

# CAMERON UNIVERSITY

June 30, 2013

CAMERON UNIVERSITY

June 30, 2013

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## Independent Auditors' Report

Regents of the University of Oklahoma  
Cameron University  
Norman, Oklahoma

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University's discretely presented component unit, Cameron University Foundation, Inc. (the "Foundation"). Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

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

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

## Opinion

In our opinion, based on our audit 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 discretely presented component unit, Cameron University Foundation, Inc., as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note A to the financial statements, in 2013 the University adopted several new accounting pronouncements issued by the Governmental Accounting Standards Board, including GASB Statements No. 63 and 65. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 14, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAMERON UNIVERSITY

For The Years Ended June 30, 2013 and 2012

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, 2013. 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 2013, with fiscal year 2012 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 Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The Statement of Net Position presents the financial position of the University at June 30, 2013. The Statement of Revenues, Expenses, and Changes in Net Position summarizes the University's financial activity for the year ended June 30, 2013. 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 year ended June 30, 2013.

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 POSITION

This statement is presented in categories, namely assets, deferred outflows of resources, liabilities, and net position. 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.

Deferred outflows of resources are consumptions of net assets that are applicable to a future period. It includes costs associated with debt restructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2013 and 2012

STATEMENT OF NET POSITION--Continued

Liabilities are also classified between current and noncurrent classifications. Current liabilities include accounts payable, accrued expenses, unearned 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 2015 or thereafter.

At June 30, 2013, the University had approximately \$29.1 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 position decreased to \$58.5 million in FY 2013 from \$62.7 million in FY 2012.

Following is a comparison of the summarized financial position, net position, and capital assets of the University at June 30, 2013 and 2012:

CONDENSED STATEMENTS OF NET POSITION

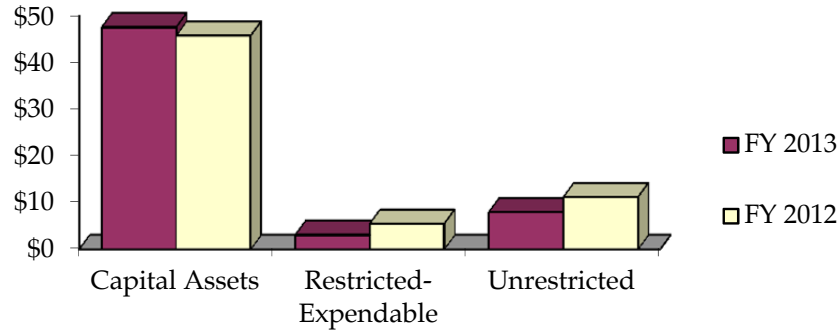
	June 30 (in Millions)	
	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS	\$ 13.8	\$ 17.7
NONCURRENT ASSETS		
Capital Assets, Net of Depreciation	75.5	74.4
Other	3.5	6.0
TOTAL ASSETS	<u>\$ 92.8</u>	<u>\$ 98.1</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 0.5</u>	<u>\$ 0.7</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES	\$ 6.0	\$ 5.9
NONCURRENT LIABILITIES	28.8	30.2
TOTAL LIABILITIES	<u>\$ 34.8</u>	<u>\$ 36.1</u>
NET POSITION		
Net investment in Capital Assets	\$ 47.6	\$ 45.8
Restricted - Expendable	3.0	5.4
Restricted - Nonexpendable	0.1	0.1
Unrestricted	7.8	11.4
TOTAL NET POSITION	<u>\$ 58.5</u>	<u>\$ 62.7</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2013 and 2012

ANALYSIS OF NET POSITION  
(in Millions)



CAPITAL ASSETS, net  
(in Millions)

	June 30 (in Millions)	
	2013	2012
<b>CAPITAL ASSETS</b>		
Land	\$ 0.4	\$ 0.4
Buildings and improvements	96.4	91.2
Infrastructure	8.5	8.3
Equipment	12.0	12.1
Library materials	10.9	10.4
Construction in progress	<u>2.9</u>	<u>4.5</u>
<b>TOTAL CAPITAL ASSETS</b>	<b>131.1</b>	<b>126.9</b>
Less: Accumulated Depreciation	<u>(55.6)</u>	<u>(52.5)</u>
<b>NET CAPITAL ASSETS</b>	<b><u>\$ 75.5</u></b>	<b><u>\$ 74.4</u></b>

In 2013, the University added \$5.4 million in assets due to the costs associated with various construction projects and acquisitions of equipment and library materials. The University disposed of approximately \$1.2 million in partially depreciated equipment. Depreciation amounted to \$4.3 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2013 and 2012

