OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2012

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2012

AUDITED FINANCIAL STATEMENTS

Independent Auditors' Report 1
Management's Discussion and Analysis 3
Statements of Net Assets 13
Statements of Revenues, Expenses, and Changes in Net Assets 15
Statements of Cash Flows 16
Notes to Financial Statements 18

DISCRETELY PRESENTED COMPONENT UNITS

Panhandle State Foundation ..... Exhibit I
OPSU Student Housing, L.L.C. ..... Exhibit II

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* 42

Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of expenditures of Federal Awards 44

Schedule of Expenditures of Federal Awards 47
Notes to Schedule of Expenditures of Federal Awards 48
Schedule of Findings and Questioned Costs 49
Summary Schedule of Prior Audit Findings 51

Independent Auditors' Report

Board of Regents for the Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University
Oklahoma City, Oklahoma

We have audited the accompanying statement of net assets of Oklahoma Panhandle State University (the "University"), a component unit of the State of Oklahoma, as of June 30, 2012 and the related statement of revenues, expenses, and change in net assets and statement of cash flows for the year then ended. The financial statements of the University as of and for the year ended June 30, 2011 were audited by other auditors whose report, dated October 28, 2011, expressed an unqualified opinion on those financial statements. The financial statements of the separate discretely presented component units, Panhandle State Foundation (the "Foundation") (presented as Exhibit I) as of December 31, 2011 and 2010 and OPSU Student Housing, L.L.C (the "LLC") (presented in Exhibit II) as of June 30, 2012 and 2011 were audited by other auditors, whose reports dated July 24, 2012 and September 20, 2012, respectively, expressed unqualified opinions on those statements. The financial statements of the University and the component units collectively comprise the University's basic financial statements. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. Our opinion, insofar as it relates to the amounts included for the Foundation and the LLC, is based on the reports 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 for the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation and the LLC were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

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In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oklahoma Panhandle State University and its separately presented component units, Panhandle State Foundation and OPSU Student Housing, L.L.C, as of December 31, 2011 and June 30, 2012, respectively, and the respective change in net assets and, where applicable, cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2012, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKLAHOMA PANHANDLE STATE UNIVERSITY

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

INTRODUCTION

The discussion and analysis of Oklahoma Panhandle State University's (the "University") financial statements provides an overview of the University's financial activities for the year ended June 30, 2012. Since this discussion and analysis is designed to focus on current activities resulting in change and current known facts, please read it in conjunction with the University's basic financial statements and the footnotes.

FINANCIAL HIGHLIGHTS

The University ended the year with sufficient unrestricted reserves to meet unforeseen contingencies should they arise with a decrease of 1.9% in net assets for the year ended June 30, 2012 compared to a decrease of 4.7% for the year ended June 30, 2011. Some of the financial highlights of the year were:

Net Assets: For the year ended June 30, 2012, the University's net assets decreased from $13,633,961 in 2011 to $13,372,170 in 2012. The majority of the decrease was in Invested in Capital Assets, Net.

For the year ended June 30, 2011, the University's net assets decreased from $14,303,437 in 2010 to $13,633,961 in 2011. The majority of the decrease was in Invested in Capital Assets, Net.

Total Revenues: Total revenues increased from $21,676,109 for the year ended June 30, 2011 to $22,192,763 for the year ended June 30, 2012. The increase was due mainly to increases in both enrollment and tuition and fees.

Total revenues increased from $21,526,754 for the year ended June 30, 2010 to $21,676,109 for the year ended June 30, 2011. The increase was due mainly to increases in both enrollment and tuition and fees.

Total Expenses: Total expenses increased from $22,345,585 for the year ended June 30, 2011 to $22,454,554 for the year ended June 30, 2012. The increase was a result of higher employee benefit costs, maintenance and plant expenses, scholarships, and other operating expenses.

Total expenses increased from $20,544,343 for the year ended June 30, 2010 to $22,345,585 for the year ended June 30, 2011. The increase was a result of higher employee benefit costs, maintenance and plant expenses, bond refinancing, scholarships, and other operating expenses.

FINANCIAL HIGHLIGHTS--Continued

Unrestricted Net Assets: Unrestricted net assets decreased from $2,513,151 at June 30, 2011 to $2,485,125 at June 30, 2012.

Unrestricted net assets increased from $2,355,029 at June 30, 2010 to $2,513,151 at June 30, 2011.

