

CAMERON UNIVERSITY

June 30, 2012

CAMERON UNIVERSITY

June 30, 2012

AUDITED FINANCIAL STATEMENTS

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Independent Auditors' Report

Regents of the University of Oklahoma
Cameron University
Norman, Oklahoma

We have audited the accompanying statements of net assets of Cameron University (the University) (the Primary Government), a component unit of the State of Oklahoma, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. The financial statements of the separate discretely presented component unit, Cameron University Foundation, Inc. (the Foundation) (presented as Exhibit I) as of June 30, 2012 and 2011 were audited by another auditor, whose report dated October 7, 2012 expressed an unqualified opinion on those statements. The financial statements of the University and the Foundation collectively comprise the University's basic financial statements. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. Our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditor.

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 for 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. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cameron University and its separately presented component unit, Cameron University Foundation, Inc., as of June 30, 2012 and 2011, and the respective changes in net assets and, where applicable, cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, 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* and should be considered in assessing the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAMERON UNIVERSITY

For The Years Ended June 30, 2012, 2011 and 2010

This section of Cameron University's (the "University") financial statements presents management's discussion and analysis of the University's financial performance during the year ended June 30, 2012. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, it should be read in conjunction with the University's basic financial statements and footnotes. The overview of the financial statements and financial analysis is presented for fiscal year 2012, with fiscal years 2011 and 2010 data presented for comparative purposes.

FINANCIAL ANALYSIS OF THE UNIVERSITY AS A WHOLE

The basic financial statements of the University are the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. The Statement of Net Assets presents the financial position of the University at June 30, 2012 and 2011. The Statement of Revenues, Expenses, and Changes in Net Assets summarizes the University's financial activity for the years ended June 30, 2012 and 2011. The Statement of Cash Flows, presented using the direct method, reflects the effects on cash that result from the University's operating activities, investing activities, and capital and noncapital financing activities for the years ended June 30, 2012 and 2011.

The following schedules are prepared from the University's basic financial statements. With the exception of the Statement of Cash Flows, the statements are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and assets are capitalized and depreciated.

STATEMENT OF NET ASSETS

This statement is presented with three major categories, namely assets, liabilities, and net assets. The assets are classified between current and noncurrent assets. The current assets include cash and cash equivalents, short-term investments, accounts receivable, and other assets. The noncurrent assets include cash, cash equivalents, and investments that are restricted for long-term purposes, such as investment in capital assets, or have scheduled maturities exceeding one year. Noncurrent assets also include receivables restricted for investment in capital assets as well as capital assets. Capital assets include land, buildings and improvements, infrastructure, equipment, library materials, and construction in progress. Capital assets, with the exception of land and construction in progress, are shown net of depreciation.

Liabilities are also classified between current and noncurrent classifications. Current liabilities include accounts payable, accrued expenses, deferred revenue, and the portion of noncurrent liabilities expected to be paid in the upcoming fiscal year. These liabilities represent obligations due within one year. Noncurrent liabilities include the portion of accrued compensated absences, capital lease obligation, and net pension obligation expected to be paid in fiscal year 2014 or thereafter.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2012, 2011 and 2010

STATEMENT OF NET ASSETS--Continued

At June 30, 2012, the University had approximately \$30.3 million in outstanding bonds and capital leases. Additional information related to the University's long-term debt is presented in Note E to the financial statements.

Total net assets decreased to \$62.7 million in FY 2012 from \$64.3 million in FY 2011. Total net assets increased to \$64.3 million in FY 2011 from \$64.0 million in FY 2010.

Following is a comparison of the summarized financial position, net assets, and capital assets of the University at June 30, 2012, 2011, and 2010:

CONDENSED STATEMENT OF NET ASSETS (in Millions)

	2012	June 30 2011	2010
ASSETS			
CURRENT ASSETS	\$ 17.7	\$ 21.5	\$ 20.0
NONCURRENT ASSETS			
Capital Assets, Net	74.4	72.7	75.1
Other	6.4	6.6	5.2
TOTAL ASSETS	98.5	100.8	100.3
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES	5.8	5.4	5.4
NONCURRENT LIABILITIES	30.0	31.1	30.9
TOTAL LIABILITIES	35.8	36.5	36.3
NET ASSETS			
Invested in Capital Assets, net	45.8	43.4	45.4
Restricted - Expendable	5.4	5.7	3.4
Restricted - Nonexpendable	0.1	0.1	0.1
Unrestricted	11.4	15.1	15.1
TOTAL NET ASSETS	\$ 62.7	\$ 64.3	\$ 64.0

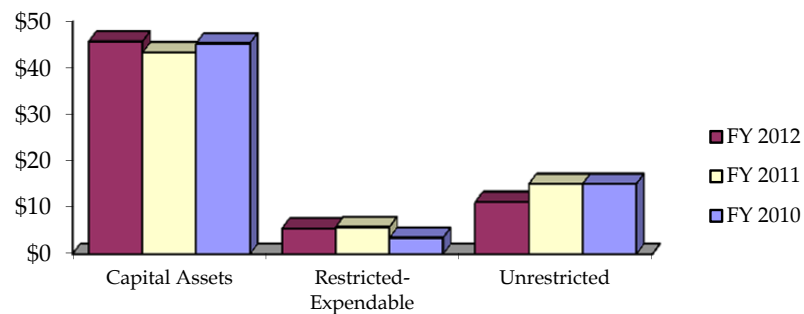
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2012, 2011 and 2010

STATEMENT OF NET ASSETS--Continued

ANALYSIS OF NET ASSETS (in Millions)



CAPITAL ASSETS, net (in Millions)

	2012	June 30 2011	2010
CAPITAL ASSETS			
Land	\$ 0.4	\$ 0.4	\$ 0.4
Buildings and Improvements	91.2	91.2	91.9
Infrastructure	8.3	7.8	7.5
Equipment	12.1	11.6	11.3
Library materials	10.4	9.9	9.5
Construction in progress	4.5	0.4	0.1
TOTAL CAPITAL ASSETS	126.9	121.3	120.7
 Less: Accumulated Depreciation	 (52.5)	 (48.6)	 (45.6)
 NET CAPITAL ASSETS	 <u>\$ 74.4</u>	 <u>\$ 72.7</u>	 <u>\$ 75.1</u>

In 2012, the University added \$5.8 million in assets due to the costs associated with various construction projects and acquisitions of equipment and library materials. The University disposed of approximately \$.3 million in partially depreciated equipment. In 2011, the University added \$1.8 million in assets due to the costs associated with various construction projects and acquisitions of equipment and library materials. The University disposed of approximately \$.4 million in partially depreciated equipment. Depreciation amounted to \$4.1 million in 2012 and 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2012, 2011 and 2010

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

This statement reflects the effect of operations on net assets. The statement is classified between operating and nonoperating revenues and expenses.

Following is a comparison of operating results for the years ended June 30, 2012, 2011, and 2010:

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in Millions)

	For The Years Ended June 30		
	2012	2011	2010
OPERATING REVENUES			
Tuition and Fees, Net	\$ 19.5	\$ 17.8	\$ 15.8
Grants and Contracts	2.4	2.8	2.9
Sales and Services	0.5	0.4	0.3
Auxiliary Enterprises	4.4	4.4	4.6
Other	0.1	0.2	0.1
TOTAL OPERATING REVENUES	<u>26.9</u>	<u>25.6</u>	<u>23.7</u>
Less: Operating Expenses	<u>67.5</u>	<u>65.7</u>	<u>60.5</u>
OPERATING LOSS	<u>(40.6)</u>	<u>(40.1)</u>	<u>(36.8)</u>
NONOPERATING REVENUES			
State Appropriations	21.3	21.3	21.2
State Appropriations - ARRA	-	1.5	1.8
Federal and State Grants	13.8	14.0	12.7
On-Behalf Payments	2.1	1.8	2.4
Endowment Income	0.3	0.3	0.2
Investment Income	0.1	0.2	0.3
Donations	1.2	1.4	0.8
Capital Appropriations	1.4	1.1	1.1
TOTAL NONOPERATING REVENUES	<u>40.2</u>	<u>41.6</u>	<u>40.5</u>
Less: Nonoperating Expenses	<u>1.2</u>	<u>1.2</u>	<u>1.5</u>
NET NONOPERATING REVENUES	<u>39.0</u>	<u>40.4</u>	<u>39.0</u>
INCREASE (DECREASE) IN NET ASSETS	(1.6)	0.3	2.2
NET ASSETS AT BEGINNING OF YEAR	<u>64.3</u>	<u>64.0</u>	<u>61.8</u>
NET ASSETS AT END OF YEAR	<u>\$ 62.7</u>	<u>\$ 64.3</u>	<u>\$ 64.0</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2012, 2011 and 2010

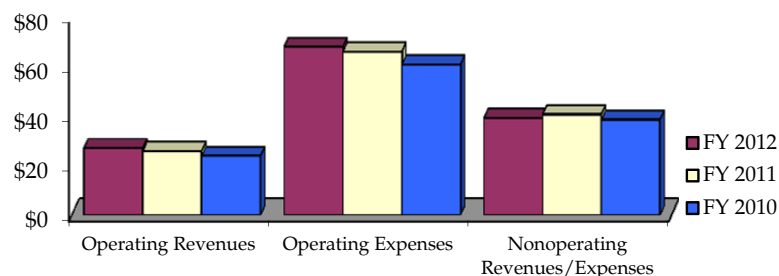
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS--Continued

Operating revenues includes tuition and fees net of scholarship discounts and allowances, grants and contracts, sales and services, auxiliary enterprises, and other. These revenues increased by \$1.3 million in 2012 and increased \$1.9 million in 2011. Tuition and fees revenue increased by \$1.7 million in 2012 due to a graduate enrollment increase and 5.9% increase in rates. Tuition and fees revenue increased by \$2.0 million in 2011 due to an enrollment increase and 5.5% increase in rates. Grants and contracts decreased by \$.4 million in 2012 and by \$.1 million in 2011.

