

Financial statements and report of independent certified
public accountants

University of Oklahoma Norman Campus

June 30, 2010 and 2009

Contents

	Page
MANAGEMENT’S DISCUSSION AND ANALYSIS	i
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS	5
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9
REQUIRED SUPPLEMENTARY INFORMATION	40
SUPPLEMENTAL INFORMATION	
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION	42
REVENUE BOND SYSTEMS OUTSTANDING – SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCES - YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009	43
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	44
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	46
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	49
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	58

UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

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

The objective of the Management's Discussion and Analysis is to help readers of the University's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2010, with comparative information for the years ended June 30, 2009 and June 30, 2008. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Statements of Net Assets

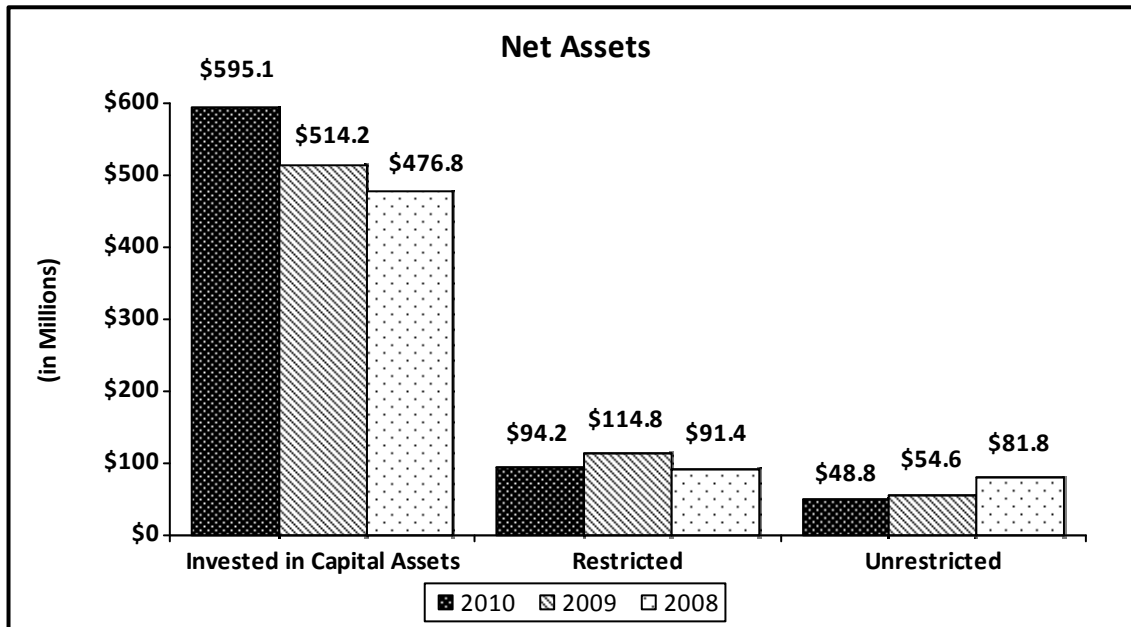
The Statements of Net Assets present the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) as of the end of the fiscal years audited. The purpose of the Statements of Net Assets is to present to the readers of the financial statements a fiscal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

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

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

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2010. Net assets increased approximately \$54.5 million and \$88.1 million from June 30, 2009 and 2008 to June 30, 2010, respectively.

The following graph illustrates the comparative change in net assets by the three major categories mentioned above for fiscal years 2010, 2009, and 2008:



The following table summarizes the University's assets, liabilities, and net assets as of June 30, 2010, 2009, and 2008:

Net Assets, End of Year (in millions)			
	2010	2009	2008
Assets:			
Current Assets	\$ 265.3	\$ 270.4	\$ 255.6
Capital Assets, net	1,236.3	1,125.4	972.1
Other Noncurrent Assets	213.2	148.1	189.2
Total Assets	<u>1,714.8</u>	<u>1,543.9</u>	<u>1,416.9</u>
Liabilities:			
Current Liabilities	172.5	168.6	150.2
Noncurrent Liabilities	804.2	691.7	616.7
Total Liabilities	<u>976.7</u>	<u>860.3</u>	<u>766.9</u>
Net Assets:			
Invested in capital assets, net of related debts	595.1	514.2	476.8
Restricted	94.2	114.8	91.4
Unrestricted	48.8	54.6	81.8
Total Net Assets	<u>\$ 738.1</u>	<u>\$ 683.6</u>	<u>\$ 650.0</u>
Increase in Net Assets	<u>\$ 54.5</u>	<u>\$ 33.6</u>	<u>\$ 22.7</u>

Total assets of the University increased \$170.9 million from June 30, 2009. The current year increase was primarily due to an increase in capital assets, net of depreciation, of \$110.9 million and an increase in restricted cash and cash equivalents of \$69.2 million due to the timing of the expenditures associated with the 2010 general revenue bonds, partially offset by various decreases in other asset categories.

Total assets of the University increased \$127.0 million from June 30, 2008 to June 30, 2009. This increase was primarily due to an increase in capital assets, net of depreciation, of \$153.3 million.

At June 30, 2010, the University had approximately \$1,236.3 million invested in capital assets, net of accumulated depreciation of \$539.1 million. Depreciation charges for the current year totaled \$45.8 million compared to \$40.9 million and \$36.3 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 \$116.4 million from June 30, 2009. This increase was primarily due to increases in revenue bonds payable (\$108.2 million), and Other Post Employment Benefits (OPEB) and other retirement liabilities (\$16.6 million). Note 13 discusses the OPEB reporting requirements and related information.

Total liabilities of the University increased \$93.4 million from June 30, 2008 to June 30, 2009. This increase was primarily due to increases in capital lease obligations (\$8.5 million), revenue bonds payable (\$53.7 million), and Other Post Employment Benefits (OPEB) and other retirement liabilities (\$25.3 million).

At June 30, 2010, the University had approximately \$716.8 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.

Statements of Revenues, Expenses, and Changes in Net Assets

The following table summarizes the University's revenues, expenses and changes in net assets for the years ended June 30 2010, 2009, and 2008:

Revenues, Expenses, and Changes in Net Assets (in millions)			
	2010	2009	2008
Operating Revenues	\$ 437.0	\$ 413.0	\$ 393.9
Operating Expenses	(723.4)	(729.5)	(691.6)
Operating Loss	(286.4)	(316.5)	(297.7)
Nonoperating revenues and expenses	278.7	291.2	287.4
Income before other revenues, expenses, gains or losses	(7.7)	(25.3)	(10.3)
Other revenues, expenses, gains or losses	62.2	58.9	33.0
Increase in Net Assets	\$ 54.5	\$ 33.6	\$ 22.7

Trends in the relationship between operating revenues and operating expenses are significant indicators of the University's financial health. Operating revenues increased \$43.1 million (10.9%) from June 30, 2008 to June 30, 2010, while operating expenses increased \$31.8 million (4.6%). 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 \$437.0 million increased \$24.0 million (5.8%) when compared to the prior year. Operating revenues of \$413.0 million for the year ended June 30, 2009 increased \$19.1 million (4.8%) when compared to the year ended June 30, 2008. The following table summarizes the University's operating revenues for the years ended June 30, 2010, 2009, and 2008:

Operating Revenues (in millions)			
	2010	2009	2008
Tuition and fees	\$ 201.7	\$ 188.5	\$ 171.2
Grants and contracts	84.3	80.3	78.1
Sales and services of educational activities	8.5	9.1	8.2
Auxiliary enterprises	128.8	124.1	118.2
Other revenues	13.7	11.0	18.2
Total Operating Revenues	\$ 437.0	\$ 413.0	\$ 393.9

For both 2010 and 2009, the increases in Tuition and fees resulted primarily from increased rates and the increases in Auxiliary enterprises resulted primarily from increased Housing and Athletic department revenues.

Operating expenses of \$723.4 million decreased \$6.1 million (0.8%) when compared to the prior year. Operating expenses of \$729.5 million for the year ended June 30, 2009 increased \$37.9 million (5.5%) when compared to the year ended June 30, 2008. The following table summarizes the University's operating expenses for the years ended June 30, 2010, 2009, and 2008:

Operating Expenses (in millions)			
	2010	2009	2008
Compensation and benefits	\$ 444.6	\$ 455.0	\$ 432.4
Contractual services	73.6	77.1	77.6
Supplies and materials	15.3	14.0	13.7
Depreciation	45.8	40.9	36.3
Utilities	26.9	27.6	27.4
Communications	6.7	7.1	6.7
Scholarships and fellowships	28.7	24.6	19.0
Other	81.8	83.2	78.5
Total Operating Expenses	\$ 723.4	\$ 729.5	\$ 691.6

The decrease in Compensation and benefits from the prior year resulted primarily from a reduction in staff wages due to the loss of a large contract with a federal agency, partially offset by an increase in fringe benefit expense. Depreciation expense increased as a result of new buildings being placed into service.

The increase in Compensation and benefits for the year ended June 30, 2009 compared to the year ended June 30, 2008 resulted primarily from a campus wide salary program. Depreciation expense increased as a result of new buildings being put into service.

Nonoperating revenues (expenses) of \$278.7 million decreased \$12.5 million (4.3%) when compared to the prior year. Nonoperating revenues (expenses) of \$291.2 million for the year ended June 30, 2009 increased \$3.8 million (1.3%) when compared to the year ended June 30, 2008. The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2010, 2009, and 2008:

Nonoperating Revenues (Expenses) (in millions)			
	2010	2009	2008
State appropriations	\$ 144.7	\$ 156.0	\$ 154.3
State payments from federal ARRA revenues	11.5	-	-
On-behalf payments for OTRS	11.5	13.3	14.1
Endowment income	6.9	7.3	7.7
Grants and contracts	91.3	106.8	100.1
Private gifts	26.6	30.7	20.9
Student fees for capital projects	5.6	5.6	7.5
Interest on indebtedness	(27.3)	(24.3)	(19.8)
Investment income	7.9	(4.2)	2.6
Net Nonoperating Revenues (Expenses)	\$ 278.7	\$ 291.2	\$ 287.4

Appropriations from the State of Oklahoma remained stable during fiscal year 2010 as a result of the funds from the federal American Recovery and Reinvestment Act (ARRA). Grants and contracts decreased as a result of the loss of a large contract with a federal agency. Interest on indebtedness increased as a result of new revenue bonds and capital lease obligations. Investment income increased due to higher rates of return for the current year and improved market conditions.

During fiscal year 2009, private gifts increased primarily due to the timing of contributions to the Athletic department. Student fees for capital projects decreased as a result of the conversion of student facility bonds to general revenue bonds. Interest on indebtedness increased as a result of new revenue bonds and capital lease obligations. Investment income decreased due to lower rates of return and market fluctuations.

Additional information related to the University's endowments, the majority of which are held in trust by others, is presented in Note 6 to the financial statements.