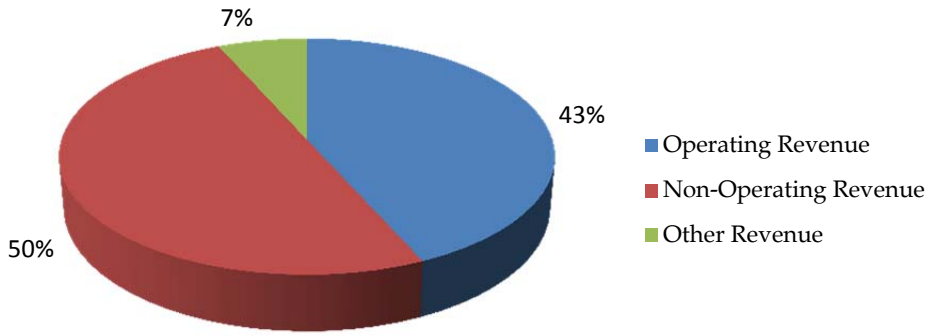
By June 30, 2012, the University's net assets had decreased to $13,372,170 from $13,633,961 at June 30, 2011 and $14,303,437 in 2010. Graphically displayed, the comparative net asset increases/decreases by category for the three fiscal years are shown below:

	Capital Assets	Restricted	Unrestricted	Total
FY2012	$ 9,728,626	$ 1,158,419	$ 2,485,125	$ 13,372,170
FY2011	9,920,607	1,200,203	2,513,151	13,633,961
Change In Net Assets	$ (191,981)	$ (41,784)	$ (28,026)	$ (261,791)
FY2011	$ 9,920,607	$ 1,200,203	$ 2,513,151	$ 13,633,961
FY2010	11,402,214	546,194	2,355,029	14,303,437
Change In Net Assets	$ (1,481,607)	$ 654,009	$ 158,122	$ (669,476)

The following chart provides a graphical breakdown of revenues by category for the fiscal year ending June 30, 2012:

Operating Revenues	Non-operating Revenues	Other Revenues	Total Revenues
$ 9,601,782	$ 11,110,102	$ 1,480,879	$ 22,192,763

REVENUE BREAKDOWN



USING THIS ANNUAL REPORT

The annual report consists of three basic financial statements: The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the University as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the University operating results.

These two statements report the University's net assets and changes in them. The University's net assets - the difference between assets and liabilities - are one way to measure the University's financial health, or financial position. Over time, increases or decreases in the University's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider many other non-financial factors, such as the trend and quality of applicants, freshman class size, student retention, condition of the buildings, and the safety of the campus, to assess the overall health of the institution.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

NET ASSETS

The following schedules were prepared from the University's statements of net assets, which are presented on an accrual basis of accounting.

For the year ended June 30, 2012 compared to the year ended June 30, 2011, both assets and liabilities increased due to an increase in receivables from the state and an increase in payables and long-term debt.

For the year ended June 30, 2011 compared to the year ended June 30, 2010, both assets and liabilities decreased due to a decrease in receivables from the state and a decrease in payables.

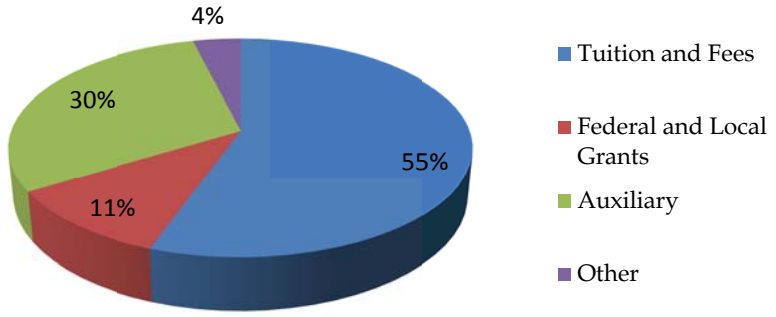
	June 30		Increase	Percent
	2012	2011	(Decrease)	Change
CURRENT ASSETS	$ 4,113,165	$ 3,883,984	$ 229,181	5.90%
NONCURRENT ASSETS				
Restricted cash and cash equivalents	811,420	866,695	(55,275)	-6.38%
Capital assets, net of depreciation	22,249,726	22,794,977	(545,251)	-2.39%
Other	1,446,951	563,398	883,553	156.83%
TOTAL ASSETS	$ 28,621,262	$ 28,109,054	$ 512,208	1.82%
CURRENT LIABILITIES	$ 2,134,111	$ 1,604,457	$ 529,654	33.01%
NONCURRENT LIABILITIES	13,114,981	12,870,636	244,345	1.90%
TOTAL LIABILITIES	$ 15,249,092	$ 14,475,093	$ 773,999	5.35%
NET ASSETS				
Invested in capital assets	$ 9,728,626	$ 9,920,607	$ (191,981)	-1.94%
Restricted for expendable purposes	1,158,419	1,200,203	(41,784)	-3.48%
Unrestricted	2,485,125	2,513,151	(28,026)	-1.12%
TOTAL NET ASSETS	$ 13,372,170	$ 13,633,961	$ (261,791)	-1.92%