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

Following is a comparison of revenues, expenses and other changes in net position for the years ended June 30, 2013 and 2012:

CONDENSED STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30 (in Millions)	
	2013	2012
<b>OPERATING REVENUES</b>		
Tuition and Fees, Net	\$ 19.0	\$ 19.5
Grants and Contracts	2.4	2.4
Sales and Services	0.5	0.5
Auxiliary Enterprises	4.9	4.4
Other	0.2	0.1
TOTAL OPERATING REVENUES	27.0	26.9
Less: Operating Expenses	69.3	67.5
OPERATING LOSS	(42.3)	(40.6)
<b>NONOPERATING REVENUES</b>		
State Appropriations	21.6	21.3
Federal and State Grants	13.6	13.8
On-Behalf Payments	2.7	2.1
Endowment Income	0.3	0.3
Investment Income	0.1	0.1
Donations	-	1.2
Capital Appropriations	1.4	1.4
TOTAL NONOPERATING REVENUES	39.7	40.2
Less: Nonoperating Expenses	1.6	1.2
NET NONOPERATING REVENUE	38.1	39.0
DECREASE IN NET POSITION	(4.2)	(1.6)
NET POSITION AT BEGINNING OF YEAR	62.7	64.3
NET POSITION AT END OF YEAR	\$ 58.5	\$ 62.7



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2013 and 2012

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

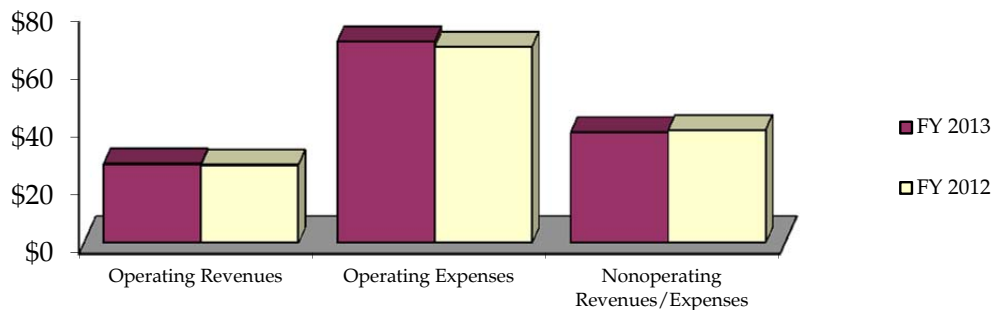
Operating revenues includes tuition and fees net of scholarship discounts and allowances, grants and contracts, sales and services, auxiliary enterprises, and other. These revenues increased by \$.1 million in 2013. Tuition and fees revenue decreased by \$.5 million in 2013. The decrease was the net of a 5% decrease in enrollment and a 4% increase in tuition and fee rates. Grants and contracts remained unchanged in 2013.

The majority of nonoperating revenues are made up of state appropriations and federal and state grants for student financial aid. State appropriations increased by \$.3 million in FY 2013 as compared to FY 2012. Pell grant revenues decreased approximately \$.2 million during FY 2013.

The University's operating expenses are classified by natural classification, including employee compensation, scholarships, contractual services, etc. In FY 2013, operating expenses increased by \$1.8 million primarily due to an increase in compensation and decreases in contractual services and utilities expenses. The compensation increase is due to stipend payments for faculty and staff, supplemental retirement plan payments and increased benefits costs. Contractual services decreased due to maintenance savings. Utilities savings were recognized due to favorable weather conditions during the fiscal year.

ANALYSIS OF NET POSITION

(in Millions)



MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CAMERON UNIVERSITY

For The Years Ended June 30, 2013 and 2012

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

	For The Years Ended June 30 (in Millions)	
	2013	2012
OPERATING EXPENSES		
Compensation	\$ 39.0	\$ 36.9
Contractual Services	5.3	5.5
Supplies and Materials	4.6	4.6
Depreciation	4.3	4.1
Utilities	1.5	1.7
Communications	0.2	0.2
Scholarships and Fellowships	11.8	11.8
Other Operating Expenses	<u>2.6</u>	<u>2.7</u>
TOTAL OPERATING EXPENSES	<u>\$ 69.3</u>	<u>\$ 67.5</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, 2013 and 2012:

	For The Years Ended June 30 (in Millions)	
	2013	2012
CASH PROVIDED BY (USED IN)		
Operating Activities	\$ (34.8)	\$ (35.2)
Noncapital Financing Activities	35.2	35.3
Capital and Related Financing Activities	(5.6)	(4.8)
Investing Activities	<u>0.2</u>	<u>0.1</u>
NET DECREASE IN CASH	(5.0)	(4.6)
CASH AT BEGINNING OF YEAR	<u>15.4</u>	<u>20.0</u>
CASH AT END OF YEAR	<u>\$ 10.4</u>	<u>\$ 15.4</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

### CAMERON UNIVERSITY

For The Years Ended June 30, 2013 and 2012

#### COMPONENT UNIT

Cameron University Foundation, Inc. (the "Foundation") meets the criteria for inclusion as a discretely presented component unit of the University. The most recent financial statements of the Foundation are included under the heading "Component Unit".

#### ECONOMIC OUTLOOK

The University begins the 2014 fiscal year with the momentum of over a decade of remarkable 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 2014 and future years. With only a minimal increase in state funding for FY 2014, it was necessary to implement a tuition and fee 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 the uncertain state and national economy.

STATEMENT OF NET POSITION

CAMERON UNIVERSITY

	June 30, 2013	Component Unit June 30, 2013
	<u>2013</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,046,811	\$ 1,038,260
Accrued interest receivable	2,326	154,105
Accounts receivable, net	2,174,998	217,823
Receivables from OSRHE	1,592,177	-
Prepaid expenses and other assets	2,005,579	-
TOTAL CURRENT ASSETS	<u>13,821,891</u>	<u>1,410,188</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	2,377,049	-
Investments	1,035,528	19,729,716
Prepaid bond insurance costs	123,335	-
Other assets	-	280,582
Capital assets, net	75,456,826	238,000
TOTAL NONCURRENT ASSETS	<u>78,992,738</u>	<u>20,248,298</u>
TOTAL ASSETS	<u>\$ 92,814,629</u>	<u>\$ 21,658,486</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on OCIA lease restructure	<u>\$ 503,729</u>	<u>\$ -</u>

## STATEMENT OF NET POSITION--Continued

## CAMERON UNIVERSITY

	June 30, 2013	Component Unit June 30, 2013
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 446,664	\$ 20,892
Accrued payroll	1,290,943	-
Accrued interest	190,182	-
Unearned revenues	1,387,634	-
Notes payable	-	763,388
Deposits held in custody for others	266,883	-
Current portion of noncurrent liabilities	<u>2,428,042</u>	-
TOTAL CURRENT LIABILITIES	6,010,348	784,280
NONCURRENT LIABILITIES, net of current portion		
Accrued compensated absences	327,928	-
Capital lease payable	19,846,819	-
Revenue bonds payable	7,535,000	-
Bond premium	196,453	-
Net pension obligation	<u>870,914</u>	-
TOTAL NONCURRENT LIABILITIES	<u>28,777,114</u>	-
TOTAL LIABILITIES	<u>\$ 34,787,462</u>	<u>\$ 784,280</u>
NET POSITION		
Net investment in capital assets	\$ 47,612,226	\$ -
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	66,000	9,272,920
Expendable:		
Educational programs	601,755	7,027,969
Capital projects	2,318,175	-
Other	118,823	-
Unrestricted	<u>7,813,917</u>	<u>4,573,317</u>
TOTAL NET POSITION	<u>\$ 58,530,896</u>	<u>\$ 20,874,206</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

CAMERON UNIVERSITY

	Year Ended June 30, 2013	Component Unit Year Ended June 30, 2013
<b>OPERATING REVENUES</b>		
Student tuition and fees, net of scholarship allowance of \$7,841,000	\$ 18,996,409	\$ -
Federal grants and contracts	1,504,354	-
State grants and contracts	230,836	-
Nongovernmental grants and contracts	697,818	-
Sales and services of educational departments	464,579	-
Auxiliary enterprises	4,934,369	-
Gifts and contributions	-	651,093
Other operating revenues	205,549	116,751
<b>TOTAL OPERATING REVENUES</b>	<u>27,033,914</u>	<u>767,844</u>
<b>OPERATING EXPENSES</b>		
Compensation and benefits	39,002,109	-
Contractual services	5,271,047	-
Supplies and materials	4,666,166	-
Depreciation	4,287,671	-
Utilities	1,496,401	-
Communications	245,314	-
Scholarships and fellowships	11,766,720	284,501
Other operating expenses	2,603,630	1,247,057
<b>TOTAL OPERATING EXPENSES</b>	<u>69,339,058</u>	<u>1,531,558</u>
<b>OPERATING LOSS</b>	(42,305,144)	(763,714)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	21,608,265	-
Federal and state grants	13,656,320	-
OTRS on-behalf contributions	1,932,000	-
Oklahoma State Regents for Higher Education endowment income	299,412	-
Investment income	60,804	811,981
Net appreciation on investments	-	1,339,089
Interest expense	(1,544,388)	-
Other nonoperating expense	(97,332)	-
<b>NET NONOPERATING REVENUES</b>	<u>35,915,081</u>	<u>2,151,070</u>
Income (loss) before other revenues, expenses, gains and losses	<u>(6,390,063)</u>	<u>1,387,356</u>
<b>OTHER REVENUES, EXPENSES, GAINS AND LOSSES</b>		
On-behalf payments for OCIA capital leases	879,634	-
State appropriations restricted for capital purposes	1,390,826	-
<b>OTHER REVENUES AND GAINS</b>	<u>2,270,460</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	(4,119,603)	1,387,356
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>62,650,499</u>	<u>19,486,850</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 58,530,896</u>	<u>\$ 20,874,206</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

