

**THE UNIVERSITY OF OKLAHOMA
NORMAN CAMPUS**

June 30, 2013

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013

AUDITED FINANCIAL STATEMENTS

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

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Oklahoma Norman Campus (the "University"), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2013 and 2012, 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.

Auditors' 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Oklahoma Norman Campus as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2013 the University adopted several new accounting pronouncements issued by the Governmental Accounting Standards Board, including GASB Statements No. 63 and 65. The provisions of GASB Statements No. 63 and 65 required the University to retroactively restate its 2012 financial statements upon adoption. 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 (schedule of funding progress and notes to required supplementary information) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of Oklahoma Norman Campus for the year ended June 30, 2013, taken as a whole. The supplementary schedule of revenue bond systems outstanding-schedule of revenues, expenditures and changes in net position-year ended June 30, 2013 with comparative totals for the year ended June 30, 2012 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule provides information that is required pursuant to the trust indentures governing each outstanding bond issue listed on the accompanying schedule, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The trust indentures do not require the University to record a provision for depreciation on its capital assets. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the matter described above, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Oklahoma City, Oklahoma
October 8, 2013

Cole & Reed P.C.

UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

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

The objective of the Management's Discussion and Analysis is to help readers of the University's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2013, with comparative information for the years ended June 30, 2012, and June 30, 2011. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Statements of Net Position

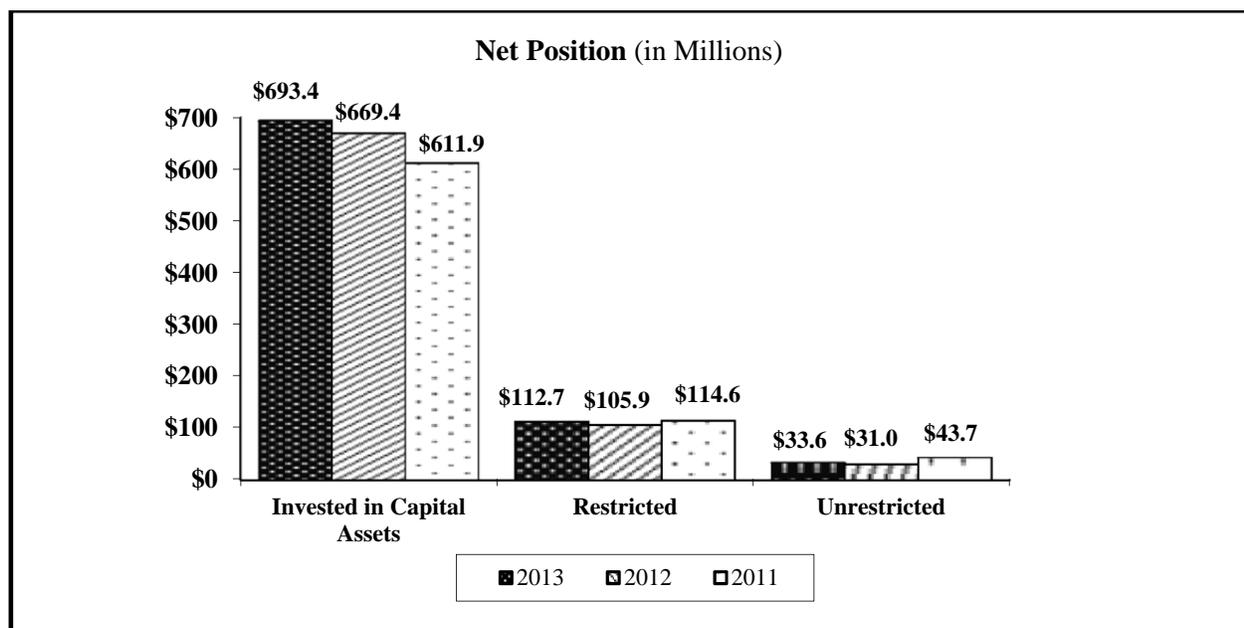
The Statements of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources)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

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

Net position is divided into three major categories. The first category, net investment in capital assets provides the University's equity in property, plant, and equipment. The next category, restricted net position, provides the University's assets that must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Unrestricted net position includes assets that are available to the University for any lawful purpose of the institution.

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2013. Net position increased \$33.4 million from June 30, 2012 to June 30, 2013.

The following graph illustrates the comparative change in net position by the three major categories mentioned above for fiscal years 2013, 2012, and 2011:



The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources (none) and net position as of June 30, 2013, 2012, and 2011:

Condensed Statements of Net Position				
End of Year (in millions)				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	
Assets:				
Current Assets	\$ 387.7	\$ 350.3	\$ 330.0	
Capital Assets, net	1,449.3	1,404.1	1,315.3	
Other Noncurrent Assets	194.5	198.2	201.1	
Total Assets	<u>\$ 2,031.5</u>	<u>\$ 1,952.6</u>	<u>\$ 1,846.4</u>	
Deferred Outflows	<u>\$ 12.2</u>	<u>\$ 13.2</u>	<u>\$ 14.1</u>	
Liabilities:				
Current Liabilities	205.4	195.9	176.8	
Noncurrent Liabilities	998.6	963.6	913.5	
Total Liabilities	<u>\$ 1,204.0</u>	<u>\$ 1,159.5</u>	<u>\$ 1,090.3</u>	
Net Position:				
Invested in capital assets, net of related debts	\$ 693.4	\$ 669.4	\$ 611.9	
Restricted	112.7	105.9	114.6	
Unrestricted	33.6	31.0	43.7	
Total Net Position	<u>\$ 839.7</u>	<u>\$ 806.3</u>	<u>\$ 770.2</u>	
Increase in Net Position	<u>\$ 33.4</u>	<u>\$ 36.1</u>	<u>\$ 35.1</u>	

Total assets of the University increased \$78.9 million from June 30, 2012. The current year increase was primarily due to an increase in capital assets, net of depreciation, of \$45.2 million and an increase in cash and cash equivalents of \$34.9 million.

At June 30, 2013, the University had approximately \$1,449.3 million invested in capital assets, net of accumulated depreciation of \$702.6 million. Depreciation charges for the current year totaled \$64.3 million compared to \$58.4 million and \$54.2 million in the two prior years. Note 8 to the financial statements provides additional information on capital asset activities and balances.

Total liabilities of the University increased \$44.5 million from June 30, 2012. This increase was primarily due to increases in revenue bonds payable (\$43.1 million) and OPEB (\$7.6 million), partially offset by a decrease in capital lease obligations (\$10.3 million).

At June 30, 2013, the University had approximately \$787.8 million in outstanding bonds and capital leases. Additional information related to the University's long-term liabilities is presented in Note 10 to the financial statements.

Total assets of the University increased \$106.2 million from June 30, 2011, to June 30, 2012. This increase was primarily due to an increase in capital assets, net of depreciation, of \$88.8 million and an increase in cash and cash equivalents of \$37.6 million due to private gifts.

Total liabilities of the University increased \$69.2 million from June 30, 2011, to June 30, 2012. This increase was primarily due to an increase in revenue bonds payable (\$62.8 million) and OPEB liabilities (\$7.0 million). Note 10 discusses long-term liabilities and Note 13 discusses the OPEB reporting requirements and related information.

Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30 2013, 2012, and 2011:

Condensed Statements of Revenues, Expenses, and Changes in Net Position (in millions)			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 518.1	\$ 497.4	\$ 466.0
Operating Expenses	<u>(802.5)</u>	<u>(794.4)</u>	<u>(752.3)</u>
Operating Loss	(284.4)	(297.0)	(286.3)
Nonoperating revenues and expenses	<u>281.6</u>	<u>277.8</u>	<u>281.4</u>
Income before other revenues, expenses, gains or losses	(2.8)	(19.2)	(4.9)
Other revenues, expenses, gains or losses	<u>36.2</u>	<u>55.3</u>	<u>40.0</u>
Increase in Net Position	<u><u>\$ 33.4</u></u>	<u><u>\$ 36.1</u></u>	<u><u>\$ 35.1</u></u>

Trends in the relationship between operating revenues and operating expenses are significant indicators of the University's financial health. Operating revenues increased \$52.1 million (11.2%) from June 30, 2011 to June 30, 2013, while operating expenses increased \$50.2 million (6.7%). The slower growth in operating expenses is a reflection of the University's efforts to reduce expenses to better match anticipated revenues. These efforts will continue in the upcoming fiscal years as the State's economic outlook is still uncertain.

Operating revenues of \$518.1 million increased \$20.7 million (4.2%) in 2013 when compared to the prior year. Operating revenues of \$497.4 million for the year ended June 30, 2012, increased \$31.4 million (6.7%) when compared to the year ended June 30, 2011. The following table summarizes the University's operating revenues for the years ended June 30, 2013, 2012, and 2011:

Operating Revenues (in millions)			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Tuition and fees	\$ 239.6	\$ 227.5	\$ 211.0
Grants and contracts	97.5	99.5	94.3
Sales and services of educational activities	11.7	12.8	12.4
Auxiliary enterprises	155.4	144.0	136.4
Other revenues	<u>13.9</u>	<u>13.6</u>	<u>11.9</u>
Total Operating Revenues	<u>\$ 518.1</u>	<u>\$ 497.4</u>	<u>\$ 466.0</u>

For the year ended June 30, 2013, the increase in operating revenues from 2012 is primarily due to an increase in tuition and fees rates and an increase in Athletic revenues due to increased conference distributions and sponsorships.

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

Operating expenses of \$802.5 million increased \$8.1 million (1.0%) in 2013 when compared to the prior year. Operating expenses of \$794.4 million for the year ended June 30, 2012 increased \$42.1 million (5.6%) when compared to the year ended June 30, 2011. The following table summarizes the University's operating expenses for the years ended June 30, 2013, 2012, and 2011:

Operating Expenses (in millions)			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Compensation and benefits	\$ 470.1	\$ 465.2	\$ 453.9
Contractual services	80.0	79.7	72.4
Supplies and materials	25.5	23.1	17.1
Depreciation	64.3	58.4	54.2
Utilities	41.1	34.5	34.5
Communications	6.6	7.4	6.8
Scholarships and fellowships	34.5	31.8	30.9
Other	<u>80.4</u>	<u>94.3</u>	<u>82.5</u>
Total Operating Expenses	<u>\$ 802.5</u>	<u>\$ 794.4</u>	<u>\$ 752.3</u>

For the year ended June 30, 2013, the increase in operating expenses from 2012 is primarily due to increased depreciation as a result of new buildings placed into service and an increase in utilities resulting from increased usage and rates.

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

Nonoperating revenues (expenses) of \$281.6 million increased \$3.8 million (1.4%) in 2013 when compared to the prior year. Nonoperating revenues (expenses) of \$277.8 million for the year ended June 30, 2012 decreased \$3.6 million (1.3%) when compared to the year ended June 30, 2011. The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2013, 2012, and 2011:

Nonoperating Revenues (Expenses) (in millions)			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
State appropriations	\$ 145.8	\$ 144.2	\$ 145.1
State payments from federal ARRA revenues	-	-	10.0
On-behalf payments for OTRS	15.4	15.2	13.0
Endowment income	7.9	8.3	7.1
Grants and contracts	87.0	88.2	88.7
Private gifts	46.2	43.5	28.0
Student fees for capital projects	5.9	5.9	5.6
Interest on indebtedness	(35.3)	(30.1)	(28.4)
Investment income	8.7	2.6	12.3
Net Nonoperating Revenues (Expenses)	<u>\$ 281.6</u>	<u>\$ 277.8</u>	<u>\$ 281.4</u>

Appropriations from the State of Oklahoma remained relatively stable during fiscal year 2013. Private gifts and investment income from an improving economy increased nonoperating revenues, partially offset by an increase in interest on indebtedness due to additional bonds being issued.

