Financial Statements
June 30, 2020 and 2019

The University of Oklahoma - Norman Campus

EideBailly

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of The University of Oklahoma - Norman Campus (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents), which is a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Relationship with the Regents of the University of Oklahoma
As discussed in Note 1, the financial statements of the University reporting entity are intended to present the financial position, changes in financial position, and cash flows of only the activities of the University. They do not purport to, and do not, present fairly the financial position of the Regents as of June 30, 2020 and 2019, and the changes in its financial position or its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2020 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering University's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
October 16, 2020

UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

Management's Discussion and Analysis

The discussion and analysis of The University of Oklahoma Norman Campus and Law Center (University) financial statements provides an overview of the University's financial activities for the years ended June 30, 2020 and 2019. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Certain amounts presented in 2019 have been restated to conform to the 2020 presentation.

Financial Highlights

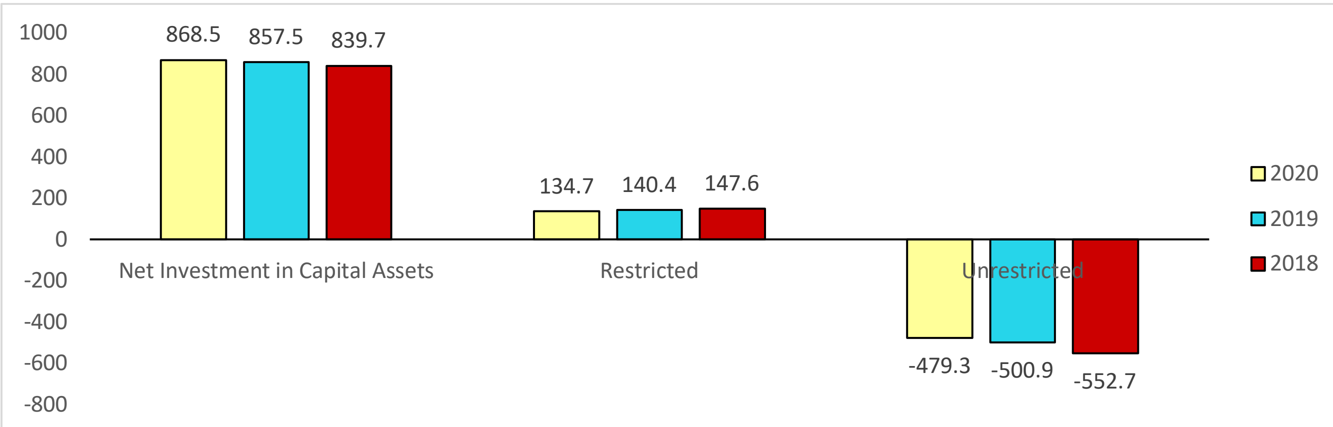
2020

During fiscal year 2020, the University continued to experience a positive change in net position, recording an increase of approximately $26.9 million or 5.4 percent over the prior year. Net investment in capital assets increased approximately $11.0 million over the previous year. Restricted net position decreased by $7.1 million, while unrestricted net position increased $23.0 million.

2019

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2019. Net position increased approximately $62.5 million or 14.4 percent over the previous year. Net investment in capital assets increased $17.8 million. Restricted net position decreased $7.2 million and unrestricted net position increased by $51.8 million.

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



Overview of the Financial Statements and Financial Analysis
This report consists of Management's Discussion and Analysis (this part); the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on the University 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 University's net position and how it has changed. Net position - the difference between combined assets and deferred outflows of resources and combined liabilities and deferred inflows of resources - is one way to measure the University's financial health, or position. Over time, increases or decreases in the University's net position are indicators of whether its financial health is improving. Non-financial factors are also important to consider, including student recruitment, enrollment, and retention and the condition of campus facilities.

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

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

Condensed Statements of Net Position
June 30 (in millions)

	2020		2019		2018
Assets					
Current assets	$ 303.0		$ 273.8		$ 244.1
Capital assets, net	1,834.0		1,851.1		1,857.9
Other noncurrent assets	141.2		155.7		174.3
Total assets	$ 2,278.2		$ 2,280.6		$ 2,276.3
Deferred outflows of resources	$ 110.1		$ 88.7		$ 92.0
Liabilities					
Current liabilities	$ 194.0		$ 206.1		$ 217.8
Noncurrent liabilities	1,590.3		1,567.6		1,633.7
Total liabilities	$ 1,784.3		$ 1,773.7		$ 1,851.5
Deferred inflows of resources	$ 80.0		$ 98.5		$ 82.2
Net position					
Net investment in capital assets	$ 868.6		$ 857.5		$ 839.7
Restricted	134.7		140.4		147.6
Unrestricted	(479.3)		(500.9)		(552.7)
Total net position	$ 524.0		$ 497.1		$ 434.6
Increase (decrease) in net position		$ 26.9		$ 62.5	

Condensed Statements of Revenues
Expenses, and Changes in Net Position, June 30 (in millions)

	2020	2019	2018
Operating revenues	$ 747.0	$ 751.4	$ 720.7
Operating expenses	(982.6)	(941.9)	(974.9)
Operating loss	(235.6)	(190.5)	(254.2)
Other financing sources (uses)	-		
Net nonoperating revenues	223.4	226.1	248.8
Other revenues, expenses and gains or losses	39.2	26.9	64.2
Net change in net position	$ 26.9	$ 62.5	$ 58.8

The following summarizes the University's operating revenues for the years ended June 30:

Operating Revenues (in millions)

	2020	2019	2018
Tuition and fees	$ 355.5	$ 358.6	$ 337.5
Grants and contracts	188.0	172.1	156.3
Sales and services of educational activities	6.8	11.4	12.3
Auxiliary enterprises	180.9	192.3	196.6
Other	15.9	17.0	18.0
Total operating revenues	$ 747.0	$ 751.4	$ 720.7

Changes in operating revenues included the following:

2020

Tuition and fees reflected a slight decrease compared to prior year, resulting from a small decrease in enrollment during fiscal year 2020. Grants and contracts increased $15.9 million or 9.2 percent due to increases in NASA GeoCarb, NOAA, and K20 GEAR UP grants. This increase was offset by notable decreases in sales and services of educational activities ($4.6 million or 40.3% percent), housing and food services ($7.0 million or 11.0 percent), and athletic revenues ($2.3 million or 2.2 percent). Each of those decreases occurred due to the COVID-19 pandemic, which resulted in the early closing of housing, and the cancellation of athletic and educational events.

2019

Tuition and fees revenue increased $21.1 million or 6.3 percent in fiscal year 2019 due to a slight increase in enrollment.

Grants and contracts increased $15.8 million or 10.1 percent due to increases in the NASA GeoCarb grant, NOAA TASK grants, National Institutes of Health Antibiotic Development, and Office of Naval Research Next Gen Radar System grant.

The following summarizes the University's operating expenses for the years ended June 30:

Operating Expenses (in millions)

	2020	2019	2018
Compensation and benefits	$ 569.0	$ 524.8	$ 534.6
Contractual services	131.8	131.9	110.7
Supplies and materials	34.6	39.3	50.0
Depreciation	76.1	75.0	72.6
Utilities	40.1	48.1	47.4
Communications	6.1	6.3	7.4
Scholarships and fellowships	54.7	47.2	45.4
Other	70.2	69.4	106.9
Total operating expenses	$ 982.6	$ 942.0	$ 975.0

Changes in operating expenses were the result of the following:

2020

Total operating expenses increased $40.8 million or 4.3 percent in fiscal year 2020. Compensation increased $44.3 million (8.4%) due to an increase in pension and OPEB expense, accrued leave and a slight across the board faculty and staff pay raise distributed during the year. Supplies and Utilities both reflected decreases compared to prior year. Scholarships and fellowships increased $7.5 million or 15.9 percent due to federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received and distributed as scholarships to students.

2019

Total operating expenses decreased $29.8 million or 3.1 percent in fiscal year 2019. Compensation decreased $9.8 million (1.8%) due to a decrease in pension expense and a decrease in accrued leave. Contractual services increased $21.2 million (19.1%) resulting from an increase in expenses for the GEOCARB grant as well as expenses for Auxiliaries related to Cross. Other expenses decreased $34.3 million (32.1%) due to decreases in bad debt expense, travel expense and advertising/promotional expense. The decrease in Other Expense and increase in Contractual Expense is also partially due to ongoing efforts to better categorize expenses.

The following summarizes the University's non-operating revenues and expenses for the years ended June 30:

Non-operating Revenues (Expenses) (in millions)

	2020	2019	2018
State appropriations	$ 115.4	$ 111.8	$ 112.0
On-behalf payments	16.0	14.5	12.9
Federal grants and contracts	33.2	27.0	25.4
State grants and contracts	17.6	17.4	15.1
Private gifts	58.4	78.2	106.2
Interest on indebtedness	(37.9)	(40.5)	(41.0)
Net investment income	9.0	9.7	9.8
Endowment income	11.7	8.1	8.4
	$ 223.4	$ 226.2	$ 248.8

Changes in non-operating revenues and expenses were the result of the following:

2020

Federal grants and contracts increased $6.2 million or 23.0 percent due to the receipt of federal CARES funds for student scholarships.

Private gifts decreased $19.8 million or 25.3 percent, due to reduced private gifts for Athletics received through the Regent's Fund.

Endowment income increased $3.6 million or 44.5 percent due to reimbursements to endowed chairs and professorships through the OU Foundation.

2019

Private gifts decreased $28.0 million or 26.4 percent due to a decrease in gifts to the Athletic Department and the Regents' Fund.

The following summarizes the University's other revenues, expenses, gains, or losses for the years ended June 30:

Other Revenues, Expenses, Gains or (Losses) (in millions)

	2020	2019	2018
Building America Bonds subsidy	$ 0.7	$ 0.8	$ 0.8
Federal grants and contracts for capital purposes	-	-	0.2
Private gifts for capital purposes	19.9	14.9	44.5
Transfer from University of Oklahoma Health Sciences	8.3	-	-
State school land funds	9.1	9.5	10.1
On-behalf payments for OCIA capital leases	2.7	3.1	8.2
Gain (loss) on sale of fixed assets	(1.7)	(2.5)	(0.4)
Additions to permanent endowments	0.1	1.1	0.8
Total Other Revenue, Expenses Gains or (Losses)	$ 39.1	$ 26.9	$ 64.2

Changes in other revenues, expenses, gains, or losses were the result of the following:

2020

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

2019

Other revenues, expenses, gains or losses decreased $37.3 million or 58.1 percent. This category tends to fluctuate due to the timing of private gifts for capital projects and the payments received for OCIA capital leases.