The majority of nonoperating revenues are made up of state appropriations and federal and state grants for student financial aid. State appropriations remained virtually unchanged in FY 2012 as compared to FY 2011. However, funding from the American Recovery and Reinvestment Act ("ARRA") was no longer available in FY 2012. In 2011 the University received approximately \$1.5 million in state payments from ARRA. State appropriations decreased \$.1 million during FY 2011. Pell grant revenues decreased approximately \$.2 million during FY 2012. Pell grant revenues increased approximately \$1.3 million during FY 2011.

The University's operating expenses are classified by natural classification, including employee compensation, scholarships, contractual services, etc. In FY 2012, operating expenses increased by \$1.8 million primarily due to increases in compensation, contractual services, supplies and materials and other operating expenses. The compensation increase is due to salary increases for faculty and staff, supplemental retirement plan payments and increased benefits costs. Contractual services increased due to required maintenance costs and expenses related to the Academic Festival, a triennial year-long symposium. Supplies and materials increased due to an end of year purchasing program designed to provide one-time purchases. Other operating expenses increased due to advertising expenses and travel costs associated with the Study Abroad program. In FY 2011, operating expenses increased by \$5.2 million primarily due to increases in compensation, depreciation, and scholarships. The compensation increase is due to salary increases for faculty, one-time stipends paid to employees, supplemental retirement plan payments and increased benefits costs. Depreciation increased due to the addition of new buildings during FY 10. Scholarships increased due to increases in Pell awards.

ANALYSIS OF NET ASSETS (in Millions)



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2012, 2011 and 2010

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS--Continued

OPERATING EXPENSES

(in Millions)

	For The Years Ended		
	June 30		
	2012	2011	2010
OPERATING EXPENSES			
Compensation	\$ 36.9	\$ 36.0	\$ 34.5
Contractual Services	5.5	4.9	5.1
Supplies and Materials	4.6	4.1	4.0
Depreciation	4.1	4.1	3.2
Utilities	1.7	1.7	1.6
Communications	0.2	0.2	0.2
Scholarships and Fellowships	11.8	12.4	9.8
Other Operating Expenses	2.7	2.3	2.1
TOTAL OPERATING EXPENSES	<u>\$ 67.5</u>	<u>\$ 65.7</u>	<u>\$ 60.5</u>

STATEMENT OF CASH FLOWS

This statement is used to determine the University's ability to meet its obligations and to determine if external financing is needed. It is presented using the direct method with four major classifications: operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

Following is a comparison of cash flows for the years ended June 30, 2012, 2011, and 2010:

CASH FLOWS

(in Millions)

	For The Years Ended		
	June 30		
	2012	2011	2010
CASH PROVIDED BY (USED IN)			
Operating Activities	\$ (35.2)	\$ (33.9)	\$ (34.1)
Noncapital Financing Activities	35.3	36.8	35.7
Capital and Related Financing Activities	(4.8)	(0.8)	(6.9)
Investing Activities	0.1	0.1	0.2
NET INCREASE (DECREASE) IN CASH	<u>(4.6)</u>	<u>2.2</u>	<u>(5.1)</u>
CASH AT BEGINNING OF YEAR	<u>20.0</u>	<u>17.8</u>	<u>22.9</u>
CASH AT END OF YEAR	<u>\$ 15.4</u>	<u>\$ 20.0</u>	<u>\$ 17.8</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2012, 2011 and 2010

ECONOMIC OUTLOOK

The University begins the 2013 fiscal year building on a decade of unprecedented progress and growth. Management continues to monitor economic conditions at both the state and national level. The continued underfunding of mandatory cost increases by the state is one of the University's primary concerns for FY 2013 and future years. Additionally, it appears that the record enrollment increases experienced over the past three years has stabilized. With only a minimal increase in state funding for FY 2013, it was necessary to implement a modest tuition increase. This additional revenue will allow the University to continue to focus on student learning as one of its top priorities. Through comprehensive planning, program prioritization, prudent budgeting, and tough decision making, the University is positioned to meet the challenges of an uncertain state and national economy.

STATEMENTS OF NET ASSETS

CAMERON UNIVERSITY

	June 30	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,873,284	\$ 15,608,982
Accrued interest receivable	5,937	11,984
Accounts receivable, net	2,169,236	1,766,661
Receivables from OSRHE	1,635,846	1,291,750
Prepaid expenses and other assets	3,012,190	2,849,602
TOTAL CURRENT ASSETS	17,696,493	21,528,979
NONCURRENT ASSETS		
Restricted cash and cash equivalents	4,503,892	4,402,979
Receivables restricted for capital projects	-	125,000
Investments	1,185,072	1,161,343
Deferred charges on debt restructure	455,323	598,973
Bond issuance costs	277,524	295,467
Capital assets, net	74,400,675	72,704,324
TOTAL NONCURRENT ASSETS	80,822,486	79,288,086
TOTAL ASSETS	\$ 98,518,979	\$ 100,817,065

STATEMENTS OF NET ASSETS--Continued

CAMERON UNIVERSITY

	June 30	
	2012	2011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,147,281	\$ 909,169
Accrued payroll	1,063,249	1,165,887
Accrued interest	194,183	197,982
Deferred revenue	1,339,715	1,301,198
Deposits held in custody for others	248,610	160,871
Current portion of noncurrent liabilities	1,919,265	1,640,435
TOTAL CURRENT LIABILITIES	<u>5,912,303</u>	<u>5,375,542</u>
NONCURRENT LIABILITIES, net of current portion		
Accrued compensated absences	272,679	193,448
Capital lease payable	21,381,014	22,348,525
Revenue bonds payable	7,740,000	7,940,000
Net pension obligation	562,484	638,768
TOTAL NONCURRENT LIABILITIES	<u>29,956,177</u>	<u>31,120,741</u>
TOTAL LIABILITIES	<u>35,868,480</u>	<u>36,496,283</u>
NET ASSETS		
Invested in capital assets, net of related debt	45,837,801	43,451,850
Restricted for:		
Nonexpendable		
Scholarships and fellowships	66,000	66,000
Expendable		
Educational programs	876,716	1,057,343
Capital projects	4,383,069	4,456,639
Other	139,128	147,422
Unrestricted	11,347,785	15,141,528
TOTAL NET ASSETS	<u>\$ 62,650,499</u>	<u>\$ 64,320,782</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

CAMERON UNIVERSITY

	For the Years Ended June 30	
	2012	2011
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowance of \$7,826,127 for 2012 and \$7,514,761 for 2011	\$ 19,471,792	\$ 17,807,827
Federal grants and contracts	1,392,744	1,686,137
State grants and contracts	267,610	327,775
Nongovernmental grants and contracts	731,604	754,358
Sales and services of educational departments	501,658	407,228
Auxiliary enterprises	4,405,726	4,421,474
Other operating revenues	98,270	221,955
TOTAL OPERATING REVENUES	26,869,404	25,626,754
OPERATING EXPENSES		
Compensation and benefits	36,904,232	36,014,925
Contractual services	5,467,020	4,848,817
Supplies and materials	4,643,540	4,106,438
Depreciation	4,103,191	4,137,056
Utilities	1,713,818	1,682,075
Communications	237,372	229,230
Scholarships and fellowships	11,749,576	12,438,465
Other operating expenses	2,662,595	2,302,815
TOTAL OPERATING EXPENSES	67,481,344	65,759,821
OPERATING LOSS	(40,611,940)	(40,133,067)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	21,345,581	21,359,029
State appropriations - ARRA	-	1,526,641
Federal and state grants	13,821,388	14,004,790
OTRS on-behalf contributions	1,781,000	1,545,000
Oklahoma State Regents for Higher Education endowment income	296,045	349,958
Investment income	123,790	168,901
Interest expense	(1,190,310)	(1,203,192)
Other nonoperating expense	(28,388)	(28,808)
NET NONOPERATING REVENUES	36,149,106	37,722,319
Loss before other revenues, expenses, gains and losses	(4,462,834)	(2,410,748)
OTHER REVENUES, EXPENSES, GAINS AND LOSSES		
On-behalf payments for OCIA capital leases	250,042	226,873
Capital grants and gifts	1,200,702	1,375,000
State appropriations restricted for capital purposes	1,341,807	1,094,184
OTHER REVENUES AND GAINS	2,792,551	2,696,057
CHANGE IN NET ASSETS	(1,670,283)	285,309
NET ASSETS AT BEGINNING OF YEAR	64,320,782	64,035,473
NET ASSETS AT END OF YEAR	\$ 62,650,499	\$ 64,320,782

See notes to financial statements.