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

Other revenues, expenses, gains, or losses of \$36.2 million decreased \$19.1 million (34.5%) in 2013 when compared to the prior year. Other revenues, expenses, gains, or losses of \$55.3 million for the year ended June 30, 2012 increased \$15.3 million (38.3%) when compared to the year ended June 30, 2011. The following table summarizes the University's other revenues, expenses, gains, or losses for the years ended June 30, 2013, 2012, and 2011:

Other Revenues, Expenses, Gains, or (Losses) (in millions)			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Grants and contracts for capital purposes	\$ -	\$ -	\$ 0.2
Build America Bonds subsidy	0.8	0.9	1.0
Private gifts for capital purposes	18.2	37.9	18.6
Federal ARRA funds for capital projects	-	-	7.0
State school land funds	9.8	11.9	9.8
On-behalf payments for OCIA capital leases	5.3	2.5	2.0
Additions to permanent endowments	2.1	2.1	1.4
Total Other Revenues, Expenses, Gains or (Losses)	<u>\$ 36.2</u>	<u>\$ 55.3</u>	<u>\$ 40.0</u>

The decrease from June 30, 2012 to June 30, 2013 is primarily due to a decrease in private gifts for capital projects and Section 13/New College funding for capital projects. The year ended June 30, 2012 included significant private gifts for Headington Hall and a reserve distribution from the Section 13/New College funds.

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

Statements of Cash Flows

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

The University's overall liquidity increased during the current year, with a net increase to cash and cash equivalents of \$34.9 million. Overall liquidity also increased from June 30, 2011 to June 30, 2012, with a net increase to cash and cash equivalents of \$37.6 million.

The following table summarizes the University's cash flows for the years ended June 30, 2013, 2012, and 2011:

Condensed Statement of Cash Flows for the Year (in millions)			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash provided (used) by:			
Operating activities	\$ (183.4)	\$ (205.0)	\$ (204.3)
Noncapital financing activities	286.1	283.8	277.2
Capital and related financing activities	(69.5)	(48.1)	(72.9)
Investing activities	<u>1.7</u>	<u>6.9</u>	<u>5.3</u>
Net Change In Cash	34.9	37.6	5.3
Cash and equivalents, beginning of the year	<u>339.8</u>	<u>302.2</u>	<u>296.9</u>
Cash and equivalents, end of the year	<u>\$ 374.7</u>	<u>\$ 339.8</u>	<u>\$ 302.2</u>

Cash used by operating activities during fiscal year 2013 of \$183.4 million decreased \$21.6 million (10.5%) compared to the prior year (\$205.0 million). Major sources of operating funds were tuition and fees (\$244.6 million), grants and contracts (\$96.4 million), and auxiliary enterprises (\$152.3 million), which were offset by the payment of compensation and benefits (\$446.7 million) and other operating expenses (\$254.0 million).

Cash provided by noncapital financing activities during fiscal year 2013 of \$286.1 million increased \$2.3 million (0.8%) compared to the prior year (\$283.8 million). Major sources of noncapital financing activities were state appropriations (\$145.8 million), grants and contracts (\$87.0 million), and private gifts (\$46.0 million).

Cash used in capital and related financing activities during fiscal year 2013 of \$69.5 million increased \$21.4 million (44.7%) when compared to the prior year (\$48.1 million) due primarily to the timing of the receipt of bond proceeds and related expenditures. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$92.9 million) and private gifts (\$18.2 million), which were offset by purchases of capital assets (\$113.2 million) and principal and interest payments on capital debt and leases (\$91.4 million).

Cash provided by investing activities during fiscal year 2013 of \$1.7 million decreased \$5.2 million when compared to the prior year (\$6.9 million).

Cash used by operating activities during fiscal year 2012 of \$205.0 million was comparable to the prior year (\$204.3 million). Major sources of operating funds were tuition and fees (\$228.6 million), grants and contracts (\$95.6 million), and auxiliary enterprises (\$151.9 million), which were offset by the payment of compensation and benefits (\$441.1 million) and other operating expenses (\$263.7 million).

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

Cash used in capital and related financing activities during fiscal year 2012 of \$48.1 million decreased \$24.8 million (34.0%) when compared to the prior year (\$72.9 million) due primarily to the timing of the receipt of bond proceeds and related expenditures and an increase in private gifts for capital assets. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$103.1 million) and private gifts (\$37.9 million), which were offset by purchases of capital assets (\$145.8 million) and principal and interest payments on capital debt and leases (\$72.4 million).

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

Economic Outlook

The University's economic outlook continues to be closely related to its role as one of the State's premier comprehensive institutions. It benefits from ongoing financial and political support from State government. The University continues to review budget allocations to better match anticipated revenues and expenses and to focus attention on the management of its existing resources.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. While current economic conditions facing our state and nation are improving, although still challenging, the University's competitive position remains strong. The Fall 2013 freshmen class is the second largest in University history and the most academically talented in the history of the state. Our faculty continues to compete for and win national awards, and our research expenditures continue to grow.

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

STATEMENTS OF NET POSITION

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	June 30 (in thousands)	
	<u>2013</u>	<u>2012</u> <i>(Restated)</i>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 185,014	\$ 162,054
Restricted cash and cash equivalents	110,038	107,455
Short-term investments	10,941	1,014
Accrued interest receivable	489	663
Accounts receivable, net of allowance for doubtful accounts, current portion	71,901	70,999
Inventories and supplies, at cost	3,973	4,301
Loans to students, net of allowance for uncollectible loans	2,264	2,368
Deposits and prepaid expenses	<u>3,032</u>	<u>1,416</u>
TOTAL CURRENT ASSETS	<u>387,652</u>	<u>350,270</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	79,660	70,340
Endowment investments	68,573	75,509
Other long-term investments	18,184	12,861
Investments in real estate	395	395
Accounts receivable, net of allowance for doubtful accounts, long-term portion	10,000	21,000
Loans to students, net	16,591	16,631
Deposits and prepaid expenses	1,154	1,542
Capital assets, net of accumulated depreciation	<u>1,449,327</u>	<u>1,404,068</u>
TOTAL NONCURRENT ASSETS	<u>1,643,884</u>	<u>1,602,346</u>
TOTAL ASSETS	<u>\$ 2,031,536</u>	<u>\$ 1,952,616</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources on lease restructure	\$ 1,605	\$ 1,926
Deferred outflow of resources on advance refunding of bonds	3,233	3,431
Deferred outflow of resources on defeasance of bonds	<u>7,365</u>	<u>7,812</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,203</u>	<u>\$ 13,169</u>

(Continued)

STATEMENTS OF NET POSITION--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	June 30 (in thousands)	
	2013	2012
LIABILITIES		<i>(Restated)</i>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 56,575	\$ 48,130
Utilities management agreement, current portion	4,720	4,720
Other postemployment benefits, current portion	4,852	5,264
Accrued compensated absences, current portion	26,324	26,003
Unearned revenue	61,940	63,330
Unearned revenue - long-term contracts, current portion	2,918	2,918
Accrued interest payable	14,325	13,517
Capital leases and revenue bonds payable, current portion	29,344	28,073
Deposits held in custody for others, current portion	4,416	3,949
TOTAL CURRENT LIABILITIES	<u>205,414</u>	<u>195,904</u>
NONCURRENT LIABILITIES, net of current portion		
Utilities management agreement	99,560	104,280
Other postemployment benefits	81,677	73,673
Accrued compensated absences	5,014	4,589
Unearned revenue - long-term contracts	3,493	4,972
Federal loan program contributions refundable	14,478	14,551
Capital lease obligations	83,460	94,619
Revenue bonds payable	674,987	632,278
Deposits held in custody for others	35,938	34,603
TOTAL NONCURRENT LIABILITIES	<u>998,607</u>	<u>963,565</u>
TOTAL LIABILITIES	<u>\$ 1,204,021</u>	<u>\$ 1,159,469</u>
NET POSITION		
Net investment in capital assets	\$ 693,369	\$ 669,451
Restricted for:		
Nonexpendable	25,859	24,796
Expendable:		
Educational, general and auxiliary operations	20,208	21,874
Capital projects	22,698	23,821
Debt service	18,382	16,284
Athletics	25,569	19,120
Unrestricted	33,633	30,970
TOTAL NET POSITION	<u>\$ 839,718</u>	<u>\$ 806,316</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30 (in thousands)	
	2013	2012
OPERATING REVENUES		<i>(Restated)</i>
Student tuition and fees (net of scholarship allowances of \$56,874 and \$55,490 for 2013 and 2012, respectively)	\$ 239,609	\$ 227,472
Federal grants and contracts	64,121	61,867
State grants and contracts	12,057	14,965
Private grants and contracts	21,284	22,715
Interest on student loans receivable	496	409
Sales and services of educational activities	11,748	12,779
Housing revenues (revenues are used as security for the Student Housing Revenue Bonds Series 2004)	52,930	51,441
Athletic revenues (net of scholarship allowances of \$6,488 and \$6,121 for 2013 and 2012, respectively; revenues were used as security for the ODFA Public Facilities Revenue Bonds Series 2003B)	74,528	63,864
Real estate revenues (revenues are pledged as security for the Research Facility Revenue Bonds Series 2004)	8,358	7,633
Sales and services of auxiliary enterprises--other	19,574	21,083
Other revenues	13,442	13,208
TOTAL OPERATING REVENUES	518,147	497,436
OPERATING EXPENSES		
Compensation and benefits	470,155	465,226
Contractual services	80,057	79,701
Supplies and materials	25,533	23,130
Depreciation	64,291	58,404
Utilities	41,055	34,498
Communications	6,591	7,440
Scholarships and fellowships	34,542	31,761
Other	80,363	94,236
TOTAL OPERATING EXPENSES	802,587	794,396
OPERATING LOSS	(284,440)	(296,960)

(Continued)

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30 (in thousands)	
	2013	2012
NONOPERATING REVENUES (EXPENSES)		<i>(Restated)</i>
State appropriations	145,791	144,183
On-behalf payments for OTRS	15,418	15,184
Endowment income	7,899	8,323
Federal grants and contracts	35,432	38,486
State grants and contracts	46,447	46,252
Private grants and contracts	5,075	3,424
Private gifts	46,205	43,505
Student fees for capital projects (\$3,417 for 2013 and \$3,408 for 2012 revenues were pledged as security for the Student Union Revenue Bond Series 2004 and \$2,505 for 2013 and \$2,505 for 2012 for the Multiple Facility Revenue Bonds Series 2003)	5,922	5,913
Interest on indebtedness	(35,264)	(30,088)
Investment income	8,674	2,590
NET NONOPERATING REVENUES	<u>281,599</u>	<u>277,772</u>
LOSS BEFORE OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)	(2,841)	(19,188)
Build America Bonds subsidy	825	863
Private gifts for capital projects	18,188	37,940
State school land funds (revenues used as security for the ODFA Public Facilities Revenue Bonds Series 2003A)	9,858	11,857
On-behalf payments for OCIA capital leases	5,297	2,474
Additions to permanent endowments	2,075	2,149
INCREASE IN NET POSITION	33,402	36,095
NET POSITION AT BEGINNING OF YEAR	<u>806,316</u>	<u>770,221</u>
NET POSITION AT END OF YEAR	<u>\$ 839,718</u>	<u>\$ 806,316</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30, (in thousands)	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		<i>(Restated)</i>
Tuition and fees	\$ 244,582	\$ 228,632
Sales and services of educational activities	11,995	13,031
Sales and services of auxiliary enterprises	19,599	22,625
Housing revenues	52,895	51,591
Athletic revenues	71,182	70,005
Real estate operations revenues	8,625	7,633
Federal grants and contracts	62,611	56,249
State grants and contracts	10,249	15,853
Private grants and contracts	23,577	23,452
Interest on loans receivable	496	409
Other additions	11,499	10,420
Loans issued to students	(2,648)	(2,671)
Collection of loans	2,703	2,485
Compensation and benefits	(446,702)	(441,113)
Other operating expenses	(254,040)	(263,638)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(183,377)	(205,037)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	145,791	144,183
Federal grants and contracts	35,432	38,486
State grants and contracts	46,447	46,252
Private grants and contracts	5,075	3,424
Net decrease in Federal loan advances refundable	(73)	(136)
Endowment income	7,385	8,128
Private gifts	46,004	43,505
Direct loan receipts	108,663	113,985
Direct loan disbursements	(108,663)	(113,985)
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	286,061	283,842
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to permanent endowment	2,075	2,149
Proceeds from revenue bonds and capital leases	92,878	103,095
Proceeds from utilities management agreement	10,000	13,000
Payments under utilities management agreement	(4,720)	(4,720)
Student fees for capital projects	5,922	5,913
Private gifts for capital projects	18,189	37,940
State school land funds	9,858	11,857
Build America Bonds Subsidy	825	863
Purchases of capital assets	(113,180)	(145,816)
Principal paid on capital debt and leases	(57,342)	(43,697)
Interest paid on capital debt and leases	(34,065)	(28,656)
NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(69,560)	(48,072)