Statements of Cash Flows

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

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

Condensed Statement of Cash Flows
for the year (in millions)

	2020	2019	2018
Cash provided (used) by			
Operating activities	$ (141.2)	$ (119.0)	$ (165.2)
Noncapital financing activities	243.1	240.2	267.4
Capital and related financing activities	(103.5)	(120.5)	(117.5)
Investing activities	18.6	7.5	(18.2)
Net change in cash	17.0	8.2	(33.5)
Cash and equivalents, beginning of the year	214.9	206.7	240.2
Cash and equivalents, end of year	$ 231.9	$ 214.9	$ 206.7

2020

The University's overall liquidity improved during the year, with a net increase to cash of $17.0 million. Cash used in operating activities totaled $141.2 million, an increase of $22.2 million compared to cash used in the prior year. The increase in the use of cash was due to a decrease of cash received from operating revenues which was negatively offset by an increased cash outlay for compensation and benefits. Major sources of operating funds were tuition and fees ($354.6 million), grants and contracts ($179.2 million), and auxiliary enterprises ($170.5 million), which were offset by the payment of compensation and benefits ($537.4 million) and other operating expenses ($334.2 million).

Cash flows provided by noncapital financing activities totaled $243.1 million, an increase of $2.9 million compared to the prior year. Major sources of noncapital financing activities were state appropriations ($115.4 million), grants and contracts ($50.7 million), and private gifts ($60.3 million).

Cash flows used in connection with capital and related financing activities totaled $103.5 million, an increase of $17.0 million compared to the prior year. This was due the receipt of bond proceeds in the current year, as well as a current year increase in private gifts for capital assets, offset by a decrease in the purchase of capital assets in the current year. Major sources of capital and related financing activities were private gifts ($19.9 million), which were offset by purchases of capital assets ($59.2 million) and principal and interest payments on capital debt and leases ($73.9 million).

Cash flows provided by investing activities totaled $18.6 million, an improvement of $11.2 million compared to the prior year. This improvement was primarily the result of an increase in proceeds from investments received from the Regents Fund ($11.1 million).

2019

The University's overall liquidity improved during the year, with a net increase to cash of $8.2 million. Cash used in operating activities totaled $118.9 million, a decrease of $46.3 million compared to cash used in the prior year. The decrease in the use of cash was due to an increase of cash received from operating revenues which out-paced the cash outlay for compensation and benefits and other operating expenses. Major sources of operating funds were tuition and fees ($357.1 million), grants and contracts ($171.2 million), and auxiliary enterprises ($191.9 million), which were offset by the payment of compensation and benefits ($522.9 million) and other operating expenses ($350.6 million).

Cash flows provided by noncapital financing activities totaled $240.2 million, a decrease of $27.2 million compared to the prior year. Major sources of noncapital financing activities were state appropriations ($111.8 million), grants and contracts ($44.4 million), and private gifts ($76.6 million).

Cash flows used in connection with capital and related financing activities totaled $120.5 million, an increase of $3.0 million compared to the prior year. This was due the receipt of bond proceeds in the prior year, as well as a current year decrease in private gifts for capital assets, offset by a decrease in the purchase of capital assets in the current year. Major sources of capital and related financing activities were private gifts ($14.9 million), which were offset by purchases of capital assets ($71.9 million) and principal and interest payments on capital debt and leases ($70.7 million).

Cash flows provided by investing activities totaled $7.4 million, an improvement of $25.7 million compared to the prior year. This improvement was primarily the result of a decrease in the purchase of investments ($26.3 million).

Capital Asset and Debt Administration
The following summarizes the University's Capital Assets at June 30:

Capital Assets, Net, at Year-End (in millions)

	2020	2019	2018
Land and land improvements	$ 47.7	$ 48.1	$ 48.6
Buildings	1,322.7	1,356.8	1,346.8
Construction in-progress	80.8	68.5	83.0
Furniture, fixtures, and equipment	235.2	228.8	229.9
Infrastructure	41.2	44.7	44.7
Library books & periodicals	106.3	104.2	104.9
Totals	$ 1,833.9	$ 1,851.1	$ 1,857.9

2020

At June 30, 2020, the University had approximately $1,833.9 million invested in capital assets, net of accumulated depreciation of $1,081.3 million. Depreciation expense for the current year totaled $76.1 million compared to $75.0 million in the prior year. More detailed information related to the University's capital assets is presented in Note 6 to the financial statements.

2019

At June 30, 2019, the University had approximately $1,851.1 million invested in capital assets, net of accumulated depreciation of $1,008.0 million. Depreciation expense for the current year totaled $75.0 million compared to $72.5 million in the prior year. More detailed information related to the University's capital assets is presented in Note 6 to the financial statements.

Debt
The following summarizes outstanding debt by types as of June 30:

Outstanding Debt, at Year-End (in millions)

	2020	2019	2018
General revenue bonds	$ 878.4	$ 906.3	$ 937.9
Lease obligations	41.7	42.7	44.3
Totals	$ 920.1	$ 949.0	$ 982.2

2020

At fiscal year-end 2020, the University had approximately $920.1 million in outstanding debt, a decrease of approximately $28.9 million over the prior year.

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

2019

At fiscal year-end 2019, the University had approximately $949.0 million in outstanding debt, a decrease of approximately $33.2 million over the prior year.

The University incurred no new debt during fiscal year 2019. Debt repayments of $33.2 million were made during the year. More detailed information related to the University's long-term liabilities is presented in Note 11 to the financial statements.

Economic Outlook

The University's economic outlook continues to be closely related to its role as one of the State's premier comprehensive institutions. It benefits from ongoing financial and political support from the State of Oklahoma. The University continues to scrutinize budget allocations to align with anticipated revenues and to focus attention on the management of its existing resources. While state support for higher education remains a priority, declines in the State's general revenue resulted in a 3.95% decrease in state appropriations for fiscal year 2021.

Although the ongoing COVID-19 pandemic has had an impact on current operations, it has been manageable to date. The University plans to complete the Fall 2020 semester with online and in-person class options, and to provide the same level of online/in-person options for the Spring 2021 semester.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. The University continues to attract top students from across the nation and more than 100 countries around the world. Enrollment continues to remain stable each year and retention rates remain strong. In the Fall 2020, enrollment declined approximately 1.1 percent compared to Fall 2019.

	2020	2019
	(In Thousands)	
Assets		
Current Assets		
Cash and cash equivalents	$ 159,482	$ 140,695
Restricted cash and cash equivalents	56,490	56,158
Accrued interest receivable	251	288
Accounts receivable, net of allowance for doubtful accounts	79,699	69,367
Inventories and supplies, at cost	2,104	2,184
Loans to students, net of allowance for uncollectible loans	1,846	1,981
Deposits and prepaid expenses	3,139	3,158
Total current assets	303,011	273,831
Noncurrent Assets		
Restricted cash and cash equivalents	15,934	18,030
Endowment investments	66,768	65,730
Other long-term investments	42,451	53,128
Investments in real estate	220	220
Net other postemployment benefits asset	3,180	3,231
Loans to students, net	12,248	14,677
Deposits and prepaid expenses	378	712
Capital assets, net of accumulated depreciation	1,833,973	1,851,118
Total noncurrent assets	1,975,152	2,006,846
Total assets	2,278,163	2,280,677
Deferred Outflows of Resources		
Deferred charge on advance refunding of bonds	9,795	6,880
Deferred charge on defeasance of bonds	791	1,058
Deferred outflows - pension plans	68,259	62,055
Deferred outflows - OPEB	31,254	18,700
Total deferred outflows of resources	110,099	88,693

	2020	2019
	(In Thousands)	
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 55,940	$ 53,879
Utilities management agreement, current portion	4,720	4,720
Accrued compensated absences	27,304	25,820
Unearned revenues	50,810	67,385
Unearned revenues - long-term contracts	599	657
Accrued interest payable	16,497	18,734
Capital leases and revenue bonds payable - current portion	36,126	33,632
Deposits held in custody for others	1,984	1,261
Total current liabilities	193,980	206,088
Noncurrent Liabilities		
Utilities management agreement	66,520	71,240
Other postemployment benefits	297,417	277,747
Net pension liability	311,555	279,112
Retirement plan liability	6,869	6,324
Accrued compensated absences	3,375	3,521
Unearned revenues	9,102	-
Federal loan program contributions refundable	11,460	14,270
Capital lease obligations	40,731	41,706
Revenue bonds payable	843,282	873,727
Total noncurrent liabilities	1,590,311	1,567,647
Total liabilities	1,784,291	1,773,735
Deferred Inflows of Resources		
Deferred credit on OCIA lease restructure	2,435	2,635
Deferred inflow related to OPEB	26,363	26,957
Deferred inflow on pension plan	32,444	49,843
Deferred credit on ground lease	18,715	19,104
Total deferred inflows of resources	79,957	98,539
Net Position		
Net investment in capital assets	868,544	857,545
Restricted for		
Nonexpendable	45,400	45,158
Expendable		
Education, general and auxiliary operations	20,651	21,272
Capital projects	21,704	19,314
Debt service	32,772	30,661
Athletics	14,245	25,042
Unrestricted	(479,302)	(501,896)
Total net position	$ 524,014	$ 497,096

	2020	2019
	(In Thousands)	
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $112,033 and $107,403 for 2020 and 2019, respectively)	$ 355,452	$ 358,553
Federal grants and contracts	114,777	98,255
State grants and contracts	49,100	47,147
Private grants and contracts	24,154	26,658
Interest on student loans receivable	404	434
Sales and services of educational activities	6,808	11,436
Housing and food service revenues	56,795	63,804
Athletic revenues (net of scholarship allowances of $10,093 and $11,407 for 2020 and 2019, respectively)	100,038	102,302
Sales and services of auxiliary enterprises - other	24,057	26,172
Other revenues	15,462	16,593
Total operating revenue	747,047	751,354
Operating Expenses		
Compensation and benefits	569,049	524,792
Contractual services	131,845	131,867
Supplies and materials	34,558	39,278
Depreciation	76,059	74,981
Utilities	40,129	48,131
Communication	6,086	6,266
Scholarships and fellowships	54,714	47,219
Other	70,218	69,360
Total operating expenses	982,658	941,894
Operating Loss	(235,611)	(190,540)
Nonoperating Revenues and (Expenses)		
State appropriations	115,441	111,757
On-behalf payments	16,070	14,481
Federal grants and contracts	33,167	26,968
State grants and contracts	17,569	17,390
Private gifts	58,403	78,203
Interest on indebtedness	(37,919)	(40,473)
Net investment income	8,969	9,730
Endowment income	11,654	8,130
Net nonoperating revenues and (expenses)	223,354	226,186
Income (loss) before other revenues, (expenses), gains, or (losses)	(12,257)	35,646