CAMERON UNIVERSITY

	Year Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 19,304,696
Grants and contracts	2,401,604
Payments to employees	(36,541,643)
Payments to vendors	(14,989,614)
Payments for scholarships and fellowships	(11,766,720)
Sales and services of educational departments	1,586,251
Auxiliary enterprises	4,945,047
Other operating receipts	212,411
NET CASH USED IN OPERATING ACTIVITIES	<u>(34,847,968)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	21,608,265
Federal and state grants	13,656,320
Direct Loans received	19,973,958
Direct Loans disbursed	(19,973,958)
Agency transactions	18,273
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>35,282,858</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	1,390,826
Payments on bonds and lease payable	(287,877)
Proceeds from capital lease obligations	168,436
Interest paid on capital debt and leases	(1,511,921)
Purchases of capital assets	(5,361,629)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,602,165)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	412,737
Interest on investments	75,022
Purchases of investments	(273,800)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>213,959</u>
NET DECREASE IN CASH	(4,953,316)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,377,176</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,423,860</u>

STATEMENT OF CASH FLOWS--Continued

CAMERON UNIVERSITY

	Year Ended June 30, 2013
	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (42,305,144)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	4,287,671
OTRS on-behalf contributions	1,932,000
Changes in assets and liabilities:	
Accounts receivable	(5,762)
Prepaid expenses and other assets	1,367,499
Accounts payable and accrued expenses	(430,482)
Net pension obligation	258,331
Unearned revenues	47,919
	<u>47,919</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (34,847,968)</u>
NONCASH CAPITAL AND RELATED FINANCING ITEMS	
Principal and interest paid by OCIA and ODFA	<u>\$ 879,634</u>
	<u>\$ 879,634</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION	
Current assets:	
Current cash and cash equivalents	\$ 8,046,811
Noncurrent assets:	
Restricted cash and cash equivalents	<u>2,377,049</u>
	<u>\$ 10,423,860</u>

See notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

### CAMERON UNIVERSITY

June 30, 2013

#### 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* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading.

The accompanying financial statements include the accounts 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.

Discretely Presented 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 discretely presented in the University's financial statements.

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

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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

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

Cash Equivalents: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's 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 statement of revenues, expenses, and changes in net position. 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.

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 statement of net position.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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

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.

Unearned Revenues: Unearned 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. Unearned 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 statement of net position and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

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

Net Investment in Capital Assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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

Net Position--Continued:

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

Restricted Net Position - Nonexpendable: Nonexpendable restricted net position 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 Position: Unrestricted net position 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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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

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 statement of revenues, expenses and changes in net position. 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.

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the University that are applicable to a future reporting period. At June 30, 2013, the University's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

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

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.

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

- *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.*  
GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The University will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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

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

- *Statement No. 61, The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34.*

GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The adoption of GASB No. 61 did not have an impact on the University's financial statement presentation.

- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB No. 62 did not have an impact on the University's financial position, or changes in financial position or cash flows, or its financial statement presentation.

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

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

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

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The University has chosen to early adopt GASB Statement No. 65 in 2013. The adoption of GASB No. 65 did not have a significant impact on the University's financial position, or changes in financial position or cash flows.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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

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

*Fiscal Year Ended June 30, 2014*

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

*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 implementation guidance is expected to be issued in November 2013. Although the University has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

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

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

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, 2013, the carrying amount of the University's deposits were \$10,423,860. This amount consisted of deposits with the State Treasurer (\$10,409,560) and petty cash and change funds (\$14,300) at June 30, 2013.



NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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 \$1,226,199 at June 30, 2013.

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

At June 30, 2013, the distributions of deposits in *OK INVEST* are as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	\$ 481,998	\$ 479,960
Certificates of deposit	31,324	31,324
Money market mutual funds	115,063	115,063
Mortgage backed agency securities	526,902	529,489
Municipal bonds	20,657	22,866
Foreign bonds	9,685	9,679
Commercial paper	25,773	25,773
U.S. Treasury Obligations	14,797	18,057
TOTAL	<u>\$ 1,226,199</u>	<u>\$ 1,232,211</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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the 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.

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, 2013, the University had the following investments:

U.S. Government Securities	\$ 1,035,528
	<u>\$ 1,035,528</u>

Investment maturities were as follows at June 30, 2013:

<u>Investment Type</u>	<u>Fair Market</u>	<u>Not Applicable</u>	<u>Less than One</u>	<u>One to Five</u>	<u>Six to Ten</u>	<u>More than Ten</u>
U.S. Government Securities	\$ 1,035,528	\$ 404,673	\$ 157,772	\$ 473,083	\$ -	\$ -
	<u>\$ 1,035,528</u>	<u>\$ 404,673</u>	<u>\$ 157,772</u>	<u>\$ 473,083</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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.

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 investments guaranteed by the U.S. Government.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2013:

Student tuition and fees	\$ 2,336,098
Auxiliary enterprises and other operating activities	584,163
Federal and state agencies	192,707
	<hr/>
	3,112,968
Less: allowance for doubtful accounts	(937,970)
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	<u>\$ 2,174,998</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE D--CAPITAL ASSETS, NET

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:					
Land	\$ 421,978	\$ -	\$ -	\$ -	\$ 421,978
Construction in progress	<u>4,470,418</u>	<u>4,055,521</u>	<u>(5,674,329)</u>	<u>-</u>	<u>2,851,610</u>
Total capital assets not being depreciated	<u>\$ 4,892,396</u>	<u>\$ 4,055,521</u>	<u>\$(5,674,329)</u>	<u>\$ -</u>	<u>\$ 3,273,588</u>
Other capital assets:					
Nonmajor infrastructure networks	\$ 8,329,272	\$ -	\$ 185,128	\$ -	\$ 8,514,400
Building	91,218,356	-	5,148,431	-	96,366,787
Furniture, fixtures and equipment	12,051,374	779,546	340,770	(1,158,175)	12,013,515
Library materials	<u>10,410,977</u>	<u>535,340</u>	<u>-</u>	<u>-</u>	<u>10,946,317</u>
Total other capital assets	122,009,979	1,314,886	5,674,329	(1,158,175)	127,841,019
Less: accumulated depreciation for:					
Nonmajor infrastructure networks	(2,966,167)	(370,625)	-	-	(3,336,792)
Building	(35,869,276)	(2,307,921)	-	-	(38,177,197)
Furniture, fixtures and equipment	(6,616,622)	(1,181,407)	-	1,131,590	(6,666,439)
Library materials	<u>(7,049,635)</u>	<u>(427,718)</u>	<u>-</u>	<u>-</u>	<u>(7,477,353)</u>
Total accumulated depreciation	<u>(52,501,700)</u>	<u>(4,287,671)</u>	<u>-</u>	<u>1,131,590</u>	<u>(55,657,781)</u>
Other capital assets, net	<u>\$ 69,508,279</u>	<u>\$(2,972,785)</u>	<u>\$ 5,674,329</u>	<u>\$ (26,585)</u>	<u>\$ 72,183,238</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 4,892,396	\$ 4,055,521	\$(5,674,329)	\$ -	\$ 3,273,588
Other capital assets, at cost	<u>122,009,979</u>	<u>1,314,886</u>	<u>5,674,329</u>	<u>(1,158,175)</u>	<u>127,841,019</u>
Total cost of capital assets	126,902,375	5,370,407	-	(1,158,175)	131,114,607
Less: accumulated depreciation	<u>(52,501,700)</u>	<u>(4,287,671)</u>	<u>-</u>	<u>1,131,590</u>	<u>(55,657,781)</u>
Capital assets, net	<u>\$ 74,400,675</u>	<u>\$ 1,082,736</u>	<u>\$ -</u>	<u>\$ (26,585)</u>	<u>\$ 75,456,826</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, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE E--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due within One year
<b>Bonds and capital lease obligations:</b>					
Revenue bond payable	\$ 7,940,000	\$ -	\$ (200,000)	\$ 7,740,000	\$ 205,000
OCIA capital lease obligations	11,985,859	-	(374,427)	11,611,432	916,529
Premium on OCIA lease obligations	216,315	-	(19,862)	196,453	-
ODFA master lease revenue bonds	10,362,666	-	(593,083)	9,769,583	617,667
Total bonds and capital lease	<u>30,504,840</u>	-	<u>(1,187,372)</u>	29,317,468	1,739,196
<b>Other liabilities:</b>					
Net pension obligation	748,871	849,964	(591,633)	1,007,202	136,288
Accrued compensated absences	838,046	552,558	(510,118)	880,486	552,558
Total other liabilities	<u>1,586,917</u>	<u>1,402,522</u>	<u>(1,101,751)</u>	1,887,688	688,846
Total long-term liabilities	<u>\$32,091,757</u>	<u>\$1,402,522</u>	<u>\$(2,289,123)</u>	<u>\$31,205,156</u>	<u>\$ 2,428,042</u>