(Continued)

STATEMENTS OF CASH FLOWS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30, (in thousands)	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		<i>(Restated)</i>
Investment income	7,728	8,060
Proceeds from sales and maturities of investments	45,789	15,049
Purchase of investments	<u>(51,778)</u>	<u>(16,187)</u>
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>1,739</u>	<u>6,922</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,863	37,655
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>339,849</u>	<u>302,194</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 374,712</u>	<u>\$ 339,849</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (284,440)	\$ (296,960)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	64,291	58,404
Loss on disposal of capital assets	1,117	1,773
OTRS On-behalf contributions	15,418	15,184
Change in operating assets and liabilities:		
Accounts receivable	708	3,793
Inventory	328	929
Student loans receivable	144	(228)
Deposits and prepaid expenses	(1,228)	364
Accounts payable and accrued expenses	12,910	4,123
Other postemployment benefits	7,592	7,046
Unearned revenue	(2,765)	2,000
Compensated absences	746	1,697
Deposits held in custody for others	<u>1,802</u>	<u>(3,162)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (183,377)</u>	<u>\$ (205,037)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net capitalized interest	\$ 1,952	\$ 1,910
Deposits and prepaids acquired via issuance of revenue bonds	-	352
Principal on capital debt paid by State Agency on behalf of the University	2,716	1,590
Interest on capital debt paid by State Agency on behalf of the University	2,581	884
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets		
Cash and cash equivalents	\$ 185,014	\$ 162,054
Restricted cash and cash equivalents	110,038	107,455
Noncurrent assets		
Restricted cash and cash equivalents	<u>79,660</u>	<u>70,340</u>
	<u>\$ 374,712</u>	<u>\$ 339,849</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading.

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

The University of Oklahoma Foundation, Inc. (the "Foundation") is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the University of Oklahoma as a whole, including both the Norman Campus and the Health Sciences Center. Accordingly, the resources received and held by the Foundation are not entirely or almost entirely held for the benefit of the Norman Campus. As a result, the OU Foundation is not considered a component unit of the Norman Campus under the definition of GASB Statement No. 39.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

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

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

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

Deposits and Investments: The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses and changes in net position.

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

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

In August 2010 the University entered into a 50 year agreement with a utility company to operate and maintain the utility systems for steam, electrical, natural gas, chilled water, potable water and waste water; this established an upfront payment of \$75,000 and a receivable balance of \$43,000 over the next four years. In July, 2011, a concession advance of \$13,000 was received, and in July 2012 an additional \$10,000 was received, reducing the outstanding receivable balance to \$20,000.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

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

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

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

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

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

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. In 2013, total interest incurred was \$37,216 of which \$1,952 was capitalized. In 2012, total interest incurred was \$31,998, of which \$1,910 was capitalized.

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

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the statement of revenues, expenses, and changes in net position. For 2013 impairment adjustments totaled \$144, and for 2012 there were no impairment adjustments.

Unearned Revenue: Unearned revenue consists 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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

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

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

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

Nonoperating revenues - include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as State appropriations, certain governmental and other pass-through grants, and investment income.

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

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2013 and 2012, the University's deferred outflows of resources were comprised of deferred outflows of resources related to a lease restructuring, an advance refunding of bonds, and the defeasance of bonds. These deferred outflows of resources are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2013 and 2012, the University has no deferred inflows of resources.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

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

Tax Status: As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(1) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Reclassifications: Certain reclassifications have been made to the 2012 financial statements to conform with the 2013 financial statement presentation. Such reclassifications have had no effect on changes in net position as previously reported

New Accounting Pronouncements Adopted in Fiscal Year 2013: The University adopted several new accounting pronouncements during the year ended June 30, 2013 as follows:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.
GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The University will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.
- Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*.
GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The adoption of GASB No. 61 did not have an impact on the University's financial statement presentation.
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB No. 62 did not have an impact on the University's financial position, or changes in financial position or cash flows, or its financial statement presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

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

New Accounting Pronouncements Adopted in Fiscal Year 2013--Continued:

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

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement has required the University to make changes in its financial statement presentation, and required certain financial statement elements previously reported as assets to be reported as deferred outflows of resources. Financial statement elements previously classified as assets at June 30, 2012 and totaling \$13,169 were reclassified to Deferred Outflows of Resources.

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

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The University has chosen to early adopt GASB Statement No. 65 in 2013. As a result of the adoption of GASB Statement No. 65, the University's net position as of July 1, 2011 decreased by \$3,037 from amounts previously reported, and the changes in net position for the year ended June 30, 2012 decreased by \$228 from amounts previously reported. Net position as of June 30, 2012 decreased from \$809,581 as originally reported to \$806,316, a decrease of \$3,265.

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, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2014

- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The University has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

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

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

Fiscal Year Ended June 30, 2015

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

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities for a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- *Statement No. 69, Government Combinations and Disposals of Government Operations*

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. This Statement will only impact the University in the event of a government combination or disposal.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

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

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

Cash and Cash Equivalents: At June 30, 2013 and 2012, the carrying amounts of the University's deposits with the State Treasurer and other financial institutions were \$374,712 and \$339,849, respectively. These amounts consisted of deposits with the OST (\$336,899 and \$306,852), U.S. and foreign financial institutions (\$261 and \$198), deposits with trustees (\$32,713 and \$29,808), intermediate investment funds (\$119 and \$335), expendable investment funds (\$734 and \$0), petty cash and change funds (\$300 and \$134), and other cash equivalents (\$3,686 and \$2,522). Of funds on deposit with the OST, amounts invested in *OK INVEST* total \$261,605 in 2013 and \$264,474 in 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

At June 30, 2013		
OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 102,833	\$ 102,398
Money market mutual funds	24,548	24,548
Certificates of deposit	6,683	6,683
Mortgage backed agency securities	112,413	112,965
Municipal bonds	4,407	4,879
Foreign bonds	2,066	2,065
Commercial paper	5,498	5,498
U.S. Treasury obligations	3,157	3,852
	<u>\$ 261,605</u>	<u>\$ 262,888</u>

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

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

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

	June 30	
	2013	2012
Global equities	\$ 41,418	\$ 52,844
Fixed income funds and bonds	48,203	30,249
Fidelity	8,077	6,291
Real property	183	183
Mineral interests	212	212
	<u>\$ 98,093</u>	<u>\$ 89,779</u>

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

Custodial Credit Risk: As a means of limiting its exposure to losses arising from custodial credit risk, the University's investment policies limit the exposure to this risk as follows:

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Investment maturities were as follows at June 30, 2013:

Investment Type	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Global equities	\$ 41,418	\$ 41,418	-	-	-	-
Investments Fidelity	8,077	8,077	-	-	-	-
Fixed income funds and bonds	48,203	29,112	10,941	6,162	1,988	-
Real property	183	183	-	-	-	-
Mineral interests	212	212	-	-	-	-
	<u>\$ 98,093</u>	<u>\$ 79,002</u>	<u>\$ 10,941</u>	<u>\$ 6,162</u>	<u>\$ 1,988</u>	<u>\$ -</u>

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

The Health Sciences Center has entrusted the Norman Campus with a portion of their funds totaling \$39,071 and \$37,732 for 2013 and 2012, of which \$35,938 and \$34,603 are endowment funds. These funds are held in the Regents' Fund investments on behalf of the Health Sciences Center. These endowment funds are reflected in the financial statements as deposits held in custody for others.

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

	2013	2012
Short-term investments	\$ 10,941	\$ 1,014
Endowment investments	68,573	75,509
Other long-term investments	18,184	12,861
Investments in real estate and mineral interests	395	395
	<u>\$ 98,093</u>	<u>\$ 89,779</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 3--ACCOUNTS RECEIVABLE

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

	<u>2013</u>	<u>2012</u>
Student tuition and fees	\$ 38,571	\$ 38,451
Federal, state and private grants and contracts	37,155	39,887
Utilities management agreement	20,000	30,000
Contributions and gifts	6,126	5,612
Auxiliary enterprises and other operating activities	<u>6,158</u>	<u>3,248</u>
	108,010	117,198
Less allowance for doubtful accounts	(26,109)	(25,199)
Less long-term accounts receivable	<u>(10,000)</u>	<u>(21,000)</u>
Net current accounts receivable	<u>\$ 71,901</u>	<u>\$ 70,999</u>

Included in the amounts above is approximately \$786 at June 30, 2013, and \$941 at June 30, 2012, which is due from the U.S. government.

NOTE 4--INVENTORIES

Inventories consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
University Press	\$ 1,118	\$ 1,144
Other Auxiliaries	892	756
University Printing Services	337	298
Facilities Management	329	302
College of Continuing Education operations	132	135
Museum retail operations	261	246
IT Store	843	1,354
Other	<u>61</u>	<u>66</u>
	<u>\$ 3,973</u>	<u>\$ 4,301</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 5--LOANS TO STUDENTS

Net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 82% of the June 30, 2013 and 2012 loan balances. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993 under the Program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of approximately \$14,478 and \$14,551 at June 30, 2013 and 2012, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2013 and 2012, the allowance for uncollectible loans, including loans made under the program, was approximately \$937 and \$849, respectively.

NOTE 6--FUNDS HELD IN TRUST BY OTHERS

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

The University received approximately \$9,858 and \$11,857 during the years ended June 30, 2013, and 2012, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2013 and 2012, respectively, the University distributed \$2,276 and \$2,138 of these funds to the Health Sciences Center and \$690 and \$648 to the Tulsa campus. Present state law prohibits the distribution of any corpus of these funds. The estimated fair value of the total trust fund for the University, held in trust by the Commissioners of the Land Office, was approximately \$160,992 (\$148,705 restricted corpus) and \$148,008 (\$136,656 restricted corpus) at June 30, 2013 and 2012, respectively. Such trust funds, held by the Commissioners of the Land Office, are not included in the financial statements of the University.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 6--FUNDS HELD IN TRUST BY OTHERS

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 \$116,660 and \$109,612 at June 30, 2013 and 2012, 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 \$6,126 and \$5,612 as of June 30, 2013 and 2012, respectively, have been reflected as assets in the statements of net position. With regard to the institutional matching funds, approximately \$154,427 and \$150,680 are on deposit with the Foundation for the benefit of the University as of June 30, 2013 and 2012, respectively.