Other revenues, expenses, gains or losses of \$62.2 million increased \$3.3 million (5.6%) when compared to the prior year. Other revenues, expenses, gains or losses of \$58.9 for the year ended June 30, 2009 increased \$25.9 million (78.5%) when compared to the year ended June 30, 2008. The following table summarizes the University's other revenues, expenses, gains or losses for the years ended June 30, 2010, 2009, and 2008:

Other Revenues, Expenses, Gains or (Losses) (in millions)			
	2010	2009	2008
Grants and contracts for capital purposes	\$ 0.2	\$ 4.9	\$ 1.8
Private gifts for capital purposes	44.6	37.3	16.2
State school land funds	10.1	6.6	5.9
On-behalf payments for OCIA capital leases	6.7	6.2	6.1
Additions to permanent endowments	0.6	3.9	3.0
Total Other Revenues, Expenses, Gains or (Losses)	\$ 62.2	\$ 58.9	\$ 33.0

The increases from June 30, 2008 and June 30, 2009 are primarily due to continued strong private giving for buildings and other capital projects. During the year ended June 30, 2010, a onetime distribution from the Oklahoma Land Commission was received.

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 \$48.7 million. Overall liquidity decreased from June 30, 2008 to June 30, 2009, with a net decrease to cash and cash equivalents of \$9.4 million. The following table summarizes the University's cash flows for the years ended June 30, 2010, 2009, and 2008:

Cash Flows for the Year (in millions)			
	2010	2009	2008
Cash provided (used) by:			
Operating activities	\$ (216.1)	\$ (230.3)	\$ (228.9)
Noncapital financing activities	282.3	299.2	285.4
Capital and related financing activities	(16.9)	(84.2)	(70.7)
Investing activities	(0.6)	5.9	91.6
Net Change In Cash	48.7	(9.4)	77.4
Cash and equivalents, beginning of the year	248.2	257.6	180.2
Cash and equivalents, end of the year	<u>\$ 296.9</u>	<u>\$ 248.2</u>	<u>\$ 257.6</u>

Cash used by operating activities during fiscal year 2010 of \$216.1 million decreased \$14.2 million (6.2%) when compared to the prior year (\$230.3 million). Major sources of operating funds were tuition and fees (\$201.6 million), grants and contracts (\$82.4 million) and auxiliary enterprises (\$129.0 million), which were offset by the payment of compensation and benefits (\$432.8 million) and other operating expenses (\$217.3 million).

Cash used by operating activities during fiscal year 2009 of \$230.3 million increased \$1.4 million (0.6%) when compared to fiscal year 2008 (\$228.9 million). Major sources of operating funds were tuition and fees (\$187.7 million), grants and contracts (\$88.1 million) and auxiliary enterprises (\$131.0 million), which were offset by the payment of compensation and benefits (\$439.5 million) and other operating expenses (\$207.7 million).

Cash provided by noncapital financing activities during fiscal year 2010 of \$282.3 million decreased \$16.9 million (5.6%) compared to the prior year (\$299.2 million). Major sources of noncapital financing activities were state appropriations (\$144.7 million), state payments from federal ARRA revenues (\$11.5 million), grants and contracts (\$91.3 million), and private gifts (\$28.0 million).

Cash provided by noncapital financing activities during fiscal year 2009 of \$299.2 million increased \$13.8 million (4.8%) compared to the prior year (\$285.4 million). Major sources of noncapital financing activities were state appropriations (\$155.5 million), grants and contracts (\$106.8 million), and private gifts (\$29.4 million).

Cash used in capital and related financing activities during fiscal year 2010 of \$16.9 million decreased \$67.3 million (80.0%) when compared to the prior year (\$84.2 million) due primarily to the timing of the receipt of bond proceeds and related expenditures and the repayment of the 1999 Utility System bonds in fiscal year 2009 business. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$124.7 million), which were offset by purchases of capital assets (\$158.5 million) and principal and interest payments on capital debt and leases (\$44.3 million).

Cash used in capital and related financing activities during fiscal year 2009 of \$84.2 million increased \$13.5 million (19.1%) when compared to the prior year (\$70.7 million) due primarily to the purchase of capital assets and principal and interest paid on capital debt and leases. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$104.0 million), which were offset by purchases of capital assets (\$181.0 million) and principal and interest payments on capital debt and leases (\$66.0 million). Purchases of capital assets included expenditures associated with a number of building projects.

Cash used by investing activities during fiscal year 2010 of \$0.6 million decreased \$6.5 million when compared to cash provided in the prior year (\$5.9 million)

Cash provided by investing activities during fiscal year 2009 of \$5.9 million decreased \$85.7 million when compared to the prior year (\$91.6).

Economic Outlook

The University's economic outlook continues to be closely related to its role as one of the State's premier comprehensive institutions. It is dependent upon ongoing financial and political support from State government. Given the state and national economic situation, the availability of new funds from the State of Oklahoma looks to be very limited throughout FY11 and FY12, with the strong possibility that continuing cuts to higher education funding will be necessary. FY12 will be the first year that the State will be without federal stimulus funding to supplement the higher education budget. The University has engaged in budget cutting to better match anticipated revenues with existing expenses. This effort will continue in the upcoming fiscal years as we focus attention to even greater scrutiny and management of our existing resources. New efficiencies and cost savings will be needed.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. While current economic conditions facing our state and nation are challenging, OU's competitive position remains strong. Recent national rankings reveal that our University continues to ascend in the rankings even while many of our peers, including some in the Big 12, are falling. Without increasing admissions standards, we are attracting incoming freshman classes with ever increasing academic talent while maintaining strong enrollment. Our faculty continues to compete for and win national awards, and our research expenditures continue to grow.



Audit • Tax • Advisory

Grant Thornton LLP
211 N Robinson, Suite 1200N
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

Report of Independent Certified Public Accountants

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

We have audited the accompanying statements of net assets of the University of Oklahoma Norman Campus (the "University") as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the University as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2010 on our consideration of the University's internal control over financial reporting and 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 or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Management's discussion and analysis and required supplementary information (schedule of funding progress, schedule of employer contributions and notes to required supplementary information) as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Grant Thornton LLP

Oklahoma City, Oklahoma
October 8, 2010

THE UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

STATEMENTS OF NET ASSETS
(\$ in thousands)

	June 30,	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 120,050	\$ 124,460
Restricted cash and cash equivalents	69,152	75,389
Short-term investments	2,840	444
Accrued interest receivable	680	676
Accounts receivable, net of allowance for doubtful accounts, current portion	62,751	60,584
Notes receivable current portion	142	137
Inventories and supplies, at cost	4,995	4,212
Loans to students, net of allowance for uncollectible loans	2,374	2,195
Deposits and prepaid expenses	2,302	2,291
Total current assets	265,286	270,388
Noncurrent Assets		
Restricted cash and cash equivalents	107,705	32,223
Restricted cash OCIA05/06	-	16,097
Endowment investments	70,127	61,764
Other long-term investments	7,500	8,508
Investments in real estate	395	395
Accounts receivable, net of allowance for doubtful accounts, long-term portion	3,000	4,000
Notes receivable net of current portion	340	483
Loans to students, net	16,649	17,199
Deposits and prepaid expenses	7,512	7,507
Capital assets, net of accumulated depreciation	1,236,381	1,125,404
Total noncurrent assets	1,449,609	1,273,580
TOTAL ASSETS	1,714,895	1,543,968
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	51,709	51,798
Accrued compensated absences	24,790	25,055
Deferred revenue	56,642	53,911
Deferred revenue - long-term contracts, current portion	2,918	3,394
Accrued interest payable	10,205	9,058
Capital leases and revenue bonds payable--current portion	22,516	20,510
Deposits held in custody for others	3,739	4,874
Total current liabilities	172,519	168,600
Noncurrent Liabilities, net of current portion		
Accounts payable and accrued expenses	51,455	40,093
Accrued compensated absences	3,380	3,417
Deferred revenue - long-term contracts	7,933	9,494
Federal loan program contributions refundable	14,764	14,931
Capital lease obligations	103,344	109,600
Revenue bonds payable	590,902	484,265
Deposits held in custody for others	32,466	29,915
Total noncurrent liabilities	804,244	691,715
TOTAL LIABILITIES	976,763	860,315
NET ASSETS		
Invested in capital assets, net of related debt	595,114	514,173
Restricted for:		
Nonexpendable	21,101	20,639
Expendable:		
Educational, general and auxiliary operations	16,077	14,510
Capital projects	19,811	9,182
Debt service	10,094	42,027
Athletics	27,093	28,453
Unrestricted	48,842	54,669
TOTAL NET ASSETS	\$ 738,132	\$ 683,653

See notes to financial statements.

THE UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30,
(\$ in thousands)

	2010	2009
Operating Revenues		
Student tuition & fees (net of scholarship allowances of \$42,870 and \$33,795 for 2010 and 2009, respectively)	\$ 201,721	\$ 188,492
Federal grants and contracts (revenues of \$6,448 for 2010 and \$5,261 for 2009 were used as security for the Research Facilities Revenue Bonds Series 2003)	48,349	42,499
State grants and contracts (revenues of \$1,352 for 2010 and \$1,045 for 2009 were used as security for the Research Facilities Revenue Bonds Series 2003)	10,195	14,162
Private grants and contracts (revenues of \$3,826 for 2010 and \$3,072 for 2009 were used as security for the Research Facilities Revenue Bonds Series 2003)	25,758	23,688
Interest on student loans receivable	429	422
Sales and services of educational activities	8,552	9,122
Housing revenues (revenues are used as security for the Student Housing Revenue Bonds Series 2002 and 2004)	41,395	39,977
Athletic revenues (net of scholarship allowances of \$4,014 and \$4,052 for 2010 and 2009, respectively; revenues were used as security for the ODFA Public Facilities Revenue Bonds Series 2003B)	63,745	61,058
Parking revenues (revenues are pledged as security for the Parking System Revenue Bonds Series 2004 and 2001)	4,313	4,164
Real estate revenues (revenues are pledged as security for the Research Facility Revenue Bonds Series 2004)	7,151	5,421
Sales and services of auxiliary enterprises--other	12,175	13,438
Other revenues	13,229	10,518
Total Operating Revenues	437,012	412,961
Operating Expenses		
Compensation and benefits	444,601	455,018
Contractual services	73,555	77,076
Supplies and materials	15,318	14,017
Depreciation	45,812	40,853
Utilities	26,843	27,598
Communications	6,739	7,058
Scholarships and fellowships	28,729	24,654
Other	81,813	83,252
Total Operating Expenses	723,410	729,526
Operating Loss	(286,398)	(316,565)
Nonoperating Revenues & Expenses		
State appropriations	144,741	155,949
State payments from federal ARRA revenues	11,451	-
On-behalf payments for OTRS	11,482	13,268
Endowment income	6,944	7,335
	-	-
Federal grants and contracts	38,740	51,965
State grants and contracts	45,407	44,355
Private grants and contracts	7,190	10,520
Private gifts	26,628	30,740
Student fees for capital projects (\$3,156 for 2010 and \$3,134 for 2009 revenues were pledged as security for the Student Union Revenue Bonds Series 2004 and \$2,473 for 2010 and \$2,507 for 2009 for the Multiple Facility Revenue Bonds Series 2003)	5,629	5,641
Interest on indebtedness	(27,375)	(24,323)
Investment income	7,895	(4,192)
Net Nonoperating Revenues	278,732	291,258
Income before Other Revenues, Expenses, Gains or Losses	(7,666)	(25,307)
Federal grants and contracts for capital purposes	176	4,925
Private gifts for capital assets	44,551	37,336
State school land funds (revenues used as security for the ODFA Public Facilities Revenue Bonds Series 2003A)	10,125	6,551
On-behalf payments for OCIA capital leases	6,740	6,209
Additions to permanent endowments	553	3,849
Net increase in net assets	54,479	33,563
Net Assets		
Net assets, beginning of year	683,653	650,090
Net assets - end of year	\$ 738,132	\$ 683,653

See notes to financial statements.