NET ASSETS--Continued

	June 30 2011	June 30 2010	Increase (Decrease)	Percent Change
CURRENT ASSETS	$ 3,883,984	$ 3,975,099	$ (91,115)	-2.29%
NONCURRENT ASSETS				
Restricted cash and cash equivalents	866,695	1,182,298	(315,603)	-26.69%
Capital assets, net of depreciation	22,794,977	22,404,201	390,776	1.74%
Other	563,398	1,818,833	(1,255,435)	-69.02%
TOTAL ASSETS	$ 28,109,054	$ 29,380,431	$ (1,271,377)	-4.33%
CURRENT LIABILITIES	$ 1,604,457	$ 2,419,220	$ (814,763)	-33.68%
NONCURRENT LIABILITIES	12,870,636	12,657,774	212,862	1.68%
TOTAL LIABILITIES	$ 14,475,093	$ 15,076,994	$ (601,901)	-3.99%
NET ASSETS				
Invested in capital assets	$ 9,920,607	$ 11,402,214	$ (1,481,607)	-12.99%
Restricted for expendable purposes	1,200,203	546,194	654,009	119.74%
Unrestricted	2,513,151	2,355,029	158,122	6.71%
TOTAL NET ASSETS	$ 13,633,961	$ 14,303,437	$ (669,476)	-4.68%

Operating revenues and expenses for the fiscal year ended June 30, 2012, were as follows:

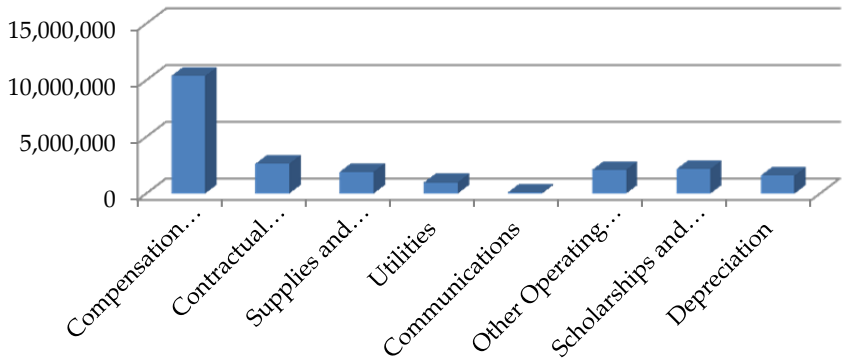
OPERATING REVENUES



OKLAHOMA PANHANDLE STATE UNIVERSITY

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

OPERATING EXPENSES



	2012	2011	Increase (Decrease)	Percentage Change	2010	Increase (Decrease)	Percentage Change
OPERATING REVENUE							
Tuition and fees, net	$ 5,322,063	$ 4,798,814	$ 523,249	10.90%	$ 4,331,825	$ 466,989	10.78%
Federal and local grants	1,031,790	1,080,667	(48,877)	-4.52%	1,778,478	(697,811)	-39.24%
Auxiliary	2,879,577	2,643,180	236,397	8.94%	2,833,957	(190,777)	-6.73%
Other	368,352	236,074	132,278	56.03%	307,630	(71,556)	-23.26%
TOTAL OPERATING REVENUE	9,601,782	8,758,735	843,047	9.63%	9,251,890	(493,155)	-5.33%
Less: operating expense	21,978,636	21,763,433	215,203	0.99%	19,912,220	1,851,213	9.30%
NET OPERATING LOSS	(12,376,854)	(13,004,698)	627,844	-4.83%	(10,660,330)	(2,344,368)	21.99%
NONOPERATING REVENUE							
State appropriation	7,184,655	7,218,549	(33,894)	-0.47%	7,077,778	140,771	1.99%
Federal ARRA funds	-	503,254	(503,254)	-100.00%	578,979	(75,725)	-13.08%
On-behalf appropriations for OTRS	560,000	462,000	98,000	21.21%	400,000	62,000	15.50%
Federal and state grants	3,056,972	3,153,977	(97,005)	-3.08%	2,354,529	799,448	33.95%
Capital gifts and grants	53,119	-	53,119	100.00%	360,242	(360,242)	-100.00%
Other nonoperating revenue	154,371	353,705	(199,334)	-56.36%	-	353,705	100.00%
Investment income	100,985	127,781	(26,796)	-20.97%	42,078	85,703	203.68%
Interest expense	(475,918)	(582,152)	106,234	-18.25%	(632,123)	49,971	-7.91%
NET NONOPERATING REVENUE	10,634,184	11,237,114	(602,930)	-5.37%	10,181,483	1,055,631	10.37%
OTHER REVENUES, EXPENSES, GAINS, AND LOSSES							
State appropriations restricted for capital purposes	1,247,228	988,453	258,775	26.18%	981,193	7,260	0.74%
On-behalf appropriations for OCIA capital leases	233,651	109,655	123,996	113.08%	480,065	(370,410)	-77.16%
TOTAL OTHER GAINS, AND LOSSES REVENUES, EXPENSES,	1,480,879	1,098,108	382,771	34.86%	1,461,258	(363,150)	-24.85%
CHANGE IN NET ASSETS	(261,791)	(669,476)	407,685	-60.90%	982,411	(1,651,887)	-168.15%
NET ASSETS AT BEGINNING OF YEAR	13,633,961	14,303,437	(669,476)	-4.68%	13,321,026	982,411	7.37%
NET ASSETS AT END OF YEAR	$ 13,372,170	$ 13,633,961	$ (261,791)	-1.92%	$ 14,303,437	$ (669,476)	-4.68%

USING THIS ANNUAL REPORT--Continued

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its needs for external financing.