NOTE 7--RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended June 30, 2013 and 2012 including a description of the relationship, is as follows:

The University of Oklahoma Foundation

As discussed in Note 1, the Foundation is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the University, including the Health Sciences Center. The Foundation is governed by an independent Board of Directors. Based on the audited financial statements of the Foundation for the years ended June 30, 2013 and 2012, net assets of the Foundation were approximately \$1,065,299 and \$927,028, respectively. The Foundation expended on behalf of the Norman Campus and Health Sciences Center approximately \$102,981 in 2013 and \$97,648 in 2012 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships, of which approximately \$59,929 in 2013 and \$61,195 in 2012 are reflected in the Norman Campus financial statements as revenue or private gifts and expenditures. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes and amounts reflected in the Health Sciences Center's financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 8--CAPITAL ASSETS

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

	2013				Ending Balance
	Beginning Balance	Additions	Transfers	Deductions	
Capital assets not being depreciated:					
Land	\$ 31,869	\$ 1,106	\$ -	\$ (25)	\$ 32,950
Construction in progress	107,969	64,573	(73,566)	-	98,976
Total capital assets not being depreciated	139,838	65,679	(73,566)	(25)	131,926
Capital assets being depreciated:					
Buildings	1,307,532	11,088	65,094	(4,158)	1,379,556
Equipment	180,317	16,451	951	(2,243)	195,476
Nonstructural improvements	94,245	5,323	5,538	-	105,106
Land improvements	32,783	330	-	-	33,113
Software	61,419	362	1,646	-	63,427
Infrastructure	59,764	1,226	337	-	61,327
Library books	171,841	10,206	-	-	182,047
Total capital assets being depreciated	1,907,901	44,986	73,566	(6,401)	2,020,052
Less accumulated depreciation for:					
Buildings	335,783	25,104	-	(3,484)	357,403
Equipment	117,064	14,560	-	(1,827)	129,797
Nonstructural improvements	16,544	4,842	-	-	21,386
Land improvements	25,089	928	-	-	26,017
Software	31,880	10,057	-	-	41,937
Infrastructure	32,906	2,104	-	-	35,010
Library books	84,405	6,696	-	-	91,101
Total accumulated depreciation	643,671	64,291	-	(5,311)	702,651
Total capital assets being depreciated, net	1,264,230	(19,305)	73,566	(1,090)	1,317,401
Capital assets, net	\$ 1,404,068	\$ 46,374	\$ -	\$ (1,115)	\$ 1,449,327

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 8--CAPITAL ASSETS--Continued

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

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

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

NOTE 9--UNEARNED REVENUE

Unearned revenue consists of the following at June 30:

	2013	2012
Prepaid tuition and student fees	\$ 12,604	\$ 9,439
Prepaid athletic ticket sales	26,786	27,831
Auxiliary enterprises and other activities	7,792	8,511
Grants and contracts	14,758	17,549
Long-term contracts	6,411	7,890
	<u>\$ 68,351</u>	<u>\$ 71,220</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 10--LONG-TERM LIABILITIES

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

	Issue Dates	Interest Rates (percentages)	Maturity Through	2013				
				Beginning Balance (restated)	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases								
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	6,135	-	(6,135)	-	-
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	25,780	-	(25,780)	-	-
ODFA Public Facility, Series 2003AB	2003	2.00-4.06	07/01/2016	9,820	-	(1,818)	8,002	1,888
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	28,728	-	(1,157)	27,571	1,202
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	474	-	(474)	-	-
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	73,300	-	(1,829)	71,471	1,900
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	17,260	-	(628)	16,632	654
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	103,565	-	(3,222)	100,343	3,342
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,278	22	-	26,300	(22)
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	9,098	-	(762)	8,336	808
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,372	10	-	34,382	(10)
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	16,610	-	(954)	15,656	998
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	35,451	-	(610)	34,841	630
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	1,455	-	(605)	850	625
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	4,639	-	(1,129)	3,510	1,150
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,341	9	-	42,350	(9)
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	8,353	-	(212)	8,141	216
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	34,795	-	(570)	34,225	580
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	11,188	-	(292)	10,896	307
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	62,334	-	(1,040)	61,294	1,115
General Rev. Refunding, Series 2011E	2012	.400-5.00	07/01/2026	20,979	-	(1,424)	19,555	1,224
General Rev. Refunding, Series 2011F	2012	.630-1.960	07/01/2016	1,900	-	(370)	1,530	375
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	70,507	-	(169)	70,338	168
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	5,542	5	-	5,547	(5)
General Rev. Refunding, Series 2012C	2013	.300-3.00	07/01/2027	-	5,918	-	5,918	331
General Rev. Refunding, Series 2012D	2013	.396-3.123	07/01/2027	-	26,490	-	26,490	1,558
General Revenue Bonds, Series 2013A	2013	2.00-3.775	07/01/2042	-	11,047	-	11,047	(5)
General Revenue Bonds, Series 2013B	2013	.520-4.29	07/01/2042	-	48,776	-	48,776	(6)
Total revenue bonds payable				650,904	92,277	(49,180)	694,001	19,014
OCIA 1999A/2004A capital lease payable								
OCIA 2005F capital lease payable				2,445	-	(257)	2,188	270
OCIA 2006D capital lease payable				34,222	-	(1,629)	32,593	1,707
OCIA 2010A capital lease payable				22,833	-	(830)	22,003	-
OCIA 2010B capital lease payable				13,602	-	-	13,602	-
ODFA master leases payable				4,773	-	-	4,773	2,782
Total capital leases payable				26,191	-	(7,560)	18,631	5,571
Total bonds and capital leases				104,066	-	(10,276)	93,790	10,330
Other noncurrent liabilities								
Utilities management agreement				754,970	92,277	(59,456)	787,791	29,344
Other postemployment benefits				109,000	-	(4,720)	104,280	4,720
Accrued compensated absences				78,937	12,444	(4,852)	86,529	4,852
Federal loan program contributions refundable (see also Note 5)				30,592	26,184	(25,438)	31,338	26,324
Unearned revenue (long-term contracts)				14,551	-	(73)	14,478	-
Deposits held in custody for others				7,890	-	(1,479)	6,411	2,918
Total other noncurrent liabilities				38,552	1,802	-	40,354	4,416
Total noncurrent liabilities				279,522	40,430	(36,562)	283,390	43,230
Total noncurrent liabilities				\$ 1,034,492	\$ 132,707	\$ (96,018)	\$ 1,071,181	\$ 72,574

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 10--LONG-TERM LIABILITIES—Continued

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

	Issue Dates	Interest Rates	Maturity Through	2012				
				Beginning Balance (restated)	Additions	Deductions	Ending Balance (restated)	Current Portion
Bonds and capital leases								
		(percentages)						
Parking, Series 2001	2001	3.10-6.10	12/01/2026	\$ 20,796	\$ -	\$ (20,796)	\$ -	\$ -
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	6,394	-	(259)	6,135	268
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	26,872	-	(1,092)	25,780	1,138
ODFA Public Facility, Series 2003AB	2003	2.00-4.06	07/01/2016	11,582	-	(1,762)	9,820	1,818
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	29,845	-	(1,117)	28,728	1,157
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	933	-	(459)	474	474
Parking, Series 2004	2004	2.00-3.65	03/01/2016	2,391	-	(2,391)	-	-
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	75,061	-	(1,761)	73,300	1,830
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	17,858	-	(598)	17,260	628
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	106,672	-	(3,107)	103,565	3,222
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,256	22	-	26,278	(22)
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	9,827	-	(729)	9,098	763
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,362	10	-	34,372	(10)
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	17,523	-	(913)	16,610	953
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	36,041	-	(590)	35,451	610
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	2,045	-	(590)	1,455	605
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	4,649	-	(10)	4,639	1,130
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,333	8	-	42,341	(9)
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	8,349	4	-	8,353	211
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	34,791	4	-	34,795	570
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	11,184	4	-	11,188	292
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	62,324	10	-	62,334	1,040
General Rev. Refunding, Series 2011E	2012	.400-5.00	07/01/2026	-	20,995	(16)	20,979	1,424
General Rev. Refunding, Series 2011F	2012	.630-1.960	07/01/2016	-	1,900	-	1,900	370
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	-	70,507	-	70,507	168
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	-	5,560	(18)	5,542	(4)
Total revenue bonds payable				588,088	99,024	(36,208)	650,904	18,626
OCIA 1999A/2004A capital lease payable				2,689	-	(244)	2,445	257
OCIA 2005F capital lease payable				34,222	-	-	34,222	1,630
OCIA 2006D capital lease payable				24,178	-	(1,345)	22,833	-
OCIA 2010A capital lease payable				13,602	-	-	13,602	-
OCIA 2010B capital lease payable				4,773	-	-	4,773	-
ODFA master leases payable				29,351	4,261	(7,421)	26,191	7,560
Total capital leases payable				108,815	4,261	(9,010)	104,066	9,447
Total bonds and capital leases				696,903	103,285	(45,218)	754,970	28,073
Other noncurrent liabilities								
Utilities management agreement				113,720	-	(4,720)	109,000	4,720
Other postemployment benefits				71,892	12,309	(5,264)	78,937	5,264
Accrued compensated absences				28,895	24,879	(23,182)	30,592	26,003
Federal loan program contributions refundable (see also Note 5)				14,687	-	(136)	14,551	-
Deferred revenue (long-term contracts)				9,372	-	(1,482)	7,890	2,918
Deposits held in custody for others				41,714	-	(3,162)	38,552	3,949
Total other noncurrent liabilities				280,280	37,188	(37,946)	279,522	42,854
Total noncurrent liabilities				\$ 977,183	\$ 140,473	\$ (83,164)	\$ 1,034,492	\$ 70,927

