	93.866	1P30AG050911	Natl Inst on Aging	536,377	325,703
Department of Health and Human Services	Direct	93.866	1R15AG048535	Natl Inst on Aging	185,257	96,285
Department of Health and Human Services	Direct	93.867	2R01EY019309	Natl Eye Inst	162,805	
Department of Health and Human Services	Direct	93.867	2R01EY018656	Natl Eye Inst	160,131	
Department of Health and Human Services	Direct	93.867	2R01EY021238	Natl Eye Inst	433,736	
Department of Health and Human Services	Direct	93.867	1R21EY024520	Natl Eye Inst	121,215	
Department of Health and Human Services	Direct	93.867	1R01EY022778	Natl Eye Inst	155,603	33,203
Department of Health and Human Services	Direct	93.867	1R01EY023568	Natl Eye Inst	329,570	21,941
Department of Health and Human Services	Direct	93.867	1F31EY025168-01A1	Natl Eye Inst	28,564	
Department of Health and Human Services	Direct	93.867	1R01EY024951	Natl Eye Inst	315,395	
Department of Health and Human Services	Direct	93.867	7R01EY021716	Natl Eye Inst	197,205	
Department of Health and Human Services	Direct	93.867	2R01EY016507	Natl Eye Inst	9,698	
Department of Health and Human Services	Direct	93.867	2R01EY004149	Natl Eye Inst	484,992	
Department of Health and Human Services	Direct	93.867	1R01EY019490	Natl Eye Inst	201,906	
Department of Health and Human Services	Direct	93.867	2R01EY010609	Natl Eye Inst	227,322	
Department of Health and Human Services	Direct	93.867	1R01EY025947	Natl Eye Inst	230,126	75,776
Department of Health and Human Services	Direct	93.867	1R21EY022466	Natl Eye Inst	468	
Department of Health and Human Services	Direct	93.867	1P30EY021725	Natl Eye Inst	564,596	
Department of Health and Human Services	Direct	93.867	1R01EY022111	Natl Eye Inst	589,417	153,402
Department of Health and Human Services	Direct	93.867	2R01EY009391	Natl Eye Inst	258,964	
Department of Health and Human Services	Direct	93.867	2R01EY018137	Natl Eye Inst	24,720	
Department of Health and Human Services	Direct	93.867	1R13EY022574	Natl Eye Inst	8,471	
Department of Health and Human Services	Direct	93.867	2R01EY019494	Natl Eye Inst	241,449	
Department of Health and Human Services	Direct	93.867	2R01EY000871	Natl Eye Inst	20,678	
Department of Health and Human Services	Direct	93.867	1R01EY022071	Natl Eye Inst	300,783	
Department of Health and Human Services	Direct	93.867	1R21EY025256	Natl Eye Inst	204,199	16,957
Department of Health and Human Services	Direct	93.867	2R01EY012231	Natl Eye Inst	59,805	
Department of Health and Human Services	Direct	93.867	1R01EY020900	Natl Eye Inst	19,608	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.867	1R21EY024583	Natl Eye Inst	133,160	
Department of Health and Human Services	Direct	93.867	2R01EY018659	Natl Eye Inst	342,956	
Department of Health and Human Services	Direct	93.867	1R01EY024140	Natl Eye Inst	408,759	
Department of Health and Human Services	Direct	93.xxx	HHSF2232012100081	Food and Drug Administration	525,094	
Department of Health and Human Services	Direct	93.xxx	HHSN2612012000131	Natl Cancer Inst	1,469,462	735,400
Department of Health and Human Services	Direct	93.xxx	HHSN2612012000201	Natl Cancer Inst	788,562	362,140
Department of Health and Human Services	Direct	93.xxx	HHSN2612015000381	Natl Cancer Inst	280,989	
<b>Total DHHS Direct Research</b>					<b>50,482,310</b>	<b>6,883,664</b>
<b>Research Direct - Other</b>						
Department of Defense	Direct	12.420	W81XWH1410392	Dept of the Army	128,621	
Department of Education	Direct	84.324	R324A110353		275,159	125,955
Department of Education	Direct	84.324	R324A120232		791,036	459,298
<b>Total Other Direct Research</b>					<b>1,194,816</b>	<b>585,253</b>
<b>Total Direct Research</b>					<b>51,677,126</b>	<b>7,468,917</b>
<b>DHHS Research - Pass Through</b>						
Department of Health and Human Services	Pass-Through	93.077	5P50CA180906	Univ of Texas MD Anderson Cancer Center	41,122	
Department of Health and Human Services	Pass-Through	93.103	1R01FD003932	Ohio State University	8,803	
Department of Health and Human Services	Pass-Through	93.110	5H46MC24089	Univ of Arkansas for Medical Sciences	25,890	
Department of Health and Human Services	Pass-Through	93.110	1R40MC23632	University of Colorado	3,601	
Department of Health and Human Services	Pass-Through	93.121	1R01DE024964	Penn State University	116,848	
Department of Health and Human Services	Pass-Through	93.127	U03MC288450100	University of Arizona	92,809	
Department of Health and Human Services	Pass-Through	93.136	1U01CE002500	Oregon State University	14,683	
Department of Health and Human Services	Pass-Through	93.226	5R18HS023258	Rutgers University	22,256	
Department of Health and Human Services	Pass-Through	93.226	1U19HS021110	Univ of Alabama at Birmingham	10,621	
Department of Health and Human Services	Pass-Through	93.242	1R01MH098099	Laureate Institute for Brain Research	93,033	
Department of Health and Human Services	Pass-Through	93.242	2R01MH072961	University of California, San Diego	7,258	
Department of Health and Human Services	Pass-Through	93.242	1R01MH092950	University of California, San Diego	6,544	
Department of Health and Human Services	Pass-Through	93.243	5U79SM061259	John Hopkins University	8,553	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Pass-Through	93.262	1R21OH010373	Univ of Alabama at Birmingham	5,040	
Department of Health and Human Services	Pass-Through	93.262	2T42OH008436	Univ of Alabama at Birmingham	4,762	
Department of Health and Human Services	Pass-Through	93.262	2T42OH008421	Univ of Texas Health Sciences Center	8,038	
Department of Health and Human Services	Pass-Through	93.273	1R01AA021661	Penn State University	13,324	
Department of Health and Human Services	Pass-Through	93.279	5R01DA033289	Univ of Texas MD Anderson Cancer Center	1,478	
Department of Health and Human Services	Pass-Through	93.297	90AP2665	Oklahoma Institute for Child Advocacy	45,282	
Department of Health and Human Services	Pass-Through	93.310	3U01AR057956	Children's Hospital of Philadelphia	6,664	
Department of Health and Human Services	Pass-Through	93.361	1R01NR014248	Cincinnati Children's Hospital Medical Center	40,350	
Department of Health and Human Services	Pass-Through	93.361	1R01NR014831	University of Pittsburgh	4,693	
Department of Health and Human Services	Pass-Through	93.389	1U01DK61055	University of South Florida	45,198	
Department of Health and Human Services	Pass-Through	93.393	1R01CA184781	Univ of Texas MD Anderson Cancer Center	18,281	
Department of Health and Human Services	Pass-Through	93.393	5R01CA141628	Univ of Texas MD Anderson Cancer Center	115,552	
Department of Health and Human Services	Pass-Through	93.393	1U01CA154280	University of California, San Diego	48,245	
Department of Health and Human Services	Pass-Through	93.395	ACRIN6690	American College of Radiology	102	
Department of Health and Human Services	Pass-Through	93.395	OK003	Brigham and Women's Hospital	97,621	
Department of Health and Human Services	Pass-Through	93.395	1U10CA180886	Children's Hospital of Philadelphia	102,999	
Department of Health and Human Services	Pass-Through	93.395	1R43CA189436	COARE Biotechnology, Inc.	35,793	
Department of Health and Human Services	Pass-Through	93.395	1R43CA186577	COARE Biotechnology, Inc.	50,147	
Department of Health and Human Services	Pass-Through	93.395	U10CA76001	Duke Clinical Research Institute	955	
Department of Health and Human Services	Pass-Through	93.395	U10CA180820	ECOG-ACRIN	34,728	
Department of Health and Human Services	Pass-Through	93.395	1U10CA180868	NRG Oncology Foundation, Inc.	15,035	
Department of Health and Human Services	Pass-Through	93.395		NRG Oncology Foundation, Inc.	709,258	141,610
Department of Health and Human Services	Pass-Through	93.395	1UG1CA189867	NRG Oncology Foundation, Inc.	143,019	
Department of Health and Human Services	Pass-Through	93.395	NCI8601	Oncolytics Biotech	2,357	
Department of Health and Human Services	Pass-Through	93.395	R01CA158300	Optimum Therapeutics LLC	91,127	
Department of Health and Human Services	Pass-Through	93.395	CA32102	Southwest Oncology Group	(7,438)	
Department of Health and Human Services	Pass-Through	93.396	1R01CA165574	University of Nebraska - Lincoln	10,723	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Pass-Through	93.397	1P20CA202921	University of Oklahoma - Norman	97,377	
Department of Health and Human Services	Pass-Through	93.424	1U38OT000140	Association of University Centers on Disabilities	210,561	45,011
Department of Health and Human Services	Pass-Through	93.505	3409020651	Oklahoma Department of Human Services	254,921	
Department of Health and Human Services	Pass-Through	93.505	3409016352	Oklahoma State Department of Health	328,359	118,142
Department of Health and Human Services	Pass-Through	93.605	90CF004701	NorthCare	68,001	
Department of Health and Human Services	Pass-Through	93.652	90CO1092001	Smart Start Oklahoma	11,126	
Department of Health and Human Services	Pass-Through	93.733	1H23IP000850	Academic Pediatric Association	60,694	
Department of Health and Human Services	Pass-Through	93.837	1R01HL13084501	Boston Children's Hospital	118,448	
Department of Health and Human Services	Pass-Through	93.837	1R43HL127938	DVX, LLC	26,926	
Department of Health and Human Services	Pass-Through	93.837	U01HL107407	New England Research Institute	10,039	
Department of Health and Human Services	Pass-Through	93.838	1R01HL119501	Oklahoma Medical Research Institute	1,634	
Department of Health and Human Services	Pass-Through	93.839	BMTCTN1101	National Marrow Donor Program	3,280	
Department of Health and Human Services	Pass-Through	93.839	BMTCTN0702	National Marrow Donor Program	98	
Department of Health and Human Services	Pass-Through	93.839	2R42HL110727	Phoenicia Biosciences, Inc.	104,010	
Department of Health and Human Services	Pass-Through	93.839	2R01HL062244	Rensselaer Polytechnic Institute	125,211	
Department of Health and Human Services	Pass-Through	93.846	1R03AR065786	Oklahoma Medical Research Institute	5,693	
Department of Health and Human Services	Pass-Through	93.846	5P30AR053483	Oklahoma Medical Research Institute	27,767	
Department of Health and Human Services	Pass-Through	93.846	1P50AR060804	Oklahoma Medical Research Institute	270,545	
Department of Health and Human Services	Pass-Through	93.846	R01AR062066	University of Michigan	38,846	
Department of Health and Human Services	Pass-Through	93.847	2U01DK066143	Children's Mercy Hospital - Kansas City, MO	598	
Department of Health and Human Services	Pass-Through	93.847	1R56DK097016	Columbia University	10,538	
Department of Health and Human Services	Pass-Through	93.847	U01DK061230	George Washington University	351,057	3,751
Department of Health and Human Services	Pass-Through	93.847	5UM1DK10086602	Nationwide Children's Hospital	882	
Department of Health and Human Services	Pass-Through	93.847	U01DK61055	University of South Florida	1,552	
Department of Health and Human Services	Pass-Through	93.853	5U01NS076788	Cincinnati Children's Hospital Medical Center	740	
Department of Health and Human Services	Pass-Through	93.855	1R01AI114552	Massachusetts General Hospital	8,777	
Department of Health and Human Services	Pass-Through	93.855	5U01AI087881	Massachusetts General Hospital	5,129	
Department of Health and Human Services	Pass-Through	93.855	U19AI062629	Oklahoma Medical Research Institute	798,419	
Department of Health and Human Services	Pass-Through	93.855	1R01AI091882	RTI International	15,221	
Department of Health and Human Services	Pass-Through	93.855	U19AI057229	Stanford University	183,560	
Department of Health and Human Services	Pass-Through	93.855	1R21AI105467	Univ of Kansas Medical Center Research Inst	47,964	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Pass-Through	93.855	1R21AI112293	University of California, Los Angeles	79,221	
Department of Health and Human Services	Pass-Through	93.855	1R21AI108860	University of California, San Francisco	81,550	
Department of Health and Human Services	Pass-Through	93.855	1R21AI115178	University of Oklahoma - Norman	11,038	
Department of Health and Human Services	Pass-Through	93.859	5P20GM103636	Oklahoma Medical Research Institute	204,214	
Department of Health and Human Services	Pass-Through	93.859	1P20GM103648	Oklahoma State University	399,377	
Department of Health and Human Services	Pass-Through	93.859	1P20GM103640	University of Oklahoma - Norman	320,473	
Department of Health and Human Services	Pass-Through	93.865	P01HD03131226	Loma Linda University	3,767	
Department of Health and Human Services	Pass-Through	93.865	1U54HD082008	Univ of Texas Southwestern Medical Center	25,334	
Department of Health and Human Services	Pass-Through	93.865	1R01HD080444	University of Minnesota	181,145	
Department of Health and Human Services	Pass-Through	93.865	5R01HD079647	University of Pittsburgh	19,867	
Department of Health and Human Services	Pass-Through	93.865	2U10HD055925	Yale University	41,651	
Department of Health and Human Services	Pass-Through	93.866	5P01AG043362	Oregon Health Science Center	34,723	
Department of Health and Human Services	Pass-Through	93.866	P30AG028718	Univ of Arkansas for Medical Sciences	95,771	
Department of Health and Human Services	Pass-Through	93.866	5P30AG015292	University of Colorado	3,551	
Department of Health and Human Services	Pass-Through	93.866	2574946	University of Colorado	7,096	
Department of Health and Human Services	Pass-Through	93.866	1R01AG049084	University of New Mexico	24,290	
Department of Health and Human Services	Pass-Through	93.866	2P50AG005136	Washington State University	569	
Department of Health and Human Services	Pass-Through	93.867	1R01EY021137	Children's Hospital of Philadelphia	4,903	
Department of Health and Human Services	Pass-Through	93.867	U10EY017014	Children's Hospital of Philadelphia	22,290	
Department of Health and Human Services	Pass-Through	93.867	ATS17	Jaeb Center for Health Research	6,734	
Department of Health and Human Services	Pass-Through	93.867	5R01EY020886	Schepens Eye Research Institute	40,570	
Department of Health and Human Services	Pass-Through	93.867	2R01EY020582	University of Michigan	36,123	
Department of Health and Human Services	Pass-Through	93.933	U26IHS300412	Cherokee Nation of Oklahoma	34,813	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN261200800001E	Social & Scientific Systems, Inc.	67	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN275201000003I	Duke Clinical Research Institute	11,881	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN261201300029I	PPD Development, LLC	500	
Department of Health and Human Services	Pass-Through	93.xxx	HHSN261200800001E	Leidos	50,310	
<b>Total DHHS Research - Pass Through</b>					<b>7,025,155</b>	<b>308,514</b>