THE UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

STATEMENTS OF CASH FLOWS

For the year ended June 30,
(\$ in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition & fees	\$ 201,624	\$ 187,715
Sales and services of educational activities	8,326	9,377
Sales and services of auxiliary enterprises	12,670	17,709
Housing revenues	40,555	40,589
Athletic revenues	64,156	62,970
Parking revenues	4,438	4,274
Real estate operations revenues	7,151	5,421
Federal grants and contracts	47,946	44,327
State grants and contracts	9,176	17,988
Private grants and contracts	25,247	25,806
Interest on loans receivable	429	422
Other additions	11,890	593
Loans issued to students	(1,969)	(2,468)
Collection of loans	2,296	2,183
Compensation & benefits	(432,769)	(439,542)
Other operating expenses	(217,300)	(207,653)
Net cash flows used in operating activities	(216,134)	(230,289)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	144,741	155,481
State payments from federal ARRA revenues	11,451	-
Federal grants and contracts	38,740	51,965
State grants and contracts	45,407	44,355
Private grants and contracts	7,190	10,520
Net (decrease) increase in Federal loan advances refundable	(168)	171
OSRHE endowment income	6,944	7,335
Private gifts	28,002	29,366
Federal Family Education loan receipts	101,430	98,469
Federal Family Education loan disbursements	(101,430)	(98,469)
Net cash flows provided by noncapital financing activities	282,307	299,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Endowment income	800	3,902
Proceeds from revenue bonds and capital leases	124,707	103,972
Federal grants and contracts for capital purposes	176	4,925
Student fees for capital projects	5,629	5,640
Private gifts for capital assets	44,551	37,336
State appropriations for capital projects	-	467
State school land funds	10,125	6,551
Purchases of capital assets	(158,529)	(181,044)
Principal paid on capital debt and leases	(19,456)	(39,611)
Interest paid on capital debt and leases	(24,866)	(26,377)
Net cash flows used in capital and related financing activities	(16,863)	(84,239)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,283	12,284
Proceeds from sales & maturities of investments	11,723	39,381
Purchase of investments	(14,578)	(45,773)
Net cash flows provided by (used in) investing activities	(572)	5,892
Net change in cash	48,738	(9,443)
Cash and cash equivalents - beginning of year	248,169	257,612
Cash and cash equivalents - end of year	\$ 296,907	\$ 248,169

See notes to financial statements.

THE UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

STATEMENTS OF CASH FLOWS

For the year ended June 30,
(\$ in thousands)

	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (286,398)	\$ (316,565)
Depreciation expense	45,812	40,853
Loss on disposal of assets	1,686	481
OTRS On-behalf contributions	11,482	13,268
Change in operating assets and liabilities:		
(Increase)/Decrease		
Accounts receivable	(2,649)	12,068
Inventory	(783)	(249)
Student loans receivable	371	(246)
Deposits and prepaid expenses	(16)	(817)
Increase/(Decrease)		
Accounts payable and accrued expenses	12,553	25,357
Deferred revenue	694	3,505
Compensated absences	(302)	1,062
Deposits held in custody for others	1,416	(9,006)
Net cash used in operating activities	<u>\$ (216,134)</u>	<u>\$ (230,289)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net capitalized interest	\$ 1,226	\$ 3,925
Deposits and prepaids acquired via issuance of revenue bonds	695	516
Principal on capital debt paid by State Agency on behalf of the University	2,863	1,404
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS		
Current assets		
Cash and cash equivalents	\$ 120,050	\$ 124,460
Restricted cash and cash equivalents	69,152	75,389
Noncurrent assets		
Restricted cash and cash equivalents	<u>107,705</u>	<u>48,320</u>
	<u>\$ 296,907</u>	<u>\$ 248,169</u>

See notes to financial statements.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS

(\$ in thousands)

June 30, 2010 and 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

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

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

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

Reclassifications: Certain reclassifications have been made to prior amounts to conform with current year presentation. Specifically, the University reclassified amounts impacting the Statements of Revenues, Expenses and Changes in Net Assets relating to scholarship allowances, non-operating state grants and contracts and scholarships and fellowships.

The following table summarizes the University's Statements of Revenues, Expenses and Changes in Net Assets for the reported prior period indicated, giving effect to the reclassifications described above.

	2009	
	Previously Reported	Revised
Student tuition and fees (net of scholarship allowances)	\$ 196,820	\$ 188,492
Total Operating Revenues	421,289	412,961
Scholarships and fellowships	20,035	24,654
Total Operating Expenses	724,907	729,526
State grants and contracts	31,408	44,355
Net Nonoperating Revenues	278,311	291,258
Increase in Net Assets	\$ 33,563	\$ 33,563

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 State Agency Cash Management investment policy are considered cash equivalents. The cash equivalents are fully collateralized by U.S. Government obligations or insured by federal deposit insurance.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

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

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

Accounts Receivable: Accounts receivable consist primarily of tuition and fee charges to students and to auxiliary enterprise services provided to the public and outside parties. Accounts receivable also include amounts due from the federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

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

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

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

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

Cost incurred during construction of long-lived assets is recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. In 2010, total interest incurred was \$28,602 of which \$1,226 was capitalized. In 2009, total interest incurred was \$28,248, of which \$3,925 was capitalized.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

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

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

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the Statement of Revenues, Expenses, and Changes in Net Assets. There were no events or changes in conditions requiring recognition of an impairment loss in either 2010 or 2009.

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

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

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

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

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

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

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

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

Net Assets - continued:

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

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

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 and investment income.

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

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

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).

New Accounting Pronouncements: In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. GASB No. 54 is effective for the University for the fiscal year beginning July 1, 2010. Management does not believe that the Statement will have any effect on the University's financial statements.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. GASB No. 59 is effective for the University for the fiscal year beginning July 1, 2010. Management has not yet determined the effect, if any, of adoption of this statement on the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents: At June 30, 2010 and 2009, the carrying amounts of the University's deposits with the State Treasurer and other financial institutions were:

	June 30	
	2010	2009
Deposits with the State Treasurer	\$ 275,975	\$ 186,112
U.S. financial institutions	70	4
Deposits with trustees	20,305	58,124
Intermediate investment fund	101	1,048
Petty cash and change funds	102	115
Other cash equivalents	354	2,766
	<u>\$ 296,907</u>	<u>\$ 248,169</u>

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 2 - DEPOSITS AND INVESTMENTS- CONTINUED

The University's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

Other Deposits: At June 30, 2010 and 2009, the University did not hold any non-negotiable certificates of deposit.

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

	June 30	
	2010	2009
U.S. equity funds	\$ 40,292	\$ 34,907
International equity funds	10,372	8,877
Fixed income funds	25,703	22,997
TIAA CREF	4,100	3,935
Real property	183	183
Mineral interests	212	212
	<u>\$ 80,862</u>	<u>\$ 71,111</u>

Disclosures for deposits and investments are presented according to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40). Accordingly, information regarding the various risk categories for the University's deposits and investments and the policies for managing that risk are included below.

Credit Risk: Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing the 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. As of June 30, 2010, the University's investment in fixed income securities has a credit rating of at least AAA as rated by Standard & Poors Corporation.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 2 - DEPOSITS AND INVESTMENTS- CONTINUED

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

- All funds and deposits with the State Treasurer must be fully insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank.
- All funds on deposit with financial institutions, including trustees related to the University's bond indenture and capital lease agreements, must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name.
- 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.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 2 - DEPOSITS AND INVESTMENTS- CONTINUED

Investment maturities were as follows at June 30, 2010:

Investment Type	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. equity funds	\$ 40,292	\$ 40,292	-	-	-	-
International equity funds	10,372	10,372	-	-	-	-
Investments TIAA CREF	4,100	4,100	-	-	-	-
Fixed income funds	25,703	11,239	2,840	8,624	3,000	-
Real property	183	183	-	-	-	-
Mineral interests	212	212	-	-	-	-
	<u>\$ 80,862</u>	<u>\$ 66,398</u>	<u>\$ 2,840</u>	<u>\$ 8,624</u>	<u>\$ 3,000</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 \$35,354 and \$32,698 for 2010 and 2009, of which \$32,466 and \$29,915 are endowment funds. These funds are held in the Regents' Fund investments on behalf of the Health Sciences Center. These endowment funds are reflected in the financial statements as deposits held in custody for others.

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

	2010	2009
Short-term investments	\$ 2,840	\$ 444
Endowment investments	70,127	61,764
Other long-term investments	7,500	8,508
Investments in real estate and mineral interests	395	395
	<u>\$ 80,862</u>	<u>\$ 71,111</u>

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 3 - ACCOUNTS RECEIVABLE

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

	2010	2009
Student tuition and fees	\$ 38,816	\$ 33,261
Federal, state and private grants and contracts	39,790	39,420
Contributions and gifts	6,528	8,148
Auxiliary enterprises and other operating activities	3,980	4,786
	<u>89,114</u>	<u>85,615</u>
Less allowance for doubtful accounts	(23,363)	(21,031)
Less long-term accounts receivable	<u>(3,000)</u>	<u>(4,000)</u>
Net current accounts receivable	<u>\$ 62,751</u>	<u>\$ 60,584</u>

Included in the amounts above is approximately \$1,731 at June 30, 2010, and \$2,304 at June 30, 2009, which is due from the U.S. government.