STATEMENTS OF CASH FLOWS

CAMERON UNIVERSITY

	For the Years Ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 19,264,620	\$ 18,570,138
Grants and contracts	2,379,969	2,667,297
Payments to employees	(35,287,491)	(34,219,570)
Payments to vendors	(14,483,824)	(13,368,870)
Payments for scholarships and fellowships	(11,749,576)	(12,438,465)
Sales and services of educational departments	310,803	226,913
Auxiliary enterprises	4,226,701	4,466,915
Other operating receipts	98,269	221,955
NET CASH USED IN OPERATING ACTIVITIES	(35,240,529)	(33,873,687)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	21,345,581	21,359,029
State appropriations - ARRA	-	1,526,641
Federal and state grants	13,821,388	14,004,790
Direct Loans received	20,274,422	15,046,769
Direct Loans disbursed	(20,274,422)	(15,046,769)
Agency transactions	87,739	(83,551)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	35,254,708	36,806,909
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	1,341,807	1,094,184
Payments on bonds and lease payable	(574,071)	(567,396)
Proceeds from capital lease obligations	167,984	429,764
Donations, grants and contracts for capital projects	1,325,702	1,250,000
Interest paid on capital debt and leases	(1,228,888)	(1,238,054)
Purchases of capital assets	(5,787,606)	(1,813,146)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(4,755,072)	(844,648)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	397,006	404,774
Interest on investments	131,394	176,483
Purchases of investments	(422,292)	(431,260)
NET CASH PROVIDED BY INVESTING ACTIVITIES	106,108	149,997
NET INCREASE (DECREASE) IN CASH	(4,634,785)	2,238,571
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	20,011,961	17,773,390
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 15,377,176	\$ 20,011,961

STATEMENTS OF CASH FLOWS--Continued

CAMERON UNIVERSITY

	For the Years Ended June 30	
	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (40,611,940)	\$ (40,133,067)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,103,191	4,137,056
OTRS on-behalf contributions	1,781,000	1,545,000
Changes in assets and liabilities:		
Accounts receivable	(402,575)	(187,875)
Prepaid expenses and other assets	(222,575)	352,796
Accounts payable and accrued expenses	158,897	(90,400)
Net pension obligation	(85,044)	148,167
Deferred revenues	38,517	354,636
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (35,240,529)</u>	<u>\$ (33,873,687)</u>
NONCASH CAPITAL AND RELATED FINANCING ITEMS		
Principal and interest paid by OCIA and ODFA	\$ 250,042	\$ 226,873
Amortization of bond issuance cost	17,943	20,867
Deferred cost on OCIA lease restructure	-	839,549
	<u>\$ 267,985</u>	<u>\$ 1,087,289</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets:		
Current cash and cash equivalents	\$ 10,873,284	\$ 15,608,982
Noncurrent assets:		
Restricted cash and cash equivalents	4,503,892	4,402,979
	<u>\$ 15,377,176</u>	<u>\$ 20,011,961</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Cameron University (the "University") is a regional University operating under the jurisdiction of the Board of Regents (the "Board of Regents") for the University of Oklahoma, Cameron University, and Rogers State University.

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

The accompanying financial statements include the accounts and funds of the University. The University is governed by the Board of Regents and is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education. The University is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the state as part of the higher education component unit.

Cameron University Foundation, Inc. (the "Foundation"), is a legally separate, tax-exempt component unit of the University. The Foundation is organized for the purpose of receiving and administering gifts intended for the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its financial statements are separately presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board ("FASB") standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

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*.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation--Continued: Under GASB Statement No. 34 and GASB Statement No. 35, the University is required to present a statement of net assets classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net assets with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

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 significant intra-agency transactions have been eliminated.

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

Cash Equivalents: For purposes of the statements 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 Agency Cash Management investment policy are considered cash equivalents.

Deposits and Investments: The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures an Amendment of GASB Statement No. 3*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. 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 grant 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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University's capitalization policy for furniture, fixtures, and equipment include all items with a unit cost of \$5,000 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 40 years for buildings, 25 years for infrastructure and land improvements, and 7 years for library materials and equipment, or the duration of the lease term for capital leases.

Deferred Revenues: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences: Employee vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as accrued expenses in the statements of net assets and as a component of compensation and benefit expense in the statements of revenues, expenses, and changes in net assets.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets--Continued:

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

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

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

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

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of educational departments and of auxiliary enterprises, and (3) most federal, state, and nongovernmental grants and contracts.

Nonoperating Revenues: 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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations, certain governmental grants, and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net assets. Scholarship discounts and 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 discount and allowance.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the University may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

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.

Reclassifications: Certain amounts in the 2011 financial statements have been reclassified to conform to the current year presentation.

New Accounting Pronouncements: The GASB has issued several new accounting pronouncements, which will be effective to the University in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the University's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2013

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

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements--Continued:

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

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the University to make changes in its financial statement presentation.

Fiscal Year Ended June 30, 2014

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

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The University has not quantified the effects of adoption of GASB No. 65 on its net position.

Fiscal Year Ended June 30, 2015

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

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to 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 the University has not yet determined the impact that implementation of GASB No. 68 will have on its net position.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE B--DEPOSITS AND INVESTMENTS

Deposits: *Custodial credit risk* is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The University's deposit policy for custodial credit risk is described as follows:

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The University's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the state's name.

The University requires that balances on deposit with financial institutions, including trustees related to the University's bond indenture and capital lease agreements, be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations, in the University's name.

At June 30, 2012 and 2011, the carrying amount of the University's deposits were \$15,377,176 and \$20,011,961, respectively. These amounts consisted of deposits with the State Treasurer (\$15,362,876 and \$19,980,875) and petty cash and change funds (\$14,300 and \$31,086) at June 30, 2012 and 2011, respectively.

Some deposits with the State Treasurer are placed in the State Treasurer'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 State Treasurer; (e) collateralized certificates of deposits; (f) commercial paper; (g) obligations of state and local governments; and (h) State of Israel bonds.

Of funds on deposit with the State Treasurer, amounts invested in OK INVEST total \$2,662,959 and \$5,264,285 at June 30, 2012 and 2011, respectively.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued:

At June 30, the distributions of deposits in OK INVEST are as follows:

OK INVEST Portfolio	2012		2011	
	Cost	Market Value	Cost	Market Value
U.S. Agency securities	\$ 941,491	\$ 944,258	\$ 1,922,701	\$ 1,938,116
Certificates of deposit	86,012	86,012	248,565	248,565
Money market mutual funds	364,507	364,507	578,779	578,780
Tri-party repurchase agreements	-	-	355,239	355,239
Mortgage backed agency securities	1,175,389	1,248,801	1,909,624	1,993,962
Municipal bonds	47,765	54,495	104,928	113,626
Foreign bonds	13,401	13,401	19,572	19,572
Commercial paper	-	-	48,926	48,931
U.S. Treasury Obligations	34,394	42,909	75,951	89,993
TOTAL	<u>\$ 2,662,959</u>	<u>\$ 2,754,383</u>	<u>\$ 5,264,285</u>	<u>\$ 5,386,784</u>

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer 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 State Treasurer's 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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer 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, the FDIC or any other government agency.

Investments:

At June 30, 2012 and 2011, the University had the following investments:

	2012	2011
U.S. Government Securities	\$ 1,185,072	\$ 1,161,343
	<u>\$ 1,185,072</u>	<u>\$ 1,161,343</u>

Investment maturities were as follows at June 30, 2012:

Investment Type	Fair Market	Not Applicable	Less than One	One to Five	Six to Ten	More than Ten
U.S. Government Securities	\$ 1,185,072	\$ 467,108	\$ 143,467	\$ 574,497	\$ -	\$ -
	<u>\$ 1,185,072</u>	<u>\$ 467,108</u>	<u>\$ 143,467</u>	<u>\$ 574,497</u>	<u>\$ -</u>	<u>\$ -</u>

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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Credit Risk: All United States government obligations are held by the Federal Reserve Bank in the name of the University. 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 Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit, and demand deposits. The Board has authorized endowment and similar funds to be invested in direct obligations of the United States Government and its agencies, certificates of deposit, prime commercial paper, bankers' acceptances, demand deposits, corporate debt (no bond below a Single A rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities.