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
<b>Other Research - Pass Through</b>						
Department of Agriculture	Pass-Through	10.587		University of Southern Mississippi	16,151	6,404
Department of Defense	Pass-Through	12.420	W81XWH1020090	John Hopkins University	49,236	
Department of Justice	Pass-Through	16.540	2011MUFX4004	John Hopkins University	1,095	
National Science Foundation	Pass-Through	47.041	ECCS0955260	University of Oklahoma - Norman	-	
National Science Foundation	Pass-Through	47.070	IIS1208639	University of Oklahoma - Norman	109,484	
Environmental Protection Agency	Pass-Through	66.509	83563401	University of Oklahoma - Norman	107,098	
Environmental Protection Agency	Pass-Through	66.509	RD83559601	University of Tulsa	(1,095)	
Department of Education	Pass-Through	84.324	R324A110204	University of Kentucky	(124)	
<b>Total Other Research - Pass Through</b>					<b>281,845</b>	<b>6,404</b>
<b>Total Research - Pass Through</b>					<b>7,307,000</b>	<b>314,918</b>
<b>Total Research *</b>					<b>58,984,126</b>	<b>7,783,835</b>
<b>DHHS Instruction - Direct</b>						
Department of Health and Human Services	Direct	93.069	1U90TP000420	Office of Public Health Prepared/Response	204,897	
Department of Health and Human Services	Direct	93.110	5T73MC00033	Maternal and Child Health Bureau	592,930	2,358
Department of Health and Human Services	Direct	93.110	5T77MC09799	Maternal and Child Health Bureau	128,126	
Department of Health and Human Services	Direct	93.191	1D40HP26871	Bureau of Health Professions	234,788	
Department of Health and Human Services	Direct	93.243	5U79SM061278	Center for Mental Health Services	631,649	104,801
Department of Health and Human Services	Direct	93.247	1D09HP25024	Bureau of Health Professions	98,541	6,400
Department of Health and Human Services	Direct	93.250	1K01HP20519	Bureau of Health Professions	17,434	
Department of Health and Human Services	Direct	93.262	2T03OH008614	Natl Inst of Occupational Safety & Health	82,841	
Department of Health and Human Services - ARRA	Direct	93.403	1D5FHP20669	Bureau of Health Professions	56,160	11,541
Department of Health and Human Services	Direct	93.513	1T57HP20588	Bureau of Health Professions	33,000	
Department of Health and Human Services	Direct	93.514	1T88HP20943	Bureau of Health Professions	87,776	
Department of Health and Human Services	Direct	93.632	90DD0685	Administration on Developmental Disabilities	332,234	21,187
Department of Health and Human Services	Direct	93.855	2T32AI007633	Natl Inst of Allergy & Infectious Disease	164,092	
Department of Health and Human Services	Direct	93.865	1F32HD075535	Natl Inst of Child Health & Human Development	50,053	