	2020	2019
Other Revenue, (Expenses), Gains, or (Losses)		
Building America Bonds Subsidy	$ 742	$ 759
Private gifts for capital assets	19,929	14,904
State School land funds	9,111	9,546
On-behalf payments for OCIA capital leases	2,669	3,050
Transfer from University of Oklahoma Health Sciences Center	8,300	-
Loss on sale of capital assets	(1,700)	(2,431)
Additions to permanent endowments	124	1,055
Total other revenue, (expenses), gains, or (losses)	39,175	26,883
Change in net position	26,918	62,529
Net Position, Beginning of Year	497,096	434,567
Net Position, End of Year	$ 524,014	$ 497,096

	2020	2019
	(In Thousands)	
Operating Activities		
Tuition and fees	$ 354,565	$ 357,113
Sales and services of educational activities	7,092	11,204
Sales and services of auxiliary enterprises	23,802	29,054
Housing and food service revenues	56,275	63,925
Athletic revenues	90,374	98,954
Federal grants and contracts	107,624	101,161
State grants and contracts	47,668	43,325
Private grants and contracts	23,872	26,745
Interest on loans receivable	404	434
Other additions	16,025	20,702
Loans issued to students	440	(616)
Collection of loans	2,226	2,563
Compensation & benefits	(537,368)	(522,940)
Other operating expenses	(334,214)	(350,594)
Net Cash used for Operating Activities	(141,215)	(118,970)
Noncapital Financing Activities		
State appropriations	115,441	111,756
Federal grants and contracts	33,167	26,968
State grants and contracts	17,569	17,390
Transfer from University of Oklahoma Health Sciences Center	8,300	-
Net (decrease) increase in Federal loan program contributions refundable	(2,809)	60
Endowment income	11,104	7,418
Private gifts	60,319	76,621
Federal Family Education loan receipts	130,943	133,683
Federal Family Education loan disbursements	(130,943)	(133,683)
Net Cash from Noncapital Financing Activities	243,091	240,213

	2020 (In Thousands)	2019
Capital and Capital Related Financing Activities		
Additions to permanent endowment	$ 124	1,056
Proceeds from revenue bonds and capital leases	83,999	-
Payments under utilities management agreement	(4,720)	(4,720)
Private gifts for capital assets	19,929	14,904
Proceeds from sale of capital assets	-	590
State school land funds	9,111	9,546
Build America Bonds Subsidy	742	759
Purchases of capital assets	(59,234)	(71,958)
Principal paid on capital debt and leases	(35,946)	(32,050)
Refunded or defeased capital debt	(79,595)	-
Interest paid on capital debt and leases	(37,910)	(38,633)
Net Cash used for Capital and Capital Related Financing Activities	(103,500)	(120,506)
Investing Activities		
Investment income	9,907	8,980
Proceeds from sales and maturities of investments	11,114	227
Purchase of investments	(2,374)	(1,729)
Net Cash from Investing Activities	18,647	7,478
Net Change in Cash and Cash Equivalents	17,023	8,215
Cash and Cash Equivalents, Beginning of Year	214,883	206,668
Cash and Cash Equivalents, End of Year	$ 231,906	$ 214,883

	2020	2019
	(In Thousands)	
Reconciliation of Operating Loss to Net Cash used for Operating Activities		
Operating loss	$ (235,611)	$ (190,540)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation expense	76,060	74,981
On-behalf contribution related to pensions	16,070	14,481
Change in assets and liabilities		
Accounts receivable	(11,700)	(424)
Inventories and supplies	80	1,258
Loans to students	2,564	1,880
Deposits and prepaid expenses	353	(222)
Deferred outflows related to pensions and OPEB	(18,757)	2,593
Accounts payable and accrued expenses	1,225	(5,386)
Unearned revenue	19,720	5,897
Compensated absences	(7,531)	(3,061)
Deferred inflows related to pensions and OPEB	1,338	(3,231)
Total OPEB liability	723	842
Net pension liability	32,443	(34,638)
Deposits held in custody for others	(18,192)	16,600
Net Cash used for Operating Activities	$ (141,215)	$ (118,970)
Supplemental Schedule of Noncash Investing and Financing Activities		
Principal on capital debt paid by State Agency on behalf of the University	$ 768	$ 1,096
Interest on capital debt paid by State Agency on behalf of the University	1,901	1,954
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets		
Cash and cash equivalents	$ 159,482	$ 140,695
Restricted cash and cash equivalents	56,490	56,158
Noncurrent assets		
Restricted cash and cash equivalents	15,934	18,030
Total cash and cash equivalents	$ 231,906	$ 214,883

Note 1 - Organization and Summary of Significant Accounting Policies

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

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

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

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

For financial reporting purposes, the University has included all funds, organizations, agencies, boards, commissions and authorities within the reporting entity defined above. The University has also considered all potential component units for which it is financially accountable and other organizations for which the nature of significance of their relationship with the University are such that the exclusion would cause the University'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 University to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the University. The University does not have a component unit which meets the GASB criteria.

Although the University is a beneficiary of the University of Oklahoma Foundation, Inc. (the Foundation), the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University or the Board of Regents. Assets that the University places with the Foundation for investment, together with investment income, are held, administered and distributed to the University under the direction and supervision of the Foundation based upon the University's policies and instructions. With the exception of assets that the University and others have placed with the Foundation for investment (and the investment income from such assets), the assets of the Foundation are the exclusive property of the Foundation. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. Neither the Norman Campus nor the Board of Regents has the power or authority to mortgage, pledge or encumber the assets of the Foundation. The trustees of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Under state law, neither the principal nor income generated by the assets of the Foundation can be taken into consideration in determining the amount of state-appropriated funds allocated to the University.

Note 1 - Organization and summary of Significant Accounting Policies – Continued

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

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

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

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

Restricted Cash and Cash Equivalents: Cash and cash equivalents that are externally restricted for grant expenditures, debt service payments, loans to students, maintenance of sinking or reserve funds, or purchase of capital or other noncurrent assets, are classified as restricted cash and cash equivalents 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.

Investments: The University accounts for its investments at fair value. GASB No. 72, *Fair Value Measurement and Application*, specifies a hierarchy of valuation classifications based on whether the inputs to the valuation techniques used in each valuation classification are observable or unobservable. These classifications are summarized in the three broad levels listed below:

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

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

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

Note 1 - Organization and summary of Significant Accounting Policies – Continued

Inputs used to measure fair value might fall in different levels of the fair value hierarchy, in which case the University defaults to the lowest level input that is significant to the fair value measurement in its entirety. These levels are not necessarily an indication of the risk or liquidity associated with the investments. In determining the appropriate levels, the University performed a detailed analysis of the assets and liabilities that are subject to GASB No. 72. The University establishes the fair value of certain investments that do not have a readily determinable fair value by using net asset value (NAV) per unit. Investments measured at NAV per unit are not categorized within the fair value hierarchy.

Investments held by the Foundation are pooled investments (Note 2). Ownership interests in those pools are unitized. The Foundation calculates the net asset value per unit monthly based on the value of the underlying assets in each pool. New investments and withdrawals from these pools for the benefit of the unit holders are transmitted at the net asset value per unit on the monthly valuation dates. With the exception of alternative investments, the pooled funds are held in the custody of the Bank of New York-Mellon. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

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

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

Inventories and Supplies: Inventories, consisting mainly of 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; last-in, first-out; and average cost methods, as deemed appropriate.

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

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

Note 1 - Organization and summary of Significant Accounting Policies – Continued

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

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

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. In 2019, the University implemented GASB No.89 and no longer capitalizes any interest.

Intangible assets are reported with capital assets. Intangible assets subject to amortization are amortized over their respective estimated useful lives ranging from 5 to 17 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. For 2020 impairment losses totaled $44, and for 2019 they totaled $9.

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

Accrued Compensated Absences: Employees' compensated absences are accrued when earned. The liability at the end of the year and expense 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.

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

Note 1 - Organization and summary of Significant Accounting Policies – Continued

Noncurrent Liabilities: Noncurrent liabilities include principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year, federal loans liability, amounts for accrued compensated absences, amounts due on the utilities management agreement, total other postemployment benefits (OPEB) liability, 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 the bond proceeds.

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

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about and additions to/deductions from the fiduciary net position of the Oklahoma Teachers' Retirement System (OTRS) and other plans have been determined on the same basis as reported by OTRS and other plans. 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 and other plans are reported at fair value by OTRS and other plans.

Other Postemployment Benefits: For purposes of measuring the cost-sharing employer plan's net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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 by OTRS.

For purposes of measuring the single employer plan total OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the University uses an independent actuarial valuation based on the University's year-end. Benefit payments are made on a pay-as-you go basis as there are no assets accumulated in a trust for purposes of this plan.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. The University has deferred outflows of resources related to pensions, OPEB, and advance refundings (defeasance) of bonds. The deferred outflows related to pensions and OPEB for contributions subsequent to the measurement date are recognized as a reduction of net pension liability in the following year. The deferred outflows related to pensions and OPEB resulting from changes of assumptions and changes in proportion are recognized as a component of compensation expense using the average expected remaining service life of the plan. The deferred outflows related to pensions and OPEB resulting from the difference between projected and actual earnings on plan investments are recognized as a component of compensation expense over five years. The deferred outflows related to the refunding of bonds 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.

Note 1 - Organization and summary of Significant Accounting Policies – Continued

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. The University has deferred inflows of resources related to an Oklahoma Capitol Improvement Authority (OCIA) lease restructuring, a ground lease, pensions and OPEB. The OCIA deferred inflows 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. The deferred inflow related to the ground lease is recognized as revenue over the term of the lease. The deferred inflows related to pensions and OPEB resulting from changes of assumptions and changes in proportion are recognized as a component of compensation expense using the average expected remaining service life of the plan. The deferred inflows related to pensions and OPEB resulting from the difference between projected and actual earnings on plan investments are recognized as a component of compensation expense over five years.