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Maturities of principal and interest requirements on revenue bonds and capital leases are as follows at June 30, 2013:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019-2023</u>	<u>2024-2028</u>	<u>2029-2033</u>	<u>2034-2038</u>	<u>2039-2043</u>	<u>Total</u>
ODFA Public Facility, Series 2003	\$ 2,134	\$ 2,121	\$ 2,125	\$ 2,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,504
Multiple Facility, Series 2003	2,498	2,496	2,496	2,491	2,493	12,459	12,456	2,490	-	-	39,879
Student Housing, Series 2004	5,385	5,378	5,376	5,353	5,351	26,661	26,464	26,217	10,401	-	116,586
Research Facilities, Series 2004	1,553	1,554	1,552	1,552	1,551	7,715	6,676	2,777	1,103	-	26,033
General Rev. Refunding, Series 2006A	7,765	7,778	7,780	7,780	7,784	42,396	40,638	24,089	-	-	146,010
General Revenue Bonds, Series 2007A	1,077	1,077	1,077	1,077	1,078	7,283	11,418	11,353	9,053	-	44,493
General Revenue Bonds, Series 2007B	1,223	1,217	1,214	1,212	1,207	4,131	-	-	-	-	10,204
General Revenue Bonds, Series 2007C	1,619	1,619	1,619	1,620	1,620	8,097	14,362	17,040	16,941	-	64,537
General Revenue Bonds, Series 2007D	1,849	1,845	1,839	1,839	1,836	9,077	2,797	-	-	-	21,082
General Revenue Bonds, Series 2009A	2,202	2,196	2,200	2,199	2,196	11,309	15,594	14,208	5,241	-	57,345
General Revenue Bonds, Series 2009B	635	225	-	-	-	-	-	-	-	-	860
General Revenue Bonds, Series 2010A	1,197	1,199	1,185	-	-	-	-	-	-	-	3,581
General Revenue Bonds, Series 2010B	2,456	2,456	2,456	3,621	3,605	17,628	16,844	15,795	13,777	4,940	83,578
General Revenue Bonds, Series 2011A	585	583	581	582	582	2,903	2,894	2,873	1,723	-	13,306
General Revenue Bonds, Series 2011B	2,563	2,562	2,560	2,561	2,559	12,746	12,698	12,631	12,555	7,490	70,925
General Revenue Bonds, Series 2011C	726	729	728	726	720	3,605	3,579	3,545	2,811	-	17,169
General Revenue Bonds, Series 2011D	4,220	4,217	4,210	4,202	4,196	20,897	20,743	20,563	20,364	16,122	119,734
General Rev. Refunding, Series 2011E	1,767	1,778	1,782	1,320	1,739	8,636	7,006	-	-	-	24,028
General Rev. Refunding, Series 2011F	393	393	392	390	-	-	-	-	-	-	1,568
General Revenue Bonds, Series 2012A	2,921	2,921	2,922	2,921	4,471	22,244	22,111	21,983	21,871	17,152	121,517
General Revenue Bonds, Series 2012B	62	1,880	1,873	1,875	-	-	-	-	-	-	5,690
General Rev. Refunding, Series 2012C	468	476	469	471	472	2,334	2,302	-	-	-	6,992
General Rev. Refunding, Series 2012D	2,104	2,121	2,118	2,121	2,115	10,545	10,515	-	-	-	31,639
General Revenue Bonds, Series 2013A	304	304	583	582	582	2,912	2,906	2,897	2,888	2,890	16,848
General Revenue Bonds, Series 2013B	<u>1,680</u>	<u>1,680</u>	<u>2,864</u>	<u>2,859</u>	<u>2,856</u>	<u>14,262</u>	<u>14,226</u>	<u>14,156</u>	<u>14,110</u>	<u>14,049</u>	<u>82,742</u>
Total principal & interest	49,386	50,805	52,001	51,478	49,013	247,840	246,229	192,617	132,838	62,643	1,134,850
Less: Interest	<u>30,372</u>	<u>29,736</u>	<u>29,029</u>	<u>28,233</u>	<u>27,466</u>	<u>122,215</u>	<u>90,155</u>	<u>55,019</u>	<u>24,266</u>	<u>4,358</u>	<u>440,849</u>
Total principal	<u>19,014</u>	<u>21,069</u>	<u>22,972</u>	<u>23,245</u>	<u>21,547</u>	<u>125,625</u>	<u>156,074</u>	<u>137,598</u>	<u>108,572</u>	<u>58,285</u>	<u>694,001</u>
Capital leases	14,564	12,469	11,521	10,860	10,644	19,600	25,301	31,681	2,784	-	139,424
Less: Interest	<u>4,234</u>	<u>3,892</u>	<u>3,572</u>	<u>3,236</u>	<u>2,904</u>	<u>12,591</u>	<u>9,841</u>	<u>5,231</u>	<u>133</u>	<u>-</u>	<u>45,634</u>
Total principal	<u>10,330</u>	<u>8,577</u>	<u>7,949</u>	<u>7,624</u>	<u>7,740</u>	<u>7,009</u>	<u>15,460</u>	<u>26,450</u>	<u>2,651</u>	<u>-</u>	<u>93,790</u>
Total	<u>\$29,344</u>	<u>\$29,646</u>	<u>\$30,921</u>	<u>\$30,869</u>	<u>\$29,287</u>	<u>\$ 132,634</u>	<u>\$ 171,534</u>	<u>\$ 164,048</u>	<u>\$ 111,223</u>	<u>\$ 58,285</u>	<u>\$ 787,791</u>

Revenue Bonds Payable: Beginning in FY07 with the General Revenue Bonds, Refunding Series 2006A, bonds have been issued by the Board of Regents pursuant to the Master Resolution and supplemental resolutions establishing the University of Oklahoma General Revenue Financing System. The revenue pledged as security for these obligations is any or all revenues of the University which are lawfully available for the payment of obligations, excluding revenues appropriated by the state legislature, funds whose purpose has been restricted by the donors or grantors to a purpose inconsistent with the payment of such obligations, and any funds pledged for Prior Encumbered Obligations.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable--Continued: Revenue bonds issued prior to the Resolution (Prior Encumbered Obligations) are payable both as to principal and interest solely from the net revenues arising from operations of the athletics department, student housing, real estate operations, state school land funds and certain fees all of which are pledged under the various bond indentures.

At June 30, 2013 and 2012, the University had \$32,713 and \$29,808, respectively, of cash and investments held in trust for all bond indentures, restricted to the payment of principal and interest.

Capital Lease Obligations:

OCIA Capital Lease Obligations

In September 1999, the University entered into a 20 year lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the Oklahoma Capital Improvement Authority State Facilities Revenue Bonds, Series 1999A (the "OCIA Bonds"). The University received \$5,850 of the proceeds for capital improvement projects on the Norman Campus as approved by the Regents. Assets under this capital lease totaled \$4,495, net of accumulated depreciation of \$1,355 at June 30, 2013, and \$4,612, net of accumulated depreciation of \$1,238, at June 30, 2012.

In the fall of 2005, the University entered into a lease agreement with varying terms of repayment with the OCIA and the Oklahoma State Regents as beneficiary of a portion of the proceeds from the OCIA State Facilities Revenue Bonds, Series 2005F, 2005G and 2006D. The University received \$82,706 of the proceeds in addition to total investment earnings of \$8,507 for capital improvement projects on the Norman Campus as approved by the Regents. Assets and construction in progress under these capital leases totaled \$83,900, net of accumulated depreciation of \$7,313 on the completed projects, at June 30, 2013, and \$85,724, net of accumulated depreciation of \$5,489 on the completed projects, at June 30, 2012.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

OCIA Capital Lease Obligations--Continued

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

ODFA Master Lease Obligations

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

ODFA Master Leases	Issued	Term	Amount Financed	2013		2012	
				Net Book Value	Accumulated Depreciation	Net Book Value	Accumulated Depreciation
ODFA 2003B	August 2003	5 - 10 years	\$ 4,021	\$ -	\$ 4,021	\$ -	\$ 4,021
ODFA 2005A	May 2005	7 - 10 years	2,173	29	2,144	43	2,130
ODFA 2005B	August 2005	3 - 10 years	3,421	-	3,421	-	3,421
ODFA 2005C	December 2005	10 years	1,466	*	*	*	*
ODFA 2006A	May 2006	5 - 10 years	3,332	586	2,746	749	2,583
ODFA 2006C	December 2006	5 - 10 years	3,136	2,265	871	2,410	726
ODFA 2007A	May 2007	3 - 7 years	1,434	359	1,075	538	896
ODFA 2007B	July 2007	5 - 20 years	4,605	2,446	2,159	2,806	1,799
ODFA 2007C	November 2007	5 - 10 years	11,364	2,348	9,016	4,046	7,318
ODFA 2008A	September 2008	3 - 10 years	15,468	5,849	9,619	7,648	7,820
ODFA 2008B	December 2008	5 - 10 years	1,724	1,126	598	1,246	478
ODFA 2009A	July 2009	5 - 20 years	2,759	2,007	752	2,195	564
ODFA 2009B	December 2009	5 - 10 years	1,576	1,039	537	1,173	403
ODFA 2010B	December 2010	5 years	1,029	861	168	917	112
ODFA 2011C	November 2011	5 - 10 years	4,261	3,534	727	3,702	353

* All purchased items did not meet the University's capitalization threshold to be capitalized.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Utilities Management Agreement: In August 2010 the University entered into a 50 year agreement with a utility company to operate and maintain the utility systems for steam, electrical, natural gas, chilled water, potable water and waste water. At the time the contract was signed, an advance of \$75,000 was received. Additional proceeds will be received through fiscal year 2014, bringing the proceeds to a total of \$118,000. This total advance will be repaid to the third party over the next 25 years.

Of the advance received, \$55,387 was transferred to trustees to purchase escrow securities for the defeasement of a portion of the General Revenue Bonds Series 2009A (36.29%), General Revenue Bonds Series 2009B (76.05%), and General Revenue Bonds, Refunding Series 2009C (100%). These bonds were used for utility system acquisitions and improvements. Total principal defeased was \$47,415. The funds transferred for defeasance will remain in escrow until the final call date of July 1, 2024. The escrow balance at June 30, 2013 and 2012, was \$50,200 and \$52,363. Total principal outstanding on the defeased debt was \$45,040 and \$46,245 as of June 30, 2013 and 2012.

Refunding Bonds: In October 2011, General Revenue Refunding Bonds 2011E and 2011F were issued to refund the 2001 and 2004 Parking Revenue Bonds having a total principal balance outstanding of \$22,445. This resulted in cash flow savings of \$2,816, and a net present value benefit of \$2,200. Total principal outstanding on the refunded bonds was \$20,370 and \$21,915 as of June 30, 2013 and 2012.

In December 2012, General Revenue Refunding Bonds 2012C and 2012D were issued to refund the Housing 2002 and Research Facilities 2003 Revenue Bonds having a total of principal balance outstanding of \$31,785. This resulted in cash flow savings of \$6,442 and net present value benefit of \$5,193. The total principal outstanding on the 2012C and 2012D bonds at June 30, 2013 was \$32,475. Total principal outstanding on the refunded bonds was \$30,640 as of June 30, 2013.

NOTE 11--OPERATING LEASES

The University has entered into certain operating leases for equipment (including copiers and other office furniture and equipment), bus charters, vehicle rentals and other miscellaneous items. All operating leases are for a one-year term with an option to renew based on available funding. Rental expenditures from operating leases were approximately \$2,259 and \$2,138, respectively, for the years ended June 30, 2013 and 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (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 the Oklahoma Teachers' Retirement System ("OTRS" or "the System"), and the following defined contribution plans: Optional Retirement Plan ("ORP"), the University of Oklahoma Defined Contribution Plan ("Plan 1"), and the University of Oklahoma Defined Contribution Plan for Hourly Employees who are Non-OTRS Participants ("Plan 2"). If the previously mentioned plans do not provide a computed minimum amount of retirement benefits, the University provides the difference under the Supplemental Benefits Plan for those employees hired on or before June 30, 1991.

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

Defined Benefit Plan - Oklahoma Teachers Retirement System

Plan Description: The University contributes to the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the state of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the Plan to the Board of Trustees of the System.

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

Funding Policy: System members and the University are required to contribute at a rate set by statute. The contribution requirements of system members and the University are established and may be amended by the legislature of the state of Oklahoma. For the years ended June 30, 2013 and 2012, the contribution rate for System members of 7% is applied to their total compensation.

For FY13 and FY12 the local employer contribution rate was 8.55%. For the years ended June 30, 2012 and 2011, the State contributed 5% of State revenues from sales and use taxes and individual income taxes. Contributions made by the State from dedicated taxes are considered on-behalf payments for the University's employees. The amount benefiting the University's employees is estimated at \$15,418 and \$15,184 for the years ended June 30, 2013 and 2012, respectively, based on an allocation of the University's covered payroll to the total covered payroll for the OTRS. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses and changes in net position.

The University's contributions to OTRS, for the years ended June 30, 2013, 2012, and 2011 were approximately \$19,856, \$19,548, and \$18,974, respectively, equal to the required contributions each year.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

Defined Contribution Plan - Optional Retirement Plan

Plan Description: Employees hired after July 1, 2004 have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 90 days of employment. This is a one time irrevocable election and if an employee does not make an election, the employee defaults into OTRS and will also participate in Plan 1 or Plan 2 of the Defined Contribution Plan noted below. Fidelity Investments currently provides record-keeping services for all of the University's defined contribution plans. Under the ORP, the University contributes, at the direction of the participating employee, to any of a variety of different fund options and companies, which are organized in a four tier structure.

The authority for contributing to the ORP is contained in the following policy document, "University of Oklahoma Optional Retirement Plan," adopted July 2004.