The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Direct	93.866	7R13AG012917	Natl Inst on Aging	83,790	46,850
Department of Health and Human Services	Direct	93.866	1F32AG048728	Natl Inst on Aging	57,317	
Department of Health and Human Services	Direct	93.867	1T32EY023202	Natl Eye Inst	110,452	
Department of Health and Human Services	Direct	93.884	1D57HP23249	Bureau of Health Professions	135,620	
Department of Health and Human Services	Direct	93.884	5D55HP23210	Bureau of Health Professions	199,390	
Department of Health and Human Services	Direct	93.969	6UB4HP19197	Bureau of Health Professions	103,878	30,861
Department of Health and Human Services	Direct	93.xxx	HHSP233201400045C	Natl Center for Child Abuse & Neglect	188,103	
<b>Total DHHS Instruction - Direct</b>					<b>3,593,071</b>	<b>223,998</b>
<b>Other Instruction - Direct</b>						
Department of Agriculture	Direct	10.855	OK0746A17		344,606	
Department of Defense	Direct	12.598	9HHM4021410007	Defense Intelligence Agency	341,052	77,940
Department of Justice	Direct	16.543	2013MUMUK102	Office of Justice Programs	497,526	62,642
Department of Justice	Direct	16.731	2015MUMUK011	Office of Justice Programs	1,053,697	
Department of Education	Direct	84.325	H325K120310		193,734	
<b>Total Other Instruction - Direct</b>					<b>2,430,615</b>	<b>140,582</b>
<b>Total Instruction - Direct</b>					<b>6,023,686</b>	<b>364,580</b>
<b>DHHS Instruction - Pass Through</b>						
Department of Health and Human Services	Pass Through	93.073	5U84DD000884	University of Missouri	3,782	
Department of Health and Human Services	Pass Through	93.110	1H46MC24089	Arkansas Children's Hospital Research Institute	31,229	
Department of Health and Human Services	Pass Through	93.243	5U79SM 61116	Kristi House	22,954	
Department of Health and Human Services	Pass Through	93.283	5U36OE000005	Assn for Prevention Teaching & Research	4,425	
Department of Health and Human Services	Pass Through	93.516	1UB6HP27874	Tulane University	95,582	
Department of Health and Human Services	Pass Through	93.600	90YR0058	University of Colorado	24,840	
Department of Health and Human Services	Pass Through	93.643	16000610	Oklahoma Department of Human Services	36,490	
Department of Health and Human Services	Pass Through	93.933	U261IHS0088	Cherokee Nation of Oklahoma	32,899	
Department of Health and Human Services	Pass Through	93.959	4529051097	OK Dept of Mental Health Substance Abuse Services	97,859	
<b>Total DHHS Instruction - Pass Through</b>					<b>350,060</b>	-