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

Net investment in capital assets represents the University's investment in capital assets (net of accumulated depreciation) and related deferred outflows of resources, reduced by outstanding debt obligations and related deferred inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of 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 which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or enabling legislation.

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

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

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

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

Note 1 - Organization and summary of Significant Accounting Policies – Continued

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB, such as state appropriations, certain governmental and other pass-through grants, and investment income.

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

Tax Status: As a state institution of higher education, the income of the University is exempt from federal and state income taxes; however, income generated from activities unrelated to the University's 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 University.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Reclassifications: Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 financial statement presentation. Such reclassifications have had no effect on changes in net position as previously reported.

New Accounting Pronouncements Adopted in Fiscal Year 2020:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued in May 2020. This statement extended the effective dates of certain accounting and financial reporting provisions that were first effective for reporting periods after June 15, 2018. This amended the statement effective dates as reflected below.

Due to the issuance of GASB Statement No. 95, most standards due to go into effect during subsequent years were delayed.

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

Note 1 - Organization and Summary of Significant Accounting Policies – Continued

GASB Statement No. 84, *Fiduciary Activities,* was issued in January 2017 and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of GASB No. 84 are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

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

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. It clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. The provisions of GASB No. 91 are effective for reporting periods beginning after December 15, 2021, with earlier application encouraged.

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

Note 2 - Deposits and Investments

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

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

Note 2 - Deposits and Investments - Continued

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

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

<u>Cash and Cash Equivalents:</u> At June 30, 2020 and 2019, the carrying amounts of the University's deposits with the OST and other financial institutions were $231,906 and $214,883, respectively. These amounts consisted of deposits with the OST ($182,353 and $165,159), U.S. and foreign financial institutions ($172 and $221), deposits with trustees ($49,269 and $49,396), and petty cash and change funds ($112 and $107).

Of funds on deposit with the OST, amounts invested in OK INVEST total $136,207 and $110,453 at June 30, 2020 and 2019, respectively, 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.ok.gov/treasurer/. 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.

June 30, 2020 and 2019 (in thousands)

Note 2 - Deposits and Investments - Continued

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

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

The distribution of investments in OK INVEST at June 30, 2020 and 2019 are as follows:

	2020	2019
U.S. agency securities	22.9%	30.8%
Money market mutual funds	5.1%	9.8%
Certificates of deposit	1.4%	2.2%
Mortgage backed agency securities	37.8%	40.5%
Municipal bonds	0.1%	0.2%
Foreign bonds	1.0%	0.4%
U.S. Treasury obligations	31.7%	16.1%
	100%	100%

As of June 30, 2020 and 2019, the University held approximately 1.8% and 1.5%, respectively, of the OK INVEST fund. The market value of OK INVEST as of June 30, 2020 and 2019 was $7,910,433 and $7,332,286, respectively, and the amortized cost was $7,698,424 and $7,242,397, respectively.

June 30, 2020 and 2019 (in thousands)

Note 2 - Deposits and Investments - Continued

Investments

Investments measured at fair value as of June 30, 2020 are summarized as follows:

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

June 30, 2020 and 2019 (in thousands)

Note 2 - Deposits and Investments - Continued

Investments measured at fair value as of June 30, 2019 are summarized as follows:

	Total	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fidelity revenue sharing investments	$ 185	$ 185	$ -	$ -
InvesTrust retirement plan investments	6,784	6,784	-	-
Mineral interests	212	-	-	212
Real property	8	-	-	8
Total investments by fair value level	7,189	6,969	-	220
Investments measured at net asset value				
CIF - OU Foundation	68,157			
EIP II - OU Foundation	43,732			
Total investments at net asset value	111,889			
Total investments measured at fair value	$ 119,078			

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

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

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

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

Note 2 - Deposits and Investments - Continued

Investments measured at NAV per unit: Title 70, Section 4306 of the Oklahoma Statutes directs, authorizes, and empowers the University's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws. The University has entrusted the Foundation with a portion of their funds totaling $101,598 and $111,889 as of June 30, 2020 and 2019, respectively. The investments held at the Foundation on behalf of the University within two separate investment pools are as follows:

> Consolidated Investment Fund (CIF) – Investments in this pool consist primarily of domestic and international equity securities, U.S. government securities, derivative financial instruments and alternative holdings. The Foundation considers the underlying investments within this pool to include Level 1, 2, 3, and NAV inputs. The University owned approximately 5.0% and 4.9% of the fund as of June 30, 2020 and 2019.
>
> Expendable Investment Pool II (EIP II) – Investments in this pool primarily consist of liquid money market funds, mutual funds, equities and separate accounts holding U.S. government and corporate fixed income securities. The Foundation considers the underlying investments within this pool to include Level 1, 2, and NAV inputs. The University owned approximately 76.4% and 71.0% of the fund as of June 30, 2020 and 2019.

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

The University's investments have no unfunded commitments and funds may be redeemed daily with no redemption notice. Within the CIF pool, certain investments held do have unfunded commitments and limitations on redemption frequency, including redemption notice periods. The total market value of the CIF fund as of June 30, 2020 totaled $1,372,043. Unfunded commitments within this fund totaled $182,031. 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 $268,800. Investments held in real estate funds and private equity funds with a total market value at June 30, 2020 of $384,945 and at June 30, 2019 of $361,546 cannot be redeemed and are subject to the terms of the individual funds. These funds typically have lives up to ten years (with the potential for extensions if necessary), and distributions at the discretion of the general partners.

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

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the University are generally limited to direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.

Note 2 - Deposits and Investments - Continued

- Investments in municipal money market funds are limited to funds with a rating of AAAm by Standard & Poor's.
- 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.
- The University's fixed income securities are generally limited to holdings of high quality fixed income securities.

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

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

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

Interest Rate Risk*:* Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the value of an investment. The University has a short term investment strategy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The University has adopted the Foundation's "Statement of Investment Policy" for funds invested at the Foundation. The University is responsible for determining its operating cash flow requirements and ensuring that adequate funds are available to maintain the University's operations. In determining liquidity needs, the appropriate mix of short-term, intermediate, and long-term investments will be evaluated.

June 30, 2020 and 2019 (in thousands)

Note 2 - Deposits and Investments - Continued

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

	2020	2019
Endowment investments	$ 66,768	$ 65,730
Other long-term investments	42,451	53,128
Investments in real estate and mineral interest	220	220
	$ 109,439	$ 119,078

Note 3 - Accounts Receivable

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

	2020	2019
Student tuition and fees	$ 56,861	$ 54,460
Federal, state and private grants and contracts	45,142	35,537
Contributions and gifts	6,723	6,173
Auxiliary enterprises and other operating activities	7,491	7,759
	116,217	103,929
Less allowance for doubtful accounts	(36,518)	(34,562)
Net accounts receivable	$ 79,699	$ 69,367

Included in the amounts above is approximately $16,391 at June 30, 2020, and $13,301 at June 30, 2019, which is due from the U.S. government.

June 30, 2020 and 2019 (in thousands)

Note 4 - Inventories and Supplies

Inventories and supplies consisted of the following at June 30:

	2020	2019
University Press	$ 361	$ 419
Other Auxiliaries	783	828
University Printing Services	442	442
Facilities Management	252	252
College of Continuing Education operations	92	97
Museum retail operations	103	91
Other	71	55
	$ 2,104	$ 2,184

Note 5 - Loans to Students

Net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 73.9% of the June 30, 2020 loan balance and 80.2% of the June 30, 2019 loan balance. Under certain conditions such loans can be forgiven at annual rates of 10.0% to 30.0% of the original balance up to maximums of 50.0% to 100.0% of the original loan. The federal government reimburses the University to the extent of 10.0% of the amounts forgiven for loans originated prior to July 1, 1993 under the Program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of approximately $11,460 and $14,270 at June 30, 2020 and 2019, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal Perkins student loans, as the University is not obligated to fund the federal portion of uncollected student loans as long as the University has performed the required due diligence. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2020 and 2019, the allowance for uncollectible loans, including loans made under the program, was approximately $458 and $560, respectively.

June 30, 2020 and 2019 (in thousands)

Note 6 - Capital Assets

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

	2020				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Land	$ 44,799	$ -	$ -	$ -	$ 44,799
Construction in-progress	68,527	26,736	(14,426)	-	80,837
Total capital assets not being depreciated	113,326	26,736	(14,426)	-	125,636
Capital assets being depreciated					
Buildings	1,864,404	-	868	(167)	1,865,105
Equipment	246,425	11,472	2	(2,245)	255,654
Nonstructural improvements	229,125	9,233	13,394	(700)	251,052
Land improvements	33,304	64	-	-	33,368
Software	38,256	493	9	-	38,758
Infrastructure	99,672	367	153	-	100,192
Library books	234,611	11,643	-	(736)	245,518
Total capital assets being depreciated	2,745,797	33,272	14,426	(3,848)	2,789,647
Less accumulated depreciation					
Buildings	507,617	34,787	-	-	542,404
Equipment	177,611	15,197	-	(2,019)	190,789
Nonstructural improvements	70,701	11,764	-	-	82,465
Land improvements	29,997	434	-	-	30,431
Software	36,686	281	-	-	36,967
Infrastructure	54,939	4,045	-	-	58,984
Library Books	130,454	9,552	-	(736)	139,270
Total accumulated depreciation	1,008,005	76,060	-	(2,755)	1,081,310
Total capital assets being depreciated, net	1,737,792	(42,788)	14,426	(1,093)	1,708,337
Capital assets, net	$ 1,851,118	$ (16,052)	$ -	$ (1,093)	$ 1,833,973

June 30, 2020 and 2019 (in thousands)

Note 6 - Capital Assets - Continued

	2019				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated					
Land	$ 44,799	$ -	$ -	$ -	$ 44,799
Construction in-progress	82,960	41,692	(56,125)	-	68,527
Total capital assets not being depreciated	127,759	41,692	(56,125)	-	113,326
Capital assets being depreciated					
Buildings	1,819,692	457	44,302	(47)	1,864,404
Equipment	252,594	12,339	57	(18,565)	246,425
Nonstructural improvements	214,415	4,987	9,723	-	229,125
Land improvements	33,304	-	-	-	33,304
Software	36,861	253	1,174	(32)	38,256
Infrastructure	95,673	3,130	869	-	99,672
Library books	235,110	8,379	-	(8,878)	234,611
Total capital assets being depreciated	2,687,649	29,545	56,125	(27,522)	2,745,797
Less accumulated depreciation					
Buildings	472,915	34,749	-	(47)	507,617
Equipment	178,140	15,015	-	(15,544)	177,611
Nonstructural improvements	59,455	11,246	-	-	70,701
Land improvements	29,485	512	-	-	29,997
Software	36,378	319	-	(11)	36,686
Infrastructure	50,948	3,991	-	-	54,939
Library Books	130,183	9,149	-	(8,878)	130,454
Total accumulated depreciation	957,504	74,981	-	(24,480)	1,008,005
Total capital assets being depreciated, net	1,730,145	(45,436)	56,125	(3,042)	1,737,792
Capital assets, net	$ 1,857,904	$ (3,744)	$ -	$ (3,042)	$ 1,851,118