Concentration of Credit Risk: The University places no limit on the amount the University may invest in any one issuer. However, the majority of the investments are in mutual funds and investments guaranteed by the U.S. Government.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2012	2011
Student tuition and fees	\$ 2,480,495	\$ 2,062,424
Auxiliary enterprises and other operating activities	659,768	425,377
Federal and state agencies	185,924	177,102
	3,326,187	2,664,903
Less allowance for doubtful accounts	(1,156,951)	(898,242)
	<u>\$ 2,169,236</u>	<u>\$ 1,766,661</u>

The University has \$125,000 of receivables restricted for capital projects as of June 30, 2011 (none at 2012), which relate to private gifts and governmental grants and contracts for ongoing and planned capital projects at the University. These receivable balances are classified as noncurrent assets in the statements of net assets as they are restricted for long-term purposes.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE D--CAPITAL ASSETS, NET

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated:					
Land	\$ 421,978	\$ -	\$ -	\$ -	\$ 421,978
Construction in progress	387,885	4,590,354	(507,821)	-	4,470,418
Total capital assets not being depreciated	<u>\$ 809,863</u>	<u>\$ 4,590,354</u>	<u>\$ (507,821)</u>	<u>\$ -</u>	<u>\$ 4,892,396</u>
Other capital assets:					
Nonmajor infrastructure networks	\$ 7,821,451	\$ -	\$ 507,821	\$ -	\$ 8,329,272
Building	91,218,356	-	-	-	91,218,356
Furniture, fixtures and equipment	11,624,398	727,945	-	(300,969)	12,051,374
Library materials	9,909,276	501,701	-	-	10,410,977
Total other capital assets	<u>120,573,481</u>	<u>1,229,646</u>	<u>507,821</u>	<u>(300,969)</u>	<u>122,009,979</u>
Less accumulated depreciation for:					
Nonmajor infrastructure networks	(2,600,080)	(366,087)	-	-	(2,966,167)
Building	(33,606,897)	(2,262,379)	-	-	(35,869,276)
Furniture, fixtures and equipment	(5,826,832)	(1,070,301)	-	280,511	(6,616,622)
Library materials	(6,645,211)	(404,424)	-	-	(7,049,635)
Total accumulated depreciation	<u>(48,679,020)</u>	<u>(4,103,191)</u>	<u>-</u>	<u>280,511</u>	<u>(52,501,700)</u>
Other capital assets, net	<u>\$ 71,894,461</u>	<u>\$ (2,873,545)</u>	<u>\$ 507,821</u>	<u>\$ (20,458)</u>	<u>\$ 69,508,279</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 809,863	\$ 4,590,354	\$ (507,821)	\$ -	\$ 4,892,396
Other capital assets, at cost	120,573,481	1,229,646	507,821	(300,969)	122,009,979
Total cost of capital assets	121,383,344	5,820,000	-	(300,969)	126,902,375
Less accumulated depreciation	<u>(48,679,020)</u>	<u>(4,103,191)</u>	<u>-</u>	<u>280,511</u>	<u>(52,501,700)</u>
Capital assets, net	<u>\$ 72,704,324</u>	<u>\$ 1,716,809</u>	<u>\$ -</u>	<u>\$ (20,458)</u>	<u>\$ 74,400,675</u>

The University has acquired certain capital assets, including Buildings and Equipment, under various lease-purchase contracts and other capital lease agreements. The cost of University assets held under capital leases totaled \$25,694,084 as of June 30, 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE D--CAPITAL ASSETS, NET--Continued

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 421,978	\$ -	\$ -	\$ -	\$ 421,978
Construction in progress	59,933	607,534	(279,582)	-	387,885
Total capital assets not being depreciated	<u>\$ 481,911</u>	<u>\$ 607,534</u>	<u>\$ (279,582)</u>	<u>\$ -</u>	<u>\$ 809,863</u>
Other capital assets:					
Nonmajor infrastructure networks	\$ 7,541,869	\$ -	\$ 279,582	\$ -	\$ 7,821,451
Building	91,891,410	-	-	(673,054)	91,218,356
Furniture, fixtures and equipment	11,290,735	763,611	-	(429,948)	11,624,398
Library materials	9,463,516	445,760	-	-	9,909,276
Total other capital assets	<u>120,187,530</u>	<u>1,209,371</u>	<u>279,582</u>	<u>(1,103,002)</u>	<u>120,573,481</u>
Less accumulated depreciation for:					
Nonmajor infrastructure networks	(2,250,534)	(349,546)	-	-	(2,600,080)
Building	(31,977,420)	(2,270,549)	-	641,072	(33,606,897)
Furniture, fixtures and equipment	(5,120,117)	(1,124,626)	-	417,911	(5,826,832)
Library materials	(6,252,876)	(392,335)	-	-	(6,645,211)
Total accumulated depreciation	<u>(45,600,947)</u>	<u>(4,137,056)</u>	<u>-</u>	<u>1,058,983</u>	<u>(48,679,020)</u>
Other capital assets, net	<u>\$74,586,583</u>	<u>\$ (2,927,685)</u>	<u>\$ 279,582</u>	<u>\$ (44,019)</u>	<u>\$71,894,461</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 481,911	\$ 607,534	\$ (279,582)	\$ -	\$ 809,863
Other capital assets, at cost	120,187,530	1,209,371	279,582	(1,103,002)	120,573,481
Total cost of capital assets	120,669,441	1,816,905	-	(1,103,002)	121,383,344
Less accumulated depreciation	<u>(45,600,947)</u>	<u>(4,137,056)</u>	<u>-</u>	<u>1,058,983</u>	<u>(48,679,020)</u>
Capital assets, net	<u>\$75,068,494</u>	<u>\$ (2,320,151)</u>	<u>\$ -</u>	<u>\$ (44,019)</u>	<u>\$72,704,324</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE E--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due within One year
Bonds and capital					
lease obligations:					
Revenue bond payable	\$ 8,130,000	\$ -	\$ (190,000)	\$ 7,940,000	\$ 200,000
OCIA capital lease obligations	12,050,222	-	(64,363)	11,985,859	374,428
ODFA master lease revenue bonds	<u>10,932,416</u>	<u>-</u>	<u>(569,750)</u>	<u>10,362,666</u>	<u>593,083</u>
Total bonds and capital lease	<u>31,112,638</u>	<u>-</u>	<u>(824,113)</u>	<u>30,288,525</u>	<u>1,167,511</u>
Other liabilities:					
Net pension obligation	833,914	575,234	(660,277)	748,871	186,387
Accrued compensated absences	<u>814,624</u>	<u>565,367</u>	<u>(541,945)</u>	<u>838,046</u>	<u>565,367</u>
Total other liabilities	<u>1,648,538</u>	<u>1,140,601</u>	<u>(1,202,222)</u>	<u>1,586,917</u>	<u>751,754</u>
Total long-term liabilities	<u>\$32,761,176</u>	<u>\$1,140,601</u>	<u>\$ (2,026,335)</u>	<u>\$31,875,442</u>	<u>\$1,919,265</u>

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due within One year
Bonds and capital					
lease obligations:					
Revenue bond payable	\$ 8,315,000	\$ -	\$ (185,000)	\$ 8,130,000	\$ 190,000
OCIA capital lease obligations	11,104,115	1,007,459	(61,352)	12,050,222	64,363
ODFA master lease revenue bonds	<u>11,480,333</u>	<u>-</u>	<u>(547,917)</u>	<u>10,932,416</u>	<u>569,750</u>
Total bonds and capital lease	<u>30,899,448</u>	<u>1,007,459</u>	<u>(794,269)</u>	<u>31,112,638</u>	<u>824,113</u>
Other liabilities:					
Net pension obligation	685,747	494,459	(346,292)	833,914	195,146
Accrued compensated absences	<u>762,661</u>	<u>621,176</u>	<u>(569,213)</u>	<u>814,624</u>	<u>621,176</u>
Total other liabilities	<u>1,448,408</u>	<u>1,115,635</u>	<u>(915,505)</u>	<u>1,648,538</u>	<u>816,322</u>
Total long-term liabilities	<u>\$32,347,856</u>	<u>\$2,123,094</u>	<u>\$ (1,709,774)</u>	<u>\$32,761,176</u>	<u>\$1,640,435</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations

In September 1999, the Oklahoma Capital Improvement Authority ("OCIA") issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$1,200,000 to the University. Concurrently with the allocation, the University entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds.

Through June 30, 2012, the University has drawn its total allotment for expenditures incurred in connection with the project. The expenditures have been capitalized as investments in capital assets in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made. The University has also recorded an asset for its pro rata share of the bond issuance costs, and is amortizing that asset over the term of the lease agreement. At June 30, 2012 and 2011, the unamortized bond issuance costs totaled \$526 and \$600, respectively.

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F. Of the total bond indebtedness, the State Regents for Higher Education allocated \$12,059,247 to the University. Through June 30, 2012, these funds have earned \$1,203,081 of interest income. Concurrently with the allocation, the University entered into an individual lease agreement with OCIA, representing the six projects being funded by the OCIA bonds.

Through June 30, 2012, the University has drawn \$13,262,328 for expenditures incurred in connection with the projects. The expenditures have been capitalized as investments in capital assets in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The 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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations--Continued

This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The University has recorded a charge of \$1,007,459 on restructuring as a deferred cost that will be amortized over a period of six years. As of June 30, 2012 and 2011, the unamortized cost totaled \$671,639 and \$839,549, respectively. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$49,791 which also approximates the economic cost of the lease restructuring. Although this restructuring resulted in a cost to the University, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

During the years ended June 30, 2012 and 2011, OCIA made lease interest payments totaling \$250,042 and \$226,873, respectively, on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net assets.

Future minimum lease payments under the University's obligation to the OCIA are as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 374,428	\$ 505,206	\$ 879,634
2014	916,227	488,034	1,404,261
2015	943,718	457,328	1,401,046
2016	1,130,622	473,036	1,603,658
2017	1,181,663	422,064	1,603,727
2018 - 2022	1,913,989	1,585,275	3,499,264
2023 - 2027	3,197,786	1,072,611	4,270,397
2028 - 2032	2,327,426	235,114	2,562,540
	<u>\$ 11,985,859</u>	<u>\$ 5,238,668</u>	<u>\$ 17,224,527</u>

Housing System Revenue Bonds Series 2004

Effective July 1, 2004, the University issued bonds in the amount of \$9,000,000 to provide funds to design, construct, expand, equip, furnish, and landscape certain student housing facilities and commons building living/learning center on the campus of the University.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE E--LONG-TERM LIABILITIES--Continued

Housing System Revenue Bonds Series 2004--Continued

The issuance includes \$2,905,000 of serial bonds and \$6,095,000 of term bonds. The serial bonds are due in varying amounts through 2019 with stated interest rates ranging from 3.0% to 4.5%. The term bonds require mandatory sinking-fund payments beginning in 2020 and continuing through the final maturity date of 2029. The interest rates on the term bonds range from 5.0% to 5.5%. At June 30, 2012 and 2011, the University had \$1,185,072 and \$1,161,343, respectively, of investments held in trust for the 2004 bonds.