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Agriculture	Pass Through	10.561	16009340	Oklahoma Department of Human Services	1,265,406	
Department of Justice	Pass Through	16.540	JJAC20130001	Center for Children, Inc.	7,866	
National Science Foundation	Pass Through	47.074		Amercian Society for Biochemistry	396	
<b>Total Other Instruction - Pass Through</b>					<b>1,273,668</b>	-
<b>Total Instruction - Pass Through</b>					<b>1,623,728</b>	-
<b>Total Instruction</b>					<b>7,647,414</b>	<b>364,580</b>
<b>DHHS Public Service - Direct</b>						
Department of Health and Human Services	Direct	93.153	2H12HA24834	HIV/Aids Bureau	343,177	
Department of Health and Human Services	Direct	93.253	2H4BHS15502	Health Resources & Services Administration	207,447	
Department of Health and Human Services	Direct	93.918	2H76HA00185	HIV/Aids Bureau	895,615	
<b>Total DHHS Public Service - Direct</b>					<b>1,446,239</b>	-
<b>Public Service Other - Direct</b>						
Department of Agriculture	Direct	10.855	OK0746B17		275,391	
<b>Total Public Service - Direct</b>					<b>1,721,630</b>	-
<b>DHHS Public Service - Pass Through</b>						
Department of Health and Human Services	Pass Through	93.080	1U27DD000862	Univ of Texas Health Sciences Center	22,108	
Department of Health and Human Services	Pass Through	93.110	UC4MC28042	American College of Obstetricians/Gynecologists	3,373	
Department of Health and Human Services	Pass Through	93.110	1H30MC24051	Univ of Texas Health Sciences Center	27,697	
Department of Health and Human Services	Pass Through	93.145	4U10HA292900102	Parkland Health and Hospital System	98,259	
Department of Health and Human Services	Pass Through	93.145	OTHER5939	Parkland Health and Hospital System	40,778	5,182
Department of Health and Human Services	Pass Through	93.184	1U50DD000899	Association of Schools of Public Health	126,935	
Department of Health and Human Services	Pass Through	93.211	1G22RH20214	Univ of Kansas Medical Center Research Inst	84,604	
Department of Health and Human Services	Pass Through	93.243	1U79SM061127	OK Dept of Mental Health Substance Abuse Services	41,183	
Department of Health and Human Services	Pass Through	93.243	4529051054	OK Dept of Mental Health Substance Abuse Services	26,069	
Department of Health and Human Services	Pass Through	93.243	1U79SM061264	University of Missouri	231,834	