	Years Ended June 30:		
	2012	2011	2010
CASH PROVIDED BY (USED IN):			
Operating activities	$ (9,820,013)	$ (11,612,389)	$ (8,236,235)
Non-capital financing activities	10,395,998	11,229,485	10,011,286
Investing activities	101,333	119,495	45,963
Capital and related financing activities	(399,074)	(92,589)	(996,443)
NET INCREASE (DECREASE) IN CASH	278,244	(355,998)	824,571
CASH AT BEGINNING OF YEAR	3,815,301	4,171,299	3,346,728
CASH AT END OF YEAR	$ 4,093,545	$ 3,815,301	$ 4,171,299

Although the statements of revenues, expenses and changes in net assets show a decrease in net assets of $261,791 this is representative of all activities combined. Management believes that it is important to point out the net change in net assets for each major area of the University. This is displayed below.

SUMMARY OF NET ASSTS

	June 30, 2012, 2011, 2010						
	2012	2011	Increase (Decrease)	Percent Change	2010	Increase (Decrease)	Percent Change
Educational and general	$ 1,689,865	$ 1,981,642	$ (291,777)	-14.72%	$ 2,236,684	$ (255,042)	-11.40%
Auxiliary operations	795,260	531,509	263,751	49.62%	118,345	413,164	349.12%
Restricted net assets	232,680	239,936	(7,256)	-3.02%	315,669	(75,733)	-23.99%
Net assets restricted for capital projects	925,739	960,267	(34,528)	-3.60%	230,525	729,742	316.56%
Capital assets	9,728,626	9,920,607	(191,981)	-1.94%	11,402,214	(1,481,607)	-12.99%
	$ 13,372,170	$ 13,633,961	$ (261,791)	-1.92%	$ 14,303,437	$ (669,476)	-4.68%

The auxiliary net assets experienced an increase because of increases in auxiliary revenues and decreases in expenses.

CAPITAL ASSETS

At June 30, 2012, the University has approximately $22.2 million invested in capital assets, net of accumulated depreciation of $22 million. Depreciation charges totaled $1,601,852 for the year ended June 30, 2012 compared to $1,549,878 for the year ended June 30, 2011 and $1,521,833 for the year ended June 30, 2010. Details of these assets for the three years are shown below.

	Year Ended June 30		
	2012	2011	2010
CAPITAL ASSETS			
Land	$ 314,805	$ 314,805	$ 211,103
Construction In Progress	411,398	-	731,283
Non-major infrastructure	8,299,048	8,299,048	6,390,409
Land improvements	1,422,543	1,331,903	1,313,077
Buildings	25,908,274	25,746,696	25,519,603
Furniture, fixtures and equipment	6,184,891	6,119,259	5,891,816
Library Materials	1,668,908	1,667,018	1,599,192
TOTAL CAPITAL ASSETS	44,209,867	43,478,729	41,656,483
Less: accumulated depreciation	21,960,141	20,683,752	19,252,282
NET CAPITAL ASSETS	$ 22,249,726	$ 22,794,977	$ 22,404,201

OUTSTANDING DEBT

At year-end, the University had $13,643,439 in debt outstanding compared to $13,175,454 at June 30, 2011 and $12,965,366 at June 30, 2010. The table below summarizes these amounts by type.

	Year Ended June 30		
	2012	2011	2010
Revenue Bonds Series 2002	$ 2,025,000	$ 2,160,000	$ 2,290,000
OCIA-Series 1999A/2004A	131,459	146,474	160,787
ODFA-Series 2003C	114,000	168,000	220,000
ODFA-Series 2004A	1,435,000	1,525,000	1,615,000
ODFA-Series 2004C	134,000	176,000	217,000
ODFA-Series 2005F	4,641,019	4,641,019	6,444,579
ODFA-Series 2009 20yr	1,579,000	1,649,000	1,717,000
ODFA-Series 2009 15yr	265,000	283,000	301,000
OCIA-Series 2010A	1,871,244	1,871,244	-
OCIA-Series 2010B	555,717	555,717	-
ODFA-Series 2011	892,000	-	-
Total revenue bonds and capital leases	$ 13,643,439	$ 13,175,454	$ 12,965,366

SUMMARY

The University's Educational & General Fund ended the year with a decrease of $291,777 in net assets or 14.72%. The University's Educational & General Fund ended the year with net reserves of 9.4% of Education & General Fund expenditures.

The University ended FY2012 with a decrease of $261,791 in total net assets. This is a 1.9% decrease in overall net assets. The decrease was spread mainly in the Unrestricted Net Assets and Invested in Capital Assets. The University did not receive ARRA funds in FY12 as they had the previous two years. The ARRA funds received the prior two years were $503,254 and $578,978 in 2011 and 2010, respectively. The loss of these funds combined with adjustments to state appropriations account for the majority of the decrease in non-operating revenue.