*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, 2013, 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.

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, 2013, 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, 2013, 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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE E--LONG-TERM LIABILITIES--Continued

*Oklahoma Capital Improvement Authority Lease Obligations--Continued*

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 year 2013 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues.

This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The University has recorded a charge of \$1,007,459 on restructuring as a deferred outflow of resources that will be amortized over a period of six years. As of June 30, 2013, the unamortized cost totaled \$503,729. 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 year ended June 30, 2013, OCIA made lease interest and principal payments totaling \$879,634, on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statement of revenues, expenses, and changes in net position.

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

Years Ending June 30,	Principal	Interest	Total
2014	\$ 916,529	\$ 488,034	\$ 1,404,563
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	1,236,643	367,102	1,603,745
2019 - 2023	1,256,154	1,493,520	2,749,674
2024 - 2028	3,357,440	912,812	4,270,252
2029 - 2030	1,588,663	119,566	1,708,229
	<u>\$ 11,611,432</u>	<u>\$ 4,733,462</u>	<u>\$ 16,344,894</u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE E--LONG-TERM LIABILITIES--Continued

*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.

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, 2013, the University had \$1,035,528 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
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	245,000	333,895	578,895
2019 - 2023	1,395,000	1,471,350	2,866,350
2024 - 2028	1,810,000	1,042,750	2,852,750
2029 - 2033	2,315,000	516,500	2,831,500
2034 - 2035	1,095,000	28,000	1,123,000
	<u>\$ 7,740,000</u>	<u>\$ 4,827,830</u>	<u>\$ 12,567,830</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, 2013

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
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	476,750	88,930	565,680
2019 - 2021	1,514,666	136,049	1,650,715
	<u>\$ 3,710,500</u>	<u>\$ 769,864</u>	<u>\$ 4,480,364</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
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	245,500	221,330	466,830
2019 - 2023	1,381,250	957,212	2,338,462
2024 - 2028	1,702,833	642,287	2,345,120
2029 - 2033	1,831,250	231,038	2,062,288
	<u>\$ 6,059,083</u>	<u>\$ 3,022,795</u>	<u>\$ 9,081,878</u>



## NOTES TO FINANCIAL STATEMENTS--Continued

### CAMERON UNIVERSITY

June 30, 2013

#### 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](http://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.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2013, 2012, and 2011. The University contributes the required amounts for participating members. The contribution rate was 8.55% for 2013, 2012 and 2011.

The University's contributions to the OTRS for the year ended June 30, 2013, 2012 and 2011, were approximately \$4,400,000, \$4,130,000 and \$4,102,000, 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 2013, 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, 2013

NOTE F--RETIREMENT PROGRAMS--Continued

*Oklahoma Teachers' Retirement System (OTRS)--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 year ended June 30, 2013, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the University were approximately \$1,932,000. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statement of revenues, expenses, and changes in net position.

*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 four participants, all of whom are retired and currently receiving benefits. Plan 2 has one active participant who retired effective June 30, 2013.

*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, 2013 and 2012, the University contributed and paid benefits of \$136,288 and \$145,609 under Plan 1.