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
Department of Health and Human Services	Pass Through	93.292	1U38OT000140	Association of Maternal & Child Health Program	10,000	
Department of Health and Human Services	Pass Through	93.424		Association of University Centers on Disabilities	85	
Department of Health and Human Services	Pass Through	93.505	3409020652	Oklahoma State Department of Health	827,558	685,657
Department of Health and Human Services	Pass Through	93.630	0111789	Oklahoma Developmental Disabilities Council	27,038	
Department of Health and Human Services	Pass Through	93.643	16006029	Oklahoma Department of Human Services	36,779	
Department of Health and Human Services	Pass Through	93.643	16000609	Oklahoma Department of Human Services	30,203	
Department of Health and Human Services	Pass Through	93.652	16000634	Oklahoma Department of Human Services	181,579	
Department of Health and Human Services	Pass Through	93.658	16000120	Oklahoma Department of Human Services	1,257,069	
Department of Health and Human Services	Pass Through	93.669	16000491	Oklahoma Department of Human Services	98,461	
Department of Health and Human Services	Pass Through	93.778	8079002858	Oklahoma Health Care Authority	4,040,837	
Department of Health and Human Services	Pass Through	93.778	16000400	Oklahoma Department of Human Services	186,449	
Department of Health and Human Services	Pass Through	93.778	16000398	Oklahoma Department of Human Services	446,651	
Department of Health and Human Services	Pass Through	93.889	3409017116	Oklahoma State Department of Health	59,288	
Department of Health and Human Services	Pass Through	93.917	3409019927	Oklahoma State Department of Health	109,654	
Department of Health and Human Services	Pass Through	93.917	3409019633	Oklahoma State Department of Health	227,572	
Department of Health and Human Services	Pass Through	93.917	3409019629	Oklahoma State Department of Health	793,612	
Department of Health and Human Services	Pass Through	93.994	3409019145	Oklahoma State Department of Health	63,131	
Department of Health and Human Services	Pass Through	93.994	0010299	Oklahoma Department of Human Services	27,057	
Department of Health and Human Services	Pass Through	93.994	12000472	Oklahoma Department of Human Services	345,677	
Department of Health and Human Services	Pass Through	93.994	3409016887	Oklahoma State Department of Health	84,782	
Department of Health and Human Services	Pass Through	93.994	16000441	Oklahoma Department of Human Services	111,063	
Department of Health and Human Services	Pass Through	93.994	13000583	Oklahoma Department of Human Services	429,040	
Department of Health and Human Services	Pass Through	93.xxx	7760107400062	A+ Government Solutions, Inc.	32,437	
Department of Health and Human Services	Pass Through	93.xxx	HHSN276201100007C	Houston Academy of Medicine - TX Medical Ctr Library	23,089	
<b>Total DHHS Public Service - Pass Through</b>					<b>10,151,951</b>	<b>690,839</b>
<b>Other Public Service - Pass Through</b>						
Department of Agriculture	Pass Through	10.170	14SCBGPOK0040	Oklahoma Department of Agriculture	7,429	
Department of Justice	Pass Through	16.575	2015VAGX	Oklahoma District Attorneys Council	118,473	
<b>Total Other Public Service - Pass Through</b>					<b>125,902</b>	<b>-</b>
<b>Total Public Service - Pass Through</b>					<b>10,277,853</b>	<b>690,839</b>
<b>Total Public Service</b>					<b>11,999,483</b>	<b>690,839</b>