Funding Policy: The ORP provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 9% of covered payroll and is determined by the previously mentioned plan document. The University's contributions to the ORP for the years ended June 30, 2013, 2012, and 2011 were approximately \$7,402, \$6,611, and \$6,115, respectively. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

Defined Contribution Plan - Plan 1 and Plan 2

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

Funding Policy: Plan 1 and Plan 2 provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 15% for Plan 1 and 8% for Plan 2 of covered payroll and is determined by the previously mentioned plan document. Total contributions to Plans 1 and 2 were \$17,455 and \$2,808, respectively, for the year ended June 30, 2013. Total contributions to Plans 1 and 2 were \$18,251 and \$2,952, respectively, for the year ended June 30, 2012. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

Supplemental Benefits Plan

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

Under the current provisions of the Plan, it is management's opinion that no current employee will qualify for the Plan. Benefits paid under this Plan during the years ended June 30, 2013, 2012 and 2011 to retired employees were \$6, \$8 and \$28, respectively. The Plan is an unfunded plan and management's estimates of the remaining pension benefit obligation under the Plan at June 30, 2013, 2012 and 2011 were approximately \$10, \$27 and \$67. The pension benefit obligation was determined as a part of an actuarial valuation at year end. Significant actuarial assumptions used include (a) a discount rate of 6.5% per year compounded annually, (b) projected post retirement benefit increases of 3.5% per year compounded annually, attributable to inflation and (c) the Internal Revenue Code "Ordinary Life Annuities" tables.

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS

Plan Description: Health and dental insurance is provided by the University of Oklahoma for all University retirees meeting specified ages and service requirements hired prior to January 1, 2008, with varying premium subsidies based on retirement age and years of service as described below. Retirees hired after January 1, 2008 may participate in the University's retiree insurance plan and, at their own expense, retirees may also elect the University's health and dental coverage for eligible dependents. The University's retiree insurance plan is considered a single-employer defined benefit plan. As a secondary insurance plan, retirees participating in OTRS (see Note 12) are covered by the Oklahoma State and Education Employees Group Insurance Fund. For retirees not participating in OTRS, University insurance continues. After retirees become eligible for Medicare, the OTRS' Oklahoma State and Education Employees Group Insurance Fund and the University insurance plans become secondary plans. The University's plan does not issue a stand alone financial report. The University has the authority to establish and amend the benefit provisions offered to retirees.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

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

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

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

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

Funding Policy: For the University's plan, the contribution requirement is based on a projected pay-as-you-go basis. The funding policy may be amended by the Regents of the University of Oklahoma. The University pays the premiums for the retirees hired prior to January 1, 2008, with varying premium subsidies based on retirement age and years of service. At their own expense, retirees may also elect health or dental coverage for eligible dependents. For the years ended June 30, 2013 and 2012, the University contributed \$4,852 and \$5,264 respectively for current retirees.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

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

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

	2013	2012
Annual Required Contribution (ARC)	\$ 11,760	\$ 11,687
Interest on Net OPEB Obligation	3,947	3,594
Adjustment to ARC	<u>(3,263)</u>	<u>(2,972)</u>
Annual OPEB Cost	12,444	12,309
Contributions paid during year	<u>(4,852)</u>	<u>(5,264)</u>
Increase in net OPEB Obligation	7,592	7,045
Net OPEB obligation-beginning of year	<u>78,937</u>	<u>71,892</u>
Net OPEB obligation-end of year	<u>\$ 86,529</u>	<u>\$ 78,937</u>

Funded Status and Funding Progress: The unfunded actuarial accrued liability (UAAL), totaled \$167,878 as of the January 1, 2013 actuarial valuation date. The UAAL is being amortized over an open period of thirty years using the level percentage of projected covered payroll amortization method. The covered payroll (annual payroll of active employees covered by the plan) was \$275,053 and \$282,809 for 2013 and 2012, and the ratio of the UAAL to the covered payroll was 61 percent for 2013.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

Trend Information:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Liability</u>
2013	\$ 12,444	39%	\$ 86,529
2012	12,309	43%	78,937
2011	20,549	25%	71,892

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the Retirement Policy document, amended as of July 1, 2002. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in reported amounts and reflect a long-term perspective of the calculations. In the January 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5.0 percent investment rate of return, which is based on the expected long-term investment returns of the University's own investments, an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to 4.5 percent after seven years (8.5% for 2013), and a payroll annual inflation rate of 3.5 percent.

NOTE 14--RISK MANAGEMENT

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

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 14--RISK MANAGEMENT--Continued

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

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$750 deductible.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles and equipment) are purchased by the University from DCAMRMD. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Aircraft claims filed as of June 30, 2013 and 2012 were \$11 and \$0 respectively.

Self-Funded Programs

The University's workers' compensation program is self-funded and is administered by a third party. The University maintains a cash deposit with the administrator and reimburses the administrator for claims paid on a monthly basis and administrative expenses are paid on a quarterly basis. Benefits provided are prescribed by State Statute and include lump sum payments for rated disabilities, in addition to medical expenses and a portion of salary loss, resulting from an on-the-job injury or illness. The University records a liability for workers' compensation in its financial statements based on annual actuarial valuations. As of June 30, 2013 and 2012, the accrued workers' compensation liability totaled approximately \$2,670 and \$3,101, respectively.

The University's unemployment compensation insurance program is also self-funded. Unemployment benefits that separated employees receive are determined by Oklahoma Statutes and are administered by the Oklahoma Employment Security Commission ("OESC"). As a reimbursing employer, the University is billed quarterly by the OESC for benefits paid to former employees. The University's reserve with the OESC is the average claims paid over the past three years. As of June 30, 2013 and June 30, 2012, the required reserves were \$526 and \$580, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 and 2012 (in thousands)

NOTE 15--COMMITMENTS AND CONTINGENCIES

At June 30, 2013 and 2012, the University had outstanding commitments under construction contracts totaling \$52,126 and \$47,586, respectively.

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

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

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

NOTE 16--FUNCTIONAL CLASSIFICATIONS

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

	2013	2012
Instruction	\$ 223,276	\$ 225,214
Research	94,918	94,199
Public Service	48,576	52,408
Academic Support	71,924	80,341
Student Services	23,644	21,558
Institutional Support	37,189	31,383
Operation & Maintenance of Plant	116,203	112,862
Student Aid	34,542	31,760
Other	5,459	5,893
Auxiliary	146,856	138,778
Total Operating Expenses	<u>\$ 802,587</u>	<u>\$ 794,396</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2013 (in thousands)

University of Oklahoma Norman Campus Retiree Health/Dental Insurance

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2011	-	222,920	222,920	-	265,746	84%
1/1/2012	-	147,755	147,755	-	282,809	52%
1/1/2013	-	167,878	167,878	-	275,053	61%

The University obtains actuarial valuations annually.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual Required Contributions: See Note 13 for actuarial assumptions and other information used to determine the annual required contributions (ARC) for the plan.

Benefit Provisions: During the year ended June 30, 2012, the University's Board of Regents approved significant changes to the University's retiree health/dental insurance plans. A more complete description of changes is included in Note 13 to the financial statements. The proposed changes are projected to reduce the University's post-retirement benefit obligation by 26%, with annual cost savings of \$2.3 million beginning in 2016.

OTHER SUPPLEMENTARY INFORMATION

REVENUE BOND SYSTEMS OUTSTANDING
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013 (with comparative totals for the year ended June 30, 2012)
(in thousands)

	Student Union 2004	ODFA Public Facilities 2003A	Athletics ODFA 2003B	Student Housing 2002 & 2004	Research Facilities 2003	Multiple Facilities Rev Bonds 2003	Research Facilities 2004	Totals (Memorandum Only)	
								2013	2012 (Restated)
REVENUES AND OTHER ADDITIONS									
Room rentals, food, and utility sales	\$ -	\$ -	\$ -	\$ 58,921	\$ -	\$ -	\$ 12,285	\$ 71,206	\$ 69,815
Student fees	-	-	-	-	-	2,504	-	2,504	5,763
State school land funds	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Parking permits and fines	-	-	-	-	-	-	-	-	-
Other sources	-	9,858	124,571	(3,004)	-	-	286	131,711	117,263
TOTAL REVENUES AND OTHER ADDITIONS	-	9,858	124,571	55,917	-	2,504	12,571	205,421	192,841
EXPENDITURES									
Salaries, wages and employee benefits	-	-	38,899	13,067	-	-	-	51,966	50,158
Repairs and maintenance	-	-	3,602	4,385	-	-	1,302	9,289	8,543
Utilities	-	-	2,833	5,952	-	-	1,494	10,279	8,427
Contractual services and equipment rentals	-	-	12,863	10,516	-	-	2,476	25,855	24,614
General and administrative	-	-	29,764	8,400	-	-	736	38,900	36,625
Interest on indebtedness	-	197	361	3,755	-	1,339	956	6,608	8,471
Closing costs and discount	-	12	(69)	14	-	12	7	(24)	1,117
Trustee fees	-	6	7	3	-	2	2	20	29
Retirement of equipment	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	215	88,260	46,092	-	1,353	6,973	142,893	137,984
TRANSFERS AMONG FUNDS									
From (To) other funds	-	-	-	-	-	-	-	-	-
From (To) general university	(9,373)	(8,480)	(5,292)	3,611	(41,281)	-	(5,390)	(66,205)	(23,313)
TOTAL TRANSFERS	(9,373)	(8,480)	(5,292)	3,611	(41,281)	-	(5,390)	(66,205)	(23,313)
NET INCREASE FOR THE YEAR	(9,373)	1,163	31,019	13,436	(41,281)	1,151	208	(3,677)	31,544
NET POSITION AT BEGINNING OF YEAR	9,373	13,071	212,751	146,138	41,281	10,642	37,696	470,952	439,408
NET POSITION AT END OF YEAR	\$ -	\$ 14,234	\$ 243,770	\$ 159,574	\$ -	\$ 11,793	\$ 37,904	\$ 467,275	\$ 470,952

Note: The Revenue Bond Systems Outstanding Schedule of Revenues, Expenditures and Changes in Net Position is prepared on a different basis of accounting than the basic financial statements. These statements are prepared on a comprehensive basis of accounting in accordance with the trust indentures which do not require the University to record a provision for depreciation. The 2012 balances have been restated due to adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Oklahoma Norman Campus (the "University"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. *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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 8, 2013