The fall 2012 enrollment for the University was 1,382 head count, which is a 5.5% decrease from the fall 2011 of 1,463. This follows an increase of 5.0% in headcount for the fall 2011 headcount of 1,463 over the fall 2010 headcount of 1,393. Credit hours are down for the fall of 2012 from the fall of 2011 by 6.6% and were up by 4.5% for the fall of 2011 over the fall of 2010.

CONTACTING THE UNIVERSITY'S FINANCIAL MANAGEMENT

The University's financial statements are designed to provide our financial statement readers with a general overview of the University's finances, and to show accountability for the money it receives. If you have questions about the University's financial statements or need additional financial information, contact the Business Office at P. O. Box 430, Goodwell, OK 73939.

STATEMENTS OF NET ASSETS

OKLAHOMA PANHANDLE STATE UNIVERSITY

	June 30	
	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,946,992	$ 2,650,651
Restricted cash and cash equivalents	335,133	297,955
Accounts receivable, net	351,564	396,270
Interest receivable	6,808	15,630
Inventories	472,668	523,478
TOTAL CURRENT ASSETS	4,113,165	3,883,984
NONCURRENT ASSETS		
Restricted cash and cash equivalents	811,420	866,695
Investments	135,976	127,502
Student loans receivable, net	69,328	69,795
ODFA receivable	834,998	3,091
Other assets	125,696	127,547
Deferred charge on debt restructure	280,953	235,463
Capital assets, net	22,249,726	22,794,977
TOTAL NONCURRENT ASSETS	24,508,097	24,225,070
TOTAL ASSETS	$ 28,621,262	$ 28,109,054

STATEMENTS OF NET ASSETS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	June 30	
	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 318,065	$ 100,594
Accrued liabilities	584,761	502,588
Deferred revenue	140,305	151,160
Student and other deposits	157,445	135,645
Accrued interest payable	50,634	50,107
Accrued compensated absences	227,366	232,468
Current portion of noncurrent liabilities	655,535	431,895
TOTAL CURRENT LIABILITIES	2,134,111	1,604,457
NONCURRENT LIABILITIES, net of current portion		
Accrued pension benefit obligation	19,944	19,944
Federal loan program contributions refundable	99,253	99,253
Revenue bonds payable	1,885,000	2,025,000
Capital lease obligations	11,110,784	10,726,439
TOTAL NONCURRENT LIABILITIES	13,114,981	12,870,636
TOTAL LIABILITIES	15,249,092	14,475,093
NET ASSETS		
Invested in capital assets, net of related debt	9,728,626	9,920,607
Restricted:		
Expendable:		
Scholarships, research, instruction and other	75,607	92,928
Loans	157,073	147,008
Capital projects	925,739	960,267
Unrestricted	2,485,125	2,513,151
TOTAL NET ASSETS	13,372,170	13,633,961
TOTAL LIABILITIES AND NET ASSETS	$ 28,621,262	$ 28,109,054

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Years Ended June 30	
	2012	2011
OPERATING REVENUES		
Student tuition and fees, net of scholarship discounts and allowances of $6,570,000 and $5,860,000 in 2012 and 2011, respectively	$ 5,322,063	$ 4,798,814
Federal grants and contracts	248,412	378,326
State and local grants and contracts	30,489	52,304
Non-governmental grants and contracts	752,889	650,037
Auxiliary enterprise charges:		
Housing, net of scholarship discounts and allowances of $277,000 and $247,000 in 2012 and 2011, respectively	343,571	290,198
Food services, net of scholarship discounts and allowances of $69,000 and $62,000 in 2012 and 2011, respectively	882,139	751,440
Bookstore	687,052	660,683
Athletics	99,686	201,904
All other	867,129	738,955
Other operating revenues	368,352	236,074
TOTAL OPERATING REVENUES	9,601,782	8,758,735
OPERATING EXPENSES		
Compensation and employee benefits	10,394,137	9,736,106
Contractual services	2,645,354	2,813,567
Supplies and materials	1,926,344	1,926,468
Utilities	994,416	930,914
Communications	125,388	130,563
Other operating expenses	2,113,307	2,098,418
Scholarships and fellowships	2,177,838	2,577,519
Depreciation	1,601,852	1,549,878
TOTAL OPERATING EXPENSES	21,978,636	21,763,433
OPERATING LOSS	(12,376,854)	(13,004,698)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	7,184,655	7,218,549
Federal ARRA funds	-	503,254
On-behalf contributions to OTRS	560,000	462,000
Federal grants	2,622,522	2,713,917
State grants	434,450	440,060
Capital grants and gifts	53,119	-
Other nonoperating revenues	154,371	353,705
Investment income	100,985	127,781
Interest expense	(475,918)	(582,152)
NET NONOPERATING REVENUES (EXPENSES)	10,634,184	11,237,114
LOSS BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,742,670)	(1,767,584)
State appropriations restricted for capital purposes	1,247,228	988,453
On-behalf payments to OCIA	233,651	109,655
CHANGE IN NET ASSETS	(261,791)	(669,476)
NET ASSETS AT BEGINNING OF YEAR	13,633,961	14,303,437
NET ASSETS AT END OF YEAR	$ 13,372,170	$ 13,633,961

See notes to financial statements.

