



University of Oklahoma Norman Campus

As of and for the Years Ended
JUNE 30, 2014 AND 2013

Financial Statements and Schedule of Expenditures of Federal Awards
WITH REPORTS OF INDEPENDENT AUDITORS



THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014

AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Oklahoma Norman Campus (the "University"), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Oklahoma Norman Campus as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of Oklahoma Norman Campus as whole. The supplementary schedule of revenue bond systems outstanding-schedule of revenues, expenditures and changes in net position-year ended June 30, 2014 with comparative totals for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 10, 2014

UNIVERSITY OF OKLAHOMA - NORMAN CAMPUS

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

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

The objective of the Management's Discussion and Analysis is to help readers of the University's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2014, with comparative information for the years ended June 30, 2013, and June 30, 2012. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Statements of Net Position

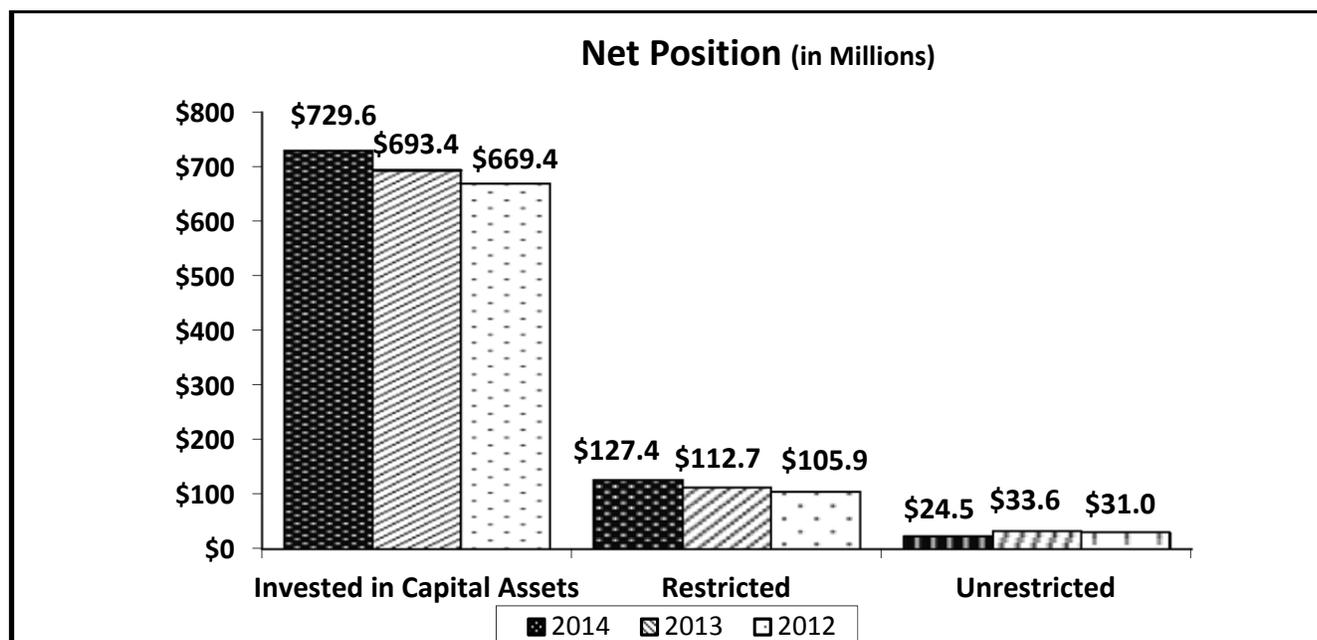
The Statements of Net Position presents the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources)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

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

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

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2014. Net position increased \$41.8 million from June 30, 2013 to June 30, 2014.

The following graph illustrates the comparative change in net position by the three major categories mentioned above for fiscal years 2014, 2013, and 2012:



The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2014, 2013, and 2012:

	2014	2013	2012
Assets:			
Current Assets	\$ 424.2	\$ 387.7	\$ 350.3
Capital Assets, net	1,496.8	1,449.3	1,404.1
Other Noncurrent Assets	141.8	194.5	198.2
Total Assets	<u>\$ 2,062.8</u>	<u>\$ 2,031.5</u>	<u>\$ 1,952.6</u>
Deferred Outflows	<u>\$ 12.2</u>	<u>\$ 12.2</u>	<u>\$ 13.2</u>
Liabilities:			
Current Liabilities	\$ 234.8	\$ 205.4	\$ 195.9
Noncurrent Liabilities	957.3	998.6	963.6
Total Liabilities	<u>\$ 1,192.1</u>	<u>\$ 1,204.0</u>	<u>\$ 1,159.5</u>
Deferred Inflows	<u>\$ 1.4</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:			
Invested in capital assets, net of related debts	729.6	693.4	669.4
Restricted	127.4	112.7	105.9
Unrestricted	24.5	33.6	31.0
Total Net Position	<u>\$ 881.5</u>	<u>\$ 839.7</u>	<u>\$ 806.3</u>
Increase in Net Position	<u>\$ 41.8</u>	<u>\$ 33.4</u>	<u>\$ 36.1</u>

Total assets of the University increased \$31.3 million from June 30, 2013. The current year increase was primarily due to an increase in capital assets, net of depreciation, of \$47.5 million, partially offset by a decrease in accounts receivable of \$17.9 million. Cash and cash equivalents increased \$91.4 million and investments decreased \$88.0 million due primarily to the timing of the transition of investment managers for the University's endowments.

At June 30, 2014, the University had approximately \$1,496.8 million invested in capital assets, net of accumulated depreciation of \$763.0 million. Depreciation charges for the current year totaled \$66.5 million compared to \$64.3 million and \$58.4 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 decreased \$11.9 million from June 30, 2013. This decrease resulted primarily from a decrease in accounts payable and accrued expenses of \$12.2 million due to the timing of FY13 benefit payments.

At June 30, 2014, the University had approximately \$783.6 million in outstanding bonds and capital leases. Additional information related to the University's long-term liabilities is presented in Note 10 to the financial statements.

Total assets of the University increased \$78.9 million from June 30, 2012, to June 30, 2013. This increase was primarily due to an increase in capital assets, net of depreciation, of \$45.2 million and an increase in cash and cash equivalents of \$34.9 million.

Total liabilities of the University increased \$44.5 million from June 30, 2012, to June 30, 2013. This increase was primarily due to increases in revenue bonds payable (\$43.1 million) and OPEB (\$7.6 million), partially offset by a decrease in capital lease obligations (\$10.3 million).

Statements of Revenues, Expenses, and Changes in Net Position

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2014, 2013, and 2012:

Condensed Statements of Revenues, Expenses, and Changes in Net Position (in millions)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Revenues	\$ 548.4	\$ 524.7	\$ 497.4
Operating Expenses	<u>(830.2)</u>	<u>(800.6)</u>	<u>(794.4)</u>
Operating Loss	(281.8)	(275.9)	(297.0)
Nonoperating revenues and expenses	<u>279.1</u>	<u>273.1</u>	<u>277.8</u>
Loss before other revenues, expenses, gains or losses	(2.7)	(2.8)	(19.2)
Other revenues, expenses, gains or losses	<u>44.5</u>	<u>36.2</u>	<u>55.3</u>
Increase in Net Position	<u>\$ 41.8</u>	<u>\$ 33.4</u>	<u>\$ 36.1</u>

Trends in the relationship between operating revenues and operating expenses are significant indicators of the University's financial health. Operating revenues increased \$51.0 million (10.3%) from June 30, 2012 to June 30, 2014, while operating expenses increased \$35.8 million (4.5%). 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 and funds available for higher education remain uncertain.

Operating revenues of \$548.4 million increased \$23.7 million (4.5%) in 2014 when compared to the prior year. Operating revenues of \$524.7 million for the year ended June 30, 2013, increased \$27.3 million (5.5%) when compared to the year ended June 30, 2012. The following table summarizes the University's operating revenues for the years ended June 30, 2014, 2013, and 2012:

Operating Revenues (in millions)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tuition and fees	\$ 258.0	\$ 239.6	\$ 227.5
Grants and contracts	97.1	97.5	99.5
Sales and services of educational activities	14.9	11.7	12.8
Auxiliary enterprises	164.9	154.5	144.0
Other revenues	<u>13.5</u>	<u>21.4</u>	<u>13.6</u>
Total Operating Revenues	<u>\$ 548.4</u>	<u>\$ 524.7</u>	<u>\$ 497.4</u>

For the year ended June 30, 2014, the increase in operating revenues from 2013 is primarily due to an increase in tuition and fees revenue and an increase in Athletic revenues due to increased contributions and conference distributions.

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

Operating expenses of \$830.2 million increased \$29.6 million (3.7%) in 2014 when compared to the prior year. Operating expenses of \$800.6 million for the year ended June 30, 2013 increased \$6.2 million (0.8%) when compared to the year ended June 30, 2012. The following table summarizes the University's operating expenses for the years ended June 30, 2014, 2013, and 2012:

Operating Expenses (in millions)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Compensation and benefits	\$ 481.5	\$ 470.3	\$ 465.2
Contractual services	79.2	80.0	79.7
Supplies and materials	27.2	25.5	23.1
Depreciation	66.5	64.3	58.4
Utilities	44.6	41.1	34.5
Communications	7.7	6.6	7.4
Scholarships and fellowships	34.6	34.5	31.8
Other	<u>88.9</u>	<u>78.3</u>	<u>94.3</u>
Total Operating Expenses	<u>\$ 830.2</u>	<u>\$ 800.6</u>	<u>\$ 794.4</u>

For the year ended June 30, 2014, the increase in operating expenses from 2013 is primarily due to an increase in compensation and benefits, increased depreciation as a result of new buildings placed into service, an increase in utilities from increased usage and rates, and an increase in other expenses.

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

Nonoperating revenues of \$279.1 million increased \$6.0 million (2.2%) in 2014 when compared to the prior year. Nonoperating revenues of \$273.1 million for the year ended June 30, 2013 decreased \$4.7 million (1.7%) when compared to the year ended June 30, 2012. The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2014, 2013, and 2012:

Nonoperating Revenues (Expenses) (in millions)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
State appropriations	\$ 148.4	\$ 145.8	\$ 144.2
On-behalf payments for OTRS	15.2	15.4	15.2
Endowment income	8.1	7.9	8.3
Grants and contracts	87.9	87.0	88.2
Private gifts	39.4	37.7	43.5
Student fees for capital projects	5.4	5.9	5.9
Interest on indebtedness	(34.9)	(35.3)	(30.1)
Investment income	<u>9.6</u>	<u>8.7</u>	<u>2.6</u>
Net Nonoperating Revenues	<u>\$ 279.1</u>	<u>\$ 273.1</u>	<u>\$ 277.8</u>

Appropriations from the State of Oklahoma increased \$2.6 million (1.8%) during fiscal year 2014. Private gifts increased \$1.7 million (4.5%) from June 30, 2013.

During fiscal year 2013, appropriations from the State of Oklahoma remained relatively stable. A decrease in private gifts and an increase in interest on indebtedness, partially offset by increased investment income, resulted in the decrease in nonoperating revenues for fiscal year 2013.