Annual Pension Cost and Net Pension Obligation: The annual required contributions for the years ended June 30, 2013 and 2012, were determined as part of annual actuarial valuations as of the aforementioned dates, using the projected unit credit method. The actuarial assumptions for 2013 and 2012 included (a) a discount rate of 6.5% and 8% per year to determine the present value of future benefit payments; (b) retirement at age 63; (c) a return on investments rate of 6.5% and 5.25%; (d) annual cost of living adjustment of 3.5% and 2.0%; and (e) a 6.5% and 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, 2013

NOTE F--RETIREMENT PROGRAMS--Continued

*Supplemental Retirement Plans-Continued*

***Plan 1--Continued***

Annual Pension Cost and Net Pension Obligation--Continued: Components of the University's annual pension cost, contributions, and net pension obligation for Plan 1 for the year ended June 30, 2013, are as follows:

Annual required contribution	\$ 181,000
Interest on net pension obligation	60,820
Adjustment to annual required contribution	<u>(106,088)</u>
Annual pension cost	135,732
Contributions made	<u>(136,288)</u>
Decrease in net pension obligation	(556)
Net pension obligation at beginning of year	<u>935,699</u>
Net pension obligation at end of year	<u><u>\$ 935,143</u></u>

Funded Status and Funding Progress: The funded status of Plan 1 as of June 30, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 1,810,999
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 1,810,999</u></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%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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
2013	\$ 135,732	100.4%	\$ 935,143
2012	\$ 158,565	91.8%	\$ 935,699
2011	\$ 153,688	91.5%	\$ 922,743

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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, 2013 and 2012, the University made contributions totaling approximately \$410,000 and \$460,000 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 2013 and 2012 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 0% in the 2013 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 year ended June 30, 2013, is as follows:

	<u>2013</u>
Annual required contribution	\$ 495,559
Interest on net pension obligation	(13,958)
Adjustment to annual required contribution	<u>232,631</u>
Annual pension cost	714,232
Contributions made	<u>409,542</u>
Increase in net pension obligation	304,690
Net pension obligation (asset) at beginning of year	<u>(232,631)</u>
Net pension obligation (asset) at end of year	<u><u>\$ 72,059</u></u>

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

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, 2013 was as follows:

Actuarial accrued liability (AAL)	\$ 2,674,969
Actuarial value of plan assets	<u>2,492,390</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 182,579</u>
Funded ratio (actuarial value of plan assets/AAL)	93.17%
Annual covered payroll (active plan members)	\$ 374,755
UAAL as a percentage of annual covered payroll	48.72%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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)
2013	\$ 714,232	57.3%	\$ 72,059
2012	\$ 414,322	111.0%	\$ (232,631)
2011	\$ 354,779	42.3%	\$ (186,953)

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 year ended June 30, 2013, the amount of the expense to the University was approximately \$46,000.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CAMERON UNIVERSITY

June 30, 2013

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

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 year ended June 30, 2013, the amount of expense to the University was approximately \$5,000.

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, 2013, the University had approximately \$1,594,000 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 statement of net position.

#### 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 the University's "New College Fund." The University received approximately \$1,274,000 during the year ended June 30, 2013, 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 statement of revenues, expenses, and changes in net position. State law prohibits the distribution of any corpus of these funds to the beneficiaries.

The total trust reserve for the University, held in trust by the Commissioners of the Land Office, was approximately \$17,338,000 at June 30, 2013.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE H--FUNDS HELD IN TRUST BY OTHERS--Continued

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 \$6,469,000 at June 30, 2013 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 \$1,252,000 at June 30, 2013, have been reflected as assets in the statement of net position.

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 year ended June 30, 2013:

Scholarship funds awarded to the University	<u>\$ 285,000</u>
Payment of services by the Foundation for the benefit of the University	<u>\$ 827,000</u>
Net position available for the benefit of the University:	
	2013
Unrestricted	\$ 4,573,317
Temporarily restricted	7,027,969
Permanently restricted	<u>9,272,920</u>
	<u>\$ 20,874,206</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, 2013

#### 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.

#### NOTE L--CAMERON UNIVERSITY FOUNDATION, INC.

The following are significant disclosures of Cameron University Foundation, Inc.:

##### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 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.



NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE L--CAMERON UNIVERSITY FOUNDATION, INC.--Continued

FAIR VALUE MEASUREMENTS--Continued

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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE L--CAMERON UNIVERSITY FOUNDATION, INC.--Continued

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, 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Money market funds	\$ 981,476	\$ -	\$ -	\$ 981,476
Certificates of deposits	-	115,000	-	115,000
Equity securities	8,731,166	-	-	8,731,166
Corporate and other bonds	-	8,245,496	-	8,245,496
U.S. government securities	-	342,195	-	342,195
Total assets accounted for at fair value	<u>\$ 9,712,642</u>	<u>\$ 8,702,691</u>	<u>\$ -</u>	<u>\$ 18,415,333</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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE L--CAMERON UNIVERSITY FOUNDATION, INC.--Continued

ENDOWMENTS--Continued

*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.