STATEMENTS OF CASH FLOWS

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Years Ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 5,396,915	$ 4,798,814
Grants and contracts	1,031,790	1,080,667
Auxiliary enterprise charges	2,838,576	2,700,771
Other operating receipts	368,819	236,075
Payments to employees for salaries and benefits	(9,757,066)	(9,259,239)
Payments to suppliers	(9,699,047)	(11,169,477)
NET CASH USED IN OPERATING ACTIVITIES	(9,820,013)	(11,612,389)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	7,184,655	7,218,549
Federal ARRA funds	-	503,254
Federal and state grants	3,056,972	3,153,977
Miscellaneous revenue	154,371	353,705
Federal Direct Student Loans receipts	4,848,527	4,246,257
Federal Direct Student Loans disbursements	(4,848,527)	(4,246,257)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	10,395,998	11,229,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(1,003,587)	(1,947,941)
Capital grants and gifts received	1,247,228	988,453
Proceeds of capital debt	68,093	1,520,664
Interest paid on capital debt and leases	(291,393)	(262,051)
Principal payments on capital debt	(426,000)	(399,000)
Proceeds from sale of capital assets	6,585	7,286
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(399,074)	(92,589)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,601)	-
Proceeds from sales and maturities of investments	2,127	-
Interest received on investments	109,807	119,495
NET CASH PROVIDED BY INVESTING ACTIVITIES	101,333	119,495
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	278,244	(355,998)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,815,301	4,171,299
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,093,545	$ 3,815,301

STATEMENTS OF CASH FLOWS--Continued

OKLAHOMA PANHANDLE STATE UNIVERSITY

	Years Ended June 30 2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (12,376,854)	$ (13,004,698)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,601,852	1,549,878
On-behalf contributions to teachers' retirement system	560,000	462,000
Changes in operating assets and liabilities:		
Accounts and other receivables	45,173	18,127
Inventories	50,810	(26,919)
Accounts payable and accrued liabilities	293,163	(656,612)
Deferred revenue	(10,855)	11,962
Compensated absences	(5,102)	6,126
Student and other deposits	21,800	245
Loan to students	-	27,502
NET CASH USED IN OPERATING ACTIVITIES	$ (9,820,013)	$ (11,612,389)
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital debt paid by state agency on behalf of the University	$ 102,907	$ 95,342
Principal on capital debt paid by state agency on behalf of the University	$ 15,015	$ 14,313
Deferred cost on OCIA lease restructure	$ -	$ 623,401
Capital assets received as gifts and contributions	$ 53,119	$ -
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,946,992	$ 2,650,651
Restricted cash and cash equivalents	335,133	297,955
Noncurrent assets:		
Restricted cash and cash equivalents	811,420	866,695
TOTAL CASH AND CASH EQUIVALENTS	$ 4,093,545	$ 3,815,301

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Oklahoma Panhandle State University (the "University") is a baccalaureate degree granting institution established by an act of the Oklahoma State Legislature in 1909. The University's mission is to provide higher education primarily for the people of the Oklahoma Panhandle and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences, and public service activities.

Reporting Entity: The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units*, requires the inclusion of OPSU Student Housing, L.L.C. (the "LLC") and Panhandle State Foundation (the "Foundation") as component units of the University. Although the University does not control the timing or amount of receipts from the LLC and the Foundation, the majority of resources, or income thereon, which the LLC and the Foundation holds and invests, is restricted to the activities governed by donors, bond documents and/or trustees. Accordingly, resources received and held by the LLC can only be used by, and for the benefit of, University housing governed by certain bond documents. Resources received and held by the Foundation can only be used by, or for the benefit of, the University. The LLC and the Foundation are considered component units of the University under the definition of GASB Statement No. 39, and their financial statements are separately presented as component units of the University.

The University is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as a part of the higher education component unit.

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

The University's component units, the Foundation and the LLC are presented in accordance with FASB standards. Therefore, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

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.

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

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

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

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

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days after the end of the semester. Late charges are generally assessed and, when they are assessed, are included in income and trade accounts receivable. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the Department of Education.

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

Accounts Receivable--Continued: Accounts receivable also include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

Inventories: Inventories consist primarily of rental books, books and supplies held for resale, and livestock. Rental books are valued at amortized cost, using an average three-year life. Books and supplies held for resale are valued at the lower of cost or market on the first-in, first-out basis. Livestock are valued at estimated current fair market value.

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 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 25 to 40 years for buildings, infrastructure and land improvements, and 10 years for library materials and equipment.

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

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

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates. The significant estimates used in the preparation of these financial statements include the depreciation of capital assets and the allowance for doubtful accounts receivable.

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

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

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

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

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

Income Taxes: The University, as a political subdivision of the State of Oklahoma, is exempt from all 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).

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

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

Operating Revenues: 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 auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts, and (4) interest on institutional student loans.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, student aid revenue 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 and investment income.