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

June 30, 2020 and 2019 (in thousands)

Note 7 - Accounts Payable and Accrued Expenses

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

	2020	2019
Accounts payable	$ 41,361	$ 37,424
Accrued payroll	8,999	9,678
Self insurance reserves	5,580	6,777
	$ 55,940	$ 53,879

Note 8 - Unearned Revenues

Unearned revenues consist of the following at June 30:

	2020	2019
Prepaid tuition and student fees	$ 18,682	$ 19,020
Prepaid athletic ticket sales	21,729	27,983
Auxiliary enterprises and other activities	10,500	12,148
Grants and contracts	9,600	8,891
	$ 60,511	$ 68,042

Note 9 - Funds Held in Trust by Others

Commissioners of the Land Office - Section 13/New College Funds: The University of Oklahoma has a beneficial interest in the “Section Thirteen State Educational Institutions Fund” and the “New College Fund” held in the care of the Commissioners of the Land Office as trustees. The University has the right to receive annually 30% of the distribution of income produced by “Section Thirteen State Educational Institutions Fund” assets and 100% of the distribution of income produced by the University’s “New College Fund”.

The University received approximately $9,111 and $9,546 during the years ended June 30, 2020, and 2019, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2020 and 2019, respectively, the University distributed $4,104 and $3,924 of these funds to the Health Sciences Center. Current 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 $175,106 ($186,707 restricted corpus) and $190,531 ($185,271 restricted corpus) at June 30, 2020 and 2019, respectively, and have not been reflected in the accompanying financial statements.

Note 9 - Funds Held In Trust by Others - Continued

Oklahoma State Regents for Higher Education Endowment Program: In connection with the Oklahoma State Regents' Endowment Program, the State of Oklahoma has matched contributions received under the Endowment Program. The cumulative state match amount, plus any retained accumulated earnings, totaled approximately $118,899 and $138,534 at June 30, 2020 and 2019, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of earnings on these funds. As legal title of the State match is retained by the State Regents, only the funds available for distribution, or $6,723 and $6,173 as of June 30, 2020 and 2019, respectively, have been reflected in the statements of net position as accounts receivable. Institutional matching funds are on deposit with the Foundation for the benefit of the University.

Note 10 - Operating Leases

Lease Commitments: The University has entered into certain operating leases for equipment (including copiers and other office furniture and equipment), bus charters, vehicle rentals and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures from operating leases were approximately $4,545 and $3,680, respectively, for the years ended June 30, 2020 and 2019.

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

In accordance with the terms of the ground lease, the University received a nonrefundable payment of $20 million from the Lessee in March of 2017. The payment was recorded as a deferred inflow of resources and will be recognized as revenue over the term of the lease. The amount recognized as revenue was $389 in 2020 and 2019. The remaining balance to be amortized was $18,715 and $19,104 as of June 30, 2020 and 2019, respectively. Under the terms of the trust indenture for the ODFA bonds, the University will also receive payments from the surplus cash flow fund to the extent that project revenues exceed funding requirements for various bond funds, operating accounts, and reserve accounts, provided that the debt service coverage ratio for the bonds is adequate and no events of default have occurred.

June 30, 2020 and 2019 (in thousands)

Note 11 - Long-Term Liabilities

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

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases:					
General Revenue Bonds, Series 2010B	$ 38,850	$ -	$ (1,310)	$ 37,540	$ 1,350
General Revenue Bonds, Series 2011A	6,800	-	(270)	6,530	280
General Revenue Bonds, Series 2011B	30,615	-	(29,885)	730	730
General Revenue Bonds, Series 2011C	9,010	-	(360)	8,650	370
General Revenue Bonds, Series 2011D	54,480	-	(51,715)	2,765	1,355
General Rev. Refunding, Series 2011E	12,345	-	(1,350)	10,995	1,390
General Revenue Bonds, Series 2012A	62,435	-	(1,675)	60,760	1,745
General Rev. Refunding, Series 2012D	16,975	-	(1,700)	15,275	1,735
General Revenue Bonds, Series 2013A	10,030	-	(310)	9,720	315
General Revenue Bonds, Series 2013B	44,135	-	(1,240)	42,895	1,265
General Rev. Refunding, Series 2013D	12,425	-	(1,005)	11,420	1,035
General Revenue Bonds, Series 2014A	11,340	-	(280)	11,060	290
General Revenue Bonds, Series 2014B	11,040	-	(245)	10,795	255
General Rev. Refunding, Series 2014C	72,405	-	(3,835)	68,570	4,000
General Revenue Bonds, Series 2015A	27,890	-	(590)	27,300	605
General Revenue Bonds, Series 2015B	4,050	-	(350)	3,700	355
General Rev. Refunding, Series 2015C	213,705	-	-	213,705	-
General Revenue Bonds, Series 2015D	36,680	-	(5,470)	31,210	5,590
General Revenue Bonds, Series 2016A	66,460	-	(4,525)	61,935	4,705
General Revenue Bonds, Series 2016B	65,970	-	-	65,970	-
General Revenue Bonds, Series 2016C	17,545	-	(3,050)	14,495	3,095
General Revenue Bonds, Series 2017A	14,360	-	-	14,360	-
General Revenue Bonds, Series 2017B	2,554	-	(355)	2,199	360
General Rev. Refunding, Series 2017C	28,465	-	(665)	27,800	675
General Rev. Refunding, Series 2020A	-	84,230	-	84,230	1,625
Subtotal revenue bonds payable	870,564	84,230	(110,185)	844,609	33,125
Premium/(Discount)	35,774	(231)	(1,719)	33,824	2,025
Total revenue bonds payable	906,338	83,999	(111,904)	878,433	35,150
OCIA 2014A capital lease payable	25,631	-	-	25,631	-
OCIA 2014C capital lease payable	15,868	-	(768)	15,100	806
ODFA master leases payable	1,231	-	(252)	979	169
Subtotal capital leases payable	42,730	-	(1,020)	41,710	975
Premium/(Discount)	(3)	-	(1)	(4)	1
Total capital leases payable	42,727	-	(1,021)	41,706	976
Total bonds and capital leases	949,065	83,999	(112,925)	920,139	36,126
Other noncurrent liabilities					
Utilities management agreement	75,960	-	(4,720)	71,240	4,720
Accrued compensation absences	29,341	28,171	(26,833)	30,679	27,304
Total other noncurrent liabilities	105,301	28,171	(31,553)	101,919	32,024
Total noncurrent liabilities	$ 1,054,366	$ 112,170	$ (144,478)	$ 1,022,058	$ 68,150

June 30, 2020 and 2019 (in thousands)

Note 11 - Long-Term Liabilities - Continued

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion

Beginning Balance | Additions | Deductions | Ending Balance | Current Portion

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases:					
General Revenue Bonds, Series 2009A	$ 765	$ -	$ (765)	$ -	$ -
General Revenue Bonds, Series 2010B	40,120	-	(1,270)	38,850	1,310
General Revenue Bonds, Series 2011A	7,060	-	(260)	6,800	270
General Revenue Bonds, Series 2011B	31,285	-	(670)	30,615	700
General Revenue Bonds, Series 2011C	9,355	-	(345)	9,010	360
General Revenue Bonds, Series 2011D	55,740	-	(1,260)	54,480	1,305
General Rev. Refunding, Series 2011E	13,660	-	(1,315)	12,345	1,350
General Revenue Bonds, Series 2012A	64,065	-	(1,630)	62,435	1,675
General Rev. Refunding, Series 2012D	18,645	-	(1,670)	16,975	1,700
General Revenue Bonds, Series 2013A	10,330	-	(300)	10,030	310
General Revenue Bonds, Series 2013B	45,355	-	(1,220)	44,135	1,240
General Rev. Refunding, Series 2013D	13,405	-	(980)	12,425	1,005
General Revenue Bonds, Series 2014A	11,610	-	(270)	11,340	280
General Revenue Bonds, Series 2014B	11,280	-	(240)	11,040	245
General Rev. Refunding, Series 2014C	76,085	-	(3,680)	72,405	3,835
General Revenue Bonds, Series 2015A	28,460	-	(570)	27,890	590
General Revenue Bonds, Series 2015B	4,395	-	(345)	4,050	350
General Rev. Refunding, Series 2015C	213,705	-	-	213,705	-
General Revenue Bonds, Series 2015D	42,055	-	(5,375)	36,680	5,470
General Revenue Bonds, Series 2016A	70,815	-	(4,355)	66,460	4,525
General Revenue Bonds, Series 2016B	65,970	-	-	65,970	-
General Revenue Bonds, Series 2016C	20,560	-	(3,015)	17,545	3,050
General Revenue Bonds, Series 2017A	14,360	-	-	14,360	-
General Revenue Bonds, Series 2017B	2,554	-	-	2,554	355
General Rev. Refunding, Series 2017C	28,465	-	-	28,465	665
Subtotal revenue bonds payable	900,099	-	(29,535)	870,564	30,590
Premium/(Discount)	37,795	-	(2,021)	35,774	2,022
Total revenue bonds payable	937,894	-	(31,556)	906,338	32,612
OCIA 2014A capital lease payable	25,663	-	(32)	25,631	-
OCIA 2014B capital lease payable	333	-	(333)	-	-
OCIA 2014C capital lease payable	16,598	-	(730)	15,868	767
ODFA master leases payable	1,699	-	(468)	1,231	252
Subtotal capital leases payable	44,293	-	(1,563)	42,730	1,019
Premium/(Discount)	22	-	(25)	(3)	1
Total capital leases payable	44,315	-	(1,588)	42,727	1,020
Total bonds and capital leases	982,209	-	(33,144)	949,065	33,632
Other noncurrent liabilities					
Utilities management agreement	80,680	-	(4,720)	75,960	4,720
Accrued compensation absences	32,572	29,048	(32,279)	29,341	25,820
Total other noncurrent liabilities	113,252	29,048	(36,999)	105,301	30,540
Total noncurrent liabilities	$ 1,095,461	$ 29,048	$ (70,143)	$ 1,054,366	$ 64,172