The University of Oklahoma Health Sciences Center  
Detailed Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Agency	Direct/Pass through	CFDA	Award Number	Grantor Name	Expenditure	Subrecipient Expenditures
<b>Student Financial Assistance Program - DOE Direct</b>						
Department of Education	Direct	84.268			<b>62,151,596</b>	-
<b>Student Financial Assistance Program - DHHS Direct</b>						
Department of Health and Human Services	Direct	93.342		Health Professions Student Loan (HPSL) - Pharmacy	291,000	
Department of Health and Human Services	Direct	93.342		Health Professions Student Loan (HPSL) - Dentistry	401,000	
Department of Health and Human Services	Direct	93.342		Health Professions Student Loan - Medicine	492,750	
Department of Health and Human Services	Direct	93.342		Nursing Student Loan (NSL)	313,750	
					<b>1,498,500</b>	-
June 30, 2015 Health Professions Student Loan Program Loan balance					4,970,118	
June 30, 2015 Nursing Student Loan Program Loan Balance					1,488,115	
<b>Total DHHS Student Financial Assistance</b>					<b>7,956,733</b>	-
<b>Total Student Financial Aid Cluster</b>					<b>70,108,329</b>	-
<b>Total Federal Expenditures</b>					<b>148,739,352</b>	<b>8,839,254</b>