NOTE 4 - INVENTORY

Inventories consisted of the following at June 30:

	2010	2009
University Press	\$ 1,441	\$ 1,644
Other Auxiliaries	630	658
University Printing Services	335	496
Physical Plant	397	382
Fleet Services	-	128
College of Continuing Education operations	441	551
Museum retail operations	243	244
IT store	1,466	75
Other	42	34
Net inventory	<u>\$ 4,995</u>	<u>\$ 4,212</u>

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 5 - LOANS TO STUDENTS

Net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 87% of the June 30, 2010 and 2009 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 \$14,764 and \$14,931 at June 30, 2010 and 2009, respectively, are reflected in the accompanying statements of net assets as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2010 and 2009, the allowance for uncollectible loans was approximately \$817 and \$773, 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 \$10,125 and \$6,551 during the years ended June 30, 2010, and 2009, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2010 and 2009, respectively, the University distributed \$3,341 and \$2,162 of these funds to the Health Sciences Center. 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 \$127,608 (\$123,985 restricted corpus) and \$110,073 (\$113,058 restricted corpus) at June 30, 2010 and 2009, respectively. Such trust funds, held by the Commissioners of the Land Office, are not included in the financial statements of the University.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 6 – FUNDS HELD IN TRUST BY OTHERS - CONTINUED

Oklahoma State Regents for Higher Education Endowment Program: In connection with the Oklahoma State Regents' Endowment Program, the State of Oklahoma has matched contributions received under the Endowment Program. The cumulative state match amount, plus any retained accumulated earnings, totaled approximately \$98,001 and \$87,429 at June 30, 2010 and 2009, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University will receive an annual distribution of earnings on these funds; however, as legal title of the State match is retained by the State Regents, only the funds available for distribution, which the University has incurred allowable reimbursable expenses, or \$6,528 and \$6,774 as of June 30, 2010 and 2009, respectively, have been reflected as assets in the statements of net assets. With regard to the institutional matching funds, approximately \$121,355 and \$119,563 are on deposit with the Foundation for the benefit of the University as of June 30, 2010 and 2009, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended June 30, 2010 and 2009 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, 2010 and 2009, net assets of the Foundation were approximately \$748,830 and \$669,341, respectively. The Foundation expended on behalf of the Norman Campus and Health Sciences Center approximately \$117,867 in 2010 and \$104,978 in 2009 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships, of which approximately \$69,064 in 2010 and \$58,448 in 2009 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.

University of Oklahoma Health Sciences Center

As discussed in Note 1, The University of Oklahoma Health Sciences Center (the "Health Sciences Center" or "the HSC") is an agency of the state of Oklahoma governed by The University of Oklahoma Board of Regents and the Oklahoma State Regents for Higher Education. The HSC is a distinct operational entity from the University of Oklahoma Norman Campus. However, Norman Parking and Transportation/CART had incurred two bond system obligations, each of which a portion was used to benefit HSC Parking and Transportation. Although there is no legal note obligation that the HSC must reimburse Norman Campus for their portion of the principal and interest payments of the related bond obligations, the HSC has agreed to reimburse Norman Campus for their portion of the debt service. This is reflected in the financial statements as a notes receivable, with current and noncurrent portions separately stated. With respect to the 2004 Parking Refunding bonds, during the years ended 2010 and 2009, the HSC made principal and interest payments of \$167 and \$166 to Norman Campus, leaving a balance due of \$482 and \$620, respectively.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 8 - CAPITAL ASSETS

	2010				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 29,176	\$ 376	\$ -	\$ -	\$ 29,552
Construction in progress	141,524	128,901	(159,300)	-	111,125
Total capital assets not being depreciated	170,700	129,277	(159,300)	-	140,677
Capital assets being depreciated:					
Buildings	1,017,281	1,141	116,368	(840)	1,133,950
Equipment	157,449	10,588	340	(6,866)	161,511
Nonstructural improvements	31,854	3,602	32,418	-	67,874
Land improvements	32,173	31	1	-	32,205
Software	21,807	119	10,102	-	32,028
Infrastructure	55,584	2,242	71	-	57,897
Library books	137,830	11,475	-	-	149,305
Total capital assets being depreciated	1,453,978	29,198	159,300	(7,706)	1,634,770
Less accumulated depreciation for:					
Buildings	274,831	18,711	-	(324)	293,218
Equipment	92,287	11,899	-	(5,696)	98,490
Nonstructural Improvements	5,564	2,538	-	-	8,102
Land improvements	22,033	1,166	-	-	23,199
Software	11,093	3,976	-	-	15,069
Infrastructure	26,653	2,090	-	-	28,743
Library books	66,813	5,432	-	-	72,245
Total accumulated depreciation	499,274	45,812	-	(6,020)	539,066
Total capital assets being depreciated, net	954,704	(16,614)	159,300	(1,686)	1,095,704
Capital assets, net	\$ 1,125,404	\$ 112,663	\$ -	\$ (1,686)	\$ 1,236,381

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 8 - CAPITAL ASSETS – CONTINUED

	2009				
	Beginning Balance	Additions	Transfers	Deductions	Ending Balance
Capital assets not being depreciated:					
Land	\$ 27,083	\$ 2,513	\$ (420)	\$ -	\$ 29,176
Construction in progress	118,348	156,705	(133,529)	-	141,524
Total capital assets not being depreciated	145,431	159,218	(133,949)	-	170,700
Capital assets being depreciated:					
Buildings	905,131	3,433	108,717	-	1,017,281
Equipment	132,995	19,198	8,194	(2,938)	157,449
Nonstructural improvements	25,144	630	6,080	-	31,854
Land improvements	29,973	358	1,842	-	32,173
Software	12,653	98	9,056	-	21,807
Infrastructure	55,271	253	60	-	55,584
Library books	126,332	11,498	-	-	137,830
Total capital assets being depreciated	1,287,499	35,468	133,949	(2,938)	1,453,978
Less accumulated depreciation for:					
Buildings	257,880	16,951	-	-	274,831
Equipment	82,930	11,815	-	(2,458)	92,287
Nonstructural improvements	4,135	1,429	-	-	5,564
Land improvements	20,866	1,167	-	-	22,033
Software	8,711	2,382	-	-	11,093
Infrastructure	24,517	2,136	-	-	26,653
Library books	61,840	4,973	-	-	66,813
Total accumulated depreciation	460,879	40,853	-	(2,458)	499,274
Total capital assets being depreciated, net	826,620	(5,385)	133,949	(480)	954,704
Capital assets, net	\$ 972,051	\$ 153,833	\$ -	\$ (480)	\$ 1,125,404

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED (\$ in thousands)

June 30, 2010 and 2009

NOTE 9 - DEFERRED REVENUE

Deferred revenue consists of the following at June 30:

	2010	2009
Prepaid tuition and student fees	\$ 9,384	\$ 6,655
Prepaid athletic ticket sales	25,756	25,268
Auxiliary enterprises and other activities	2,367	2,481
Grants and contracts	19,135	19,507
Long-term contracts	10,851	12,888
	<u>\$ 67,493</u>	<u>\$ 66,799</u>

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 10 - LONG-TERM LIABILITIES

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

	Issue Dates	Interest Rates	Maturity Through	2010				
				Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases		(percentages)						
Parking, Series 2001	2001	3.10-6.10	12/01/2026	\$ 22,635	\$ -	\$ (825)	\$ 21,810	\$ 865
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	6,910	-	(240)	6,670	250
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	29,090	-	(1,030)	28,060	1,065
ODFA Public Facility, Series 2003A	2003	2.00-4.06	07/01/2016	9,285	-	(1,030)	8,255	1,000
ODFA Public Facility, Series 2003B	2003	2.00-4.06	07/01/2016	5,735	-	(635)	5,100	705
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	32,035	-	(1,050)	30,985	1,085
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	1,800	-	(425)	1,375	440
Parking, Series 2004	2004	2.00-3.65	03/01/2016	3,410	-	(495)	2,915	510
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	78,405	-	(1,645)	76,760	1,700
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	19,155	-	(560)	18,595	580
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	108,620	-	(2,670)	105,950	2,785
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,790	-	-	26,790	-
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	11,195	-	(660)	10,535	690
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,625	-	(577)	34,048	-
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	19,345	-	(273)	19,072	885
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	57,690	-	-	57,690	-
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	8,555	-	-	8,555	-
General Revenue Bonds, Series 2009C	2009	2.00-4.00	07/01/2024	21,100	-	-	21,100	1,135
General Revenue Bonds, Series 2010Ban's	2010	1.61	11/01/2011	-	73,120	-	73,120	-
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	-	4,647	(3)	4,644	7
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	-	42,575	-	42,575	-
Total revenue bonds payable				496,380	120,342	(12,118)	604,604	13,702
OCIA 1999A capital lease payable				2,983	-	(255)	2,728	243
OCIA 2005F capital lease payable				49,966	-	(2,667)	47,299	1,557
OCIA 2006D capital lease payable				26,908	-	-	26,908	-
ODFA master leases payable				38,138	4,365	(7,280)	35,223	7,014
Total bonds and capital leases				614,375	124,707	(22,320)	716,762	22,516
Other noncurrent liabilities								
Accounts payable and accrued expenses				44,492	19,431	(1,581)	62,342	10,887
Accrued compensated absences				28,472	24,027	(24,329)	28,170	24,790
Federal loan program contributions refundable (see also Note 5)				14,931	-	(167)	14,764	-
Deferred revenue (long-term contracts)				12,888	-	(2,037)	10,851	2,918
Deposits held in custody for others				34,789	1,416	-	36,205	3,739
Total other noncurrent liabilities				135,572	44,874	(28,114)	152,332	42,334
Total noncurrent liabilities				\$ 749,947	\$ 169,581	\$ (50,434)	\$ 869,094	\$ 64,850

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 10 - LONG-TERM LIABILITIES – CONTINUED

	Issue Dates	Interest Rates	Maturity Through	2009				
				Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases		(percentages)						
Utility System, Series 1999	1999			\$ 22,770	\$ -	\$ (22,770)	\$ -	\$ -
Parking, Series 2001	2001	3.10-6.10	12/01/2026	23,430	-	(795)	22,635	825
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	7,140	-	(230)	6,910	240
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	30,085	-	(995)	29,090	1,030
ODFA Public Facility, Series 2003A	2003	2.00-4.06	07/01/2016	10,285	-	(1,000)	9,285	1,000
ODFA Public Facility, Series 2003B	2003	2.00-4.06	07/01/2016	6,355	-	(620)	5,735	665
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	33,060	-	(1,025)	32,035	1,050
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	2,215	-	(415)	1,800	425
Parking, Series 2004	2004	2.00-3.65	03/01/2016	3,890	-	(480)	3,410	495
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	80,000	-	(1,595)	78,405	1,645
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	19,695	-	(540)	19,155	560
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	111,175	-	(2,555)	108,620	2,670
General Revenue Bonds, Series 2007A	2007	4.00-4.125	07/01/2036	26,790	-	-	26,790	-
General Revenue Bonds, Series 2007B	2007	5.30-5.60	07/01/2021	11,820	-	(625)	11,195	660
General Revenue Bonds, Series 2007C	2008	4.15-5.90	07/01/2037	34,625	-	-	34,625	-
General Revenue Bonds, Series 2007D	2008	4.15-5.90	07/01/2024	19,345	-	-	19,345	850
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	-	57,690	-	57,690	-
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	-	8,555	-	8,555	-
General Revenue Bonds, Series 2009C	2009	2.00-4.00	07/01/2024	-	21,100	-	21,100	-
Total revenue bonds payable				442,680	87,345	(33,645)	496,380	12,115
OCIA 1999A capital lease payable				3,344	-	(361)	2,983	255
OCIA 2005F capital lease payable				51,068	-	(1,102)	49,966	1,147
OCIA 2006D capital lease payable				28,149	-	(1,241)	26,908	-
ODFA master leases payable				26,911	17,207	(5,980)	38,138	6,993
Total bonds and capital leases				552,152	104,552	(42,329)	614,375	20,510
Other noncurrent liabilities								
Accounts payable and accrued expenses				19,219	29,672	(4,399)	44,492	4,399
Accrued compensated absences				27,410	25,534	(24,472)	28,472	25,055
Federal loan program contributions refundable (see also Note 5)				14,760	171	-	14,931	-
Deferred revenue (long-term contracts)				12,137	751	-	12,888	3,394
Deposits held in custody for others				43,795	-	(9,006)	34,789	4,874
Total other noncurrent liabilities				117,321	56,128	(37,877)	135,572	37,722
Total noncurrent liabilities				\$ 669,473	\$ 160,680	\$ (80,206)	\$ 749,947	\$ 58,232