June 30, 2020 and 2019 (in thousands)

Note 11 - Long-Term Liabilities - Continued

Debt service requirements on revenue bonds are as follows at June 30, 2020:

Year Ending June 30	Principal	Interest
2021	$ 35,151	$ 32,843
2022	35,686	31,671
2023	37,236	30,447
2024	39,071	29,118
2025	40,058	27,725
2026-2030	203,366	114,894
2031-2035	191,447	76,291
2036-2040	157,924	40,176
2041-2045	118,721	12,034
2046-2050	19,773	136
Total	$ 878,433	$ 395,335

Revenue bonds payable: Beginning in fiscal year 2007 with the General Revenue Bonds, Refunding Series 2006A, bonds have been issued by the Board of Regents pursuant to the Master Resolution and supplemental resolutions establishing the University of Oklahoma General Revenue Financing System. The revenue pledged as security for these obligations is any or all revenues of the University which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature, funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for Prior Encumbered Obligations. At June 30, 2020 and 2019, total principal and interest remaining to be paid on these bonds was $1,273,768 and $1,373,767, respectively, and the total pledged revenue received was $727,255 and $748,046, respectively. Debt service payments, including both principal and interest, of $67,169 and $66,994 were 9.2% and 9.0% of pledged revenues at June 30, 2020 and 2019, respectively.

At June 30, 2020 and 2019, the University had $49,268 and $49,396, respectively, of cash and investments held in trust for the bond indentures, restricted to the payment of principal and interest.

Refunding Bonds: In June 2015, General Revenue Refunding Bonds 2012C, with a total principal balance of $5,115, were defeased. Funds of $4,953 were transferred to trustees to purchase escrow securities for the defeasement. The funds transferred will remain in escrow until the final call date of July 1, 2020. The total principal outstanding on the General Revenue Refunding Bonds 2012C was $3,345 at June 30, 2020 and $3,715 at June 30, 2019.

In November 2013, General Revenue Refunding Bonds 2013C and 2013D were issued to refund the ODFA A and B and Research 2004 Revenue Bonds having a total principal balance outstanding of $22,260. Total principal outstanding on the refunded 2004 Research Facilities Revenue Bond was $11,365 at June 30, 2020 and $15,420 at June 30, 2019.

June 30, 2020 and 2019 (in thousands)

Note 11 - Long-Term Liabilities - Continued

In May 2016, General Revenue Refunding Bonds 2016A were issued to refund the General Revenue Refunding Bonds 2006A having a total principal balance outstanding of $83,720. The total principal outstanding on the refunded 2006A General Revenue Refunding Bonds was $67,315 at June 30, 2020 and $72,250 at June 30, 2019.

In March 2020, General Revenue Refunding Bonds 2020A were issued to refund the General Revenue Bonds 2011B having a total principal balance outstanding of $29,915, of which $29,185 was refunded and General Revenue Bonds 2011D having a total principal balance outstanding of $53,175, of which $50,410 was refunded. This resulted in cash flow savings and net present value benefit of $25,177. Funds of $29,989 and $53,776 were transferred to trustees to purchase escrow securities for the defeasement of 2011B and 2011D, respectively. The escrow balance at June 30, 2020 was $30,098 for 2011B and $54,485 for 2011D.

Capital Lease Obligations

OCIA Capital Lease Obligations

The Oklahoma Capitol Improvement Authority (OCIA) periodically issues bonds, which are allocated to the State Regents for Higher Education, to be used for specific projects at Oklahoma higher education institutions. The University has participated in these projects as discussed below. In each of the transactions, OCIA and the University have entered into a lease agreement with terms characteristic of a capital lease. As a result, the University recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired, in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly lease principal and interest payments on-behalf of the University. The University's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues.

In September 1999, the University entered into a 20-year lease agreement with the OCIA and the Oklahoma State Regents as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 1999A. The University received $5,850 of the proceeds for capital improvement projects on the Norman Campus as approved by the Regents.

In the fall of 2005, the University entered into a lease agreement with varying terms of repayment with the OCIA and the Oklahoma State Regents as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F, 2005G and 2006D. The University received $82,706 of the proceeds in addition to total investment earnings of $8,507 for capital improvement projects on the Norman Campus as approved by the Regents.

Assets under these capital leases with OCIA as of June 30 have been recorded as follows:

		2020		2019	
OCIA State Facilities Revenue Bonds	Amount Financed	Accumulated Depreciation*	Net Book Value	Accumulated Depreciation*	Net Book Value
1999A/2004A/2014B	$ 5,850	$ 2,174	$ 3,676	$ 2,057	$ 3,793
2005F/82005G/2006D/2010A/2010B/2014A/2014B/2014C	91,213	20,083	71,130	18,259	72,954
	$ 97,063	$ 22,257	$ 74,806	$ 20,316	$ 76,747

*Depreciation expense on these assets is included on the statements of revenues, expenses, and changes in net position.

June 30, 2020 and 2019 (in thousands)

Note 11 - Long-Term Liabilities - Continued

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

Year Ending June 30		Principal		Interest
2021	$	806	$	1,863
2022		3,235		1,823
2023		3,390		1,675
2024		3,486		1,521
2025		3,641		1,367
2026-2030		20,908		4,094
2031-2035		5,265		528
Total	$	40,731	$	12,871

In the summer of 2010, the 2005 lease agreement with the OCIA was restructured through a partial refunding of the Series 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. A deferred outflow of resources of $2,247 was recorded and amortized over a period of eight years.

In the spring of 2014, the remaining 2005 lease agreement with OCIA was restructured through a refunding of the Series 2005F bond debt. OCIA issued a new bond, Series 2014A. OCIA issued this new debt to provide budgetary relief by restructuring debt service. Consequently, the University's lease agreement with OCIA automatically restructured to secure the new bond issues. A deferred inflow of resources of $1,530, which is the difference between the reacquisition price and the net carrying amount of the old debt, has been recorded by the University and is being amortized over a period of 17 years.

During fiscal year 2015, OCIA issued two new bonds. The University's lease agreements with OCIA automatically restructured to secure these new bond issues. Series 2014B was issued by OCIA to refund series 2004A. A deferred inflow of resources of $386, which is the difference between the reacquisition price and the net carrying amount of the old debt, has been recorded and is being amortized over a period of five years. Series 2014C was issued by OCIA to refund series 2006D. A deferred inflow of resources of $2,193, which is the difference between the reacquisition price and the net carrying amount of the old debt, has been recorded and is being amortized over a period of 20 years.

During the years ended June 30, 2020 and 2019, the State Regents made lease principal and interest payments totaling $2,669 and $3,050, respectively, on behalf of the University. These on-behalf payments have been recorded in the University'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.

June 30, 2020 and 2019 (in thousands)

Note 11 - Long-Term Liabilities - Continued

ODFA Master Lease Obligations

The University has entered into various master lease agreements with ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds. These proceeds have been used by the University to fund the acquisition of major personal and real property that provide cost efficiencies in finance and administration. The lease terms vary by the useful life of the equipment purchased, but the useful life must not exceed 20 years for personal property and 30 years for real property projects. Terms of leases outstanding as of June 30, are as follows:

ODFA Master Leases	Issued	Terms	Amount Financed	2020 Not Capitalized*	Accumulated Depreciation*	Net Book Value
ODFA 2007B	July 2007	5 - 20 Years	$ 4,605	$ 1,305	$ 3,300	$ -
ODFA 2008B	December 2008	5 - 10 Years	1,724	529	1,195	-
ODFA 2009A	July 2009	5 - 20 Years	2,759	1,326	1,278	155
ODFA 2009B	December 2009	5 - 10 Years	1,576	-	1,366	210
ODFA 2011C	November 2011	5 - 10 Years	4,261	524	3,343	394
			$ 14,925	$ 3,684	$ 10,482	$ 759

ODFA Master Leases	Issued	Terms	Amount Financed	2019 Not Capitalized*	Accumulated Depreciation*	Net Book Value
ODFA 2007B	July 2007	5 - 20 Years	$ 4,605	$ 1,305	$ 3,300	$ -
ODFA 2008B	December 2008	5 - 10 Years	1,724	529	1,195	-
ODFA 2009A	July 2009	5 - 20 Years	2,759	1,326	1,261	172
ODFA 2009B	December 2009	5 - 10 Years	1,576	-	1,342	234
ODFA 2011C	November 2011	5 - 10 Years	4,261	523	2,970	768
			$ 14,925	$ 3,683	$ 10,068	$ 1,174

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

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

Of the advance received, $55,387 was transferred to trustees to purchase escrow securities for the defeasement of a portion of the General Revenue Bonds Series 2009A (36.29%), General Revenue Bonds Series 2009B (76.05%), and General Revenue Bonds, Refunding Series 2009C (100%). These bonds were used for utility system acquisitions and improvements. Total principal defeased was $47,415. The funds transferred for defeasance will remain in escrow until the final call date of July 1, 2024. Total principal outstanding on the defeased debt was $2,370 and $12,785 as of June 30, 2020 and 2019.

June 30, 2020 and 2019 (in thousands)

Note 12 - Retirement Plans

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

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

Oklahoma Teachers' Retirement System

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

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. Those who become members on or after November 1, 2017 will require seven years of service to vest. Members who joined OTRS prior to July 1, 1992 are eligible to retire with an unreduced benefit at age 62 or when their age and years of creditable service total 80. Members who joined OTRS July 1, 1992 or after, and before November 1, 2011 may retire with an unreduced benefit at age 62 or when their age and years of creditable service total 90. Members who joined on or after November 1, 2011 may retire with an unreduced benefit at age 65, or when the member's age is at least 60 and age and years of creditable service total at least 90. A reduced annuity is available at the minimum age of 60. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

Note 12 - Retirement Plans - Continued

- 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% 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).

Contributions: The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7% of their annual compensation. The University's contribution rate is 8.55% for the years ended June 30, 2020 and 2019. There is also a federal match required on all compensation paid from federal funds, which had a contribution rate of 7.7% for 2020 and 2019. The University's contributions to OTRS in 2020 and 2019, which include the 8.55% regular employer contribution, the 2.5% ORP contribution (in 2019 only), and the federal match, were $19,370 and $22,106, respectively, equal to the required contributions each year. In addition, the State of Oklahoma contributed 5% of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the University and recognized in the University's statement of revenues, expenses and changes in net position as both revenues and compensation and benefits expense in 2020 and 2019 were $16,070 and $14,481, respectively. These on-behalf payments do not meet the definition of a special funding situation.