Other revenues, expenses, gains, or losses of \$44.5 million increased \$8.3 million (22.9%) in 2014 when compared to the prior year. Other revenues, expenses, gains, or losses of \$36.2 million for the year ended June 30, 2013 decreased \$19.1 million (34.5%) when compared to the year ended June 30, 2012. The following table summarizes the University's other revenues, expenses, gains, or losses for the years ended June 30, 2014, 2013, and 2012:

Other Revenues, Expenses, Gains, or (Losses) (in millions)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Build America Bonds subsidy	\$ 0.8	\$ 0.8	\$ 0.9
Private gifts for capital purposes	23.2	18.2	37.9
State school land funds	10.6	9.8	11.9
On-behalf payments for OCIA capital leases	7.8	5.3	2.5
Additions to permanent endowments	<u>2.1</u>	<u>2.1</u>	<u>2.1</u>
Total Other Revenues, Expenses, Gains or (Losses)	<u>\$ 44.5</u>	<u>\$ 36.2</u>	<u>\$ 55.3</u>

The increase from June 30, 2013 to June 30, 2014 is primarily due to an increase in private gifts for various capital projects and the on-behalf payments for OCIA capital leases due to increased principal payments made on the University's behalf.

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

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 \$91.4 million. Overall liquidity also increased from June 30, 2012 to June 30, 2013, with a net increase to cash and cash equivalents of \$34.9 million.

The following table summarizes the University's cash flows for the years ended June 30, 2014, 2013, and 2012:

Condensed Statement of Cash Flows			
for the Year (in millions)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash provided (used) by:			
Operating activities	\$ (188.1)	\$ (174.9)	\$ (205.0)
Noncapital financing activities	283.3	277.6	283.8
Capital and related financing activities	(102.5)	(69.5)	(48.1)
Investing activities	<u>98.7</u>	<u>1.7</u>	<u>6.9</u>
Net Change In Cash	91.4	34.9	37.6
Cash and equivalents, beginning of the year	<u>374.7</u>	<u>339.8</u>	<u>302.2</u>
Cash and equivalents, end of the year	<u>\$ 466.1</u>	<u>\$ 374.7</u>	<u>\$ 339.8</u>

Cash used by operating activities during fiscal year 2014 of \$188.1 million increased \$13.2 million (7.5%) compared to the prior year (\$174.9 million). Major sources of operating funds were tuition and fees (\$259.1 million), grants and contracts (\$106.1 million), and auxiliary enterprises (\$168.5 million), which were offset by the payment of compensation and benefits (\$458.4 million) and other operating expenses (\$286.6 million).

Cash provided by noncapital financing activities during fiscal year 2014 of \$283.3 million increased \$5.7 million (2.1%) compared to the prior year (\$277.6 million). Major sources of noncapital financing activities were state appropriations (\$148.4 million), grants and contracts (\$87.9 million), and private gifts (\$39.2 million).

Cash used in capital and related financing activities during fiscal year 2014 of \$102.5 million increased \$33.0 million (47.5%) when compared to the prior year (\$69.5 million) due primarily to the timing of the receipt of bond proceeds and related expenditures. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$144.1 million) and private gifts (\$23.2 million), which were offset by purchases of capital assets (\$117.3 million) and principal and interest payments on capital debt and leases (\$176.8 million).

Cash provided by investing activities during fiscal year 2014 of \$98.7 million increased \$97.0 million when compared to the prior year (\$1.7 million). The increase is due to the timing of the transition of investment managers for the University's endowments.

Cash used by operating activities during fiscal year 2013 of \$174.9 million decreased \$30.1 million (14.7%) compared to the prior year (\$205.0 million). Major sources of operating funds were tuition and fees (\$244.4 million), grants and contracts (\$96.4 million), and auxiliary enterprises (\$151.5 million), which were offset by the payment of compensation and benefits (\$446.8 million) and other operating expenses (\$252.0 million).

Cash provided by noncapital financing activities during fiscal year 2013 of \$277.6 million decreased \$6.2 million (2.2%) compared to the prior year (\$283.8 million). Major sources of noncapital financing activities were state appropriations (\$145.8 million), grants and contracts (\$87.0 million), and private gifts (\$37.5 million).

Cash used in capital and related financing activities during fiscal year 2013 of \$69.5 million increased \$21.4 million (44.5%) when compared to the prior year (\$48.1 million) due primarily to the timing of the receipt of bond proceeds and related expenditures. Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases (\$92.9 million) and private gifts (\$18.2 million), which were offset by purchases of capital assets (\$113.2 million) and principal and interest payments on capital debt and leases (\$91.4 million).

Cash provided by investing activities during fiscal year 2013 of \$1.7 million decreased \$5.2 million (75.4%) when compared to the prior year (\$6.9 million).

Economic Outlook

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

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. While current economic conditions facing our state and nation are improving, although still challenging, the University's competitive position remains strong. The University continues to attract top students from across the nation and more than 100 countries around the world, providing a major university experience in a private college atmosphere. The University is considered a pacesetter for public higher education in the United States and is ranked by The Princeton Review among the top 10 public universities in the nation in terms of academic excellence and cost for students. OU is number one in the nation in the number of National Merit Scholars enrolled among public universities and is in the top ten of public universities in the nation in the graduation of Rhodes Scholars.

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

STATEMENTS OF NET POSITION

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	June 30 (in thousands)	
	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 189,232	\$ 185,014
Restricted cash and cash equivalents	162,238	110,038
Short-term investments	-	10,941
Accrued interest receivable	455	489
Accounts receivable, net of allowance for doubtful accounts, current portion	64,025	71,901
Inventories and supplies, at cost	3,892	3,973
Loans to students, net of allowance for uncollectible loans	2,320	2,264
Deposits and prepaid expenses	2,074	3,032
TOTAL CURRENT ASSETS	<u>424,236</u>	<u>387,652</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents	114,669	79,660
Endowment investments	-	68,573
Other long-term investments	9,671	18,184
Investments in real estate	395	395
Accounts receivable, net of allowance for doubtful accounts, long-term portion	-	10,000
Loans to students, net	16,722	16,591
Deposits and prepaid expenses	407	1,154
Capital assets, net of accumulated depreciation	1,496,752	1,449,327
TOTAL NONCURRENT ASSETS	<u>1,638,616</u>	<u>1,643,884</u>
TOTAL ASSETS	<u>\$ 2,062,852</u>	<u>\$ 2,031,536</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on OCIA lease restructure	\$ 1,284	\$ 1,605
Deferred charge on advance refunding of bonds	4,015	3,233
Deferred charge on defeasance of bonds	6,918	7,365
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,217</u>	<u>\$ 12,203</u>

(Continued)

STATEMENTS OF NET POSITION--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	June 30 (in thousands)	
	<u>2014</u>	<u>2013</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 44,414	\$ 56,575
Utilities management agreement, current portion	4,720	4,720
Other postemployment benefits, current portion	4,912	4,852
Accrued compensated absences, current portion	27,121	26,324
Unearned revenues	65,026	61,940
Unearned revenues - long-term contracts, current portion	2,624	2,918
Accrued interest payable	13,468	14,325
Capital leases and revenue bonds payable, current portion	31,819	29,344
Deposits held in custody for others, current portion	40,694	4,416
TOTAL CURRENT LIABILITIES	<u>234,798</u>	<u>205,414</u>
NONCURRENT LIABILITIES, net of current portion		
Utilities management agreement	94,840	99,560
Other postemployment benefits	88,543	81,677
Accrued compensated absences	5,555	5,014
Unearned revenues - long-term contracts	2,256	3,493
Federal loan program contributions refundable	14,404	14,478
Capital lease obligations	72,322	83,460
Revenue bonds payable	679,426	674,987
Deposits held in custody for others	-	35,938
TOTAL NONCURRENT LIABILITIES	<u>957,346</u>	<u>998,607</u>
TOTAL LIABILITIES	<u>\$ 1,192,144</u>	<u>\$ 1,204,021</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred credit on OCIA lease restructure	<u>\$ 1,440</u>	<u>\$ -</u>
NET POSITION		
Net investment in capital assets	\$ 729,621	\$ 693,369
Restricted for:		
Nonexpendable	27,064	25,859
Expendable:		
Educational, general and auxiliary operations	24,350	20,208
Capital projects	26,278	22,698
Debt service	23,693	18,382
Athletics	26,008	25,569
Unrestricted	<u>24,471</u>	<u>33,633</u>
TOTAL NET POSITION	<u>\$ 881,485</u>	<u>\$ 839,718</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30 (in thousands)	
	2014	2013
OPERATING REVENUES		
Student tuition and fees (net of scholarship allowances of \$60,218 and \$56,874 for 2014 and 2013, respectively)	\$ 257,952	\$ 239,442
Federal grants and contracts	61,388	64,121
State grants and contracts	10,904	12,057
Private grants and contracts	24,797	21,284
Interest on student loans receivable	463	496
Sales and services of educational activities	14,924	11,748
Housing revenues (revenues are pledged as security for the Student Housing Revenue Bonds Series 2004)	56,131	52,930
Athletic revenues (net of scholarship allowances of \$7,506 and \$6,488 for 2014 and 2013, respectively)	79,832	74,528
Sales and services of auxiliary enterprises--other	28,896	27,122
Other revenues	13,086	20,954
TOTAL OPERATING REVENUES	548,373	524,682
OPERATING EXPENSES		
Compensation and benefits	481,551	470,267
Contractual services	79,156	80,057
Supplies and materials	27,167	25,533
Depreciation	66,530	64,291
Utilities	44,564	41,055
Communications	7,691	6,591
Scholarships and fellowships	34,617	34,542
Other	88,957	78,277
TOTAL OPERATING EXPENSES	830,233	800,613
OPERATING LOSS	(281,860)	(275,931)

(Continued)

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30 (in thousands)	
	2014	2013
NONOPERATING REVENUES (EXPENSES)		
State appropriations	148,370	145,791
On-behalf payments for OTRS	15,167	15,418
Federal grants and contracts	35,840	35,432
State grants and contracts	46,673	46,447
Private grants and contracts	5,388	5,075
Private gifts	39,417	37,696
Student fees for capital projects	5,457	5,922
Interest on indebtedness	(34,859)	(35,264)
Investment income	9,602	8,674
Endowment income	8,062	7,899
NET NONOPERATING REVENUES	<u>279,117</u>	<u>273,090</u>
LOSS BEFORE OTHER REVENUES (EXPENSES), GAINS OR (LOSSES)	(2,743)	(2,841)
OTHER REVENUES, (EXPENSES), GAINS OR (LOSSES)		
Build America Bonds subsidy	801	825
Private gifts for capital projects	23,165	18,188
State school land funds	10,608	9,858
On-behalf payments for OCIA capital leases	7,806	5,297
Additions to permanent endowments	2,130	2,075
INCREASE IN NET POSITION	41,767	33,402
NET POSITION AT BEGINNING OF YEAR	<u>839,718</u>	<u>806,316</u>
NET POSITION AT END OF YEAR	<u>\$ 881,485</u>	<u>\$ 839,718</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30, (in thousands)	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 259,066	\$ 244,415
Sales and services of educational activities	14,606	11,995
Sales and services of auxiliary enterprises	28,940	27,414
Housing revenues	56,055	52,895
Athletic revenues	83,535	71,182
Federal grants and contracts	65,133	62,611
State grants and contracts	14,502	10,249
Private grants and contracts	26,456	23,577
Interest on loans receivable	463	496
Other additions	8,374	19,011
Loans issued to students	(2,767)	(2,648)
Collection of loans	2,586	2,703
Compensation and benefits	(458,394)	(446,814)
Other operating expenses	(286,627)	(251,954)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(188,072)	(174,868)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	148,370	145,791
Federal grants and contracts	35,840	35,432
State grants and contracts	46,673	46,447
Private grants and contracts	5,388	5,075
Net decrease in Federal loan program contributions refundable	(74)	(73)
Endowment income	7,888	7,385
Private gifts	39,203	37,495
Direct loan receipts	107,836	108,663
Direct loan disbursements	(107,836)	(108,663)
NET CASH FLOWS PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	283,288	277,552
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to permanent endowment	2,130	2,075
Proceeds from revenue bonds and capital leases	144,123	92,878
Proceeds from utilities management agreement	10,000	10,000
Payments under utilities management agreement	(4,720)	(4,720)
Student fees for capital projects	5,457	5,922
Private gifts for capital projects	23,165	18,189
State school land funds	10,608	9,858
Build America Bonds Subsidy	801	825
Purchases of capital assets	(117,320)	(113,180)
Principal paid on capital debt and leases	(142,099)	(57,342)
Interest paid on capital debt and leases	(34,684)	(34,065)
NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(102,539)	(69,560)