The schedule of maturities of the bonds is as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 200,000	\$ 380,365	\$ 580,365
2014	205,000	372,421	577,421
2015	215,000	363,821	578,821
2016	225,000	354,540	579,540
2017	235,000	344,553	579,553
2018 - 2022	1,330,000	1,542,620	2,872,620
2023 - 2027	1,720,000	1,134,875	2,854,875
2028 - 2032	2,205,000	632,250	2,837,250
2033 - 2036	1,605,000	82,750	1,687,750
	<u>\$ 7,940,000</u>	<u>\$ 5,208,195</u>	<u>\$ 13,148,195</u>

Oklahoma Development Finance Authority Master Lease

In May 2006, the University entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (the "ODFA") and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2006A (the "Master Lease 2006A"). The University received a net amount of \$6,100,235 of the proceeds for implementation of an energy management system. 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 sinking fund and may use the interest earnings to reduce the University's future lease payments.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease--Continued

The schedule of maturities of the bonds is as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 388,250	\$ 178,227	\$ 566,477
2014	403,417	162,470	565,887
2015	420,500	145,693	566,193
2016	438,500	127,803	566,303
2017	456,667	108,919	565,586
2018 - 2022	1,991,416	224,979	2,216,395
	<u>\$ 4,098,750</u>	<u>\$ 948,091</u>	<u>\$ 5,046,841</u>

In December 2007, the University entered into a 25-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2007B ("Master Lease 2007B"). The University received a net amount of \$7,099,000 of proceeds for the construction of the McMahon Centennial Complex. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments as of the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

The schedule of maturities of the bonds is as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 204,833	\$ 262,696	\$ 467,529
2014	214,250	255,014	469,264
2015	220,333	246,980	467,313
2016	226,667	238,717	465,384
2017	237,000	230,217	467,217
2018 - 2022	1,327,167	1,009,341	2,336,508
2023 - 2027	1,633,666	712,675	2,346,341
2028 - 2032	2,014,584	321,507	2,336,091
2033 - 2034	185,416	8,344	193,760
	<u>\$ 6,263,916</u>	<u>\$ 3,285,491</u>	<u>\$ 9,549,407</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE F--RETIREMENT PROGRAMS

Substantially all of the University's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System (the "OTRS"), which is a State of Oklahoma public employee retirement system. Certain eligible employees also participate in the Supplemental Retirement Plan, a single-employer defined benefit plan. The University does not maintain the accounting records, hold the investments for, or administer the OTRS plan.

Oklahoma Teachers' Retirement System (OTRS)

Plan Description: The University contributes to the OTRS, a cost-sharing multiple-employer defined-benefit pension plan sponsored by the State of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The 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 OTRS. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for the OTRS. That annual report may be obtained by writing to the OTRS, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS web site at www.trrs.state.ok.us.

Funding Policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 8.55%, is applied to annual compensation, and is determined by state statute. The contribution rate was 8.55% in fiscal year 2011 and 8.05%-8.55% in fiscal year 2010.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2012, 2011, and 2010. The University contributes the required amounts for participating members.

The University's contributions to the OTRS for the years ended June 30, 2012, 2011, and 2010, were approximately \$4,130,000, \$4,102,000, and \$3,821,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contribution paid directly by the University.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2012, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE F--RETIREMENT PROGRAMS--Continued

Oklahoma Teachers' Retirement System (OTRS)--Continued

Funding Policy--Continued: The University has estimated the amounts contributed to the OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2012 and 2011, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the University were approximately \$1,781,000 and \$1,545,000, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statements of revenues, expenses, and changes in net assets.

Supplemental Retirement Plans

Plan Descriptions: The University maintains two (2) Supplemental Retirement Plans (the "Plans"), for certain retired or current employees. These plans are in substance single-employer, defined-benefit pension plans administered by the University. They guarantee eligible employees a level of retirement benefits when considering social security, OTRS and other retirement assets. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plans do not issue separate financial reports, nor are they included in the financial report of another entity.

For identification purposes below, the Plans are referred to as Plan 1 and Plan 2. Plan 1 has 5 participants, all of whom are retired and currently receiving benefits. Plan 2 has 1 active participant and no retired participants that are currently receiving benefits.

Plan 1

Funding Policy: The University has been funding the benefits of Plan 1 on a "pay-as-you-go" basis. Benefits are not distributed to the participants until their retirement. During the years ended June 30, 2012, 2011, and 2010, the University contributed and paid benefits of \$145,609, \$140,584, and \$140,584 under Plan 1.

Annual Pension Cost and Net Pension Obligation: The annual required contributions for the years ended June 30, 2012, 2011, and 2010, were determined as part of annual actuarial valuations as of the aforementioned dates, using the projected unit credit method. The actuarial assumptions for 2012, 2011 and 2010 included (a) a discount rate of 8% per year to determine the present value of future benefit payments; (b) retirement at age 62; (c) a return on investments rate of 5.25%, 5.25% and 6%; (d) annual cost of living adjustment of 2.0%; and (e) a 5.25% interest rate for post-retirement individual annuity settlement benefits. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over ten years.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE F--RETIREMENT PROGRAMS--Continued

Supplemental Retirement Plans--Continued

Plan 1--Continued

Annual Pension Cost and Net Pension Obligation: Components of the University's annual pension cost, contributions, and net pension obligation for Plan 1 for the years ended June 30, 2012 and 2011, are as follows:

	2012	2011
Annual required contribution	\$ 220,497	\$ 214,740
Interest on net pension obligation	48,444	47,757
Adjustment to annual required contribution	(110,376)	(108,809)
Annual pension cost	158,565	153,688
Contributions made	(145,609)	(140,584)
Increase in net pension obligation	12,956	13,104
Net pension obligation at beginning of year	922,743	909,639
Net pension obligation at end of year	<u>\$ 935,699</u>	<u>\$ 922,743</u>

Funded Status and Funding Progress: The funded status of Plan 1 as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 1,770,452
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,770,452</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.00%

Trend Information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows for Plan 1:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Liability
2012	\$ 158,565	91.8%	\$ 935,699
2011	\$ 153,688	91.5%	\$ 922,743
2010	\$ 165,042	88.2%	\$ 909,639

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE F--RETIREMENT PROGRAMS--Continued

Supplemental Retirement Plans-Continued

Plan 2

Funding Policy: The University has been funding the benefits of Plan 2 on a regular and recurring basis based upon actuarially determined amounts and as determined by management and approved by the Board of Regents. Plan 2 includes a combination of two defined benefit plans (a qualified defined plan and an excess defined benefit plan) and four defined contribution plans (two qualified defined contribution plans and two excess defined contribution plans), all of which are being used to assure the contractual benefit to the participant. Accordingly, Plan 2 is being accounted for as a Defined Benefit Plan for financial reporting purposes. During the years ended June 30, 2012, 2011 and 2010, the University made contributions totaling approximately \$460,000, \$150,000 and \$550,000 under Plan 2.

Annual Pension Cost and Net Pension Obligation: The components that make up the funding of the contractual benefits include annual required contributions under two defined benefit plans as well as contribution to be made to the four defined contribution plans. The actuarial assumptions used to determine the contractual benefits under the total program for 2012, 2011 and 2010 included (a) a discount rate of 6% per year to determine the present value of future benefits and therefore what would be funded through the defined benefit plans and the defined contribution plans; (b) retirement at age 62; (c) annual cost of living adjustment of 3%; and (d) an annual salary increase of 3% in the 2010 valuation and 0% in the 2011 and 2012 valuation. The amortization period for the unfunded liability is declining and is being amortized over 3 years from 2012.

Components of the University's annual pension cost, contributions, and net pension obligation for Plan 2 for the years ended June 30, 2012 and 2011, are as follows:

	2012	2011
Annual required contribution	\$ 359,557	\$ 276,094
Interest on net pension obligation	(11,217)	(23,504)
Adjustment to annual required contribution	65,982	102,189
Annual pension cost	414,322	354,779
Contributions made	460,000	150,000
Increase (decrease) in net pension obligation	(45,678)	204,779
Net pension obligation (asset) at beginning of year	(186,953)	(391,732)
Net pension obligation (asset) at end of year	<u>\$ (232,631)</u>	<u>\$ (186,953)</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE F--RETIREMENT PROGRAMS--Continued

Supplemental Retirement Plans-Continued

Plan 2, continued

Funded Status and Funding Progress: The funded status of Plan 2 as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 2,150,915
Actuarial value of plan assets	<u>1,898,497</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 252,418</u>
Funded ratio (actuarial value of plan assets/AAL)	88.26%
Annual covered payroll (active plan members)	\$ 373,287
UAAL as a percentage of annual covered payroll	67.62%

Trend Information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows for Plan 1:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Liability (Asset)
2012	\$ 414,322	111.0%	\$ (232,631)
2011	\$ 354,779	42.3%	\$ (186,953)
2010	\$ 348,651	157.8%	\$ (391,732)

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

During 2010, the University offered a retirement incentive program to employees eligible to retire under OTRS. The program provides for the payment of health insurance premiums for three years for the eligible individuals. The University funds the payments out of current operations and does not prefund the expenses. For the years ended June 30, 2012 and 2011, the amount of the expense to the University was approximately \$55,000 and \$71,000 respectively.