**Independent Auditors' Report on
Compliance for Each Major Federal Program; Report on
Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the University of Oklahoma Norman Campus (the "University") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the University as of and for the year ended June 30, 2013, and have issued our report thereon dated October 8, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 8, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Department of Agriculture				
Agricultural Research Service	10.001			646
Agricultural Research Service	10.312			67,683
Cooperative State Research Services	10.206			150,480
Forestry Service	10.652			9,359
Forestry Service	10.XXX			9,433
National Institute of Food and Agriculture	10.310			67,046
			-	304,647
Department of Commerce				
National Oceanic and Atmospheric Administration	11.431			159,777
National Oceanic and Atmospheric Administration	11.432		426,637	12,303,225
National Oceanic and Atmospheric Administration	11.459			79,637
National Oceanic and Atmospheric Administration	11.468			125,422
			426,637	12,668,061
Department of Defense				
Air Force	12.630			48,568
Air Force	12.800		36,877	354,990
Air Force	12.910		495,565	2,878,216
Army Medical Research Acquisition Activity	12.420			42,692
Army	12.420			54,944
Army	12.431		2,294	41,013
Army	12.630			55,210
Army Research Office	12.431			262,886
Advanced Research Projects Agency	12.431		(40)	98,629
Advanced Research Projects Agency	12.910		242,162	700,635
Medical Research Acquisition Activity	12.420			192
Medical Research Acquisition Activity	12.XXX		10,138	63,112
Navy	12.300			35,598
National Security Agency	12.900			103,142
National Security Agency	12.901			13,182
Office of Naval Research	12.300		692,352	3,157,633
			1,479,348	7,910,642
Department of Interior				
Bureau of Land Management	15.224			10,222
Bureau of Land Management	15.238			18,001
Bureau of Reclamation	15.511			4,728
Fish and Wildlife	15.615			8,276
Fish and Wildlife	15.649			27,777
Office of Surface Mining	15.255			50,965
Geological Survey	15.807			25,295
Geological Survey	15.808			74,975
Geological Survey	15.810			123,091
Geological Survey	15.811			14,476
Geological Survey	15.814			14,088
Geological Survey	15.819			11,140
Geological Survey	15.820		265,159	624,832
			265,159	1,007,866
Department of Transportation				
Federal Aviation Administration	20.XXX			312,315
Federal Transit Administration	20.514		27,449	64,512
			27,449	376,827
Environmental Protection Agency				
Environmental Protection Agency	66.514			9,080
Environmental Protection Agency	66.516			39,177
			-	48,257
Department of Health and Human Services				
National Cancer Institute	93.394		56,976	149,840
National Institutes of Health	93.113			145,482
National Institutes of Health	93.173		56,153	366,296
National Institutes of Health	93.286			100,349
National Institutes of Health	93.310			480,804
National Institutes of Health - ARRA	93.701		219	35,516
National Institutes of Health	93.846			14,364
National Institutes of Health	93.853			261,007

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
National Institutes of Health	93.855			1,052,219
National Institutes of Health	93.859		543,373	3,454,506
National Institutes of Health	93.865		28,175	344,120
National Institutes of Health	93.866			180,861
National Institutes of Health	93.879			12,296
National Institutes of Health	93.985			41,027
National Institutes of Health	93.989		352,261	563,722
			1,037,157	7,202,409
National Aeronautics and Space Administration				
Goddard Space Flight Center	43.001		145,940	328,580
Goddard Space Flight Center	43.XXX			60,697
Langley Research Center	43.001			148,402
Marshall Space Flight Center	43.001			32,294
Shared Services Center	43.001		240,594	1,063,915
Shared Services Center	43.008		341,809	960,765
Shared Services Center	43.009			78,845
Shared Services Center	43.XXX			61,454
			728,343	2,734,952
National Science Foundation				
National Science Foundation	47.041		205,429	1,971,632
National Science Foundation	47.047			70,271
National Science Foundation	47.049		203,511	1,831,049
National Science Foundation	47.050		53,797	2,308,279
National Science Foundation	47.070		2,932	1,024,379
National Science Foundation	47.074		31,978	3,484,710
National Science Foundation	47.075		6,610	218,350
National Science Foundation	47.076			523,858
National Science Foundation	47.078			48,294
National Science Foundation	47.079			14,601
National Science Foundation	47.080			101,514
National Science Foundation	47.081		40,873	504,913
National Science Foundation - ARRA	47.082		36,691	1,746,433
National Science Foundation	47.XXX			31,545
			581,821	13,879,828
Other Federal Agencies				
Central Intelligence Agency	13.XXX			86,942
Institute of Museum and Library Services	45.301			80,988
Institute of Museum and Library Services	45.313			19,027
National Archives and Records Administration	89.003			45,449
National Center for Atmospheric Research	11.432			33,793
National Endowment for the Arts	45.024			14,938
National Endowment for the Humanities	47.075			48,001
Department of State	19.009			209,740
Department of State	19.415			393,894
Department of State	19.501			47,160
Department of Justice	16.560			381,246
			-	1,361,178
Department of Energy				
Department of Energy	81.049		948,739	4,121,855
Department of Energy	81.086			52,301
Department of Energy	81.089			(230)
Department of Energy	81.XXX			209,563
			948,739	4,383,489
Department of Education				
Department of Education	84.184			
Department of Education	84.200			211,899
Department of Education	84.324			427,546
Department of Education	84.325			161,838
Department of Education	84.326			136,009
Department of Education	84.334		997,943	6,190,870
			997,943	7,128,162
TOTAL RESEARCH DIRECT PROGRAMS			6,492,596	59,006,318

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
RESEARCH-FLOW THROUGH PROGRAMS				
Commercial and Commercial Related				
ABT Associates Inc	93.009	40140		3,257
Advanced Dynamics, Inc.	43.001	FY11ORA164		62,427
APTIMA, INC.	12.300	07091582		136,165
ARCADIS US, Inc.	12.XXX	NL9900560000		154
Atmospheric Technology Services Company, LLC	12.XXX	FY10ORA316		52,859
AWSTruePower	81.064	SRA050911		78,688
Battelle	81.117	138292		45,374
Battelle	81.XXX	109479		568,806
Battelle	81.XXX	4000057553		62,182
Chugach Company	12.901	201150071002		3,681
Courtesy Associates	93.113	LTR111010		63,498
Glomics, Inc.	81.049	FY12ORA320		139,195
Glomics, Inc.	81.049	FY12ORA321		156,531
Intelligent Automation, Inc.	12.XXX	6591		26
Intelligent Automation, Inc.	43.XXX	5541		(26)
ICF International	93.647	12AS00281		4,000
Lawrence Livermore National Laboratory	81.123	B602262		28,814
MicroChem Solutions	81.049	FY13ORA216		53,187
Nanolight, Inc.	12.XXX	FY08ORA315		(2,711)
Research Partnership to Secure Energy for America	81.089	0912211		346,355
Research Partnership to Secure Energy for America	81.089	10121450401		179,247
Research Partnership to Secure Energy for America	81.089	1112324		265,917
Sandia National Laboratories	81.064	974632		3,821
SI International	12.XXX	S2LG8SC389		46,928
University Corporation for Atmospheric Research	11.008	Z1295940		27,344
University Corporation for Atmospheric Research	11.432	0345040		6,995
University Corporation for Atmospheric Research	47.003	Z1396687		11,859
VADovations, Inc.	93.837	AGMT040813		51,287
			-	2,395,860
Foundations				
H.M. Jackson Foundation for Advancement of Military Medicine	12.420	681244		4,950
Oklahoma Partnership for School Readiness Foundation, Inc. - ARRA	93.701	AGMT042612		24,541
Texas A&M Research Foundation	10.200	99S120052		4,743
			-	34,234
Not for Profit Organizations				
American Association of Physics Teachers	47.XXX	MOU111505		7,313
Argonne National Laboratory	81.049	1F32281		6,757
Beggs Public Schools	84.374	FY11ORA102		(804)
Brookhaven National Laboratory	81.049	181673		40,505
Biodiversity Research Institute	81.087	FY13ORA124		1,820
Council of Graduate Schools	47.075	LTR091912		11,629
U.S. Civilian Research and Development Foundation	47.079	UKG12967KV09		327
Community Services Council of Greater Tulsa	93.107	FY13ORA336		3,530
Institute of International Education	19.400	AGMT071712		25,427
Integrus Baptist Medical Center	93.837	AGMT120512		43,620
National Academy of Sciences	19.501	PGAP210874		79,162
National Institute of Aerospace	43.001	C132948OU		8,035
National Writing Project Corporation	84.367	92OK02SEED2012		77,376
National Writing Project Corporation	84.928	92OK02		4,455
New York Historical Society	45.160	LTR040312		55,497
Ohio Aerospace Institute	12.800	AGMT041812		29,578
Oklahoma Humanities Council	45.129	Y12016		500
Oklahoma City Public Schools	84.013	FY12ORA114		11,328
Oklahoma City Public Schools	84.367	FY11ORA159		13,588
Oklahoma City Public Schools	84.367	FY11ORA160		13,637
Putnam City Public Schools	84.336	FY11ORA354		3,184
Putnam City Public Schools	84.336	FY12ORA240		15,862
Putnam City Public Schools	84.336	FY12ORA241		39,363
Putnam City Public Schools	84.336	FY12ORA242		34,466

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Putnam City Public Schools	84.366	317120721		35,810
Smithsonian Astrophysical Observatory	43.001	AR213003X		6,920
Smithsonian Astrophysical Observatory	43.001	G0213099X		1,390
Smithsonian Astrophysical Observatory	43.001	GO011119X		23,331
Smithsonian Astrophysical Observatory	43.001	GO112130X		22,791
Smithsonian Astrophysical Observatory	43.001	GO112139B		10,938
Smithsonian Astrophysical Observatory	43.001	GO213132A		9,907
Space Telescope Science Institute	43.001	HSTGO1297602A		1,653
Wildlife Management Institute	15.669	GPLCC201202		47,820
			-	686,715
State of Oklahoma				
Oklahoma Conservation Commission	66.XXX	AGMT012210		1,226
Oklahoma Conservation Commission	66.XXX	AGMT061009	1,408	50,638
Oklahoma Conservation Commission - ARRA	66.XXX	AGMT102609		5,932
Oklahoma Corporation Commission - ARRA	81.041	1859011509		2,001
OK Department of Rehabilitation Services	84.133	8059012597		(14)
OK Department of Education	84.367	AGMT072511		428
Oklahoma Historical Society	15.904	11101		3,508
Oklahoma Historical Society	15.904	11204		1,544
Oklahoma Historical Society	15.904	11403		605
Oklahoma Historical Society	15.904	11404		5,885
Oklahoma Historical Society	15.904	12101		75,956
Health Sciences Center	93.110	MOU032013		12,262
Health Sciences Center - ARRA	93.113	RS2009226301		2,636
Health Sciences Center	93.247	TS2012241101		6,400
Northeastern State University	15.805	14901820120U		6,163
State of Oklahoma Office of Handicapped Concerns	45.129	Y12041		5,000
OK Office of State Finance - ARRA	11.558	FY10ORA325		232,394
Oklahoma State University	10.001	AB566690OU		109,046
Oklahoma State University	10.200	AB567370OU		6,188
Oklahoma State University	10.310	AC581910OU		1,269
Oklahoma State University	15.805	2011OK207BOU1		11,754
Oklahoma State University	15.805	2013OK292BOU1		3,815
Oklahoma State University	15.805	AB566110OU		43,363
Oklahoma State University	20.205	AA54087201		20,000
Oklahoma State University	20.701	AA52241803		4,959
Oklahoma State University	20.701	AA53334001		47,496
Oklahoma State University	20.701	AA54210201		43,098
Oklahoma State University	20.701	AA54272201		44,886
Oklahoma State University	20.701	AA54273201		87,779
Oklahoma State University	20.701	AGMT121912		10,010
Oklahoma State University	20.701	FY13OUSIP		34,579
Oklahoma State University	20.701	OTCEOS102002		80,909
Oklahoma State University	20.701	OTCEOS10211	79,218	89,784
Oklahoma State University	20.701	OTCES10210	28,166	119,154
Oklahoma State University	20.701	OTCREOS10111		1,407
Oklahoma State University	20.701	OTCREOS10118		12,056
Oklahoma State University	20.701	OTCREOS10132		(9,736)
Oklahoma State University	20.701	OTCREOS10134		273
Oklahoma State University	20.701	OTCREOS10135		27,472
Oklahoma State University	20.701	OTCREOS10145	2,109	28,705
Oklahoma State University	20.701	OTCREOS11106		47,717
Oklahoma State University	20.701	OTCREOS11114		50,443
Oklahoma State University	20.701	OTCREOS11126		89,356
Oklahoma State University	20.701	OTCREOS11127		51,789
Oklahoma State University	20.701	OTCREOS11145		46,114
Oklahoma State University	20.701	OTCREOS11146	26,954	61,399
Oklahoma State University	20.701	OTCREOS11154		47,758
Oklahoma State University	20.701	OTCREOS11157	71,742	145,769
Oklahoma State University	20.701	OTCREOS11165	22,977	80,393
Oklahoma State University	20.701	OTCREOS7125		463
Oklahoma State University	20.701	OTCREOS9113		10,948
Oklahoma State University	20.701	OTCREOS9121		7,612