(Continued)

STATEMENTS OF CASH FLOWS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

	For the Year Ended June 30, (in thousands)	
	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	4,809	7,728
Proceeds from sales and maturities of investments	179,524	45,789
Purchase of investments	(85,583)	(51,778)
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	<u>98,750</u>	<u>1,739</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	91,427	34,863
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>374,712</u>	<u>339,849</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 466,139</u>	<u>\$ 374,712</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (281,860)	\$ (275,931)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	66,530	64,291
Loss on disposal of capital assets	1,135	1,115
OTRS On-behalf contributions	15,167	15,418
Change in operating assets and liabilities:		
Accounts receivable	8,266	708
Inventory	81	328
Student loans receivable	(187)	144
Deposits and prepaid expenses	1,705	(1,228)
Accounts payable and accrued expenses	(9,068)	12,912
Other postemployment benefits	6,926	7,592
Unearned revenue	1,555	(2,765)
Compensated absences	1,338	746
Deposits held in custody for others	340	1,802
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (188,072)</u>	<u>\$ (174,868)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net capitalized interest	\$ 861	\$ 1,952
Principal on capital debt paid by State Agency on behalf of the University	5,791	2,716
Interest on capital debt paid by State Agency on behalf of the University	2,015	2,581
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents	\$ 189,232	\$ 185,014
Restricted cash and cash equivalents	162,238	110,038
Noncurrent assets:		
Restricted cash and cash equivalents	<u>114,669</u>	<u>79,660</u>
	<u>\$ 466,139</u>	<u>\$ 374,712</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

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

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

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

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

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

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

In August 2010 the University entered into a 50 year agreement with a utility company to operate and maintain the utility systems for steam, electrical, natural gas, chilled water, potable water and waste water; this established an upfront payment of \$75,000 and a receivable balance of \$43,000 over the next four years. In July, 2011, a concession advance of \$13,000 was received, and in both July 2012 and 2013, an additional \$10,000 was received, reducing the outstanding receivable balance to \$10,000.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

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

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

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

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

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

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The University capitalizes interest as a component of capital assets constructed for its own use. In 2014, total interest incurred was \$35,720 of which \$861 was capitalized. In 2013, total interest incurred was \$37,216, of which \$1,952 was capitalized.

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

Capital assets are subject to an evaluation of possible impairment when events or circumstances indicate that the related changes in carrying amounts may not be recoverable. If required, impairment losses are reported in the statement of revenues, expenses, and changes in net position. Impairment adjustments totaled \$111 and \$144 for 2014 and 2013, respectively.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

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

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; (3) amounts due on the utilities management agreement and (4) estimated other post employment benefits that will not be paid within the next fiscal year.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

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

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

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

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

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

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2014 and 2013, the University's deferred outflows of resources were comprised of deferred charges related to a lease restructuring, an advance refunding of bonds, and the defeasance of bonds. These deferred outflows of resources are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of Resources: Deferred inflows are the acquisition of net position by the University that are applicable to a future reporting period. At June 30, 2014, the University's deferred inflows of resources were comprised of a deferred credit related to a lease restructuring. The deferred inflows of resources are recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In 2013, the University had no deferred inflows of resources.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

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

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

Reclassifications: Certain reclassifications have been made to the 2013 financial statements to conform with the 2014 financial statement presentation. Such reclassifications have had no effect on changes in net position as previously reported.

New Accounting Pronouncements Adopted in Fiscal Year 2014: The University adopted one new accounting pronouncement during the year ended June 30, 2014 as follows:

- *Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*
GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The adoption of GASB No. 70 did not have an impact on the University's financial statements.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the University in fiscal year 2015. A description of the new accounting pronouncements and the University's consideration of the impact of these pronouncements are described below:

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*
GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities for a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance was issued in November 2013. Although the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

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

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

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

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

NOTE 2--DEPOSITS AND INVESTMENTS

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

Cash and Cash Equivalents: At June 30, 2014 and 2013, the carrying amounts of the University's deposits with the State Treasurer and other financial institutions were \$466,139 and \$374,712, respectively. These amounts consisted of deposits with the OST (\$328,086 and \$336,899), U.S. and foreign financial institutions (\$333 and \$261), deposits with trustees (\$37,160 and \$32,713), intermediate investment funds (\$7,105 and \$119), expendable investment funds (\$9,722 and \$734), municipal money market funds (\$83,603 and \$3,686), and petty cash and change funds (\$130 and \$300). Of funds on deposit with the OST, amounts invested in OK INVEST total \$259,397 in 2014 and \$261,605 in 2013.

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

At June 30, 2014		
OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 119,012	\$ 118,781
Money market mutual funds	12,524	12,524
Certificates of deposit	6,733	6,733
Mortgage backed agency securities	106,563	108,762
Municipal bonds	3,980	4,407
Foreign bonds	2,038	2,038
Commercial paper	5,459	5,459
U.S. Treasury obligations	3,088	3,823
	<u>\$ 259,397</u>	<u>\$ 262,527</u>
At June 30, 2013		
OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 102,833	\$ 102,398
Money market mutual funds	24,548	24,548
Certificates of deposit	6,683	6,683
Mortgage backed agency securities	112,413	112,965
Municipal bonds	4,407	4,879
Foreign bonds	2,066	2,065
Commercial paper	5,498	5,498
U.S. Treasury obligations	3,157	3,852
	<u>\$ 261,605</u>	<u>\$ 262,888</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

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

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

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

	June 30	
	2014	2013
Global equities	\$ -	\$ 41,418
Fixed income funds and bonds	-	48,203
Mutual funds	9,671	8,077
Real property	183	183
Mineral interests	212	212
	<u>\$ 10,066</u>	<u>\$ 98,093</u>

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

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

- State law limits investments in obligations of state and local governments to the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer.
- Short-term investments managed by the University are generally limited to direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.
- Investments in municipal money market funds are limited to funds with a rating of AAAM by Standard & Poor's.
- The Board has authorized endowment and similar funds to be invested in direct obligations of the United States Government and its agencies, certificates of deposit, prime commercial paper, bankers acceptances, demand deposits, corporate debt (no bond below a single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities and equity securities.
- The University's fixed income securities are generally limited to holdings of high quality fixed income securities.

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

- Investment securities held in bond debt service reserve funds are held by the respective bond trustee for the benefit of the University and bondholders.
- Endowment investments are 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, investments guaranteed by the U.S. Government, and municipal money market funds.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 2--DEPOSITS AND INVESTMENTS--Continued

Investment maturities were as follows at June 30, 2014:

Investment Type	Investment Maturities (in Years)					
	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Mutual funds	\$ 9,671	\$ 9,671	\$ -	\$ -	\$ -	\$ -
Real property	183	183	-	-	-	-
Mineral interests	212	212	-	-	-	-
	<u>\$ 10,066</u>	<u>\$ 10,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in municipal money market funds have a weighted average maturity of 52 days.

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 \$40,763 and \$39,071 for 2014 and 2013, of which \$37,689 and \$35,938 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.

During the March 26-27, 2014 meeting, the Board of Regents approved a change in the administration and investment management of the Regents' Fund. Effective July 1, 2014, these funds will be managed by the University of Oklahoma Foundation. In preparation for this change, the University's investments for the Regents' Fund were liquidated prior to June 30, 2014 into a municipal money market fund, which is reported as current and noncurrent restricted cash and cash equivalents on the statement of net position as of June 30, 2014.

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

	2014	2013
Short-term investments	\$ -	\$ 10,941
Endowment investments	-	68,573
Other long-term investments	9,671	18,184
Investments in real estate and mineral interests	395	395
	<u>\$ 10,066</u>	<u>\$ 98,093</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 3--ACCOUNTS RECEIVABLE

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

	<u>2014</u>	<u>2013</u>
Student tuition and fees	\$ 41,227	\$ 38,571
Federal, state and private grants and contracts	28,546	37,155
Utilities management agreement	10,000	20,000
Contributions and gifts	6,300	6,126
Auxiliary enterprises and other operating activities	<u>5,803</u>	<u>6,158</u>
	91,876	108,010
Less allowance for doubtful accounts	(27,851)	(26,109)
Less long-term accounts receivable	<u>-</u>	<u>(10,000)</u>
Net current accounts receivable	<u>\$ 64,025</u>	<u>\$ 71,901</u>

Included in the amounts above is approximately \$8,045 at June 30, 2014, and \$8,847 at June 30, 2013, which is due from the U.S. government.

NOTE 4--INVENTORIES

Inventories consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
University Press	\$ 765	\$ 1,118
Other Auxiliaries	715	892
University Printing Services	374	337
Facilities Management	294	329
College of Continuing Education operations	133	132
Museum retail operations	282	261
IT Store	1,249	843
Other	<u>80</u>	<u>61</u>
	<u>\$ 3,892</u>	<u>\$ 3,973</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 5--LOANS TO STUDENTS

Net student loans made under the Federal Perkins Loan Program (the "Program") comprised approximately 82% of the June 30, 2014 and 2013 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 \$14,404 and \$14,478 at June 30, 2014 and 2013, respectively, are reflected in the accompanying statements of net position as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2014 and 2013, the allowance for uncollectible loans, including loans made under the program, was approximately \$931 and \$937, 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 \$10,608 and \$9,858 during the years ended June 30, 2014, and 2013, respectively, which is restricted to acquisition of buildings, equipment, or other capital items. During 2014 and 2013, respectively, the University distributed \$2,499 and \$2,839 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 \$180,984 (\$160,792 restricted corpus) and \$160,992 (\$148,705 restricted corpus) at June 30, 2014 and 2013, respectively. Such trust funds, held by the Commissioners of the Land Office, are not included in the financial statements of the University.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

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 \$115,522 and \$116,660 at June 30, 2014 and 2013, respectively, and is invested by the Oklahoma State Regents on behalf of the University. The University is entitled to receive an annual distribution of earnings on these funds. As legal title of the State match is retained by the State Regents, only the funds available for distribution, or \$6,300 and \$6,126 as of June 30, 2014 and 2013, respectively, have been reflected as assets in the statements of net position. With regard to the institutional matching funds, approximately \$158,394 and \$154,427 are on deposit with the Foundation for the benefit of the University as of June 30, 2014 and 2013, respectively.