\* Denotes major program (Research and Development Cluster)

**Note 1**

The purpose of the Schedule of Expenditures of Federal Awards (the Schedule) is to present a summary of the activities of the University of Oklahoma Health Sciences Center (the Center) which have been financed by the U.S. Government for the year ended June 30, 2016.

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

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

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

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

The Center passes through certain Funds to subgrantee organizations. Expenditures incurred by the subgrantees and reimbursed by the Center are included in the Schedule.

The Center is also the subrecipient of federal funds that are reported as expenditures and included in the Schedule. The detailed Schedule of Federal Award Expenditures denotes funding sources for pass-through funds. Federal awards other than those indicated as pass-through are denoted as federal direct funds.

**Note 2**

For purposes of the Schedule, expenditures for federal award programs are recognized on a modified accrual basis of accounting. Federal financial assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient.

**Note 3**

The accompanying detailed Schedule of Expenditures of Federal Awards for the Center is an integral part of the Schedule of Expenditures of Federal Awards.

**Note 4**

The University of Oklahoma Norman Campus administers the Pell, Supplemental Education Opportunity Grants, and College Work Study student award programs for students attending the Norman and Health Sciences Center Campuses. Grant revenues and expenditures under such programs for students attending these campuses are included in the financial statements of the Norman Campus. Therefore, the Norman Campus Schedule of Expenditures of Federal Awards includes expenditures under such programs for students attending both campuses.

**Note 5**

Under the Federal Direct Student Loan Program (Direct Loan Program), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The Center began participation in the Direct Loan Program on July 1, 2010. The Center administers the origination and disbursement of the loans to eligible students or parents. The Center is not responsible for the collection of these loans. Outstanding loans at June 30, 2016 under the Health Professions Student Loan Program (HPSL, PCL, LDS) and the Nursing Student Loan Program are \$5,499,390 and \$1,528,773, respectively.

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

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness identified No

Significant deficiencies identified not  
 considered to be material weaknesses Yes

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major programs:

Material weakness identified No

Significant deficiencies identified not  
 considered to be material weaknesses Yes

Type of auditor's report issued on compliance for  
 major programs Unmodified

Any audit findings disclosed that are required to be  
 reported in accordance with Uniform Guidance  
 2 CFR Section 516: Yes

Name of Federal Program or Cluster CFDA number

Student Financial Aid Cluster 93.342, 84.268

Research and Development Cluster \*

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

Dollar threshold used to distinguish  
 between Type A and Type B programs \$ 2,358,931

Auditee qualified as low-risk auditee Yes

## Section II – Findings Relating to the Financial Statements

### 2016-A                      **Adjustment to Schedule of Expenditures of Federal Awards (SEFA) Significant Deficiency**

*Criteria:*                      Title 2- Part 200. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

§200.502    Basis for determining Federal awards expended.

(a) Determining Federal awards expended. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.

(b) Loan and loan guarantees (loans). Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

- (1) Value of new loans made or received during the audit period; plus
- (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

*Condition:*                      The Institution’s internal control system did not identify the amount of loans required to be presented in the Schedule of Expenditures of Federal Awards (SEFA) under the new Uniform Guidance.

*Cause:*                              For the FY16 SEFA, the Institution utilized the previously acceptable “loans distributed to students” to include in the SEFA for FY16, which was supplemented by note disclosures to the SEFA that disclosed the end of year balance for such loan programs. This was the approach used for FY15.