NOTES TO FINANCIAL STATEMENTS--Continued

CAMERON UNIVERSITY

June 30, 2013

NOTE L--CAMERON UNIVERSITY FOUNDATION, INC.--Continued

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, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 7,027,969	\$ 9,272,920	\$ 16,300,889
Board-designated endowment funds	-	-	-	-
Total Funds Invested	<u>\$ -</u>	<u>\$ 7,027,969</u>	<u>\$ 9,272,920</u>	<u>\$ 16,300,889</u>

Changes in Endowment Net Assets for the year ending June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,403,078	\$ 9,092,431	\$ 15,495,509
Investment return	-	1,147,845	22,166	1,170,011
Net investment return	-	1,147,845	22,166	1,170,011
Contributions	-	501,080	158,323	659,403
Appropriation of endowment assets for expenditure	-	(1,024,034)	-	(1,024,034)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 7,027,969</u>	<u>\$ 9,272,920</u>	<u>\$ 16,300,889</u>

## REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

CAMERON UNIVERSITY

June 30, 2013

**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%
6/30/2013	-	1,810,999	1,810,999	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%
6/30/2013	2,492,390	2,674,969	182,579	93.17%	374,755	48.72%

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

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, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2013. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of Cameron University Foundation, Inc. (the "Foundation"), the University's discretely 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* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Internal Control Over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 14, 2013

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

Regents of the University of Oklahoma  
Cameron University  
Norman, Oklahoma

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

## **Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

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

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

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

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

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

We have audited the financial statements of the University as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Cole & Reed P.C.*

Oklahoma City, Oklahoma  
October 14, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CAMERON UNIVERSITY

Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education Student Financial Assistance:		
Federal Pell Grant	84.063	\$ 11,169,356
Federal Supplemental Education Opportunity Grant	84.007	140,077
Federal Direct Student Loan Program	84.268	19,973,958
Federal Work Study	84.033	155,998
TEACH Grant	84.379	21,000
<i>Total Student Financial Aid Cluster</i>		31,460,389
TRIO Program Cluster:		
Upward Bound	84.047A	328,020
Student Support Services	84.042A	401,822
Talent Search Grant	84.044A	358,057
<i>Total TRIO Program Cluster</i>		1,087,899
Total U.S. Department of Education		32,548,288
U.S. Department of Health Resources and Services Administration:		
Passed-through Oklahoma State University Center for Health Sciences:		
AHEC - Federal	93.107	30,856
Total U.S. Department of Health Resources and Services Administration		30,856
U.S. Department of Health and Human Services:		
Passed-through College of Osteopathic Medicine of Oklahoma State University:		
AHEC - Geriatrics	93.969	28,687
Total U.S. Department of Health and Human Services		28,687
U.S. Fish and Wildlife Services:		
Wichita Mountains Wildlife Refuge	15.615	2,130
Total U.S. Fish and Wildlife Services		2,130
National Endowment for the Humanities:		
Passed-through Oklahoma Humanities Council	45.168	4,018
Total National Endowment for the Humanities		4,018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

CAMERON UNIVERSITY

Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
National Aeronautics Space Administration:		
Passed-through University of Oklahoma NASA Grant	43.001	<u>19,870</u>
Total National Aeronautics Space Administration		19,870
National Science Foundation:		
Passed-through University of Massachusetts Boston ASSECT	47.076	5,237
Passed-through Oklahoma State University:		
Oklahoma Lewis Stokes Alliance for Minority Participants	47.076	34,750
MIRP	47.041	33,410
Passed-through Oklahoma EPSCoR:		
ROA Oxidative Stress Protein	47.081	<u>5,026</u>
Total National Science Foundation		78,423
National Center for Research Resources:		
Passed-through University of Oklahoma: OUHSC	93.389	<u>29,810</u>
Total National Center for Research Resources		<u>29,810</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 32,742,082</u>

See notes to schedule of expenditures of federal awards.

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### CAMERON UNIVERSITY

Year Ended June 30, 2013

#### 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, 2013.

#### NOTE D--SUBRECIPIENTS

During the year ended June 30, 2013, the University did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CAMERON UNIVERSITY

Year Ended June 30, 2013

**Section I--Summary of Auditors' Results**

*Financial statements*

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
TRIO Cluster	*

\* See the 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  no



SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

CAMERON UNIVERSITY

Year Ended June 30, 2013

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

None to report for the June 30, 2013 period.

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

None to report for the June 30, 2013 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CAMERON UNIVERSITY

Year Ended June 30, 2013

There were no prior year audit findings.