June 30, 2020 and 2019 (in thousands)

Note 12 - Retirement Plans - Continued

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2020 and 2019, the University reported a liability of $309,430 and $277,494, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018, respectively. The University's proportion of the net pension liability was based on the University's contributions to OTRS relative to total contributions of OTRS for all participating employers for the years ended June 30, 2019 and 2018. Based upon this information, the University's proportion was 4.68% and 4.55% as of June 30, 2019 and 2018, respectively.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of $39,644 and $21,455, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	2019
Deferred outflows of resources		
Differences between expected and actual experience	$ 15,884	$ -
Changes of assumptions	16,246	25,788
Changes in proportion	13,501	12,973
Net difference between projected and actual earnings on pension plan investments	2,099	-
University contributions subsequent to the measurement date *	19,333	22,106
Total	$ 67,063	$ 60,867
Deferred inflows of resources		
Differences between expected and actual experience	$ 13,260	$ 19,015
Changes of assumptions	10,443	14,090
Changes in proportion	8,272	11,296
Net difference between projected and actual earnings on pension plan investments	-	4,782
	$ 31,975	$ 49,183

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

June 30, 2020 and 2019 (in thousands)

Note 12 - Retirement Plans - Continued

The average expected remaining life of the Plan is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. The average expected service life of the Plan equals 5.33 and 5.38 years at June 30, 2019 and 2018, respectively, as of the valuation date.

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

Years Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2021	$ 13,763	$ (7,471)
2022	9,205	(7,328)
2023	7,920	(6,394)
2024	7,920	(4,867)
2025	6,933	(4,447)
2026	1,989	(1,468)
	$ 47,730	$ (31,975)

Actuarial assumptions: The total pension liability as of June 30, 2020 was determined based on an actuarial valuation prepared as of June 30, 2019 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation – 2.50%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases - Composed of 3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement- Males: RP-2000 Combined Healthy Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members - RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Note 12 - Retirement Plans - Continued

The total pension liability as of June 30, 2019 was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Inflation – 2.50%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases - Composed of 3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement- Males: RP-2000 Combined Healthy Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members - RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

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.

June 30, 2020 and 2019 (in thousands)

Note 12 - Retirement Plans - Continued

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2019 and June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return 2019	2018
Domestic Equity	38.5%	7.5%	7.5%
International Equity	19.0%	8.5%	8.5%
Fixed Income	23.5%	2.5%	2.5%
Real Estate*	9.0%	4.5%	4.5%
Alternative Assets	10.0%	6.1%	6.1%
	100.0%		

*The Real Estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value Added Real Estate (unleveraged).

Discount Rate: The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5% of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
June 30,2020			
University's net pension liability	$ 436,021	$ 309,430	$ 203,531
June 30, 2019			
University's net pension liability	$ 393,703	$ 277,494	$ 180,208

June 30, 2020 and 2019 (in thousands)

Note 12 - Retirement Plans - Continued

Oklahoma Law Enforcement Retirement System

Certain University employees are members of the OLERS. The University has recorded the following amounts at June 30, 2020 and June 30, 2019, related to these employee's participation in OLERS:

	2020	2019
Net pension liability	$ 2,125	$ 1,618
Deferred outflows related to pensions	1,196	1,189
Deferred inflows related to pensions	469	659
Pension expense	661	407

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

Defined Contribution Plans

The University offers two 401(a) defined contribution plans which are administered by Fidelity Investments Inc., the DCP and the ORP. All contributions to these plans are made by the University and directed by the plan participants to a variety of different fund options and companies within the plans. Employees do not contribute to these plans. All new employees eligible for either of the plans must complete a 12-month waiting period before receiving contributions from the University. There is a three year vesting period for both plans.

Participation: Eligible salaried employees hired prior to July 1, 2004 are automatically enrolled in OTRS, which includes participation in the DCP. Eligible salaried employees hired on or after July 1, 2004 have the option to elect either OTRS, which includes participation in the DCP, or the ORP within the first 30 days of employment. This is a one-time irrevocable election. If an employee does not make an election, the employee defaults into OTRS and will also participate in the DCP. Eligible hourly employees are automatically enrolled in the DCP but can elect to participate in OTRS at any time.

Contributions: Contributions to the DCP are based on the hire date of the plan participants. For participants hired prior to July 1, 1995, and enrolled in OTRS, the rate is 15% of regular salary, supplemental salary and wages paid during the plan year in excess of $9. For participants hired on or after July 1, 1995, and enrolled in OTRS, the University's contribution rate is 8% of regular salary, supplemental salary and wages paid during the plan year in excess of $9. The University's contributions to the DCP for the years ended June 30, 2020 and 2019 were $12,783 and $13,625 respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Defined Contribution Retirement Plan," amended and restated November 1, 2011.

June 30, 2020 and 2019 (in thousands)

Note 12 - Retirement Plans - Continued

The University's contribution rate for the ORP and hourly DCP participants is 9% of regular salary, supplemental salary and wages paid for the plan year. The University's contributions to the ORP for the years ended June 30, 2020 and 2019 were $9,170 and $8,736, respectively. The authority for contributing to this plan is contained in the following policy document, "University of Oklahoma Optional Retirement Plan," amended and restated November 1, 2011.

Special Retirement Plans

The University provides additional defined benefit and defined contribution plans for certain key employees. Contributions and benefits are determined based on individual agreements for each employee. The University has recorded the following amounts at June 30, 2020 and June 30, 2019, related to these plans:

	2020	2019
Defined Benefit Plans		
Net pension liability (asset)	$ (335)	$ (141)
Pension expense (expense offset)	(194)	120
Defined Contribution Plans		
Pension liability	6,915	6,176
Pension expense	1,961	1,494

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

June 30, 2020 and 2019 (in thousands)

Note 13 - Other Postemployment Benefits (OPEB)

Plan Description

The University's retiree insurance plan is considered a single-employer defined benefit plan and does not issue a stand-alone financial report. The University has the authority to establish and amend the benefit provisions offered to retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

Benefits Provided: Employees eligible for retirement that have been enrolled in the University's medical insurance plan for five years immediately prior to retirement are eligible to participate in the group medical insurance plan as a retiree. Premiums are subsidized for employees hired prior to January 1, 2008 as described below. Employees hired on or after January 1, 2008 may participate in the retiree medical plan at the group rates at the retiree's own expense. Retirees may also elect the University's medical coverage for eligible dependents at their own expense. Retirees will be allowed a one-time opportunity to opt-out of the University's retiree medical plan coverage if the individual is enrolled in other coverage. The retiree may return to the University's plan if medical coverage is maintained during the opt-out period. After retirees become eligible for Medicare primary coverage, the University's insurance continues in a secondary role.

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

- Group 1—Employees that were eligible for retirement on or before December 31, 2015. The University provides a 100% premium subsidy for retirees in this group.

- Group 2—Employees that were eligible for retirement on or after January 1, 2016. The University will subsidize premiums for retirees in this group as follows:

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

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

On June 30, 2020, there were 1,561 active employees eligible for subsidized benefits and 1,989 were retired and participated in the University's retiree insurance. On June 30, 2019, there were 1,701 active employees eligible for subsidized benefits and 1,903 were retired and participated in the University's retiree insurance plan. All active employees who are eligible for subsidized benefits are assumed to elect coverage at retirement and are included in the calculation of the total OPEB liability. Active employees without subsidized benefits, who are required to pay the full cost of coverage, are not included in the calculation of the total OPEB liability

June 30, 2020 and 2019 (in thousands)

Note 13 - Other Postemployment Benefits (OPEB) - Continued

Contributions: The University's plan is funded on a pay-as-you-go cash basis. The funding policy may be amended by the Regents of the University of Oklahoma. For the years ended June 30, 2020 and 2019, the University made benefit payments in the amount of $7,701 and $6,654, respectively, for current retirees.

Total OPEB Liability

The University's total OPEB liability of $297,417 and $277,747 was measured as of June 30, 2020 and 2019, respectively, and was determined by an actuarial valuation as of that date.

	2020	2019
Balance as of beginning of year	$ 277,747	$ 270,950
Changes for the year:		
Service cost	2,876	2,870
Interest	9,725	10,469
Changes in assumptions or other inputs	25,935	23,204
Differences between expected and actual experience	(11,691)	(23,092)
Contributions and payments made	(7,175)	(6,654)
Net Changes	19,670	6,797
Balance as of end of year	$ 297,417	$ 277,747

Changes in assumptions or other inputs reflects a change in the discount rate from 3.51% in 2019 to 2.66% in 2020. Changes in assumptions or other inputs reflects a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

Actuarial methods and assumptions:

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate: 3.51% as of July 1, 2019 and 2.66% as of June 30, 2020.
- Payroll Growth: Composed of general wage inflation of 3.25% (includes 2.5% inflation assumption and 0.75% real wage inflation), plus a service related component ranging from 0.00% to 8.00% based on years of service.
- Inflation Rate: 2.50% per year
- Cost Method: Entry Age Normal
- Experience Study: Completed for fiscal year ending June 30, 2015 with data through January 1, 2015
- Mortality:
  Healthy General Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019
  Healthy Teacher Retirees: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019
  Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019

Note 13 - Other Postemployment Benefits (OPEB) - Continued

Disabled Retirees: SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2019

- Health Care Trend Rates: 8.0% for 2021, decreasing annually to an ultimate rate of 4.5% for 2028 and later years.
- Retiree Contributions: Assumed to increase according to health care trend rates.

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

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate: 3.87% as of July 1, 2018 and 3.51% as of June 30, 2019.
- Payroll Growth: Composed of general wage inflation of 3.25% (includes 2.5% inflation assumption and 0.75% real wage inflation), plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Inflation Rate: 2.50% per year
- Cost Method: Entry Age Normal
- Experience Study: Completed for fiscal year ending June 30, 2015 with data through January 1, 2015
- Mortality: RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2017.
- Health Care Trend Rates: 8.5% for 2019, decreasing annually to an ultimate rate of 4.5% for 2026 and later years.
- Retiree Contributions: Assumed to increase according to health care trend rates.