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED (\$ in thousands)

June 30, 2010 and 2009

NOTE 10 - LONG-TERM LIABILITIES – CONTINUED

Maturities of principal and interest requirements on revenue bonds and capital leases are as follows at June 30, 2010:

	2011	2012	2013	2014	2015	2016-2017	2018-2019	2020-2021	2022-2023	2024-2025	Total
Parking, Series 2001	\$ 1,840	\$ 1,839	\$ 1,843	\$ 1,839	\$ 1,837	\$ 9,190	\$ 9,201	\$ 3,750	\$ -	\$ -	\$ 31,339
Student Housing, Series 2002	557	557	556	554	557	2,772	2,747	1,634	-	-	9,934
Research Facilities, Series 2003	2,342	2,338	2,341	2,335	2,337	11,638	11,626	6,900	-	-	41,937
ODEAPublic Facility, Series 2003	2,179	2,190	2,180	2,182	2,172	4,350	-	-	-	-	15,253
Multiple Facility, Series 2003	2,501	2,500	2,499	2,501	2,499	12,477	12,478	9,975	-	-	47,430
Student Union, Series 2004	473	480	481	-	-	-	-	-	-	-	1,434
Parking, Series 2004	600	605	603	445	456	456	-	-	-	-	3,215
Student Housing, Series 2004	5,431	5,427	5,427	5,423	5,419	27,040	26,947	26,837	26,699	-	134,660
Research Facilities, Series 2004	1,567	1,565	1,566	1,560	1,561	7,781	7,726	4,754	2,797	-	30,877
General Rev. Refunding Series 2006A	7,627	7,643	7,640	7,636	7,632	39,843	41,994	36,589	11,448	-	168,072
General Revenue Bonds, Series 2007A	1,099	1,099	1,099	1,099	1,099	5,406	9,908	11,662	11,634	4,635	48,830
General Revenue Bonds, Series 2007B	1,246	1,249	1,244	1,247	1,242	6,188	1,772	-	-	-	14,188
General Revenue Bonds, Series 2007C	1,630	1,630	1,630	1,630	1,630	8,148	8,978	17,455	17,363	10,332	70,486
General Revenue Bonds, Series 2007D	1,891	1,887	1,885	1,881	1,881	9,369	8,476	-	-	-	27,270
General Revenue Bonds, Series 2009A	2,676	3,287	3,288	3,289	3,284	16,433	18,687	21,138	21,068	21,970	114,140
General Revenue Bonds, Series 2009B	400	982	979	977	972	4,848	2,544	-	-	-	11,702
General Revenue Bonds, Series 2009C	1,778	1,778	1,777	1,785	1,789	8,933	8,933	-	-	-	26,773
General Revenue Bonds, Series 2010(Bins)	1,168	73,514	-	-	-	-	-	-	-	-	74,682
General Revenue Bonds, Series 2010A	68	99	1,218	1,216	1,216	1,197	-	-	-	-	4,984
General Revenue Bonds, Series 2010(Bins)	1,616	2,465	2,465	2,465	2,465	16,939	17,584	16,751	15,683	13,129	91,332
Total Principal & Interest	38,689	113,134	41,761	40,654	40,088	193,138	189,601	157,525	106,692	49,126	968,778
Less: Interest	24,987	24,547	23,539	22,882	22,198	99,062	74,646	45,580	21,622	5,111	364,174
Total Principal	13,702	88,587	17,222	17,772	17,890	94,076	114,955	111,945	85,070	44,015	604,604
Capital Leases	13,901	13,514	13,016	10,763	8,677	34,085	26,454	25,973	28,420	-	174,813
Less: Interest	5,087	4,729	4,363	4,012	3,762	16,126	12,306	8,910	3,000	-	62,645
Total Principal	8,814	8,785	8,653	6,751	4,915	17,959	13,858	17,063	25,360	-	112,158
Total	\$ 22,516	\$ 97,372	\$ 25,875	\$ 23,923	\$ 22,775	\$ 112,035	\$ 128,813	\$ 129,008	\$ 110,430	\$ 44,015	\$ 716,762

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.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 10 - LONG-TERM LIABILITIES – CONTINUED

Revenue bonds issued prior to the Resolution (Prior Encumbered Obligations) are payable both as to principal and interest solely from the net revenues arising from operations of parking and transportation, the athletics department, the physical plant utilities system, student housing, real estate operations, indirect cost recoveries associated with sponsored research activities, state school land funds and certain fees all of which are pledged under the various bond indentures. At June 30, 2010 and 2009, the University had \$21,594 and \$19,688, respectively, of cash and investments held in trust for the bond indentures, restricted to the payment of principal and interest.

Capital Lease Obligations:

- *OCIA Capital Lease Obligations:*

In September 1999, the University entered into a 20 year lease agreement with the Oklahoma Capital Improvement Authority (“OCIA”) and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the Oklahoma Capital Improvement Authority State Facilities Revenue Bonds, Series 1999A (the “OCIA Bonds”). The University received \$5,850 of the proceeds for capital improvement projects on the Norman Campus as approved by the Regents. Assets under this capital lease totaled \$4,846, net of accumulated depreciation of \$1,004 at June 30, 2010, and \$4,963, net of accumulated depreciation of \$887, at June 30, 2009.

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 \$89,448, net of accumulated depreciation of \$1,765 on the completed projects, at June 30, 2010, and \$74,367, net of accumulated depreciation of \$613 on the completed projects, at June 30, 2009.

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 10 - LONG-TERM LIABILITIES – CONTINUED

- *ODFA Master Lease Obligations:*

In August 2003, the University entered into a lease agreement with terms ranging from 5 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2003B (the “Master Lease 2003B”). The University received a net amount of \$4,021 of the proceeds to fund the purchase and construction of capital items. These items include upgrades to the Mesonet system, an offset press, stadium and lounge improvements and furniture, and a facilities management system. Assets under this capital lease were fully depreciated as of June 30, 2009.

In December 2004, the University entered into a 5 year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2004C (the “Master Lease 2004C”). The University received a net amount of \$461 of the proceeds to partially fund the purchase of an instructional aircraft. Assets under this capital lease were fully depreciated as of June 30, 2010.

In May 2005, the University entered into a lease agreement with terms ranging from 7 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2005A (the “Master Lease 2005A”). The University received a net amount of \$2,173 of the proceeds to fund the purchase of various capital items, including three aircraft, a stitching machine for printing services, network equipment, and research equipment. Assets purchased under this capital lease totaled \$72, net of accumulated depreciation of \$2,101 at June 30, 2010, and \$289, net of accumulated depreciation of \$1,884 at June 30, 2009.

In August 2005, the University entered into a lease agreement with terms ranging from 3 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2005B (the “Master Lease 2005B”). The University received a net amount of \$3,421 of the proceeds to fund the purchase of a supercomputer and Housing furniture and equipment for Traditions Square. Assets under this capital lease were fully depreciated as of June 30, 2010.

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 10 - LONG-TERM LIABILITIES – CONTINUED

In May 2006, the University entered into a lease agreement with terms ranging from 5 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2006A (the “Master Lease 2006A”). The University received a net amount of \$3,332 of the proceeds to fund the purchase of research equipment, Housing furniture and a new door security system for the residence halls. Assets under this capital lease totaled \$1,421, net of accumulated depreciation of \$1,911 at June 30, 2010, and \$1,924, net of accumulated depreciation of \$1,408 at June 30, 2009.

In December 2006, the University entered into a lease agreement with terms ranging from 5 to 10 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2006C (the “Master Lease 2006C”). The University received a net amount of \$3,136 of the proceeds to fund the purchase of Housing furniture, Housing renovations, and a satellite system. Assets under this capital lease totaled \$2,701, net of accumulated depreciation of \$435 at June 30, 2010, and \$2,846, net of accumulated depreciation of \$290 at June 30, 2009.

In May 2007, the University entered into a lease agreement with terms ranging from 3 to 7 years, with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2007A (the “Master Lease 2007A”). The University received a net amount of \$1,434 of the proceeds to fund the purchase of wireless equipment for Information Technology, radar lab equipment, and research furniture. Assets under this capital lease totaled \$897, net of accumulated depreciation of \$537 at June 30, 2010 and \$1,075, net of accumulated depreciation of \$359 at June 30, 2009.

In July 2007, the University entered into a lease agreement with terms ranging from 5 to 20 years, with the Oklahoma Development Finance Authority (“ODFA”) and the State Regents as beneficiary of a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2007B (the “Master Lease 2007B” series). The University received a net amount of \$4,605 of the proceeds to fund the purchase of furniture for the residence halls, network connectivity equipment to support the campus-wide network refresh project, an offset press for Printing Services, scoreboard replacement for athletic venues, and renovations of the North Campus Building 600 project, which will house a radar operations center. Assets under this capital lease totaled \$3,526, net of accumulated depreciation of \$1,079 at June 30, 2010 and \$3,885, net of accumulated depreciation of \$720 at June 30, 2009.

In November 2007, the University entered into a lease agreement with terms ranging from 5 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2007C (the “Master Lease 2007C” series). The University received a net amount of \$11,364 of the proceeds to fund the purchase of furniture for the residence halls, scoreboard replacement for athletic venues, licensing, implementation, and technical staffing costs for a new student information system, a storage system for the new student e-mail system, installation of a web content management system, and maintenance equipment for the Jimmie Austin

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 10 - LONG-TERM LIABILITIES – CONTINUED

Golf Course. Assets under this capital lease totaled \$7,442, net of accumulated depreciation of \$3,922 at June 30, 2010 and \$10,311, net of accumulated depreciation of \$1,053 at June 30, 2009.

In September 2008, the University entered into a lease agreement with terms ranging from 3 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2008A (the “Master Lease 2008A” series). The University received a net amount of \$15,468 of the proceeds to fund the purchase of furniture and a camera security system for the residence halls, scoreboard replacement for athletic venues, museum exhibits, geology equipment, golf course vehicles and ground equipment, network fiber cable, a weather radar system, a mass spectrometer for research, a GCIRM spectrometer for geology and maintenance equipment and upgrades for core network services. Assets under this capital lease totaled \$11,189, net of accumulated depreciation of \$4,279 at June 30, 2010 and \$13,109, net of accumulated depreciation of \$2,359 at June 30, 2009.