NOTE 7--RELATED PARTY TRANSACTIONS

A summary of related party transactions during the years ended June 30, 2014 and 2013 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, 2014 and 2013, net assets of the Foundation were approximately \$1,227,143 and \$1,069,070, respectively. The Foundation expended on behalf of the Norman Campus and Health Sciences Center approximately \$112,377 in 2014 and \$102,981 in 2013 for facilities and equipment, salary supplements, general educational assistance, faculty awards and scholarships, of which approximately \$59,206 in 2014 and \$51,420 in 2013 are reflected in the Norman Campus financial statements as revenue or private gifts and expenditures. The amounts not reflected herein consist of direct Foundation expenditures for general university educational purposes and amounts reflected in the Health Sciences Center's financial statements.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 8--CAPITAL ASSETS

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

	2014				Ending Balance
	Beginning Balance	Additions	Transfers	Deductions	
Capital assets not being depreciated:					
Land	\$ 32,950	\$ 1,039	\$ -	\$ -	\$ 33,989
Construction in progress	98,976	73,302	(108,281)	-	63,997
Total capital assets not being depreciated	<u>131,926</u>	<u>74,341</u>	<u>(108,281)</u>	<u>-</u>	<u>97,986</u>
Capital assets being depreciated:					
Buildings	1,379,556	4,069	91,863	(443)	1,475,045
Equipment	195,476	17,331	1,760	(6,878)	207,689
Nonstructural improvements	105,106	6,322	6,135	-	117,563
Land improvements	33,113	-	-	-	33,113
Software	63,427	210	-	-	63,637
Infrastructure	61,327	1,810	8,523	-	71,660
Library books	182,047	11,007	-	-	193,054
Total capital assets being depreciated	<u>2,020,052</u>	<u>40,749</u>	<u>108,281</u>	<u>(7,321)</u>	<u>2,161,761</u>
Less accumulated depreciation for:					
Buildings	357,403	26,907	-	(41)	384,269
Equipment	129,797	14,323	-	(6,145)	137,975
Nonstructural improvements	21,386	5,490	-	-	26,876
Land improvements	26,017	882	-	-	26,899
Software	41,937	8,941	-	-	50,878
Infrastructure	35,010	2,934	-	-	37,944
Library books	91,101	7,053	-	-	98,154
Total accumulated depreciation	<u>702,651</u>	<u>66,530</u>	<u>-</u>	<u>(6,186)</u>	<u>762,995</u>
Total capital assets being depreciated, net	<u>1,317,401</u>	<u>(25,781)</u>	<u>108,281</u>	<u>(1,135)</u>	<u>1,398,766</u>
Capital assets, net	<u>\$ 1,449,327</u>	<u>\$ 48,560</u>	<u>\$ -</u>	<u>\$ (1,135)</u>	<u>\$ 1,496,752</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 8--CAPITAL ASSETS--Continued

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

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

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

NOTE 9--UNEARNED REVENUES

Unearned revenues consist of the following at June 30:

	2014	2013
Prepaid tuition and student fees	\$ 11,884	\$ 12,604
Prepaid athletic ticket sales	29,422	26,786
Auxiliary enterprises and other activities	7,558	7,792
Grants and contracts	16,162	14,758
Long-term contracts	4,880	6,411
	<u>\$ 69,906</u>	<u>\$ 68,351</u>

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 10--LONG-TERM LIABILITIES

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

	Issue Dates	Interest Rates (percentages)	Maturity Through	2014				
				Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases								
ODFA Public Facility, Series 2003AB	2003	2.00-4.06	07/01/2016	\$ 8,045	\$ -	\$ (8,045)	\$ -	\$ -
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	27,620	-	(27,620)	-	-
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	71,470	-	(69,495)	1,975	1,975
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	16,775	-	(16,775)	-	-
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	97,220	-	(3,150)	94,070	3,295
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	8,350	-	(810)	7,540	850
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	15,730	-	(1,005)	14,725	1,060
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	35,490	-	(660)	34,830	675
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	850	-	(625)	225	225
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	3,490	-	(1,140)	2,350	1,165
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,575	-	-	42,575	-
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	8,225	-	(220)	8,005	225
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	34,355	-	(585)	33,770	595
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	10,975	-	(310)	10,665	320
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	61,570	-	(1,125)	60,445	1,140
General Rev. Refunding, Series 2011E	2012	.400-5.00	07/01/2026	19,570	-	(1,225)	18,345	1,260
General Rev. Refunding, Series 2011F	2012	.630-1.960	07/01/2016	1,530	-	(375)	1,155	380
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	65,655	-	-	65,655	-
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	5,560	-	-	5,560	1,835
General Rev. Refunding, Series 2012C	2013	.300-3.00	07/01/2027	5,770	-	(320)	5,450	335
General Rev. Refunding, Series 2012D	2013	.396-3.123	07/01/2027	26,705	-	(1,575)	25,130	1,600
General Revenue Bonds, Series 2013A	2013	2.00-3.775	07/01/2042	11,200	-	-	11,200	-
General Revenue Bonds, Series 2013B	2013	.520-4.29	07/01/2042	48,945	-	-	48,945	-
General Rev. Refunding, Series 2013C	2014	2.00-3.00	07/01/2016	-	6,100	-	6,100	2,000
General Rev. Refunding, Series 2013D	2014	.540-5.115	07/01/2034	-	17,195	-	17,195	935
General Revenue Bonds, Series 2014A	2014	2.00-4.50	07/01/2043	-	12,380	-	12,380	-
General Revenue Bonds, Series 2014B	2014	.583-5.173	07/01/2043	-	11,980	-	11,980	-
General Rev. Refunding, Series 2014C	2014	1.00-5.00	07/01/2034	-	89,185	-	89,185	2,710
Subtotal revenue bonds payable				689,090	136,840	(135,060)	690,870	22,580
Premium / (Discount)				4,911	7,283	(396)	11,798	662
Total revenue bonds payable				694,001	144,123	(135,456)	702,668	23,242
OCIA 1999A/2004A capital lease payable				2,188	-	(270)	1,918	283
OCIA 2005F capital lease payable				32,593	-	(30,805)	1,788	1,788
OCIA 2006D capital lease payable				22,003	-	(1,031)	20,972	-
OCIA 2010A capital lease payable				13,602	-	-	13,602	848
OCIA 2010B capital lease payable				4,773	-	(2,782)	1,991	1,991
OCIA 2014A capital lease payable				-	27,568	-	27,568	-
ODFA master leases payable				18,192	-	(5,428)	12,764	3,579
Total capital leases payable				93,351	27,568	(40,316)	80,603	8,489
Premium / (Discount)				439	-	(143)	296	88
Total capital leases payable				93,790	27,568	(40,459)	80,899	8,577
Total bonds and capital leases				787,791	171,691	(175,915)	783,567	31,819
Other noncurrent liabilities								
Utilities management agreement				104,280	-	(4,720)	99,560	4,720
Other postemployment benefits				86,529	11,838	(4,912)	93,455	4,912
Accrued compensated absences				31,338	28,117	(26,779)	32,676	27,121
Federal loan program contributions refundable (see also Note 5)				14,478	-	(74)	14,404	-
Unearned revenue (long-term contracts)				6,411	-	(1,531)	4,880	2,624
Deposits held in custody for others				40,354	340	-	40,694	40,694
Total other noncurrent liabilities				283,390	40,295	(38,016)	285,669	80,071
Total noncurrent liabilities				\$ 1,071,181	\$ 211,986	\$ (213,931)	\$ 1,069,236	\$ 111,890

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

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

	Issue Dates	Interest Rates	Maturity Through	2013				
				Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases		(percentages)						
Student Housing, Series 2002	2002	2.00-5.04	11/01/2027	\$ 6,160	\$ -	\$ (6,160)	\$ -	\$ -
Research Facility, Series 2003	2003	2.50-4.90	03/01/2028	25,895	-	(25,895)	-	-
ODFA Public Facility, Series 2003AB	2003	2.00-4.06	07/01/2016	9,875	-	(1,830)	8,045	1,900
Multiple Facility, Series 2003	2003	2.50-5.00	06/01/2029	28,780	-	(1,160)	27,620	1,205
Student Union, Series 2004	2004	2.00-3.10	12/01/2012	475	-	(475)	-	-
Student Housing, Series 2004	2004	3.00-5.125	07/01/2034	73,300	-	(1,830)	71,470	1,900
Research Facility, Series 2004	2004	2.50-5.875	11/01/2034	17,410	-	(635)	16,775	660
General Rev. Refunding, Series 2006A	2006	4.00-5.00	07/01/2031	100,250	-	(3,030)	97,220	3,150
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	9,115	-	(765)	8,350	810
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	16,690	-	(960)	15,730	1,005
General Revenue Bonds, Series 2009A	2009	3.00-5.00	07/01/2039	36,130	-	(640)	35,490	660
General Revenue Bonds, Series 2009B	2009	3.00-5.00	07/01/2039	1,455	-	(605)	850	625
General Revenue Bonds, Series 2010A	2010	2.00	07/01/2015	4,610	-	(1,120)	3,490	1,140
General Revenue Bonds, Series 2010B	2010	3.72-6.27	07/01/2039	42,575	-	-	42,575	-
General Revenue Bonds, Series 2011A	2011	.70-5.00	07/01/2035	8,440	-	(215)	8,225	220
General Revenue Bonds, Series 2011B	2011	.75-6.39	07/01/2040	34,930	-	(575)	34,355	585
General Revenue Bonds, Series 2011C	2011	2.00-4.75	07/01/2036	11,270	-	(295)	10,975	310
General Revenue Bonds, Series 2011D	2011	.810-5.634	07/01/2041	62,620	-	(1,050)	61,570	1,125
General Rev. Refunding, Series 2011E	2012	.400-5.00	07/01/2026	20,995	-	(1,425)	19,570	1,225
General Rev. Refunding, Series 2011F	2012	.630-1.960	07/01/2016	1,900	-	(370)	1,530	375
General Revenue Bonds, Series 2012A	2012	2.00-5.00	07/01/2041	65,655	-	-	65,655	-
General Revenue Bonds, Series 2012B	2012	.950-1.450	07/01/2016	5,560	-	-	5,560	-
General Rev. Refunding, Series 2012C	2013	.300-3.00	07/01/2027	-	5,770	-	5,770	320
General Rev. Refunding, Series 2012D	2013	.396-3.123	07/01/2027	-	26,705	-	26,705	1,575
General Revenue Bonds, Series 2013A	2013	2.00-3.775	07/01/2042	-	11,200	-	11,200	-
General Revenue Bonds, Series 2013B	2013	.520-4.29	07/01/2042	-	48,945	-	48,945	-
Subtotal revenue bonds payable				645,505	92,620	(49,035)	689,090	18,790
Premium / (Discount)				5,399	-	(488)	4,911	224
Total revenue bonds payable				650,904	92,620	(49,523)	694,001	19,014
OCIA 1999A/2004A capital lease payable				2,445	-	(257)	2,188	270
OCIA 2005F capital lease payable				34,222	-	(1,629)	32,593	1,707
OCIA 2006D capital lease payable				22,833	-	(830)	22,003	-
OCIA 2010A capital lease payable				13,602	-	-	13,602	-
OCIA 2010B capital lease payable				4,773	-	-	4,773	2,782
ODFA master leases payable				25,565	-	(7,373)	18,192	5,428
Total capital leases payable				103,440	-	(10,089)	93,351	10,187
Premium / (Discount)				626	-	(187)	439	143
Total capital leases payable				104,066	-	(10,276)	93,790	10,330
Total bonds and capital leases				754,970	92,620	(59,799)	787,791	29,344
Other noncurrent liabilities								
Utilities management agreement				109,000	-	(4,720)	104,280	4,720
Other postemployment benefits				78,937	12,444	(4,852)	86,529	4,852
Accrued compensated absences				30,592	26,184	(25,438)	31,338	26,324
Federal loan program contributions refundable (see also Note 5)				14,551	-	(73)	14,478	-
Unearned revenue (long-term contracts)				7,890	-	(1,479)	6,411	2,918
Deposits held in custody for others				38,552	1,802	-	40,354	4,416
Total other noncurrent liabilities				279,522	40,430	(36,562)	283,390	43,230
Total noncurrent liabilities				\$ 1,034,492	\$ 133,050	\$ (96,361)	\$ 1,071,181	\$ 72,574

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Maturities of principal and interest requirements on revenue bonds and capital leases are as follows at June 30, 2014:

	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	2035-2039	2040-2044	Total
Student Housing, Series 2004	\$ 2,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,016
General Rev. Refunding, Series 2006A	7,586	7,587	7,588	7,592	8,315	41,362	38,447	16,837	-	-	135,314
General Revenue Bonds, Series 2007A	1,099	1,099	1,099	1,099	1,099	8,603	11,515	11,449	6,822	-	43,884
General Revenue Bonds, Series 2007B	1,219	1,216	1,214	1,209	1,207	2,929	-	-	-	-	8,994
General Revenue Bonds, Series 2007C	1,629	1,629	1,629	1,630	1,630	8,148	16,225	17,060	13,571	-	63,151
General Revenue Bonds, Series 2007D	1,852	1,846	1,846	1,842	1,830	9,085	1,000	-	-	-	19,301
General Revenue Bonds, Series 2009A	2,226	2,230	2,229	2,227	2,228	12,384	15,685	14,008	2,545	-	55,762
General Revenue Bonds, Series 2009B	225	-	-	-	-	-	-	-	-	-	225
General Revenue Bonds, Series 2010A	1,189	1,185	-	-	-	-	-	-	-	-	2,374
General Revenue Bonds, Series 2010B	2,465	2,465	3,630	3,614	3,582	17,542	16,694	15,604	13,298	2,445	81,339
General Revenue Bonds, Series 2011A	587	585	585	586	585	2,921	2,909	2,889	1,154	-	12,801
General Revenue Bonds, Series 2011B	2,567	2,565	2,566	2,564	2,558	12,761	12,708	12,644	12,559	4,995	68,487
General Revenue Bonds, Series 2011C	732	731	729	724	724	3,624	3,585	3,555	2,114	-	16,518
General Revenue Bonds, Series 2011D	4,227	4,220	4,212	4,206	4,201	20,915	20,759	20,577	20,370	12,092	115,779
General Rev. Refunding, Series 2011E	1,779	1,783	1,321	1,740	1,739	8,631	5,281	-	-	-	22,274
General Rev. Refunding, Series 2011F	393	393	390	-	-	-	-	-	-	-	1,176
General Revenue Bonds, Series 2012A	2,753	2,753	2,753	4,303	4,299	21,354	21,269	21,107	20,994	12,498	114,083
General Revenue Bonds, Series 2012B	1,885	1,877	1,875	-	-	-	-	-	-	-	5,637
General Rev. Refunding, Series 2012C	465	458	460	461	460	2,274	1,809	-	-	-	6,387
General Rev. Refunding, Series 2012D	2,137	2,134	2,137	2,131	2,129	10,612	8,454	-	-	-	29,734
General Revenue Bonds, Series 2013A	309	588	587	586	586	2,942	2,930	2,924	2,913	2,325	16,690
General Revenue Bonds, Series 2013B	1,686	2,869	2,865	2,862	2,861	14,286	14,243	14,177	14,122	11,253	81,224
General Rev. Refunding, Series 2013C	2,102	2,102	2,060	-	-	-	-	-	-	-	6,264
General Rev. Refunding, Series 2013D	1,502	1,500	1,497	1,494	1,486	7,382	5,374	2,465	485	-	23,185
General Revenue Bonds, Series 2014A	487	732	729	731	728	3,640	3,633	3,618	3,607	3,587	21,492
General Revenue Bonds, Series 2014B	544	773	775	771	771	3,856	3,837	3,824	3,807	3,781	22,739
General Rev. Refunding, Series 2014C	6,371	6,994	6,974	6,958	6,914	34,505	34,329	23,206	4,620	-	130,871
Total principal & interest	52,032	52,314	51,750	49,330	49,932	249,756	240,686	185,944	122,981	52,976	1,107,701
Less: Interest	29,452	28,839	28,187	27,507	26,620	117,171	84,170	50,522	21,491	2,872	416,831
Subtotal principal	22,580	23,475	23,563	21,823	23,312	132,585	156,516	135,422	101,490	50,104	690,870
Plus: Premium / (Discount)	662	654	608	596	596	2,996	2,895	2,062	489	240	11,798
Total principal	23,242	24,129	24,171	22,419	23,908	135,581	159,411	137,484	101,979	50,344	702,668
Capital leases	12,278	11,290	10,671	10,399	3,298	20,294	23,938	28,221	-	-	120,389
Less: Interest	3,789	3,395	3,109	2,775	2,457	11,654	8,749	3,858	-	-	39,786
Subtotal principal	8,489	7,895	7,562	7,624	841	8,640	15,189	24,363	-	-	80,603
Plus: Premium / (Discount)	88	69	62	55	26	(1)	(2)	(1)	-	-	296
Total principal	8,577	7,964	7,624	7,679	867	8,639	15,187	24,362	-	-	80,899
Total	\$31,819	\$ 32,093	\$ 31,795	\$ 30,098	\$ 24,775	\$ 144,220	\$ 174,598	\$ 161,846	\$ 101,979	\$ 50,344	\$ 783,567

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

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. Total principal and interest remaining to be paid on the General Revenue Bonds is \$1,105,685 as of June 30, 2014. The total pledged revenue received in 2014 was \$507,902. Debt service payments, including both principal and interest, of \$46,928 were 9.2% of pledged revenue in 2014.

The Student Housing Revenue Bonds, Series 2004, 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 student housing. Total pledged housing revenue in 2014 was \$56,131. Debt service payments of \$5,423 were 9.7% of pledged revenue.

At June 30, 2014 and 2013, the University had \$37,160 and \$32,713, respectively, of cash and investments held in trust for all bond indentures, restricted to the payment of principal and interest.

Capital Lease Obligations:

OCIA Capital Lease Obligations

In September 1999, the University entered into a 20 year lease agreement with the Oklahoma Capital Improvement Authority ("OCIA") and the Oklahoma State Regents for Higher Education as beneficiary of a portion of the proceeds from the Oklahoma Capital Improvement Authority State Facilities Revenue Bonds, Series 1999A (the "OCIA Bonds"). The University received \$5,850 of the proceeds for capital improvement projects on the Norman Campus as approved by the Regents. Assets under this capital lease totaled \$4,378, net of accumulated depreciation of \$1,472 at June 30, 2014, and \$4,495, net of accumulated depreciation of \$1,355, at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

OCIA Capital Lease Obligations--Continued

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 \$82,076, net of accumulated depreciation of \$9,137 on the completed projects, at June 30, 2014, and \$83,900, net of accumulated depreciation of \$7,313 on the completed projects, at June 30, 2013.

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

In the spring of 2014, the remaining 2005 lease agreement with OCIA was restructured through a refunding of the Series 2005F bond debt. OCIA issued a new bond, Series 2014A. The lease restructuring resulted in a reduction in principal (\$1,530) and interest (\$2,144) between the original lease agreement and the restructured lease agreement for a total aggregate debt service reduction of \$3,674. A deferred inflow of resources of \$1,530 has been recorded that will be amortized over a period of seventeen years.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

ODFA Master Lease Obligations

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

ODFA Master Leases	Issued	Term	Capital Asset Class	Amount Financed	2014			2013		
					Not Capitalized*	Accumulated Depreciation	Net Book Value	Not Capitalized*	Accumulated Depreciation	Net Book Value
ODFA 2005A	May 2005	7 - 10 years	Equipment	2,173	-	2,159	14	-	2,144	29
ODFA 2005B	August 2005	3 - 10 years	Equipment	3,421	1,530	1,891	-	1,530	1,891	-
ODFA 2005C	December 2005	10 years	Equipment	1,466	1,466	-	-	1,466	-	-
ODFA 2006A	May 2006	5 - 10 years	Equipment	3,332	-	2,910	422	-	2,746	586
ODFA 2006C	December 2006	5 - 10 years	Equipment	3,136	1,684	1,016	436	1,684	871	581
ODFA 2007A	May 2007	3 - 7 years	Equipment	1,434	538	896	-	538	896	-
ODFA 2007B	July 2007	5 - 20 years	Equipment	4,605	1,305	2,427	873	1,305	2,159	1,141
ODFA 2007C	November 2007	5 - 10 years	Equipment	11,364	605	9,452	1,307	605	9,016	1,743
ODFA 2008A	September 2008	3 - 10 years	Equipment	15,468	877	10,654	3,937	877	9,562	5,029
ODFA 2008B	December 2008	5 - 10 years	Equipment	1,724	529	717	478	529	598	597
ODFA 2009A	July 2009	5 - 20 years	Equipment	2,759	1,326	940	493	1,326	752	681
ODFA 2009B	December 2009	5 - 10 years	Equipment	1,576	-	671	905	-	537	1,039
ODFA 2010B	December 2010	5 years	Equipment	1,029	470	224	335	470	168	391
ODFA 2011C	November 2011	5 - 10 years	Equipment	4,261	523	1,101	2,637	523	727	3,011
				<u>57,748</u>	<u>10,853</u>	<u>35,058</u>	<u>11,837</u>	<u>10,853</u>	<u>32,067</u>	<u>14,828</u>

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

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

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

Of the advance received, \$55,387 was transferred to trustees to purchase escrow securities for the defeasement of a portion of the General Revenue Bonds Series 2009A (36.29%), General Revenue Bonds Series 2009B (76.05%), and General Revenue Bonds, Refunding Series 2009C (100%). These bonds were used for utility system acquisitions and improvements. Total principal defeased was \$47,415. The funds transferred for defeasance will remain in escrow until the final call date of July 1, 2024. The escrow balance at June 30, 2014 and 2013, was \$48,018 and \$50,200. Total principal outstanding on the defeased debt was \$43,790 and \$45,040 as of June 30, 2014 and 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 10--LONG-TERM LIABILITIES--Continued

Refunding Bonds: In December 2012, General Revenue Refunding Bonds 2012C and 2012D were issued to refund the Housing 2002 and Research Facilities 2003 Revenue Bonds having a total of principal balance outstanding of \$31,785. This resulted in cash flow savings of \$6,442 and net present value benefit of \$5,193. The total principal outstanding on the 2012C and 2012D bonds was \$30,580 and 32,475 as of June 30, 2014 and 2013.

In November 2013, General Revenue Refunding Bonds 2013C and 2013D were issued to refund the ODFA Series A and B Revenue Bonds and Research 2004 Revenue Bonds having a total principal balance outstanding of \$22,260. This resulted in cash flow savings of \$1,939 and net present value of \$1,249. The total principal outstanding on the 2013C and 2013D bonds was \$23,295 at June 30, 2014. Total principal outstanding on the refunded 2004 Research Facilities Revenue Bond was \$16,115 at June 30, 2014.

In May 2014, General Revenue Refunding Bond 2014C was issued to refund the Multiple Facilities 2003 Revenue Bonds and the Housing 2004 Revenue Bonds having a total principal balance outstanding of \$97,190. This resulted in cash flow savings of \$17,742 and net present value benefit of \$12,440. The total principal outstanding on the 2014C bonds was \$89,185 at June 30, 2014. Total principal outstanding on the refunded 2004 Student Housing Revenue Bond was \$69,570 at June 30, 2014.

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 \$3,308 and \$2,259, respectively, for the years ended June 30, 2014 and 2013.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

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

Defined Benefit Plan - Oklahoma Teachers Retirement System

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

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

Funding Policy: System members and the University are required to contribute at a rate set by statute. The contribution requirements of system members and the University are established and may be amended by the legislature of the state of Oklahoma. For the years ended June 30, 2014, 2013, and 2012, the contribution rate for System members of 7% is applied to their total compensation.