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

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

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

June 30, 2020 and 2019 (in thousands)

Note 13 - Other Postemployment Benefits (OPEB) - Continued

	1% Decrease (7.0% decreasing to 3.5%)	Current Healthcare Trend Rate (8.0% decreasing to 4.5%)	1% Increase (9.0% decreasing to 5.5%
June 30, 2020			
Total OPEB liability	$ 250,409	$ 297,417	$ 356,692

	1% Decrease (7.0% decreasing to 3.5%)	Current Healthcare Trend Rate (8.0% decreasing to 4.5%)	1% Increase (9.0% decreasing to 5.5%
June 30, 2019			
Total OPEB liability	$ 235,489	$ 277,747	$ 330,700

The following table presents the total OPEB liability of the University calculated using the discount rate of 2.66%, as well as what the University's approximate total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66%) or 1 percentage point higher (3.66%) than the current discount rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
June 30, 2020			
Total OPEB liability	$ 349,024	$ 297,417	$ 256,072

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
June 30, 2019			
Total OPEB liability	$ 327,093	$ 277,747	$ 238,657

OPEB Expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended June 30, 2020 and 2019, the University recognized OPEB expense of $14,148 and $10,138, respectively. At June 30, 2020 and 2019, the University reported deferred inflows of resources related to OPEB from the following sources:

	2020	2019
Deferred outflows of resources		
Changes of assumptions	$ 31,212	$ 18,563
	$ 31,212	$ 18,563
Deferred inflows of resources		
Differences between expected and actual experience	$ (23,171)	$ (21,517)
Changes of assumptions	(1,700)	(3,402)
	$ (24,871)	$ (24,919)

June 30, 2020 and 2019 (in thousands)

Note 13 - Other Postemployment Benefits (OPEB) - Continued

Amounts reported as the deferred outflows/(inflows) of resources related to OPEB will be recognized in OPEB expense over the average expected remaining service life of the plan as follows:

Years ending June 30:		
2021	$	1,550
2022		4,771
2023		20
2024		-
2025		-
Thereafter		-
	$	6,341

The average expected remaining service life of the plan is determined by taking the calculated total future service years of the plan divided by the number of people in the plan including retirees. The average expected remaining service life of the plan equals 3.0 years and 5.0 years at June 30, 2020 and 2019, respectively.

Teachers Retirement System of Oklahoma

There is a closed group of retirees who are enrolled in the Employee Group Insurance Division (EGID) plans. The University pays the premiums for these retirees. The liability (asset) for these retirees is included in the OTRS valuation. The University has recorded the following amounts related to these retirees' participation in the OTRS:

	2020		2019	
Net OPEB asset	$	(2,891)	$	(2,941)
Deferred outflows related to OPEB		42		137
Deferred inflows related to OPEB		1,492		2,038
OPEB expense (expense offset)		(361)		(221)

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

Note 14 - The University of Oklahoma Foundation, Inc.

The Foundation is an Oklahoma not-for-profit organization organized to receive and administer gifts for the benefit of the University, including the Health Sciences Center. The Foundation expended on behalf of the Norman Campus and Health Sciences Center approximately $125,280 (unaudited) in 2020 and $137,086 (audited) in 2019 for facilities and equipment, salary supplements, general university educational assistance, and student scholarships. Of these expenditures, approximately $73,508 in 2020 and $87,140 in 2019 are reflected in the Norman Campus financial statements as revenue. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes and amounts reflected in the Health Sciences Center's financial statements.

The University's investments are also held by the Foundation (Note 2).

Note 15 - Risk Management

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

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

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

- The buildings and contents are insured for replacement value. Each loss incident is subject to a $750 deductible.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles and equipment) are purchased by the University from OMES Risk Management. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole.
- The aircraft claims filed as of June 30, 2020 and 2019 were $11 and $0, respectively. Aircraft are insured by AIG as provided through the Office of Management and Enterprise Services - State Risk Management's broker, Marsh.

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

June 30, 2020 and 2019 (in thousands)

Note 15 - Risk Management - Continued

Self-Funded Programs

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

Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission (OESC). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The University's reserve with the OESC is the average claims paid over the past three years.

Workers' compensation benefits are prescribed by State Statute and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The University 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.

Employee health insurance premiums for non-HMO employee health coverage are collected and recorded in a self-insurance fund at the University. The claims and administrative expenses are paid as incurred directly from this fund. The University records the cash balance of the fund in its financial statements. As of June 30, 2020 and 2019, the cash balance for the plan was $18,137 and $12,653, respectively.

Student health insurance premiums are paid by students and by OU (OU only pays for premiums for Graduate Assistants and Teaching Assistants). These premiums are deposited with the University. Claims and administrative expenses are paid as incurred directly from these funds to Blue Cross Blue Shield (BCBS) for claims and to Academic HealthPlans (AHP) for Admin Fees and Stop Loss.

Changes in the claims liability for the University from July 1, 2018 to June 30, 2020 are as follows:

	Unemployment	Workers Compensation	Healthcare	Total
Claims liabilities and related payables at June 30, 2018	$ 284	$ 1,948	$ 5,652	$ 7,884
Claims incurred and changes in estimates	253	1,487	49,261	51,001
Claim payments	(259)	(1,814)	(50,036)	$ (52,109)
Claims liabilities and related payables at June 30, 2019	$ 278	$ 1,621	$ 4,877	$ 6,776
Claims incurred and changes in estimates	498	989	50,665	52,152
Claim payments	(450)	(1,402)	(51,496)	(53,348)
Claims liabilities and related payables at June 30, 2020	$ 326	$ 1,208	$ 4,046	$ 5,580

Note 16 - Commitments and Contingencies

At June 30, 2020 and 2019, the University had outstanding commitments under construction contracts totaling $7,494 and $8,396, respectively.

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

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

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

While the impact of the COVID-19 pandemic is unknown, the University currently plans to complete the Fall 2020 semester with online and in-person options. The Fall semester will move to fully online after the Thanksgiving break. The plan for the Spring 2021 semester is to continue to offer online and in-person options, similar to the Fall 2020 semester. Budgets for FY2021 are being monitored closely to ensure that if revenues decrease more than expected due to the pandemic, spending will be adjusted as well.

Required Supplementary Information
June 30, 2020 and 2019

The University of Oklahoma - Norman Campus

June 30, 2020 and 2019 (in thousands)

University of Oklahoma Norman Campus OPEB Plan
Last 10 Fiscal Years*

	2020	2019	2018
Service cost	$ 2,876	$ 2,870	$ 3,592
Interest	9,725	10,469	9,929
Differences between expected an actual experience	25,935	23,204	(6,087)
Changes in assumptions	(11,691)	(23,092)	(6,806)
Benefit payments	(7,175)	(6,654)	(6,795)
Net change in total OPEB liability	19,670	6,797	(6,167)
Total OPEB Liability - beginning	277,747	270,950	277,117
Total OPEB Liability - ending	$ 297,417	$ 277,747	$ 270,950
Covered employee payroll	$ 345,236	$ 331,244	$ 338,110
Total OPEB Liability as a percentage of covered payroll	86.1%	83.8%	80.1%

Notes to schedule:

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

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

2020	2.66%
2019	3.51%
2018	3.87%

* 10-year data is not yet available.

June 30, 2020 and 2019 (in thousands)

University of Oklahoma Norman Campus Pension Plan (OTRS)
Last 10 Fiscal Years*

Year	Proportion of Net Pension Liability (NPL)	Share of Net Pension Liability (a)	Covered Payroll (b)	NPL as a % of Covered Payroll	Plan Net Position as a % of Total NPL
2019	4.68%	$ 309,430	$ 208,910	148.12%	71.56%
2018	4.55%	277,494	212,561	130.55%	72.74%
2017	4.64%	312,042	208,855	149.41%	69.32%
2016	4.76%	409,362	215,864	189.64%	62.24%
2015	4.81%	302,466	213,329	141.78%	70.31%
2014	4.27%	243,235	207,859	117.02%	72.43%

Notes to schedule:

Year as of measurement date.

* 10-year data is not yet available.

June 30, 2020 and 2019 (in thousands)

University of Oklahoma Norman Campus Pension Plan (OTRS)
Last 10 Fiscal Years

Year	Required Contributions (a)	Actual Contributions (b)	Difference in Required and Actual Contributions (a) - (b)	Covered Payroll	Contributions as a % of Covered Payroll
2020	$ 19,333	$ 19,333	$ -	$ 205,049	9.43%
2019	22,106	22,106	-	208,910	10.58%
2018	21,992	21,992	-	212,561	10.35%
2017	21,834	21,834	-	208,855	10.45%
2016	22,926	22,926	-	215,864	10.62%
2015	22,451	22,451	-	213,329	10.52%

Notes to schedule:

Year as of fiscal year-end date.

* 10-year data is not yet available.

Report Required by *Government Auditing Standards*
June 30, 2020

The University of Oklahoma - Norman Campus

CPAs & BUSINESS ADVISORS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The University of Oklahoma - Norman Campus (the University), an organizational unit of the Regents of the University of Oklahoma (the Regents) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 16, 2020. Our report includes an emphasis of matter paragraph describing the acknowledgement that the University is an organizational unit of the Regents and these financial statements reflect only the assets, liabilities, and revenues and expenses of the University 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 University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The University's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Oklahoma City, Oklahoma
October 16, 2020

2020-001 Significant Reclassification Entry
Significant Deficiency in Internal Control over Financial Reporting

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair and timely presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition: While it is apparent that management does have effective controls regarding the year-end close with regards to reconciliations and eliminations, it was noted that certain capital contributions to the athletic programs were not properly eliminated. This resulted in an overstatement of both auxiliary revenue and other expense that was not discovered and corrected during the journal entry review process.

Cause: The manual journal entry review process did not appear to identify and correct the entry.

Effect: An adjusting entry in the amount of $10 million was made to correct the overstatement of auxiliary revenue and expense which represents less than 1% of each total category. It is noted that there was no impact on net position or change in net position as a result of this entry.

Recommendation:

We recommend that management review the journal entry review process to determine if modifications should be made to the process to strengthen detection and correction controls to ensure financial statements are properly presented in accordance with GAAP in all material respects.

Views of Responsible Officials:

Management agrees with the finding. The re-implementation of Peoplesoft that occurred in FY21 will result in tighter controls over journal entries prepared throughout the year, as well as during preparation of year-end financial statements. In addition, increased scrutiny by management will be applied to large adjustments, to ensure accuracy and conformance with GAAP.