The University provides for the payment of premiums for a \$4,000 life insurance policy to all eligible individuals retiring from employment. To be eligible, the individuals need only have completed the requirements to retire under the OTRS. The University funds the payments out of current operations and does not prefund the expenses. For the years ended June 30, 2012 and 2011, the amount of expense to the University was \$4,789 and \$4,921, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Additionally, the University offers life insurance for all current employees in an amount equal to twice the employee's current salary. The University has ceded all claims over \$75,000 to an insurance company via the purchase of a group life insurance policy. As the employees have no vested benefit in this program and the program can be discontinued at the discretion of the University, the University has not recorded a liability in connection with any future benefit payments.

At June 30, 2012 and 2011, the University had approximately \$2,715,000 and \$2,525,000, respectively, of rate stabilization reserves with the administrator of the programs discussed above. The rate stabilization reserves are available upon request of the University and are reflected as prepaid expenses and other assets in the statements of net assets.

NOTE H--FUNDS HELD IN TRUST BY OTHERS

Beneficial Interest in State School Land Funds: The University has a beneficial interest in the "Section Thirteen Fund State Educational Institutions" and the "New College Fund" administered by the Commissioners of the Land Office as trustees for the various educational institutions entitled thereto. The University has the right to receive annually 3.7% of the distributions of income produced by the "Section Thirteen Fund State Educational Institutions" assets and 100% of the distributions of income produced by Cameron University's "New College Fund." The University received approximately \$1,225,000 and \$972,000 during the years ended June 30, 2012 and 2011, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These amounts are recorded as state appropriations restricted for capital purposes in the statements of revenues, expenses, and changes in net assets. State law prohibits the distribution of any corpus of these funds to the beneficiaries.

The total trust reserve for Cameron University, held in trust by the Commissioners of the Land Office, was approximately \$16,030,000 and \$15,982,000 at June 30, 2012 and 2011, respectively.

Oklahoma State Regents Endowment Trust Fund: In connection with the Oklahoma State Regents' Endowment Program (the "Endowment Program"), the State of Oklahoma has matched contributions received under the Endowment Program. The state match amounts, plus retained accumulated earnings, totaled approximately \$6,498,000 and \$6,405,000 at June 30, 2012 and 2011, respectively, and is invested by the State Regents for Higher Education on behalf of the University. The University is entitled to receive an annual distribution of earnings of 4.5% of the market value at year end on these funds. Legal title of these endowment funds is retained by the State Regents of Higher Education; only the funds available for distribution, or approximately \$1,260,000 and \$964,000 at June 30, 2012 and 2011, respectively, have been reflected as assets in the statements of net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE I--RELATED PARTY TRANSACTIONS

The Foundation is a tax-exempt organization whose objective is the betterment of the University and its related activities. The University is the ultimate beneficiary of the Foundation. On July 1, 1990, the University entered into a written agreement with the Foundation whereby the University agreed to provide certain administrative services for the benefit of the Foundation. The following transactions occurred between the University and the Foundation during the years ended June 30:

	2012	2011
Scholarship funds awarded to the University	\$ 340,000	\$ 282,000
Payment of services by the Foundation for the benefit of the University	\$ 606,000	\$ 599,000

Net assets available for the benefit of the University:

	2012	2011
Unrestricted	\$ 3,991,341	\$ 3,812,841
Temporarily restricted	6,403,078	5,621,877
Permanently restricted	9,092,431	8,931,257
	<u>\$ 19,486,850</u>	<u>\$ 18,365,975</u>

NOTE J--COMMITMENTS AND CONTINGENCIES

The University is party to litigation and claims arising in the normal course of business. In the opinion of management, liabilities, if any, resulting from such litigation and claims will not be material to the University.

The University conducts certain programs pursuant to various grants and contracts, which are subject to audit by various federal and state agencies. Costs questioned as a result of audits, if any, may result in refunds to these governmental agencies from various sources of the University.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2012 and 2011

NOTE K--RISK MANAGEMENT

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omission; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program public entity risk pool currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pool for its tort, property, and liability insurance coverage. The Oklahoma Risk Management pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The University also participates in the College Association of Liability Management ("CALM") Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

CAMERON UNIVERSITY

June 30, 2012

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT PLANS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
Plan 1 - See Note F to the Financial Statements for a complete description.						
6/30/2010	-	1,804,051	1,804,051	0.00%	-	0.00%
6/30/2011	-	1,724,224	1,724,224	0.00%	-	0.00%
6/30/2012	-	1,770,452	1,770,452	0.00%	-	0.00%
Plan 2 - See Note F to the Financial Statements for a complete description.						
6/30/2010	977,301	1,335,725	358,424	73.17%	339,943	105.44%
6/30/2011	1,366,950	1,770,622	403,672	77.20%	365,638	110.40%
6/30/2012	1,898,497	2,150,915	252,418	88.26%	373,287	67.62%

The actuarial accrued liability for both Plan 1 and Plan 2 is based on the projected unit credit method.

DISCRETELY PRESENTED COMPONENT UNIT
CAMERON UNIVERSITY FOUNDATION, INC.

Cameron University Foundation, Inc.

**Financial Statements
with Independent Auditors' Report**

June 30, 2012 and 2011



Cameron University Foundation, Inc.
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Independent Auditors' Report

Board of Directors
Cameron University Foundation
Lawton, Oklahoma

We have audited the accompanying statements of financial position of Cameron University Foundation, Inc. (the Foundation), a component unit of Cameron University, as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hinkle & Company, PC

Tulsa, Oklahoma
October 7, 2012

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Cameron University Foundation, Inc.
Statements of Financial Position
June 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 381,019	\$ 835,274
Contributions receivable, net	184,232	184,025
Other receivables	18,435	12,033
Accrued interest receivable	150,753	148,629
Investments, at fair value	17,450,133	16,076,311
Cameron Investment Program	<u>1,410,457</u>	<u>1,355,342</u>
	<u>19,595,029</u>	<u>18,611,614</u>
Other Assets		
Real property	238,000	238,000
Other assets	<u>547,209</u>	<u>484,749</u>
	<u>785,209</u>	<u>722,749</u>
Total Assets	<u>\$20,380,238</u>	<u>\$19,334,363</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Notes payable	\$ <u>893,388</u>	\$ <u>968,388</u>
Net Assets		
Unrestricted	3,991,341	3,812,841
Temporarily restricted	6,403,078	5,621,877
Permanently restricted	<u>9,092,431</u>	<u>8,931,257</u>
Total Net Assets	<u>19,486,850</u>	<u>18,365,975</u>
Total Liabilities and Net Assets	<u>\$20,380,238</u>	<u>\$19,334,363</u>

See Notes to Financial Statements





Cameron University Foundation, Inc.
Statements of Activities
Years Ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support								
Private gifts and contributions	\$ 206,421	\$ 585,784	\$ 133,731	\$ 925,936	\$ 109,441	\$ 486,513	\$ 462,688	\$ 1,058,642
Investment income	209,134	600,952	6,000	816,086	259,289	410,430	5,172	674,891
Net appreciation (depreciation) on investments	193,301	392,752	21,446	607,499	943,972	1,152,554	(155,503)	1,941,023
Program receipts	141	28,223	—	28,364	304	26,410	—	26,714
Rent	—	5,768	—	5,768	—	5,868	—	5,868
Net assets released from restrictions	832,281	(832,278)	(3)	—	808,369	(808,365)	(4)	—
Total Revenues, Gains, and Other Support	<u>1,441,278</u>	<u>781,201</u>	<u>161,174</u>	<u>2,383,653</u>	<u>2,121,375</u>	<u>1,273,410</u>	<u>312,353</u>	<u>3,707,138</u>
Expenses								
Scholarships	340,269	—	—	340,269	281,942	—	—	281,942
Program expenses	39,715	—	—	39,715	302,497	—	—	302,497
Travel, meals and lodging	258,998	—	—	258,998	31,094	—	—	31,094
Other	109,547	—	—	109,547	94,733	—	—	94,733
Support to Cameron University	514,249	—	—	514,249	588,649	—	—	588,649
Total Expenses	<u>1,262,778</u>	<u>—</u>	<u>—</u>	<u>1,262,778</u>	<u>1,298,915</u>	<u>—</u>	<u>—</u>	<u>1,298,915</u>
Change in Net Assets	178,500	781,201	161,174	1,120,875	822,460	1,273,410	312,353	2,408,223
Net Assets, Beginning of Year	<u>3,812,841</u>	<u>5,621,877</u>	<u>8,931,257</u>	<u>18,365,975</u>	<u>2,990,381</u>	<u>4,348,467</u>	<u>8,618,904</u>	<u>15,957,752</u>
Net Assets, End of Year	<u>\$ 3,991,341</u>	<u>\$ 6,403,078</u>	<u>\$ 9,092,431</u>	<u>\$ 19,486,850</u>	<u>\$ 3,812,841</u>	<u>\$ 5,621,877</u>	<u>\$ 8,931,257</u>	<u>\$ 18,365,975</u>