In December 2008, the University entered into a lease agreement with terms ranging from 5 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2008B (the “Master Lease 2008B” series). The University received a net amount of \$1,724 of the proceeds to fund the purchase of furniture for the residence halls, kitchen equipment for Couch Cafeteria, research equipment for applied social sciences, and research equipment for genomics. Assets under this capital lease totaled \$1,485, net of accumulated depreciation of \$239 at June 30, 2010 and \$1,714 net of accumulated depreciation of \$10 at June 30, 2009.

In July, 2009, the University entered into a lease agreement with terms ranging from 5 to 20 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2009A (the “Master Lease 2009A” series). The University received a net amount of \$2,759 of the proceeds to fund the purchase of cafeteria equipment, residence hall heating equipment and furniture, sponsored programs furniture and information technology hardware and software. At June 30, 2010 assets under this capital lease totaled \$2,571, net of accumulated depreciation of \$188.

In December, 2009, the University entered into a lease agreement with terms ranging from 5 to 10 years with the State Regents to receive a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2009B (the “Master Lease 2009B” series). The University received a net amount of \$1,576 of the proceeds to fund the purchase of core network equipment, facilities management equipment, and redundant fiber cable. At June 30, 2010 assets under this capital lease totaled \$1,442, net of accumulated depreciation of \$134. At June 30, \$180 had not been submitted for reimbursement.

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.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

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 \$3,026 and \$2,947, respectively, for the years ended June 30, 2010 and 2009.

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.trs.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, 2010 and 2009, the contribution rate for System members of 7% is applied to their total compensation.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 12 - RETIREMENT PLANS - CONTINUED

For 2010 the local employer contribution rate was 8.05% for Jul-Dec 2009 and 8.55% for Jan-Jun 2010 while in 2009, the local employer contribution rate due from the University was 7.55% for Jul-Dec 2008 and 8.05% for Jan-Jun 2009. For the years ended June 30, 2010 and 2009, 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 \$11,482 and \$13,268 for the years ended June 30, 2010 and 2009, respectively, based on an allocation of the University's covered payroll to the total covered payroll for the OTRS. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses and changes in net assets.

The University's contributions to OTRS, for the years ended June 30, 2010, 2009, and 2008 were approximately \$18,296, \$17,130, and \$15,656, respectively.

- Defined Contribution Plan – Optional Retirement Plan

Plan Description – Monthly employees, hired July 1, 2004 or later, who would have been previously required to participate in OTRS, now have the option to elect either OTRS (along with Plans 1 or 2 described below) or the Optional Retirement Plan (ORP) within the first 90 days of employment. This is a one time election and if an employee does not make an election, the employee defaults into OTRS and will also participate in Plan 1 or Plan 2 of the Defined Contribution Plan noted below. Under the ORP, the University contributes, at the direction of the participating employee, to four separate retirement investment firms. The four firms are 1) the Teachers Insurance Annuity Association - College Retirement Equities Fund, 2) Fidelity Investments, 3) ING (Aetna), and 4) The Vanguard Group of Investment Companies. The ORP is a non-contributory defined contribution plan and the four participating retirement investment firms are separately managed.

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, 2010, 2009, and 2008 were approximately \$5,761, \$5,323, and \$4,262, respectively. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 12 - RETIREMENT PLANS - CONTINUED

- 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, at the direction of the participating employee, to four separate retirement investment firms. The four firms are 1) the Teachers Insurance Annuity Association - College Retirement Equities Fund, 2) Fidelity Investments, 3) ING (Aetna), and 4) The Vanguard Group of Investment Companies. Plans 1 and 2 are non-contributory defined contribution plans and the four participating retirement investment firms are separately managed. 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 \$10,487 and \$2,709, respectively, for the year ended June 30, 2010. Total contributions to Plans 1 and 2 were \$10,737 and \$2,601, respectively, for the year ended June 30, 2009. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

- Supplemental Benefits Plan - The University has a Supplemental Benefits Plan (the "Plan"), which provides for supplemental retirement benefits to employees who do not receive a calculated minimum amount from other Benefits Plans and Social Security. Eligibility for this Supplemental Plan is limited to employees hired on or before June 30, 1991. Under the current provisions of the Plan, it is management's opinion that no current employee will qualify for the Plan. Benefits paid under this Plan during the years ended June 30, 2010, 2009 and 2008 to retired employees were \$30, \$35 and \$44, respectively. The Plan is an unfunded plan and management's estimates of the remaining pension benefit obligation under the Plan at June 30, 2010, 2009 and 2008 were approximately \$134, \$135 and \$159. The pension benefit obligation was determined as a part of an actuarial valuation at year end. Significant actuarial assumptions used include (a) a discount rate of 8.0% per year compounded annually, (b) projected post retirement benefit increases of 3.5% per year compounded annually, attributable to inflation and (c) the Internal Revenue Code "Ordinary Life Annuities" tables.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 13 - OTHER POST-RETIREMENT AND 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. Retirees hired after January 1, 2008 may participate in the University's retiree insurance plan. At their own expense, retirees may also elect the University's health and dental coverage for eligible dependents. The University has the authority to establish and amend the benefit provisions offered to retirees. 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 standalone financial report.

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. At their own expense, retirees may also elect health or dental coverage for eligible dependents. For the years ended June 30, 2010 and 2009, the University contributed \$5,123 and \$4,399 respectively for current retirees.

Annual OPEB Cost and Net OPEB Obligation – The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost, the amount actually contributed by the University, and changes in the University's net OPEB obligation for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Annual Required Contribution (ARC) and annual OPEB cost	\$ 23,721	\$ 22,750
Interest on Net OPEB Obligation	2,254	-
Adjustment to ARC	(1,842)	-
Contributions paid during year	<u>(5,123)</u>	<u>(4,399)</u>
Increase in net OPEB obligation	19,010	18,351
Net OPEB obligation-beginning of year	<u>37,570</u>	<u>19,219</u>
Net OPEB obligation-end of year	<u>\$ 56,580</u>	<u>\$ 37,570</u>

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 13 - OTHER POST-RETIREMENT AND POSTEMPLOYMENT BENEFITS - CONTINUED

Funded Status and Funding Progress – The unfunded actuarial accrued liability (UAAL), totaled \$226,881 as of the January 1, 2010 actuarial valuation date. The initial 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 \$291,957 and \$277,037 for 2010 and 2009, and the ratio of the UAAL to the covered payroll was 78 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2010 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include the following: a 6 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 9.5 percent initially, reduced by decrements to 4.5 percent after seven years, and a payroll annual inflation rate of 3 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 Department of Central Services Risk Management Division ("DCSRMD"). In addition to these basic policies, the University's Department of Risk Management establishes guidelines in risk assessment, risk avoidance, risk acceptance and risk transfer.

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

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 DCSRMD. These coverages are as follows:

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$750 deductible.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles and equipment) are purchased by the University from DCSRMD. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Aircraft claims filed as of June 30, 2010 and 2009, were \$30 and \$26 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, 2010 and 2009, the accrued workers' compensation liability totaled approximately \$3,322 and \$3,173, 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, 2010 and June 30, 2009, the required reserves were \$341 and \$223, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

At June 30, 2010 and 2009, the University had outstanding commitments under construction contracts totaling \$72,054 and \$84,118, 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.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

(\$ in thousands)

June 30, 2010 and 2009

NOTE 15 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 – SUBSEQUENT EVENTS

The University has evaluated events and transactions that occurred subsequent to June 30, 2010 through October 8, 2010, the date these financials were available to be issued, for potential recognition or disclosure in these financial statements.

On August 4, 2010, the University entered into a long-term agreement for the operation and maintenance of six University utility systems with Corix Utilities, Inc. No title to land or utility infrastructure has been conveyed to Corix. Easements or other rights of access will be granted to Corix as the primary means of providing access to the utility systems which will remain under University ownership. On September 30, 2010 as part of the Corix transaction, a portion of the General Revenue Bonds Series 2009A (tax-exempt) and Series 2009B (taxable) were defeased; General Revenue Bonds, Series 2009C (tax-exempt) were fully defeased.

On September 10, 2010, the University entered into a lease agreement with Santa Chiara SRL (an Italian corporation) and University Amphora, LLC (an Oklahoma not-for-profit limited liability company). University Amphora, LLC ("Amphora") is a wholly owned subsidiary of the University of Oklahoma Foundation, Inc (the "Foundation"). The Foundation, via Amphora, is expected to acquire 100% of the shares of Santa Chiara SRL, whose sole asset is a monastery in Arezzo. The acquisition cost is being funded from private funds on deposit with the Foundation. This exchange will discharge the University's obligations under Italian law. The monastery will be used for academic programs and unique educational experiences in Europe for University students.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO FINANCIAL STATEMENTS - CONTINUED (\$ in thousands)

June 30, 2010 and 2009

NOTE 17 - FUNCTIONAL CLASSIFICATIONS

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

	2010	2009
Instruction	<u>\$ 200,836</u>	<u>\$ 207,029</u>
Research	85,975	78,897
Public Service	56,454	74,267
Academic Support	62,542	59,179
Student Services	19,736	18,575
Institutional Support	58,659	64,546
Operation & Maintenance of Plant	84,794	77,635
Student Aid	28,347	24,654
Other	7,274	11,714
Auxiliary	118,793	113,030
Total Operating Expenses	<u><u>\$ 723,410</u></u>	<u><u>\$ 729,526</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

THE UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER

REQUIRED SUPPLEMENTARY INFORMATION

(\$ in thousands)

June 30, 2010

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)
1/1/2008	\$ -	\$ 206,383	\$ 206,383	-	\$ 258,729	80%
1/1/2010	\$ -	\$ 226,881	\$ 226,881	-	\$ 291,957	78%

The University obtains actuarial valuation biannually in accordance with the provisions of GASB No. 45.

Schedule of Employer Contributions

Fiscal Year End	Employer Contributions	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2008	\$ 3,531	\$ 22,750	15.5%	\$ 19,219
June 30, 2009	\$ 4,399	\$ 22,750	19.3%	\$ 37,570
June 30, 2010	\$ 5,123	\$ 23,721	21.6%	\$ 56,580

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.