For FY14, FY13, and FY12, the local employer contribution rate was 8.55%. For the years ended June 30, 2014 and 2013, the State contributed 5% of State revenues from sales and use taxes and individual income taxes. Contributions made by the State from dedicated taxes are considered on-behalf payments for the University's employees. The amount benefiting the University's employees is estimated at \$15,167 and \$15,418 for the years ended June 30, 2014 and 2013, respectively, based on an allocation of the University's covered payroll to the total covered payroll for the OTRS. These on-behalf payments have been recorded as both revenues and expenses in the statements of revenues, expenses and changes in net position.

The University's contributions to OTRS, for the years ended June 30, 2014, 2013, and 2012 were approximately \$20,217, \$19,856, and \$19,548, respectively, equal to the required contributions each year.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

Defined Contribution Plan - Optional Retirement Plan

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

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

Funding Policy: The ORP provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 9% of covered payroll and is determined by the previously mentioned plan document. The University's contributions to the ORP for the years ended June 30, 2014 and 2013 were approximately \$7,851, and \$7,402. Employees do not contribute to the ORP. The vesting period for the ORP is three years.

Defined Contribution Plan - Plan 1 and Plan 2

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

Funding Policy: Plan 1 and Plan 2 provisions and contribution requirements are established and may be amended by the University. The University's contribution rate is 15% for Plan 1 and 8% for Plan 2 of covered payroll and is determined by the previously mentioned plan document. Total contributions to Plans 1 and 2 were \$17,182 and \$2,984, respectively, for the year ended June 30, 2014. Total contributions to Plans 1 and 2 were \$17,455 and \$2,808, respectively, for the year ended June 30, 2013. Employees do not contribute to Plans 1 and 2. The vesting period for both Plan 1 and Plan 2 is three years.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 12--RETIREMENT PLANS--Continued

Supplemental Benefits Plan

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

Under the current provisions of the Plan, it is management's opinion that no current employee will qualify for the Plan. Benefits paid under this Plan during the years ended June 30, 2014, 2013 and 2012 to retired employees were \$2, \$6 and \$8, respectively. The Plan is an unfunded plan and management's estimates of the remaining pension benefit obligation under the Plan at June 30, 2014, 2013 and 2012 were approximately \$0, \$10 and \$27. The pension benefit obligation was determined as a part of an actuarial valuation at year end. Significant actuarial assumptions used include (a) a discount rate of 6.5% per year compounded annually, (b) projected post retirement benefit increases of 3.5% per year compounded annually, attributable to inflation and (c) the Internal Revenue Code "Ordinary Life Annuities" tables.

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

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

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

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

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

2. The University will continue to provide a 100% premium subsidy for Group 1 retirees.
3. An insurance premium subsidy for Group 2 was established as follows:

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

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

Funding Policy: For the University's plan, the contribution requirement is based on a projected pay-as-you-go basis. The funding policy may be amended by the Regents of the University of Oklahoma. The University pays the premiums for the retirees hired prior to January 1, 2008, with varying premium subsidies based on retirement age and years of service. At their own expense, retirees may also elect health or dental coverage for eligible dependents. For the years ended June 30, 2014 and 2013, the University contributed \$4,912 and \$4,852 respectively for current retirees.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

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

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

	2014	2013
Annual Required Contribution (ARC)	\$ 11,089	\$ 11,760
Interest on Net OPEB Obligation	4,326	3,947
Adjustment to ARC	<u>(3,577)</u>	<u>(3,263)</u>
Annual OPEB Cost	11,838	12,444
Contributions paid during year	<u>(4,912)</u>	<u>(4,852)</u>
Increase in net OPEB Obligation	6,926	7,592
Net OPEB obligation-beginning of year	<u>86,529</u>	<u>78,937</u>
Net OPEB obligation-end of year	<u>\$ 93,455</u>	<u>\$ 86,529</u>

Funded Status and Funding Progress: The unfunded actuarial accrued liability (UAAL), totaled \$168,897 as of the January 1, 2014 actuarial valuation date. The UAAL is being amortized over an open period of thirty years using the level percentage of projected covered payroll amortization method. The covered payroll (annual payroll of active employees covered by the plan) was \$305,897 and \$275,053 for 2014 and 2013, and the ratio of the UAAL to the covered payroll was 55 percent for 2014.

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 13--OTHER POSTEMPLOYMENT BENEFITS--Continued

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Liability
2014	\$ 11,838	41%	\$ 93,455
2013	12,444	39%	86,529
2012	12,309	43%	78,937

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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include the following: a 5.0 percent investment rate of return, which is based on the expected long-term investment returns of the University's own investments, an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to 4.5 percent after seven years (7.75% for 2014), and a payroll annual inflation rate of 3.5 percent.

NOTE 14--RISK MANAGEMENT

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

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

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

- The buildings and contents are insured for replacement value. Each loss incident is subject to a \$750 deductible.
- General liability and tort claim coverages (including comprehensive general liability, auto liability, personal injury liability, aircraft liability, watercraft liability, leased vehicles and equipment) are purchased by the University from DCAMRMD. To complement coverage provided by State Statute, additional coverage is purchased based on specific departmental and institutional needs and risks, but the related risks are not considered material to the University as a whole. Aircraft claims filed as of June 30, 2014 and 2013 were \$0 and \$11, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 14--RISK MANAGEMENT--Continued

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, 2014 and 2013, the accrued workers' compensation liability totaled approximately \$2,611 and \$2,670, 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, 2014 and June 30, 2013, the required reserves were \$446 and \$526, respectively. The minimum cash balance is considered each year during the fringe benefit rate-setting process.

NOTE 15--COMMITMENTS AND CONTINGENCIES

At June 30, 2014 and 2013, the University had outstanding commitments under construction contracts totaling \$20,642 and \$52,126, respectively.

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 and 2013 (in thousands)

NOTE 16--FUNCTIONAL CLASSIFICATIONS

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

	<u>2014</u>	<u>2013</u>
Instruction	\$ 228,689	\$ 223,276
Research	94,526	94,918
Public Service	51,522	48,576
Academic Support	74,802	71,924
Student Services	25,228	23,644
Institutional Support	37,034	36,024
Operation & Maintenance of Plant	117,647	116,203
Student Aid	34,617	34,542
Other	5,773	5,459
Auxiliary	<u>160,395</u>	<u>146,047</u>
Total Operating Expenses	<u>\$ 830,233</u>	<u>\$ 800,613</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--OTHER POSTEMPLOYMENT BENEFITS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

June 30, 2014 (in thousands)

University of Oklahoma Norman Campus Retiree Health/Dental Insurance

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	-	147,755	147,755	-	282,809	52%
1/1/2013	-	167,878	167,878	-	275,053	61%
1/1/2014	-	168,897	168,897	-	305,897	55%

The University obtains an actuarial valuation annually.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

Benefit Provisions: During the year ended June 30, 2012, the University's Board of Regents approved significant changes to the University's retiree health/dental insurance plans. A more complete description of changes is included in Note 13 to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

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

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014 (with comparative totals for the year ended June 30, 2013)
(in thousands)

	ODFA Public Facilities 2003A	Athletics ODFA 2003B	Student Housing 2002 & 2004	Multiple Facilities Rev Bonds 2003	Research Facilities 2004	Totals (Memorandum Only)	
						2014	2013
REVENUES AND OTHER ADDITIONS							
Room rentals, food, and utility sales	\$ -	\$ -	\$ 62,159	\$ -	\$ -	\$ 62,159	\$ 71,206
Student fees	-	-	-	-	-	-	2,504
State school land funds	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Parking permits and fines	-	-	-	-	-	-	-
Other sources	-	-	(3,037)	-	-	(3,037)	131,711
TOTAL REVENUES AND OTHER ADDITIONS	-	-	59,122	-	-	59,122	205,421
EXPENDITURES							
Salaries, wages and employee benefits	-	-	14,345	-	-	14,345	51,966
Repairs and maintenance	-	-	4,373	-	-	4,373	9,289
Utilities	-	-	6,218	-	-	6,218	10,279
Contractual services and equipment rentals	-	-	11,339	-	-	11,339	25,855
General and administrative	-	-	9,733	-	-	9,733	38,900
Interest on indebtedness	-	-	3,631	-	-	3,631	6,608
Closing costs and discount	-	-	(16)	-	-	(16)	(24)
Trustee fees	-	-	3	-	-	3	20
Retirement of equipment	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	49,626	-	-	49,626	142,893
TRANSFERS AMONG FUNDS							
From (To) other funds	-	-	-	-	-	-	-
From (To) general university	(14,234)	(243,770)	66,866	(11,793)	(37,904)	(240,835)	(66,205)
TOTAL TRANSFERS	(14,234)	(243,770)	66,866	(11,793)	(37,904)	(240,835)	(66,205)
NET INCREASE FOR THE YEAR	(14,234)	(243,770)	76,362	(11,793)	(37,904)	(231,339)	(3,677)
NET POSITION AT BEGINNING OF YEAR	14,234	243,770	159,574	11,793	37,904	467,275	470,952
NET POSITION AT END OF YEAR	\$ -	\$ -	\$ 235,936	\$ -	\$ -	\$ 235,936	\$ 467,275

Note: The Revenue Bond Systems Outstanding Schedule of Revenues, Expenditures and Changes in Net Position is prepared on a different basis of accounting than the basic financial statements. These statements are prepared on a comprehensive basis of accounting in accordance with the trust indentures which do not require the University to record a provision for depreciation.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Oklahoma Norman Campus (the "University"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2014.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 10, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the University of Oklahoma Norman Campus' (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-01, that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

We have audited the financial statements of the University as of and for the year ended June 30, 2014, and have issued our report thereon dated October 10, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 10, 2014

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Department of Agriculture				
Agricultural Research Service	10.001			808
Agricultural Research Service	10.312			184,588
Forestry Service	10.652			2,845
Forestry Service	10.XXX			2,015
National Institute of Food and Agriculture	10.310			169,734
			-	359,990
Department of Commerce				
National Institute for Standards and Technology	11.609			14,175
National Oceanic and Atmospheric Administration	11.431		118,251	216,707
National Oceanic and Atmospheric Administration	11.432		221,393	10,914,902
National Oceanic and Atmospheric Administration	11.459			150,141
National Oceanic and Atmospheric Administration	11.468			259,730
National Oceanic and Atmospheric Administration	11.483			921,674
			339,644	12,477,329
Department of Defense				
Defense Threat Reduction Agency	12.351			326,739
Air Force	12.800		17,582	486,039
Air Force	12.910		207,028	967,854
Army Medical Research Acquisition Activity	12.420			141,525
Army	12.420			16,609
Army	12.431		4,636	52,738
Army	12.630			19,790
Army Research Office	12.431			106,144
Advanced Research Projects Agency	12.431		29,040	135,146
Advanced Research Projects Agency	12.910		136,348	552,420
Medical Research Acquisition Activity	12.XXX			38,454
Navy	12.300		32,859	122,806
National Security Agency	12.901			23,535
Office of Naval Research	12.300		357,334	2,164,190
			784,827	5,153,989
Department of Interior				
Bureau of Land Management	15.224			1,430
Bureau of Land Management	15.238			19,152
Bureau of Reclamation	15.511			76,060
Fish and Wildlife	15.615			7,652
Fish and Wildlife	15.649			28,224
Fish and Wildlife	15.650			4,379
Office of Surface Mining	15.255			47,000
Geological Survey	15.807			51,686
Geological Survey	15.808			32,887
Geological Survey	15.810			75,088
Geological Survey	15.811			4,285
Geological Survey	15.814			8,407
Geological Survey	15.819			15,142
Geological Survey	15.820		496,059	1,029,053
			496,059	1,400,445
Department of Transportation				
Federal Aviation Administration	20.XXX			48,688
Research & Innovative Technology Administration	20.701		37,193	155,001
Federal Transit Administration	20.514		83,353	89,454
			120,546	293,143
Environmental Protection Agency				
Environmental Protection Agency	66.514			9,984
Environmental Protection Agency	66.516			48,786
			-	58,770
Department of Health and Human Services				
National Cancer Institute	93.394		5,154	(10,310)
National Institutes of Health	93.113			305,368
National Institutes of Health	93.173		53,622	568,206
National Institutes of Health	93.286			139,794
National Institutes of Health	93.310			308,207