See Notes to Financial Statements

Cameron University Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Change in net assets	\$ 1,120,875	\$ 2,408,223
Items not requiring (providing) operating activities cash flows		
Net appreciation (depreciation) on investments	(394,815)	(1,769,088)
Non-cash contributions	(100,000)	—
Change in		
Other assets	37,540	8,370
Contributions receivable	(207)	131,401
Other receivables	(6,402)	(1,059)
Interest receivable	<u>(2,124)</u>	<u>(3,906)</u>
Net Cash Provided by Operating Activities	<u>654,867</u>	<u>773,941</u>
Investing Activities		
Purchase of investments	(1,557,913)	(1,211,568)
Change in Cameron's Investment Program	(55,114)	(135,846)
Proceeds from disposition of investments	<u>578,905</u>	<u>834,034</u>
Net Cash Used in Investing Activities	<u>(1,034,121)</u>	<u>(513,380)</u>
Financing Activities		
Net borrowings (payments) on note payable	<u>(75,000)</u>	<u>56,001</u>
Net Cash Provided by (Used in) Investing Activities	<u>(75,000)</u>	<u>56,001</u>
Increase (Decrease) in Cash and Cash Equivalents	(454,255)	316,562
Cash and Cash Equivalents, Beginning of Year	<u>835,274</u>	<u>518,712</u>
Cash and Cash Equivalents, End of Year	<u>\$ 381,019</u>	<u>\$ 835,274</u>

See Notes to Financial Statements



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Cameron University Foundation, Inc. (the Foundation) is a not-for-profit organization whose mission and principal activities are to promote the educational and cultural interest of Cameron University (the University), a public institution of higher education. The Foundation's revenues and other support are derived principally from contributions and its activities are conducted in the southwestern Oklahoma area.

Although the University does not control the timing or amount of receipts from the Foundation, substantially all of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets.

Income and gains on investments are reported as increases in permanently restricted net assets if the terms of the gift that gave rise to the investment or applicable law require such amounts to be added to permanent endowment principal. Income and gains are reported as increases in temporarily restricted net assets if the terms of the gift or applicable law impose restrictions on the use of the income and as increases in unrestricted net assets in all other cases.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted primarily of money market and cash in banks.

Contributions

The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When the donor restrictions expire, such as when the Foundation expends the funds in accordance with the donor's wishes, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Collections

All collections of works of art, historical treasures, and similar assets are capitalized. Items added to the collections are capitalized at cost if purchased or at estimated fair value on the acquisition date, if donated. Collection items sold or removed are reported as unrestricted or temporarily restricted gains or losses depending on donor stipulations, if any, placed on the items at the time of acquisition.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Real Property

Real property consists primarily of land and farm property donated to the Foundation. Management has made attempts to revalue portions of the real property assets at subsequent dates. The Foundation's management is of the opinion that revaluation of all the real property would not have a significant impact on the Foundation's statements of financial position or changes in net assets.

Marketable Securities

Marketable securities are stated at fair value. Fair values are generally determined based upon quoted market prices. Realized gains and losses on sales of marketable securities are computed on the first-in, first-out basis.

The Foundation utilizes various investment instruments. Marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. Significant fluctuations in fair values could occur from year to year and the amounts the Foundation will ultimately realize could differ materially.

Credit Risk

The Foundation maintains cash balances at a financial institution located in Oklahoma. From time to time, the account balance may exceed the limits insured by the Federal Deposit Insurance Corporation. Management does not consider this to be an unreasonable risk of loss.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law; and is classified as a public charity under section 509(A)(3). However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Subsequent Events

Subsequent events have been evaluated through October 7, 2012, which is the date the financial statements were issued.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 2: Cash and Cash Equivalents

The Foundation maintains several bank accounts. The table below is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured at June 30, 2012 and 2011. FDIC regulations state time and savings accounts are insured up to a \$250,000 maximum.

Category 1 - Insured by FDIC or collateralized with securities held by the Foundation or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Foundation's name.

Category 3 – Uninsured and uncollateralized.

<u>Type of Deposits</u>	<u>Total Carrying Balance</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
June 30, 2012					
Demand Deposits:					
BancFirst	\$ 158,607	\$ 166,496	\$ 166,496	\$ —	\$ —
Money Market Funds					
BancFirst	<u>222,414</u>	<u>222,414</u>	<u>—</u>	<u>—</u>	<u>222,414</u>
Totals	<u>\$ 381,019</u>	<u>\$ 388,910</u>	<u>\$ 166,496</u>	<u>\$ —</u>	<u>\$ 222,414</u>

<u>Type of Deposits</u>	<u>Total Carrying Balance</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
June 30, 2011					
Demand Deposits:					
BancFirst	\$ 83,475	\$ 97,479	\$ 97,479	\$ —	\$ —
Money Market Funds					
BancFirst	<u>751,799</u>	<u>751,799</u>	<u>—</u>	<u>—</u>	<u>751,799</u>
Totals	<u>\$ 835,274</u>	<u>\$ 849,278</u>	<u>\$ 97,479</u>	<u>\$ —</u>	<u>\$ 751,799</u>



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 3: Investment Return

Investments are held for the production of income and consist of the following at June 30, 2012:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
U.S. Treasury notes	\$ 261,882	\$ 345,041	\$ 345,041
U. S. Agencies	22,656	27,596	27,596
Corporate bonds	8,221,845	8,787,288	8,787,288
Certificates of deposits	115,000	115,000	115,000
Mutual funds	1,746,403	2,287,523	2,287,523
Money market accounts	51,468	55,186	55,186
Common stock	<u>4,848,113</u>	<u>5,832,499</u>	<u>5,832,499</u>
	<u>\$15,267,367</u>	<u>\$17,450,133</u>	<u>\$17,450,133</u>

Investments are held for the production of income and consist of the following at June 30, 2011:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
U.S. Treasury notes	261,882	\$ 325,231	\$ 325,231
U. S. Agencies	26,619	31,356	31,356
Corporate bonds	8,346,236	8,704,471	8,704,471
Certificates of deposits	115,000	115,000	115,000
Mutual funds	1,746,403	2,223,021	2,223,021
Money market accounts	51,468	51,468	51,468
Common stock	<u>3,948,112</u>	<u>4,625,764</u>	<u>4,625,764</u>
	<u>\$14,495,720</u>	<u>\$16,076,311</u>	<u>\$16,076,311</u>

Total investment return is comprised of the following for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividend income, net of investment expenses	\$ 816,086	\$ 674,891
Unrealized gain/(loss) on investments	702,533	1,903,368
Realized gains on investments	<u>(95,034)</u>	<u>37,655</u>
	<u>\$ 1,423,585</u>	<u>\$ 2,615,914</u>



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 4: Pledges Receivable

Pledges receivable are due as follows at June 30:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 94,593	\$ 166,093
Receivable in one to five years	<u>90,000</u>	<u>18,000</u>
Total pledges receivable	184,593	184,093
Less discounts to present value	(361)	(68)
Less allowance for uncollectible pledges	<u>—</u>	<u>—</u>
Net pledges receivable	<u>\$ 184,232</u>	<u>\$ 184,025</u>

Pledges receivable in more than one year were discounted at .21% and .19% for the years ended June 30, 2012 and 2011, respectively.

Note 5: Real Property

Real property consists of land and farm property donated to the Foundation and is held for the production of income. Real property with a carrying amount of \$235,000 at June 30, 2012 and 2011 is part of permanently restricted net assets. Real property with a carrying value of \$3,000 at June 30, 2012 and 2011 is part of unrestricted net assets.

Note 6: Notes Payable

On June 26, 2001, the Foundation entered into a non-recourse agreement with a bank whereby the bank loaned the Foundation \$1,000,000 for the purpose of allowing the University's graduate investment class to manage an active bond portfolio (see Note 8). This non-recourse note had an original maturity date of June 30, 2002, but has been renewed annually with a current maturity date of November 30, 2012. Interest accrues on this note at the 90-day U.S. Treasury bill rate published in the Wall Street Journal plus 1.0% (1.09% at June 30, 2012). The non-recourse note is secured by a first and prior security interest in Cameron's Investment Program fund. Income earned by the portfolio above the borrowing rate shall be donated to the Foundation for the purpose of sponsoring upper-level business majors in the pursuit of graduate degrees at the University.

During the years ended June 30, 2012 and 2011, respectively, the foundation paid \$10,087 and \$10,949 for interest associated with this note payable.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 7: Net Assets

Net assets released from restrictions were as follows at June 30:

	<u>2012</u>	<u>2011</u>
Scholarships to University students	\$ 226,519	\$ 209,442
Program expense	216,978	235,278
Other support to the University	<u>388,784</u>	<u>363,649</u>
	<u>\$ 832,281</u>	<u>\$ 808,369</u>

Temporarily restricted net assets are designed for the scholarships, athletics, KCCU-FM, doctoral chairs, construction activities, and other general support of the University. Substantially all restrictions can be met upon actions of the Foundation in accordance with the donor's stipulation.

Permanently restricted net assets are comprised of endowments designated for the scholarships, athletics, KCCU-FM, doctoral chairs, and other general support of the University. Depending on the nature of the endowment restriction, income from the permanently restricted assets may be required to be invested as part of the corpus of the endowment, or may be available for the designated purpose of the endowment.