SUPPLEMENTAL INFORMATION

Report of Independent Certified Public Accountants on Supplemental Information

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the University of Oklahoma Norman Campus as of and for the year ended June 30, 2010, which are presented in the preceding section of this report. The supplemental schedule of revenue bond systems outstanding-schedule of revenues, expenditures and changes in fund balances-year ended June 30, 2010 with comparative totals for the year ended June 30, 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Oklahoma City, Oklahoma
October 8, 2010

**THE UNIVERSITY OF OKLAHOMA
NORMAN CAMPUS**

**REVENUE BOND SYSTEMS OUTSTANDING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009
(Amounts in Thousands)**

	Student Union 2004	ODFA Public Facilities 2003A	Parking System 2001 & 2004	Athletics ODFA 2003B	Student Housing 2002 & 2004	Research Facilities 2003	Multiple Facilities Rev Bonds 2003	Research Facilities 2004	Totals (Memorandum Only)	
									2010	2009
REVENUES AND OTHER ADDITIONS:										
Room rentals, food, and utility sales	\$ -	\$ -	\$ -	\$ -	\$ 46,905	\$ -	\$ -	10,588	\$ 57,493	\$ 53,681
Student fees	3,156	-	-	-	-	-	2,473	-	5,629	5,640
State school land funds	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	31	-	1	4	12	-	48	151
Parking permits and fines	-	-	5,202	-	-	-	-	-	5,202	5,032
Other sources	-	10,124	(230)	87,581	(1,233)	11,627	-	103	107,972	102,982
Total revenues and other additions	3,156	10,124	5,003	87,581	45,673	11,631	2,485	10,691	176,344	167,486
EXPENDITURES:										
Salaries, wages and employee benefits	-	-	820	30,933	10,351	-	-	-	42,104	39,050
Repairs and maintenance	-	-	363	3,177	4,432	-	-	1,271	9,243	8,483
Utilities	-	-	134	2,053	3,525	-	-	1,359	7,071	7,354
Contractual services and equipment rentals	-	-	16	11,077	7,829	-	-	2,142	21,064	20,769
General and administrative	(12)	-	595	26,246	6,843	-	-	818	34,490	33,411
Interest on indebtedness	44	310	1,118	602	4,397	1,314	1,448	1,039	10,272	9,275
Closing Costs and Discount	5	89	-	17	39	23	14	9	196	215
Trustee fees	-	8	5	5	4	2	2	3	29	43
Retirement of equipment	-	-	-	-	-	-	-	-	-	-
Total expenditures	37	407	3,051	74,110	37,420	1,339	1,464	6,641	124,469	118,600
TRANSFERS AMONG FUNDS:										
From (To) other funds	-	-	-	-	-	-	-	-	-	-
From (To) general university	(2,738)	(8,751)	(496)	(1,937)	(1,945)	(3,291)	-	1,387	(17,771)	(14,831)
Total transfers	(2,738)	(8,751)	(496)	(1,937)	(1,945)	(3,291)	-	1,387	(17,771)	(14,831)
Net increase for the year	381	966	1,456	11,534	6,308	7,001	1,021	5,437	34,104	34,055
Fund balances, beginning of year	8,166	10,404	15,923	177,735	106,502	33,597	7,484	26,681	386,492	352,437
Fund balances, end of year	\$ 8,547	\$ 11,370	\$ 17,379	\$ 189,269	\$ 112,810	\$ 40,598	\$ 8,505	32,118	\$ 420,596	\$ 386,492

Note: The Revenue Bond Systems Outstanding Balance Sheet and the Revenue Bond Systems Outstanding Schedule of Revenues, Expenditures and Changes in Fund Balance are 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.

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

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

We have audited the accompanying financial statements of the University of Oklahoma Norman Campus (the “University”) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

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

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

Grant Thornton LLP

Oklahoma City, Oklahoma
October 8, 2010



Audit • Tax • Advisory

Grant Thornton LLP
211 N Robinson, Suite 1200N
Oklahoma City, OK 73102-7148
T 405.218.2800
F 405.218.2801
www.GrantThornton.com

**Report of Independent Certified Public Accountants on Compliance
with Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133
and Schedule of Expenditures of Federal Awards**

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

Compliance

We have audited the compliance of University of Oklahoma Norman Campus (the “University”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (“OMB”) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The University’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University’s management. Our responsibility is to express an opinion on the University’s compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

We did not audit the University's compliance with requirements governing student loan repayments specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 compliance Supplement. Those requirements govern functions that are performed by Educational Computer Systems, Inc. ("ECSI"). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

ECSI's compliance with the requirements governing the functions that it performs for the University was examined by accountants for the servicer whose report has been furnished to us. The report of the accountants for the servicer indicates that the compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation engagements) of Federal Student Financial Assistance Programs at Participating Institutions' and Institution Servicers*.

Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the Compliance Supplement that are applicable to the Student Financial Aid Cluster are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's Student Financial Aid Cluster

Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we express no such opinion.

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

Our consideration of internal control over compliance would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the University's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Requirements governing Federal Perkins Loan Program repayments are performed by ECSI. Internal control over compliance relating to such functions was reported on by accountants for the servicer in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at ECSI.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2010 and have issued our report thereon dated October 8, 2010, which are presented in the preceding section of this report. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the University's management. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Grant Thornton LLP

Oklahoma City, Oklahoma
October 8, 2010

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

	FEDERAL CFDA OR IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
RESEARCH-DIRECT PROGRAMS			
Department of Agriculture			
Agricultural Research Service	10.001	\$ -	\$ 24,631
Agricultural Research Service	10.XXX		65,589
Cooperative State Research Services	10.206	11,945	43,999
Cooperative State Research Services	10.310		158
Forestry Service	10.XXX		51,665
		11,945	186,042
Department of Commerce			
National Institute for Standards and Technology	11.609		8,000
National Oceanic and Atmospheric Administration	11.432	299,983	10,322,674
National Oceanic and Atmospheric Administration	11.468		28,014
		299,983	10,358,688
Department of Defense			
Air Force	12.630		73,659
Air Force	12.800		342,554
Air Force	12.XXX		75,518
Army Medical Research Acquisition Activity	12.420		70,801
Army Medical Research Acquisition Activity	12.XXX		77,715
Army	12.420		4,080
Army	12.431	24,289	239,806
Army	12.XXX		15,623
Army Research Office	12.431	60,364	169,648
Army Research Office	12.XXX	36,515	880,069
Corps of Engineers	12.XXX		47,318
Medical Research Acquisition Activity	12.420		111,457
Medical Research Acquisition Activity	12.XXX		53,532
Naval Research Laboratory	12.XXX		6,857
National Security Agency	12.901		859
Office of Naval Research	12.300		757,013
		121,168	2,926,509
Department of Interior			
Bureau of Land Management	15.238		34
Bureau of Land Management	15.XXX		134
Bureau of Reclamation	15.XXX		740
Fish and Wildlife	15.615		2,835
Geological Survey	15.808	9,183	665,951
Geological Survey	15.810		95,320
Geological Survey	15.XXX		37,486
National Park Service - ARRA	15.656		7,297
National Park Service	15.923		8,208
National Park Service	15.XXX		2,232
		9,183	820,237
Department of Transportation			
Federal Aviation Administration	20.XXX	43,730	619,366
Federal Highway Administration	20.200	42,480	42,480
Federal Transit Administration	20.514	169,434	402,359
Federal Transit Administration	20.XXX		63,684
		255,644	1,127,889

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

	FEDERAL CFDA OR IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
National Aeronautics and Space Administration			
Goddard Space Flight Center	43.001	297,966	882,560
Goddard Space Flight Center	43.XXX	314,461	1,050,731
Shared Services Center	43.XXX	76,129	395,173
		688,556	2,328,464
Environmental Protection Agency			
Environmental Protection Agency	66.436		362,304
Environmental Protection Agency	66.509		73,421
		-	435,725
Department of Health and Human Services			
Health Resources and Service Administration	93.887		90,233
National Cancer Institute	93.394	146,864	252,130
National Institutes of Health	93.121		21,218
National Institutes of Health	93.173	75,151	316,553
National Institutes of Health	93.242		54,675
National Institutes of Health	93.286	53,002	403,808
National Institutes of Health	93.310		236,614
National Institutes of Health	93.361		53,212
National Institutes of Health	93.394		9,946
National Institutes of Health - ARRA	93.701	173,860	1,131,957
National Institutes of Health	93.837		168,018
National Institutes of Health	93.847		56,776
National Institutes of Health	93.853	39,556	460,496
National Institutes of Health	93.855		504,347
National Institutes of Health	93.856	52,780	93,355
National Institutes of Health	93.859		901,264
National Institutes of Health	93.865	68,395	207,381
National Institutes of Health	93.866		111,972
National Institutes of Health	93.879		7,572
National Institutes of Health	93.989	111,652	577,582
		721,260	5,659,109
National Science Foundation			
National Science Foundation	47.041	133,619	1,600,237
National Science Foundation	47.047		64,225
National Science Foundation	47.049	778,109	2,890,517
National Science Foundation	47.050		2,837,533
National Science Foundation	47.070	23,358	394,527
National Science Foundation	47.074	22,587	2,059,301
National Science Foundation	47.075	6,458	358,316
National Science Foundation	47.076	15,385	907,799
National Science Foundation	47.078		38,448
National Science Foundation	47.080		39,069
National Science Foundation	47.081	16,554	174,581
National Science Foundation - ARRA	47.082	9,802	1,990,069
National Science Foundation	47.XXX	1,318	238,987
		1,007,190	13,593,609
Department of Energy			
Department of Energy	81.049	4,965	2,116,197
Department of Energy	81.086	100,000	952,816
Department of Energy	81.XXX		988,690
		104,965	4,057,703

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

	FEDERAL CFDA OR IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Department of Education			
Department of Education	84.184		92,192
Department of Education	84.200		202,744
Department of Education	84.203		116,674
Department of Education	84.325		116,947
Department of Education	84.326		97,525
Department of Education	84.334		3,290,294
		-	3,916,376
Other Federal Agencies			
Institute of Museum Services	45.313		53,449
Library of Congress	42.XXX		1,775
National Endowment for the Humanities	47.075		63,325
Department of State	19.415		130,803
		-	249,352
TOTAL RESEARCH DIRECT PROGRAMS		3,219,894	45,659,703
RESEARCH-FLOW THROUGH PROGRAMS			
State of Oklahoma			
Oklahoma Aeronautics Commission	12.XXX		20,770
OK Department of Commerce	81.041	23,941	84,021
OK Department of Commerce	81.117	2,481	7,614
OK Department of Commerce	14.XXX		54,190
OK Conservation Commission	66.XXX	1,148	123,580
OK Corporation Commission	81.XXX		21,453
OK Department of Human Services	93.630		31,029
OK Department of Mental Health	93.243		82,630
OK Department of Education	84.XXX		138,798
OK Historical Society	15.XXX		140,019
OU Health Sciences Center	47.080		30,115
OU Health Sciences Center	93.110		12,261
OU Health Sciences Center	93.283		16,200
OU Health Sciences Center	93.389		61,902
OU Health Sciences Center	93.393		140,959
OU Health Sciences Center	10.XXX		42,637
OK Commission for Teacher Preparation	84.XXX		204,701
OK Office of State Finance - ARRA	11.558		1,020
Oklahoma State University	10.001		148,013
Oklahoma State University	10.200		89,831
Oklahoma State University	12.431		46,371
Oklahoma State University	15.805		10,821
Oklahoma State University	20.701		1,125,325
Oklahoma State University	20.XXX		135,373
Oklahoma State University	47.041		32,722
Oklahoma State University	47.076		286,571
Oklahoma State University	47.080		829,787
Oklahoma State University	81.XXX		226,335
Oklahoma State University	93.859		23,824
Oklahoma State Regents	84.267		18,553
Oklahoma State Regents	84.XXX		86,344
Oklahoma Highway Safety Office	20.XXX		196,347
OK Department of Transportation	20.XXX	834,407	2,196,458
OK Department of Wildlife	15.605		383,629
OK Department of Wildlife	15.608		24,828
OK Department of Wildlife	15.611		24,243
OK Department of Wildlife	15.615		10,112
OK Department of Wildlife	15.634		14,371
OK Department of Wildlife	15.XXX		13,581
		861,977	7,137,338