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
National Institutes of Health	93.393		69,521	197,510
National Institutes of Health	93.853			240
National Institutes of Health	93.855			1,030,030
National Institutes of Health	93.859		794,837	3,779,368
National Institutes of Health	93.865			247,292
National Institutes of Health	93.866			118,001
National Institutes of Health	93.989			91,116
			923,134	6,774,822
National Aeronautics and Space Administration				
Goddard Space Flight Center	43.001		29,738	203,791
Goddard Space Flight Center	43.XXX			3
Langley Research Center	43.001			122,383
Marshall Space Flight Center	43.001			3,983
Shared Services Center	43.001		126,177	1,331,533
Shared Services Center	43.008		112,522	648,534
Shared Services Center	43.009			53,673
			268,437	2,363,900
National Science Foundation				
National Science Foundation	47.041		114,130	1,488,363
National Science Foundation	47.047			74,592
National Science Foundation	47.049		6,016	2,265,036
National Science Foundation	47.050		66,380	2,708,833
National Science Foundation	47.070		45,594	1,319,279
National Science Foundation	47.074		29,233	2,737,472
National Science Foundation	47.075		8,192	152,205
National Science Foundation	47.076			249,704
National Science Foundation	47.078			71,012
National Science Foundation	47.079			15,661
National Science Foundation	47.080			40,745
National Science Foundation	47.081		23,490	122,346
National Science Foundation - ARRA	47.082		39,718	555,427
			332,753	11,800,675
Other Federal Agencies				
Central Intelligence Agency	13.XXX			127,120
Institute of Museum and Library Services	45.301			49,454
Department of State	19.009			93,934
Department of State	19.415			122,518
			-	393,026
Department of Energy				
Department of Energy	81.049		814,287	5,602,549
Department of Energy	81.087		42,674	329,973
Department of Energy	81.XXX			110,064
			856,961	6,042,586
Department of Education				
Department of Education	84.200			105,602
Department of Education	84.325			259,937
Department of Education	84.326			84,883
Department of Education	84.334		952,791	3,944,783
			952,791	4,395,205
TOTAL RESEARCH DIRECT PROGRAMS			5,075,152	51,513,880
RESEARCH-FLOW THROUGH PROGRAMS				
Commercial and Commercial Related				
ABT Associates Inc	93.009	40140		37,807
APTIMA, INC.	12.300	07091582		10,069
Applied Quantum Enovation, LLC	47.041	FY14ORA329		16,597
Atmospheric Technology Services Company, LLC	12.XXX	FY10ORA316		50,354
AWSTruePower	81.064	SRA050911		12,520
Battelle	81.XXX	109479		(1,602)
Courtesy Associates	93.113	LTR111010		64,137

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Glomics, Inc.	81.049	FY12ORA320		89,068
Glomics, Inc.	81.049	FY12ORA321		70,125
Lawrence Livermore National Laboratory	81.123	B602262		16,044
MicroChem Solutions	81.049	FY13ORA216		54,503
University Corporation for Atmospheric Research	11.432	0345040		6,475
VADovations, Inc.	93.837	AGMT040813		292,972
			-	719,069
Foundations				
H.M. Jackson Foundation for Advancement of Military Medicine	12.420	681244		39,410
Texas A&M Research Foundation	10.200	99S120052		4,674
			-	44,084
Not for Profit Organizations				
American Association of Physics Teachers	47.XXX	MOU111505		8,311
Brookhaven National Laboratory	81.049	181673		58,442
Biodiversity Research Institute	81.087	FY13ORA124		29,880
Environmental Education Association of New Mexico	66.203	AGMT121912		4,800
EcoHealth Alliance	93.113	EHAAI3287FY13UO		77,438
Integrus Baptist Medical Center	93.837	AGMT120512		76,523
National Academy of Sciences	19.501	PGAP210874		23,652
National Institute of Aerospace	43.001	C132948OU		21,939
National Writing Project Corporation	84.367	92OK02SEED2012		23,722
New York Historical Society	45.160	LTR040312		(768)
Research Partnership to Secure Energy for America	81.089	0912211		178,633
Research Partnership to Secure Energy for America	81.089	10121450401		234,467
Research Partnership to Secure Energy for America	81.089	1112324		767,342
Smithsonian Astrophysical Observatory	43.001	AR213003X		35,076
Smithsonian Astrophysical Observatory	43.001	G0213099X		14,804
Smithsonian Astrophysical Observatory	43.001	G0314027X		19,784
Smithsonian Astrophysical Observatory	43.001	GO213132A		8,647
Smithsonian Astrophysical Observatory	43.001	GO314110C		25,299
Wildlife Management Institute	15.669	GPLCC201202		42,808
			-	1,650,799
State of Oklahoma				
OK Department of Education	84.329	2659014380		19,150
Oklahoma Historical Society	15.904	12101		16,333
Oklahoma Historical Society	15.904	13101		72,938
Oklahoma Historical Society	15.904	13404		17,600
Oklahoma Historical Society	15.904	13405		21,129
Health Sciences Center	93.110	TS2011149109		12,262
Health Sciences Center	93.113	0000064172		148,759
Health Sciences Center	93.113	RS2013049409		49,418
Health Sciences Center	93.113	RS2013049410		29,093
Health Sciences Center	93.865	RS2010008705		8,929
Oklahoma State University	10.310	AC581910OU		240,307
Oklahoma State University	10.320	AB568110OU1	35,307	84,696
Oklahoma State University	15.805	2013OK292BOU1	5,426	20,903
Oklahoma State University	20.205	AA54580301		18,693
Oklahoma State University	20.701	AA52241803		16,428
Oklahoma State University	20.701	AA54272201		15,113
Oklahoma State University	20.701	AA54273201		(2,780)
Oklahoma State University	20.701	FY13OUSIP		1,734
Oklahoma State University	20.701	OTCEOS10211		8,781
Oklahoma State University	20.701	OTCES10210	419	3,810
Oklahoma State University	20.701	OTCREOS11145		(37)
Oklahoma State University	20.701	OTCREOS11146		(2,003)
Oklahoma State University	20.701	OTCREOS11157	5,076	6,948
Oklahoma State University	20.701	OTCREOS11165	1,882	10,640
Oklahoma State University	47.041	AGMT061713		1,740
Oklahoma State University	47.076	AA529849OU		90,655
Oklahoma State University	47.076	AA531470OU		6,139
Oklahoma State University	47.076	AA546363		341,045
Oklahoma State University	47.080	ATP061614		4,590

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
Oklahoma State University	47.080	ATP061714		18,534
Oklahoma State University	47.080	EPSCOR20085		145,740
Oklahoma State University	47.080	EPSCOR201313		2,000
Oklahoma State University	47.080	EPSCOR201317		94,505
Oklahoma State University	47.080	EPSCOR201318		426,585
Oklahoma State University	47.080	EPSCOR201319		326,065
Oklahoma State University	47.080	EPSCOR201320		226,419
Oklahoma State University	47.080	EPSCOR201324		20,222
Oklahoma State University	47.080	EPSCOR20133		6,563
Oklahoma State University	47.080	EPSCOR20138		6,182
Oklahoma State University	47.081	EPSCOR201210		2,000
Oklahoma State University	47.081	EPSCOR201214		3,200
Oklahoma State University	47.081	EPSCOR201215		5,259
Oklahoma State University	47.081	EPSCOR201217		19,330
Oklahoma State University	47.081	EPSCOR201218		83,000
Oklahoma State University	47.081	EPSCOR201219		109,957
Oklahoma State University	93.213	54128201		3,196
Oklahoma State University	93.859	AE551670		20,532
Oklahoma Highway Safety Office	20.600	K913060310		25,716
Oklahoma Highway Safety Office	20.616	K913060207		51,656
Oklahoma Highway Safety Office	20.616	M3DA14060208		131,847
Oklahoma Highway Safety Office	20.616	M3DA14060311		50,403
OK Department of Transportation	20.200	AGMT091912		211,346
OK Department of Transportation	20.200	SPRY0010056PL	298,378	298,379
OK Department of Transportation	20.223	AGMT011413	40,259	144,656
OK Department of Transportation	20.223	AGMT011812		(1,688)
OK Department of Transportation	20.223	AGMT100813	41,566	164,966
OK Department of Transportation	20.509	2809710	120,000	263,431
OK Department of Transportation	20.509	2809711	82,500	175,894
OK Department of Transportation	20.509	AGMT060212	67,500	79,830
OK Department of Transportation	20.XXX	HPP155E527HP		127,385
OK Wildlife and Conservation Commission	15.605	F13AF00188		12,972
OK Wildlife and Conservation Commission	15.615	F13AP00223		12,969
OK Wildlife and Conservation Commission	15.632	T59R1		1,261
OK Wildlife and Conservation Commission	15.634	F13AF01188		23,126
OK Wildlife and Conservation Commission	15.634	F13AF01213		15,225
			698,313	4,571,676
Other States				
Arizona - ARRA	81.087	OKEE0002850		8,384
			-	8,384
Universities and Colleges				
University of Alabama	93.394	000354248001		130,395
Alabama A&M University	47.074	SUBDBI0703470UOK		35,000
University of Arizona	12.910	34107		260,053
University of Connecticut	43.001	23669		49,684
Cornell University	47.074	0901		224,442
Colorado School of Mines	43.001	400489		38,307
Colorado State University	47.074	G25763		44,493
University of Delaware	47.041	33792		86,571
Duke University	12.910	10DARPA1093		37,637
Duke University	81.049	12DOE1059		1,967
Duke University	93.172	12NIH1105		118,523
University of Florida	81.049	UF11243		103,646
University of Florida	93.085	UF13228		12,648
University of Georgia	47.074	RC3712514353838		69,961
University of Illinois at Urbana-Champaign	10.310	20090680103		1,569
Iowa State University	81.087	4012506A		255,241
University of Maryland	43.001	Z676901		36,808
University of Massachusetts	47.041	04002341A00		118,055
University of Massachusetts	47.041	04002341A21		11,963
University of Massachusetts	47.041	13007358D00		73,984