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

Reclassifications: Certain prior year amounts have been reclassified to conform to current year classifications.

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

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

Fiscal Year Ended June 30, 2013

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*.
  GASB Statement 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 Statement No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

- Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34.*
  GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The University believes that the adoption of GASB Statement No. 61 may have a significant impact on its financial statement presentation.

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  GASB Statement No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The University does not believe that the adoption GASB Statement No. 62 will have a significant impact on its financial position, activities 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 Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the University to make changes in its financial statement presentation.

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

New Accounting Pronouncements--Continued:

Fiscal Year Ended June 30, 2014

- 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 not quantified the effects of adoption of GASB Statement No. 65 on its net position.

Fiscal Year Ended June 30, 2015

- Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*.
  GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB Statement 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 Statement No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB Statement No. 68 was issued in June 2012, and the University has not yet determined the impact that implementation of GASB Statement No. 68 will have on its net position.

NOTE B--DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the University'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.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Custodial Credit Risk - Deposits--Continued: 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.

The University's carrying amount of the deposits with the State Treasurer and other financial institutions were as follows at June 30:

	2012	2011
Deposits with the State Treasurer	$ 3,871,440	$ 3,634,643
U.S. financial institutions	202,105	160,658
Change funds	20,000	20,000
Total deposits	$ 4,093,545	$ 3,815,301

The difference between the bank balances of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in-transit.

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 $3,265,343 in 2012 and $3,400,332 in 2011.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Custodial Credit Risk - Deposits--Continued: For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, the distribution of deposits in *OK INVEST* are as follows:

	2012		2011	
OK INVEST Portfolio	Cost	Market Value	Cost	Market Value
U.S. Agency securities	$ 1,154,465	$ 1,157,858	$ 1,241,920	$ 1,251,877
Certificates of deposit	105,469	105,469	160,554	160,554
Money market mutual funds	446,961	446,961	373,848	373,848
Tri-party repurchase agreements	-	-	229,458	229,458
Mortgage backed agency securities	1,441,272	1,531,291	1,233,473	1,287,949
Municipal bonds	58,570	66,822	67,776	73,394
Foreign bonds	16,432	16,432	12,642	12,642
Commercial paper	-	-	31,602	31,606
U.S. Treasury Obligations	42,174	52,615	49,059	58,129
TOTAL	$ 3,265,343	$ 3,377,448	$ 3,400,332	$ 3,479,457

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at *http://www.treasurer.state.ok.us/*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

Other Deposits: At June 30, 2012 and 2011, the University also held non-negotiable certificates of deposit totaling $7,558 and $7,496, respectively. These deposits are either fully insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank. These certificates of deposit are maintained through an investment brokerage firm. For financial reporting purposes, these deposits have been classified as investments.

The University had the following investments as of June 30:

	2012	2011
U.S. government securities	$ 35,383	$ 13,801
Certificates of deposit	7,558	7,496
Fixed income funds	73,638	75,057
Money market funds	19,397	31,148
Total investments	$ 135,976	$ 127,502

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Other Deposits--Continued: Investment maturities were as follows at June 30, 2012:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
U.S. government securities	$ 35,383	$ -	$ -	$ -	$ -	$ 35,383
Certificates of deposit	7,558	-	7,558	-	-	-
Fixed income funds	73,638	-	-	-	878	72,760
Money market funds	19,397	19,397	-	-	-	-
	$ 135,976	$ 19,397	$ 7,558	$ -	$ 878	$ 108,143

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.

Concentration of Credit Risk: All United States Government obligations are held by the Federal Reserve Bank in the name of the University. The majority of the University's certificates of deposits were invested through the State Treasurer.

The Board has authorized short-term funds to be invested in any security currently available through the State Treasurer's office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit and demand deposits.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable relate to tuition and fee charges to students and to auxiliary services provided to students, faculty and staff. Accounts receivable consisted of the following at June 30:

	2012	2011
Student tuition and fees	$ 392,556	$ 387,669
Auxiliary enterprises and other student activities	612,452	565,110
Federal and state agencies	52,774	59,114
	1,057,782	1,011,893
Less: allowance for doubtful accounts	(706,218)	(615,623)
Accounts receivable, net	$ 351,564	$ 396,270

The University has $834,998 and $3,091 of receivables restricted for capital projects as of June 30, 2012 and 2011, respectively, which relate to private gifts and governmental grants and contracts for ongoing and planned capital projects at the University. These receivable balances are classified as noncurrent assets in the statements of net assets as they are restricted for long-term purposes.

NOTE D--LOANS RECEIVABLE

The University makes loans to students through the Federal Perkins Loan Program (the "Program"). Under the Program, the federal government provides funds for approximately 75% of the total contribution for student loans with the University providing the balance. Under certain conditions such loans can be forgiven at annual rates of 10% to 30% of the original balance up to maximums of 50% to 100% of the original loan. The federal government reimburses the University to the extent of 10% of the amounts forgiven for loans originated prior to July 1, 1993 under the program. No reimbursements are provided for loans originated after this date. Amounts refundable to the U.S. government upon cessation of the Program of $99,253 at June 30, 2012 and 2011, respectively, are reflected in the accompanying statements of net assets as noncurrent liabilities.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the Department of Education. The allowance for uncollectible loans only applies to University funded loans and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off.