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

	FEDERAL CFDA OR IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Commercial and Commercial Related			
ADDx Corporation	81.XXX		12,226
Advanced Dynamics, Inc.	12.XXX		41,608
Advanced Dynamics, Inc.	43.XXX		19,358
Anautics, Incorporated	12.XXX		121,001
Aptima, Inc.	12.XXX		24,464
Arcadis US, Inc	12.XXX		36,120
Atmospheric Technology Services Company	12.XXX		97,295
British Aerospace Systems	12.XXX		40,932
Battelle	81.XXX		563,170
Blackbird Technologies	12.XXX		359,555
Bijhem Scientific, Inc.	47.XXX		55,532
Design Intelligence Incorporated	12.XXX		(1,285)
Eyak Development Corporation	12.XXX		655,582
Haskell Lemon Construction Co.	20.XXX		37,794
Intelligent Automation, Inc	12.XXX		89,529
Intelligent Automation, Inc	43.XXX		21,492
International Business Machines	12.XXX		41,869
ITT Industries, Inc.	12.XXX		110,200
Jet Propulsion Laboratory	43.XXX		2,094
Malin Space Science Systems	43.XXX		(225)
Nanolight, Inc	12.XXX		54,335
Ontar Corporation	12.XXX		2,851
Phononic Devices, Inc. - ARRA	81.135		102,060
Science Applications International Corp	12.XXX		83,996
Sandi National Laboratories	81.XXX		359,528
SI International	12.XXX		67,794
SurfPlasma, Inc.	12.XXX		2,798
Tec-Masters, Inc	12.XXX		38
TSM Corporation	12.XXX		7,424
University Corporation for Atmospheric Research	11.467		35,391
Vista Partners, LLC	12.XXX		433,072
Virtual Technology Services	12.XXX		384
Wyle Integrated Science and Engineering	43.XXX		21,845
		-	3,499,827
Foundations			
Samuel Roberts Noble Foundation	10.206		43,000
Samuel Roberts Noble Foundation	47.074		22,721
		-	65,721
International			
International Institute of Tropical Agriculture - Nairobi, Kenya	02.XXX		32,667
		-	32,667
Not for Profit Organizations			
American Association of Physics Teachers	47.XXX		30,608
Argonne National Laboratory	81.XXX		62,180
Brookhaven National Laboratory	81.XXX		7,938
Central Oklahoma Workforce Investment Board	17.XXX		86,970
Institute of International Education	12.XXX		401,404
Institute for Neurodegenerative Disorders	12.XXX		205,998
Kiowa Culture Preservation Authority	93.XXX		30,000
National Assoc of State Directors of Special Education	84.XXX		336
NatureServe	11.432		30,498
National Writing Project Corporation	84.928		44,868
Ohio Aerospace Institute	12.XXX		76,343
Oklahoma Humanities Council	45.129		500
Otoe-Missouria Tribe	93.XXX		30,000
Putnam City Public Schools	84.XXX		14,319
Smithsonian Astrophysical Observatory	43.XXX		1,180
Tulsa County Community Action Project	84.XXX		289,107
		-	1,312,249

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

	FEDERAL CFDA OR IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Universities and Colleges			
University of Alabama	12.420		63,106
University of Alabama	93.394		2,992
Alabama A&M University	47.074		35,884
University of Arizona	12.999		(568)
University of Arizona	47.041		45,373
University of Arkansas	47.041		1,500
Brown University	45.XXX		25,436
California Institute of Technology	43.XXX		13,578
University of Colorado	93.279		38,029
University of Colorado	93.600		115,521
Cornell University	47.074		1,528,948
Colorado School of Mines	81.XXX		162,104
Desert Research Institute	66.509		32,593
Grinnell College	47.XXX		38,663
Harvard University	43.XXX		4,901
University of Illinois at Urbana-Champaign	10.310		748
University of Illinois at Urbana-Champaign	47.041		23,476
Langston University	20.701		72,808
University of Maryland	11.417		13,420
University of Massachusetts	47.041		774,214
Mississippi State University	81.XXX		38,456
University of Missouri	47.079		112,468
Michigan State University	81.049		174,131
Michigan Technological University	81.049		98,154
Northern Arizona University	43.XXX		35,741
North Carolina State University	47.074		4,541
University of Notre Dame	47.XXX		13,996
University of Nebraska	11.431		43,362
University of New Hampshire	43.000		26,638
Northwestern University	93.853		74,795
University of Pittsburgh	93.853		37,785
Purdue University - ARRA	93.701		39,486
Purdue University	93.859		3,436
State University of New York at Binghamton	12.431		60,714
University of Tulsa	66.606		36,244
University of California - Berkley	12.XXX	73,119	92,509
University of California - Berkley	81.049		20,524
University of California - Berkley	81.XXX		1,130,093
University of California - Davis	10.310		52
University of Central Florida	47.XXX		27,956
University of California - Los Angeles	66.509		11,174
University of California - Los Angeles	81.049		211,099
University of California - San Diego	47.050		120,056
University of Central Oklahoma	47.080		2,676
University of North Carolina - Chapel Hill	11.473		91,823
University of North Carolina - Chapel Hill	97.061		119,193
University of Southern California	47.050		(228)
University of Texas - Austin	12.XXX		87,324
University of Texas - Arlington	47.049		101,730
University of Texas - Dallas	93.173		13,764
University of Texas - Dallas (ARRA)	93.701		10,473
		73,119	5,832,891
TOTAL RESEARCH FLOW-THROUGH PROGRAMS		935,096	17,880,693
TOTAL RESEARCH		4,154,990	63,540,396

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

	FEDERAL CFDA OR IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
STUDENT FINANCIAL ASSISTANCE			
Department of Education			
ACG	84.375		788,411
Pell	84.063		17,553,667
SEOG	84.007		560,589
SMART	84.376		695,958
TEACH	84.379		38,950
College Work-Study	84.033		1,120,136
TOTAL STUDENT FINANCIAL ASSISTANCE			20,757,711
TRIO			
Department of Education - TRIO	84.042		447,905
Department of Education - TRIO	84.047		260,613
Department of Education - TRIO	84.217		207,079
TOTAL TRIO			915,597
OTHER FEDERAL PROGRAMS			
Department of Education			
State Fiscal Stabilization Fund (SFSF) - ARRA	84.XXX		11,450,995
Department of Transportation			
Federal Transit Administration	20.500		479
Federal Transit Administration	20.507		1,376,866
Federal Aviation Administration	20.XXX		141,665
TOTAL OTHER FEDERAL PROGRAMS			12,970,005
UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS			
National Science Foundation	47.076	5,577	16,564
Department of Transportation			
Federal Transit Administration	20.514		104,796
		-	104,796
Department of Health and Human Services			
Administration for Children and Families	93.600		463,890
Administration for Children and Families	93.623		2,397,642
Administration for Children and Families	93.631		95,191
Administration for Children and Families	93.652		1,171,391
Administration for Children and Families - ARRA	93.708		9,514
Substance Abuse and Mental Health Services	93.230		378,982
Substance Abuse and Mental Health Services	93.959	86,090	113,014
		86,090	4,629,624
Other Federal Agencies			
Social Security Administration	96.008		242,867
		-	242,867
Department of Education			
Department of Education	84.235		212,255
Department of Education	84.283		1,755,481
Department of Education	84.359		539,837
		-	2,507,573
TOTAL UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS		91,667	7,501,424

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

	FEDERAL CFDA OR IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
UNIVERSITY OUTREACH (CCE and CLS) FLOW-THROUGH PROGRAMS			
State of Oklahoma			
OK Department of Commerce	17.261		(48)
OK Department of Commerce	17.268		10,370
OK Developmental Disabilities Council	93.630		7,323
OK Department of Health	20.614		31,453
OK Department of Human Services	93.674		1,817,003
OK Department of Mental Health	93.104		275,765
OK Department of Mental Health	93.243		214,348
OK Department of Mental Health	93.959		53,550
OK Department of Education	10.588		3,635
OK Employment Security Commission	17.260		206,794
OK Regents for Higher Education	84.367		(584)
Oklahoma State University	20.701		1,745
Oklahoma State University	47.076		16,584
Oklahoma Highway Safety	20.600		84,096
OK Department of Transportation	20.205		137,771
		-	2,859,805
Not for Profit Organizations			
Beggs Public Schools	84.374		51,027
Eagle Ridge Institute	84.310		77,291
Educational Development Center, Inc	93.230		749,889
Oklahoma Regional Community Policing Institute	16.200		65,520
		-	943,727
Commercial and Commercial Related			
CRP, Inc.	93.959		692
ICF Macro	93.230		500
Synthesis Professional Services, Inc.	93.616		213
		-	1,405
TOTAL UNIVERSITY OUTREACH (CCE AND CLS)			
FLOW-THROUGH PROGRAMS		-	3,804,937
TOTAL UNIVERSITY OUTREACH PROGRAMS		91,667	11,306,361
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 4,246,657	\$ 109,490,070

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2010

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, 2010, 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 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.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED YEAR ENDED JUNE 30, 2010

While not listed on the schedule, the University also participates in the Federal Family Education Loan Program ("FFEL"), which includes Stafford Loans, subsidized & unsubsidized, and the Parents' Loans for Undergraduate Students ("PLUS"). The dollar amounts are not listed in the schedule, as the University is not the recipient of the funds. Loan disbursements under the FFEL Program for the year ended June 30, 2010 totaled \$101,429,904.

Federal Perkins Loans are also omitted from the schedule as the University did not receive federal funds for the year ended June 30, 2010. The total outstanding balance of Federal Perkins Loans at June 30, 2010 was \$16,119,729.

5. Contracts with 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.

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weaknesses	No
Noncompliance material to financial statements noted:	None noted

Federal Awards

Internal controls over major programs:	
• Material weakness(es) identified	No
• Significant deficiencies identified that are not considered to be material weakness(es)	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133:	No
Identification of major programs:	

CFDA Number

Type A Programs:	
Student Financial Aid Cluster	*
Research and Development Cluster	*
State Fiscal Stabilization Fund (SFSF) - ARRA	84.XXX

* See schedule of expenditures of federal awards for identification of CFDA numbers applicable to the major programs. For the Student Financial Aid cluster, expenditures also include loan disbursements under the Federal Family Education Loan Program. See Note 4 to the Notes to the Schedule of Expenditures of Federal Awards.

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2010

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

Summary of Prior Audit Findings

There were no prior year findings or questioned costs.