However, the new Uniform Guidance requires that the beginning of year loan balance and the value of new loans made be included on the SEFA.



*Effect:* An audit adjustment of \$6.4 million for the beginning of year loan balance was added to the SEFA to properly state federal awards expended for the Health Professions Student Loan (HPSL) program and Nursing Student Loan (NSL) program.

For the Institution's compliance purposes, this had no significant effect on determining the major programs as Student Financial Aid was already included as a major program.

*Recommendation:* We recommend that the new guidance be utilized to ensure proper presentation of the SEFA.

*Views of Responsible Officials:* Management acknowledges the finding. All staff involved in the preparation of the SEFA are aware of this new requirement.

### **Section III – Findings and Questioned Costs for Major Federal Awards**

**2016-001                      Direct Program from U.S. Department of Education  
Student Financial Aid Cluster (CFDA # 93.342)  
Special Tests: Disbursements to Students  
Significant Deficiency in Internal Control over Compliance**

*Criteria:* The Institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement.

The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR section 668.165).

Institutions that implement an affirmative confirmation process (as described in 34 CFR section 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan, FPL funds, or TEACH Grants.

Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than 7 days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

<i>Condition:</i>	Disbursements made by the institution in May and June 2015 did not have the proper notifications distributed. Management was aware and in the process of correcting a technical issue in the ERP system preventing the automatic generation of the cancellation notices. This was resolved by July 2015.
<i>Cause:</i>	Summer procedures were not designed to communicate rights to cancel loans and the procedures and required timelines if students and/or parents chose to cancel loans. Corrective action appeared to be implemented in July 2015.
<i>Effect:</i>	Without proper notification of rights to cancellation and related deadlines and procedures of those cancellations, students and/or parents may not be aware of such rights and how to proceed with those rights that they are entitled to.
<i>Questioned Costs:</i>	None.
<i>Context/Sampling:</i>	10 items in our sample of 40 students that received direct loans did not have this communication occur at the time required by federal regulations. All cases noted were from May and June 2015 and appear to have been corrected by July 2015. Nonstatistical sampling was used.
<i>Repeat Finding from Prior Year:</i>	No.
<i>Recommendation:</i>	We recommend that Fall 2015 and Spring 2016 procedures continue as designed so that the proper and timely communications to students regarding loan cancellation processes.
<i>Views of Responsible Officials:</i>	Management acknowledges the finding and has modified the process of providing notification to borrowers.
<b>2016-002</b>	<b>Direct Program from U.S. Department of Education Student Financial Aid Cluster (CFDA #'s 84.268, 93.342) Special Tests: Disbursements to Students Significant Deficiency in Internal Control over Compliance</b>
<i>Criteria:</i>	If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System (NSLDS) Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students.

<i>Criteria (cont):</i>	NSLDS will “monitor” those students on the school’s “inform” list and alert the school of any relevant financial aid history changes. A school must wait 7 days after it “informs” NSLDS about a transfer student before disbursing Title IV aid to that student. However, a school does not have to wait if it receives an alert from NSLDS during the 7-day period <i>or if it obtains the student’s financial aid history by accessing the NSLDS Financial Aid Professional website</i> . When a school receives an alert from NSLDS, before making a disbursement of Title IV aid, it must determine if the change to the student’s financial aid history affects the student’s eligibility (34 CFR section 668.19).
<i>Condition:</i>	We noted three instances where a transfer student had a disbursement from the institution before NSLDS’s notification of transfer rather than waiting the required 7 days.
<i>Cause:</i>	It appears that management is either: <ul style="list-style-type: none"><li>• Not waiting the required 7 days of notification to NSLDS before disbursement to the transfer student; or</li><li>• Checking the financial aid history on the NSLDS website of the transfer student but is not formally documenting that control in order to ensure that the institution is operating within federal regulations (no apparent audit trail).</li></ul>
<i>Effect:</i>	Distributions to transfer students before proper NSLDS checks have been made could lead to a disbursement to a student that owes federal money under different institution(s).
<i>Questioned Costs:</i>	None.
<i>Context/Sampling:</i>	Three transfer students in our sample of 68 students had a disbursement either before NSLDS reporting or less than 7 days from reporting the transfer student to NSLDS. Nonstatistical sampling was used.
<i>Repeat Finding from Prior Year:</i>	No.
<i>Recommendation:</i>	We recommend that management implement controls and retain proper documentation of those controls to ensure that transfer students do not receive a disbursement before the student’s NSLDS records have been checked.
<i>Views of Responsible Officials:</i>	Management acknowledges the findings and now has transfer monitoring in place with NSLDS.

No findings reported in the prior year.