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Oklahoma State University	20.701	OTCREOS9123		22,836
Oklahoma State University	20.701	OTCREOS9134		61,425
Oklahoma State University	20.701	OTCREOS9136	11,613	28,088
Oklahoma State University	20.701	OTCREOS9142		28,563
Oklahoma State University	47.076	AA529769OUBD		74,909
Oklahoma State University	47.076	AA529849OU		43,375
Oklahoma State University	47.076	AA531470OU		28,725
Oklahoma State University	47.080	EPSCOR20085		914,278
Oklahoma State University	47.081	EPSCOR20081		5,000
Oklahoma State University	47.081	EPSCOR201134		3,500
Oklahoma State University	47.081	EPSCOR201136		3,455
Oklahoma State University	47.081	EPSCOR201210		1,000
Oklahoma State University	47.081	EPSCOR201215		1,239
Oklahoma State University	93.213	54128201		16,234
OK State Regents for Higher Education	84.336	AGMT032111		12,375
Oklahoma Highway Safety Office	20.600	K912060206		82,625
Oklahoma Highway Safety Office	20.600	K913060207		102,448
Oklahoma Highway Safety Office	20.600	K913060310		29,249
Oklahoma Highway Safety Office	20.614	K912060309		22,659
Southwestern OK State University	47.041	FY10004		(975)
OK Department of Transportation	20.200	SPRY0010056PL	187,114	187,114
OK Department of Transportation	20.223	AGMT011413	34,030	145,916
OK Department of Transportation	20.223	AGMT011812	53,650	157,407
OK Department of Transportation	20.223	AGMT101810		(140)
OK Department of Transportation	20.509	AGMT060212	120,000	260,075
OK Department of Transportation	20.509	AGMT071211	67,500	85,029
OK Department of Transportation	20.509	AGMY060212	82,500	169,997
OK Department of Transportation	20.XXX	HPP155E527HP		166,861
OK Wildlife and Conservation Commission	15.605	F13AF00188		12,067
OK Wildlife and Conservation Commission	15.605	F43D		3,791
OK Wildlife and Conservation Commission	15.605	F61R6		5,401
OK Wildlife and Conservation Commission	15.615	F13AP00223		853
OK Wildlife and Conservation Commission	15.632	T59R1		51,506
OK Wildlife and Conservation Commission - ARRA	81.122	WGA20123		12,393
			788,981	4,609,869
Other States				
Arizona - ARRA	81.087	OKEE0002850		109,145
North Dakota Game & Fish Department	15.634	T30R1		36,468
			-	145,613
Universities and Colleges				
University of Alabama	93.394	000354248001		68,429
Alabama A&M University	47.074	SUBDBI0703470UOK		17,395
University of Arizona	12.910	34107		287,210
University of Connecticut	43.001	PSA6912		27,583
Cornell University	47.074	0901		1,432,757
Colorado School of Mines	43.001	400489		34,079
Colorado School of Mines	81.089	44294217050		2,280
Colorado State University	47.074	G25763		3,300
University of Delaware	15.808	27108		1,175
Duke University	12.910	10DARPA1093		1,608
Duke University	81.049	12DOE1059		18,827
Duke University	93.172	12NIH1105		145,161
University of Florida	81.049	UF11243		25,615
University of Georgia	45.024	RE0211464785246		6,340
University of Illinois at Urbana-Champaign	10.310	20090680103		20,960
Iowa State University	81.087	4012506A		44,759
Langston University	20.701	20090001		2
Langston University	20.701	OTCREOS9108		(28,516)
University of Maryland	11.440	Z763706	6,392	6,698
University of Massachusetts	47.041	04002341A00		381,165
University of Massachusetts	47.041	04002341A21		19,813
University of Massachusetts	47.041	13007358D00		25,389

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
University of Missouri	47.079	C000148273		76,299
Michigan State University	12.910	RC100950B		144,938
University of Notre Dame	47.XXX	LTR070107		6,562
Northwestern University	93.647	SP0016134PROJ0005387		33,017
Northwestern University	93.647	SP0020207PROJ0005747		55,978
Northwestern University	93.853	60026338UO		210,726
University of Pittsburgh	93.837	0011797		39,022
Purdue University - ARRA	93.701	410232653		1,459
South Dakota State University	43.001	3TB330		69,409
St Louis University	93.389	AGMT051513		14,191
St Louis University	93.389	AGMT113011		(4,682)
Southern Nazarene University	47.074	FY13ORA337		15,606
Texas A&M University	10.025	570802		20,000
Temple University	47.076	252254OU		18,934
Univ of California, Berkley	81.049	00006285		52,631
Univ of California, Berkley	81.049	00007342		220,130
Univ of California, Berkley	81.XXX	6847566		1,093,017
University of California, Davis	10.310	0900234301		385
University of California, Davis	47.074	20111806201		88,554
University of California, Los Angeles	45.313	0285GPA028		21,394
University of California, Los Angeles	66.509	2155GKB025		4,380
University of California at Santa Cruz	47.049	S0183171		111,630
University of North Carolina Chapel Hill	97.061	536437		111,304
University of Southern California	47.050	Y86407		28,000
University of Texas, Austin	47.049	2639062361		97,086
University of Vermont	20.205	25483		1,200
University of Washington	47.049	744824		31,384
University of Wisconsin	43.001	397K703		1,653
University of Wisconsin	81.049	331K133		38,557
Yale University	47.074	C13D11392		102,183
			6,392	5,246,976
TOTAL RESEARCH FLOW-THROUGH PROGRAMS			795,373	13,119,267
TOTAL RESEARCH			7,287,969	72,125,585
STUDENT FINANCIAL ASSISTANCE				
Department of Education				
ACG	84.375			-
Pell	84.063			21,886,981
SEOG	84.007			468,015
SMART	84.376			-
TEACH	84.379			36,485
College Work-Study	84.033			1,504,754
Federal Perkins Loan Program	84.038			15,481,637
Federal Direct Student Loans	84.268			110,497,156
TOTAL STUDENT FINANCIAL ASSISTANCE				149,875,028
TRIO				
Department of Education - TRIO	84.042			422,220
Department of Education - TRIO	84.047			218,814
Department of Education - TRIO	84.217			225,819
TOTAL TRIO				866,853
OTHER FEDERAL PROGRAMS				
Department of Interior				
Bureau of Reclamation	15.511			15,458
TOTAL DEPARTMENT OF INTERIOR				15,458
Department of Transportation				
Federal Transit Administration	20.507			1,424,431
Federal Aviation Administration	20.XXX			289,828
TOTAL DEPARTMENT OF TRANSPORTATION				1,714,259

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
RESEARCH-DIRECT PROGRAMS				
UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS				
National Science Foundation				
National Science Foundation	47.050		-	13,967
				13,967
Department of Health and Human Services				
Administration for Children and Families	93.600			96,586
Administration for Children and Families	93.623			405,569
Administration for Children and Families	93.632			800,618
Administration for Children and Families	93.652			530,884
			-	1,833,657
Other Federal Agencies				
Social Security Administration	96.008			29,734
Department of Labor	17.720			510,791
			-	540,525
Department of Education				
Department of Education	83.283			1,080,178
Department of Education	84.283			1,021,809
			-	2,101,987
TOTAL UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS			-	4,490,136
UNIVERSITY OUTREACH (CCE and CLS) FLOW-THROUGH PROGRAMS				
Not for Profit Organizations				
			-	-
Commercial and Commercial Related				
Miko Group	84.371	AGR1/4/12		185,797
Miko Group	84.371	AGR11/15/12		136,560
			-	322,357
State of Oklahoma				
OK Department of Commerce	17.260	14633OUFY11WDWFY		8,859
OK Department of Human Services	93.605	AGR10/6/11		1,747
OK Department of Human Services	93.652	AGR12/13/11		106,062
OK Department of Human Services	93.652	PO0723975		192,860
OK Department of Human Services	93.674	AGR10/11/12		1,500,427
OK Department of Human Services	93.674	PO0700617		42,555
OK Department of Mental Health	93.104	AGR7/1/12		419,402
OK Department of Mental Health	93.104	PO4529040472		22,205
OK Department of Mental Health	93.104	PO4529044321		126,055
OK Department of Mental Health	93.243	AGR6/13/12		8,860
OK Department of Mental Health	93.243	AGR7/1/12		46,654
OK Department of Mental Health	93.243	PO4529037565		1,848
OK Department of Mental Health	93.243	PO4529039841		142,728
OK Department of Mental Health	93.243	PO4529042218		49,899
OK Department of Mental Health	93.243	PO4529043765		14,992
OK Department of Mental Health	93.959	PO4529039841		201,771
East Central University	83.382	PO906452		4,031
East Central University	84.382	ATP		6,407
OK Department of Education	10.588	63-105		1,946
OK Department of Health	10.557	PO3409016349		466,148
Health Sciences Center - ARRA	93.723	AGR9/26/11		30
Oklahoma State University	47.076	AA529849OUEVALUATOR		7,974
			-	3,373,460
TOTAL UNIVERSITY OUTREACH (CCE and CLS) FLOW-THROUGH PROGRAMS			-	3,695,817
TOTAL UNIVERSITY OUTREACH PROGRAMS			-	8,185,953
TOTAL FEDERAL FINANCIAL ASSISTANCE			7,287,969	232,783,136

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

1. The purpose of the Schedule of Expenditures of Federal Awards (the "schedule") is to present a summary of the activities of The University of Oklahoma Norman Campus (the "University") for the year ended June 30, 2013, which have been financed by the U.S. Government.

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

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

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

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

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

2. Complete Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers were available. CFDA prefixes are presented for programs for which a complete CFDA number is not available.
3. Federal direct programs are presented by federal department and, where applicable, the funding agency within the department. Federal pass-through programs are presented by the entity through which the University received the federal award. Amounts provided to subrecipients from each federal program have been separately identified for additional analysis. These pass-through awards are included in total cash basis expenditures.
4. The University of Oklahoma Norman Campus administers Academic Competitiveness Grants, the Pell Grant program, Supplemental Education Opportunity Grants, National Science and Mathematics Access to Retain Talent Grants and College Work-Study student award programs for students attending both the Norman and Health Sciences Center campuses of the University. Grant revenues and expenditures under such programs for students attending these campuses are included in the financial statements of the Norman Campus. Therefore, the Norman Campus Schedule of Expenditures of Federal Awards includes expenditures under such programs for students attending these campuses.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

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

The Federal Perkins Loan Program is administered directly by the University. The balance of loans outstanding as of June 30, 2013, has been included as federal expenditures in the schedule.

6. Federal Contracts that do not meet the definition of Federal Domestic Assistance (i.e.: the United States Postal Service, the Oklahoma State Department of Human Services' Satellite Training Network ("SATTRN") and IV-E Social Work programs) have been excluded from the schedule as it was determined, based upon discussions with the University's federal cognizant agency or by the nature of the contract, that such contracts do not represent auditable federal awards under the provisions of OMB Circular A-133. Also, fixed price and fixed rate programs have been excluded.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
Research and Development Cluster	*

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

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

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

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

None to report for the June 30, 2013 period.

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

None to report for the June 30, 2013 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

Finding 2012-01

Program CFDA No:
84.063 Pell Grant

Federal Award Year:
June 30, 2012

Finding:

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

Cause:

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

Criteria:

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

Effect:

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

Context:

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2013

Finding 2012-01--Continued

Questioned Cost: \$32,568

Recommendation:

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

Institution Response:

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

Auditor Follow-Up:

The corrective action plan was implemented. No similar findings were noted in the current year.