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

RESEARCH-DIRECT PROGRAMS	FEDERAL CFDA	FLOW-THRU IDENTIFYING NUMBER	AMOUNT PROVIDED TO SUBRECIPIENTS	TOTAL CASH BASIS EXPENDITURES
University of Missouri	47.079	C000148273		9,927
Missouri University of Science and Technology	20.205	0003697801		40,087
Missouri University of Science and Technology	20.205	004014001		56,569
Missouri University of Science and Technology	20.701	0004249202		67,336
North Carolina State University	47.074	2014045201		28,047
University of Notre Dame	47.XXX	LTR070107		2,965
New Mexico Institute of Mining and Technology	81.089	P0011839		49,148
Northwestern University	93.853	60026338UO		94,099
University of Pittsburgh	93.837	0011797		26,997
South Dakota State University	43.001	3TB330		120,183
Southern Nazarene University	47.074	FY13ORA337		18,063
State University of New York	47.049	R868654		1,092
Temple University	47.076	252254OU		31,780
Texas State University	43.001	14010820911		12,221
University of Tulsa	43.008	142120763894802		23,454
Univ of California, Berkley	81.049	00007342		235,597
Univ of California, Berkley	81.049	00008322		52,461
Univ of California, Berkley	81.XXX	6847566		577,686
University of California, Davis	47.074	20111806201		84,507
University of California, Los Angeles	45.313	0285GPA028		13,242
University of California, Los Angeles	47.074	2301GRC928		15,340
University of California at Santa Cruz	47.049	S0183171		101,658
University of North Carolina Chapel Hill	97.061	536437		90,899
University of Texas at Arlington	47.049	2639062361		39,612
Univ. of Texas San Antonio	93.855	156159151243		12,042
University of Washington	47.049	744824		125,111
Yale University	47.074	C13D11392		2,175
			-	3,643,245
TOTAL RESEARCH FLOW-THROUGH PROGRAMS			698,313	10,637,257
TOTAL RESEARCH PROGRAMS			5,773,465	62,151,137
OTHER SPONSORED ACTIVITY - DIRECT PROGRAMS				
National Science Foundation				
National Science Foundation	47.049			33,088
National Science Foundation	47.076			313,113
			-	346,201
Department of Interior				
Geological Survey	15.820			23,133
			-	23,133
Department of Defense				
National Security Agency	12.900			55,177
			-	55,177
National Aeronautics and Space Administration				
Shared Services Center	43.001		10,855	53,610
Shared Services Center	43.008		204,594	492,812
			215,449	546,422
Department of Education				
Department of Education	84.324			442,537
Department of Education	84.326			66,927
Department of Education	84.334			3,014,539
			-	3,524,003
Other Federal Agencies				
National Archives and Records Administration	89.003			14,432
National Endowment for the Humanities	45.163			75,278
Department of State	19.009			24,982
Department of State	19.040			39,275
Department of State	19.415			219,941
Department of State	19.501			189,146
Department of Justice	16.560			311,195

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

<u>RESEARCH-DIRECT PROGRAMS</u>	<u>FEDERAL CFDA</u>	<u>FLOW-THRU IDENTIFYING NUMBER</u>	<u>AMOUNT PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL CASH BASIS EXPENDITURES</u>
			-	874,249
TOTAL OTHER SPONSORED ACTIVITY DIRECT PROGRAMS			215,449	5,369,185
OTHER SPONSORED ACTIVITY-FLOW THROUGH PROGRAMS				
Commercial and Commercial Related				
Battelle	81.117	138292		28,338
			-	28,338
Not for Profit Organizations				
Council of Graduate Schools	47.075	LTR091912		12,371
Community Services Council of Greater Tulsa	93.107	FY13ORA336		139
Institute of International Education	19.400	AGMT052213		11,802
National Writing Project Corporation	84.367	92OK02SEED2012		2,860
Oklahoma Humanities Council	45.129	Y14030		1,000
Oklahoma City Public Schools	84.013	FY12ORA114		38,826
Oklahoma City Public Schools	84.367	FY11ORA159		4,432
Oklahoma City Public Schools	84.367	FY11ORA160		2,911
Putnam City Public Schools	84.336	FY11ORA354		(85)
Putnam City Public Schools	84.336	FY12ORA240		385
Putnam City Public Schools	84.336	FY12ORA241		(21,156)
Putnam City Public Schools	84.336	FY12ORA242		3,205
Putnam City Public Schools	84.366	317120721		26,594
Putnam City Public Schools	84.366	FY11ORA253		7,441
			-	90,725
State of Oklahoma				
Oklahoma Conservation Commission	66.XXX	AGMT061009	4,297	73,946
OK Office of State Finance - ARRA	11.558	FY10ORA325		170,191
Oklahoma State University	10.001	AB566690OU		26,971
Oklahoma State University	10.001	AB568330OU		98,774
Oklahoma State University	47.076	AA529769OUBD		2,366
OK Department of Transportation	20.200	AGMT091013		618,018
			4,297	990,266
Universities and Colleges				
University of Georgia	45.024	RE0211464785246		4,140
Northwestern University	93.647	SP0016134PROJ0005747		14,745
Northwestern University	93.647	SP0020207PROJ0005747		517
Northwestern University	93.647	SP0024623PROJ0006757		27,380
			-	46,782
TOTAL OTHER SPONSORED ACTIVITY FLOW-THROUGH PROGRAMS			4,297	1,156,111
TOTAL OTHER SPONSORED ACTIVITY PROGRAMS			219,746	6,525,296
STUDENT FINANCIAL ASSISTANCE				
Department of Education				
ACG	84.375			-
Pell	84.063			21,081,731
SEOG	84.007			441,473
SMART	84.376			-
TEACH	84.379			71,543
College Work-Study	84.033			1,352,959
Federal Perkins Loan Program	84.038			15,585,103
Federal Direct Student Loans	84.268			109,882,827
TOTAL STUDENT FINANCIAL ASSISTANCE				148,415,636
TRIO				
Department of Education - TRIO	84.042			431,393
Department of Education - TRIO	84.047			245,108
Department of Education - TRIO	84.217			189,675
TOTAL TRIO				866,176

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

<u>RESEARCH-DIRECT PROGRAMS</u>	<u>FEDERAL CFDA</u>	<u>FLOW-THRU IDENTIFYING NUMBER</u>	<u>AMOUNT PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL CASH BASIS EXPENDITURES</u>
OTHER FEDERAL PROGRAMS				
Department of Interior				
Bureau of Reclamation	15.511			20,677
TOTAL DEPARTMENT OF INTERIOR				20,677
Department of Transportation				
Federal Transit Administration	20.507			1,248,000
Federal Aviation Administration	20.XXX			167,671
TOTAL DEPARTMENT OF TRANSPORTATION				1,415,671
TOTAL OTHER FEDERAL PROGRAMS				1,436,348
UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS				
National Science Foundation				
National Science Foundation	47.050			26,057
			-	26,057
Department of Health and Human Services				
Administration for Children and Families	93.632			536,547
Administration for Children and Families	93.652			817,791
Centers for Disease Control	93.954			13,468
			-	1,367,806
Other Federal Agencies				
Social Security Administration	96.008			204,012
Department of Labor	17.720			346,161
			-	550,173
Department of Education				
Department of Education	84.283			3,654,863
			-	3,654,863
TOTAL UNIVERSITY OUTREACH (CCE and CLS) DIRECT PROGRAMS			-	5,598,899
UNIVERSITY OUTREACH (CCE and CLS) FLOW-THROUGH PROGRAMS				
Not for Profit Organizations				
National Indian Health Board	93.954	AGR7/12/13		5,182
			-	5,182
Commercial and Commercial Related				
Miko Group	84.371	AGR11/15/12		64,991
			-	64,991
Foundations				
Oklahoma Partnership for School Readiness Foundation, Inc. - /	93.708	90SC000824OUELQA		5,525
			-	5,525
State of Oklahoma				
East Central University	84.382	ATP		(3,252)
OK Department of Health	10.557	PO3409016349		297,501
OK Department of Health	93.516	AGR4/4/14		7,279
OK Department of Health	93.777	PO3409016349		12,821
OK Department of Human Services	93.652	PO0018483		246,753
OK Department of Human Services	93.652	PO0723975		100,250
OK Department of Human Services	93.674	AGR10/11/12		105,116
OK Department of Human Services	93.674	PO0700617		1,461,770
OK Department of Mental Health	93.104	AGR7/1/12		8,800
OK Department of Mental Health	93.104	PO4529044321		4,656
OK Department of Mental Health	93.104	PO4529046008		112,001
OK Department of Mental Health	93.104	PO4529046010		30,280
OK Department of Mental Health	93.104	PO4529046011		282,321
OK Department of Mental Health	93.243	AGR7/1/12		1,918
OK Department of Mental Health	93.243	PO4529039841		114,377
OK Department of Mental Health	93.243	PO4529042218		11,964

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

<u>RESEARCH-DIRECT PROGRAMS</u>	<u>FEDERAL CFDA</u>	<u>FLOW-THRU IDENTIFYING NUMBER</u>	<u>AMOUNT PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL CASH BASIS EXPENDITURES</u>
OK Department of Mental Health	93.243	PO4529045830		43,053
OK Department of Mental Health	93.243	PO4529046012		52,472
OK Department of Mental Health	93.959	PO4529039841		193,358
			-	3,083,438
TOTAL UNIVERSITY OUTREACH (CCE and CLS) FLOW-THROUGH PROGRAMS			-	3,159,136
TOTAL UNIVERSITY OUTREACH PROGRAMS			-	8,758,035
TOTAL FEDERAL FINANCIAL ASSISTANCE			5,993,211	228,152,628

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

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, 2014, which have been financed by the U.S. Government.

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

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

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

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

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

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

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

The Federal Perkins Loan Program is administered directly by the University. The balance of loans outstanding as of June 30, 2014, has been included as federal expenditures in the schedule.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
Research and Development Cluster	*
Gear Up	84.334
Central Comprehensive Center	84.283

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

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

Auditee qualified as low-risk auditee? yes no

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

None to report for the June 30, 2014 period.

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

See Finding 2014-01.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

Finding 2014-01

Program CFDA No:

Not Applicable

Federal Award Year:

June 30, 2014

Criteria:

The University is responsible for preparing the Schedule of Expenditures of Federal Awards ("SEFA"), based upon the grant information obtained from the financial accounting records and other information provided by each department.

OMB Circular A-133, subpart .300 Auditee Responsibilities, states in part: "The auditee shall: (a) Identify, in all accounts, all Federal awards received and expended and the Federal Programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (b) Maintain internal control over Federal programs that provides reasonable assurance..." Reasonable assurance is the understanding that there is a remote likelihood that material compliance requirements will not be detected or attested to on a timely basis.

OMB Circular A-133, subpart .310 Financial Statements, states in part: "(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

1. List all Federal programs by Federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

Condition:

The University inappropriately labeled a Federal program with an incorrect CFDA number on the fiscal year 2013 SEFA and on the preliminary 2014 SEFA. This was identified while Cole & Reed was testing the fiscal year 2014 interim SEFA. The identification and correction of this error resulted in this program being a major Federal program as defined by *OMB Circular A-133*. The expenditures from fiscal year 2013 did not qualify as a major program.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

Finding 2014-01--Continued

Questioned Cost:

None.

Cause:

Lack of effective detailed review over data entered by departments used during preparation of the SEFA.

Effect and Potential Effect:

While total expenditures recorded on the SEFA were not understated in the current or prior period, the program identified qualified as a major program in the fiscal year ended June 30, 2014. By not properly identifying all Federal awards by the appropriate CFDA number on the SEFA a significant federal program could potentially go unaudited. As a result the auditee is potentially not fulfilling its responsibility to ensure that the required audits are being properly performed in accordance with OMB Circular A-133 section .300(e).

Recommendation:

We recommend that the University establish policies and procedures to ensure that the federal funds are identified and reported accurately on the SEFA in accordance with Circular A-133 requirements. We also recommend that the University ensure the final review of the SEFA is detailed enough to be effective in ensuring the schedule is accurate and complete.

Institution Response:

The University has taken several steps to ensure that federal funds are accurately reported on the SEFA in accordance with Circular A-133 requirements. Communication with individuals involved in the data entry process was increased to address their understanding of the importance of each step in the process. Staff will be retrained with locating and entering in the University's Basic Information File ("BIF"). The University modified the BIF to ensure that manual CFDA number entries are not allowed (the BIF dropdown choice table includes only numbers pulled from the Catalog of Federal Domestic Assistance website and the associated program description). An additional data review process will occur prior to Sponsored Programs Services preparing the SEFA.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE UNIVERSITY OF OKLAHOMA NORMAN CAMPUS

Year Ended June 30, 2014

No matters were reportable.