Note 8: Cameron Investment Program

Investments are held for the production of income and consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Cash	\$ 12,137	\$ 12,065
Accrued interest	21,711	22,760
Mortgage backed securities	—	626
Corporate bonds	<u>1,376,609</u>	<u>1,319,891</u>
	<u>\$ 1,410,457</u>	<u>\$ 1,355,342</u>

All investments serve as collateral for the note payable as described in Note 6.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 9: Fair Value Measurements

The Foundation uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, the Foundation determines fair value using valuation techniques that use market-based or independently-sourced market data, such as interest rates.

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

Cash and Cash Equivalents: The carrying amount approximates the fair value due to the short maturity of such amounts.

Investments: Investments in cash and cash equivalents, publicly traded securities, and mutual funds are stated at market value based on quoted market prices. Investments, common trust funds, certificates of deposit, government agency bonds and mortgage-backed securities are stated at market price as determined by the fund manager or quoted market prices in non-active markets. Other investments are stated at fair value based upon current market conditions and other factors deemed relevant to the valuation as provided by the independent valuation specialist and or Foundation management.

Pledges and Accounts Receivable: The carrying amount of receivables is based on the discounted value of expected future cash flows, which approximate fair value.

Other Assets: Remaining financial instruments are carried at cost, which approximates fair value.

Accounts Payable and Other Liabilities: The carrying amount approximates fair value due to the short maturity of those amounts.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than the Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 9: Fair Value Measurements (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements at fair value on a recurring basis and the level within the fair market value hierarchy in which the fair value measurements fall at June 30, 2012.

	As of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 55,163	\$ —	\$ —	\$55,163
Certificates of deposits	—	115,000	—	115,000
Equity securities	5,832,499	—	—	5,832,499
Corporate and other bonds	—	8,787,288	—	8,787,288
U.S. government securities	—	372,637	—	372,637
Mutual funds	2,287,546	—	—	2,287,546
	<u>\$8,175,208</u>	<u>\$9,274,925</u>	<u>\$ —</u>	<u>\$17,450,133</u>

	As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 51,468	\$ —	\$ —	\$ 51,468
Certificates of deposits	—	115,000	—	115,000
Equity securities	4,625,764	—	—	4,625,764
Corporate and other bonds	—	8,704,471	—	8,704,471
U.S. government securities	—	356,587	—	356,587
Mutual funds	2,223,021	—	—	2,223,021
	<u>\$6,900,253</u>	<u>\$9,176,058</u>	<u>\$ —</u>	<u>\$16,076,311</u>

The following is a description of methodologies used for instruments measured at fair value on a recurring basis:

Investments: Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. Level 1 investments include equity securities, mutual funds, and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 investments include equity securities with similar characteristics or discounted cash flows, corporate and other bonds, U.S. government securities, marketable alternative assets, inflation hedging and opportunistic and other investments. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy and include corporate and other bonds and marketable and nonmarketable alternative assets.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 10: Endowments

The Foundation endowments consist of approximately 160 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: In accordance with the requirements of FAS 117-1, and the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as permanently restricted (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) all realized and unrealized gains and losses of the endowment, and (4) less any income distribution in accordance with the spending policy which will be classified as temporarily restricted. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purpose of the foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the foundation;
- (7) The investment policies of the foundation.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The goal of the Foundation is to provide a consistent rate of return of 4% over the rate of inflation as measured by the national Consumer Price Index (CPI), on a fee adjusted basis over a typical market cycle of no less than three years and no more than five years. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives while reducing risk to acceptable levels.



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 10: Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution at the end of each year earnings in the form of dividends and interest that were earned during that year. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ —	\$ 6,403,078	\$ 9,092,431
Board-designated endowment funds	—	—	—
Total endowment funds	<u>\$ —</u>	<u>\$ 6,403,078</u>	<u>\$ 9,092,431</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ —	\$ 5,621,877	\$ 8,931,257
Board-designated endowment funds	—	—	—
Total endowment funds	<u>\$ —</u>	<u>\$ 5,621,877</u>	<u>\$ 8,931,257</u>

Changes in Endowment Net Assets for the year ending June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets - beginning	\$ —	\$ 5,621,877	\$ 8,931,257
Investment return	—	993,704	27,446
Contributions	—	619,775	133,731
Appropriations for expenditure	—	(832,278)	(3)
Transfers	—	—	—
Total endowment funds	<u>\$ —</u>	<u>\$ 6,403,078</u>	<u>\$ 9,092,431</u>



Cameron University Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2012 and 2011

Note 10: Endowments (Continued)

Changes in Endowment Net Assets for the year ending June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets - beginning	\$ —	\$ 4,348,467	\$ 8,618,904
Investment return	—	1,562,984	(150,331)
Contributions	—	518,791	462,688
Appropriations for expenditure	—	(808,365)	(4)
Transfers	—	—	—
Total endowment funds	<u>\$ —</u>	<u>\$ 5,621,877</u>	<u>\$ 8,931,257</u>

Note 11: Related Parties

Substantially all expenses are for the benefit of the students, faculty, or activities of the University. Transactions between the Foundation and the University are covered under a written agreement between the Foundation and the University. Under this agreement, the University agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, and payment of services for the benefit of the University.



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

Regents of the University of Oklahoma
Cameron University
Norman, Oklahoma

We have audited the financial statements of Cameron University (the "University"), a component unit of the State of Oklahoma, as of June 30, 2012, and for the year then ended, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Other auditors audited the financial statements of the Cameron University Foundation, Inc. (the "Foundation"), the University's separately presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 12, 2012

Independent Auditors' Report on Compliance
With Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

Regents of the University of Oklahoma
Cameron University
Norman, Oklahoma

Compliance

We have audited the compliance of Cameron University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic 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 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 12, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CAMERON UNIVERSITY

Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Education Student Financial Assistance		
Federal Pell Grant	84.063	\$ 11,396,281
Federal Supplemental Education Opportunity Grant	84.007	95,188
Federal Direct Student Loan Program	84.268	20,274,422
Federal Work Study	84.033	142,862
TEACH Grant	84.379	21,000
Federal Academic Competitiveness Grant Program	84.375A	813
National Science and Mathematics Access to Retain Talent Grant	84.376S	1,000
<i>Total Student Financial Aid Cluster</i>		<u>31,931,566</u>
TRIO Program Cluster		
Upward Bound	84.047A	287,098
Student Support Services	84.042A	368,554
Talent Search Grant	84.044A	321,650
<i>Total TRIO Program Cluster</i>		<u>977,302</u>
Total U.S. Department of Education		<u>32,908,868</u>
U.S. Department of Health Resources and Services Administration		
Passed-through Oklahoma State University		
Center for Health Sciences		
AHEC - Federal	93.107	<u>62,648</u>
Total U.S. Department of Health Resources and Services Administration		<u>62,648</u>
U.S. Department of Health and Human Services		
Passed-through College of Osteopathic Medicine of Oklahoma State University		
AHEC - Geriatrics	93.969	<u>12,484</u>
Total U.S. Department of Health and Human Services		<u>12,484</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

CAMERON UNIVERSITY

Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Fish and Wildlife Services		
Wichita Mountains Wildlife Refuge	15.615	<u>5,572</u>
Total U.S. Fish and Wildlife Services		<u>5,572</u>
National Endowment for the Humanities		
Passed-through Oklahoma Humanities Council	45.168	<u>4,000</u>
Total National Endowment for the Humanities		<u>4,000</u>
National Aeronautics Space Administration		
Passed-through University of Oklahoma NASA Grant	43.001	<u>10,117</u>
Total National Aeronautics Space Administration		<u>10,117</u>
National Science Foundation		
Passed-through University of Tulsa Cyber Security Education Consortium	47.076	8,629
Passed-through University of Massachusetts Boston ASSECT	47.076	21,987
Passed-through Oklahoma State University		
Oklahoma Lewis Stokes Alliance for Minority Participants	47.076	35,836
MIRP	47.041	18,193
Passed-through Oklahoma EPSCoR		
EPSCoR	47.080	7,592
ROA Oxidative Stress Protein	47.081	<u>4,814</u>
Total National Science Foundation		<u>97,051</u>
National Center for Research Resources		
Passed-through University of Oklahoma OUHSC	93.389	<u>27,630</u>
Total National Center for Research Resources		<u>27,630</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS		 <u>\$ 33,128,370</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CAMERON UNIVERSITY

Year Ended June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards includes the federal awards activity of Cameron University (the "University") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented, in or used in the preparation of, the basic financial statements.

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

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.

NOTE C--LOANS OUTSTANDING

The University had \$50,276 in Federal Perkins Loans outstanding at June 30, 2012.

NOTE D--SUBRECIPIENTS

During the year ended June 30, 2012, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMERON UNIVERSITY

Year Ended June 30, 2012

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

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

Unqualified

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

_____ yes X no

Identification of major programs:

Program
Student Financial Aid Cluster

CFDA Number
*

* See 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: \$300,000

Auditee qualified as low-risk auditee? _____ yes X no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

CAMERON UNIVERSITY

Year Ended June 30, 2012

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

None to report for the June 30, 2012 period.

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

None to report for the June 30, 2012 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CAMERON UNIVERSITY

Year Ended June 30, 2012

FINDING 2011-01: This finding was fully corrected in the current year.

FINDING 2011-02: This finding was fully corrected in the current year.