The University also makes loans to students through the I.L. Ennis Loan Fund, a private loan program. The University provides administrative services to the I.L. Ennis Loan Fund (Loan Fund) in exchange for financial assistance for the students.

The University has provided an allowance for uncollectible loans which, in management's opinion, is sufficient to absorb loans which will ultimately be written off. Loans receivable consisted of the following at June 30:

	2012		
	Program	Loan Fund	Total
Loans receivable	$ 47,565	$ 289,711	$ 337,276
Less: allowance for uncollectible loans	(9,112)	(258,836)	(267,948)
Loans receivable, net	$ 38,453	$ 30,875	$ 69,328

	2011		
	Program	Loan Fund	Total
Loans receivable	$ 47,565	$ 285,151	$ 332,716
Less: allowance for uncollectible loans	(9,085)	(253,836)	(262,921)
Loans receivable, net	$ 38,480	$ 31,315	$ 69,795

NOTE E--CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2012:

	Balance at June 30, 2011	Additions	Transfers	Retirements	Balance at June 30, 2012
Capital assets not being depreciated:					
Land	$ 314,805	$ -	$ -	$ -	$ 314,805
Construction in-progress:	-	411,398	-	-	411,398
Total capital assets not being depreciated	314,805	411,398	-	-	726,203
Other capital assets:					
Non-major infrastructure networks	8,299,048	-	-	-	8,299,048
Non-structural improvements	1,331,903	90,640	-	-	1,422,543
Buildings and improvements	25,746,696	161,578	-	-	25,908,274
Equipment	6,119,259	361,732	-	(296,100)	6,184,891
Library materials	1,667,018	37,838	-	(35,948)	1,668,908
Total other capital assets	43,163,924	651,788	-	(332,048)	43,483,664
Accumulated depreciation:					
Non-major infrastructure networks	2,519,498	418,068	-	-	2,937,566
Non-structural improvements	503,434	64,161	-	-	567,595
Buildings and improvements	11,705,972	516,416	-	-	12,222,388
Equipment	4,532,280	543,922	-	(289,515)	4,786,687
Library materials	1,422,568	59,285	-	(35,948)	1,445,905
Total accumulated depreciation	20,683,752	1,601,852	-	(325,463)	21,960,141
Capital assets, net	$ 22,794,977	$ (538,666)	$ -	$ (6,585)	$ 22,249,726

At June 30, 2012, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	$ 7,538,380	$ 3,679,321	$ 2,649,795	$ 13,867,496
Less: accumulated depreciation	(112,068)	(539,515)	(2,649,795)	(3,301,378)
	$ 7,426,312	$ 3,139,806	$ -	$ 10,566,118

NOTE E--CAPITAL ASSETS--Continued

Capital asset activity was as follows for the year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Transfers	Retirements	Balance at June 30, 2011
Capital assets not being depreciated:					
Land	211,103	103,702	-	-	314,805
Construction in-progress:	731,283	-	(731,283)	-	-
Total capital assets not being depreciated	942,386	103,702	(731,283)	-	314,805
Other capital assets:					
Non-major infrastructure networks	6,390,409	1,177,356	731,283	-	8,299,048
Non-structural improvements	1,313,077	18,826	-	-	1,331,903
Buildings and improvements	25,519,603	227,093	-	-	25,746,696
Equipment	5,891,816	342,698	-	(115,255)	6,119,259
Library materials	1,599,192	78,266	-	(10,440)	1,667,018
Total other capital assets	40,714,097	1,844,239	731,283	(125,695)	43,163,924
Accumulated depreciation:					
Non-major infrastructure networks	2,154,802	364,696	-	-	2,519,498
Non-structural improvements	445,229	58,205	-	-	503,434
Buildings and improvements	11,179,827	526,145	-	-	11,705,972
Equipment	4,091,632	548,617	-	(107,969)	4,532,280
Library materials	1,380,792	52,216	-	(10,440)	1,422,568
Total accumulated depreciation	19,252,282	1,549,879	-	(118,409)	20,683,752
Capital assets, net	$ 22,404,201	$ 398,062	$ -	$ (7,286)	$ 22,794,977

At June 30, 2011, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Infrastructure	Equipment	Total
Cost	$ 7,538,380	$ 3,679,321	$ 2,649,795	$ 13,867,496
Less: accumulated depreciation	(101,880)	(476,870)	(2,649,795)	(3,228,545)
	$ 7,436,500	$ 3,202,451	$ -	$ 10,638,951

NOTE F--NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended June 30, 2012, was as follows:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Current Portion
Revenue bonds payable					
2002 Revenue Bonds	$ 2,160,000	$ -	$ (135,000)	$ 2,025,000	$ 140,000
Capital lease obligations					
OCIA - Series 1999A/2004A	146,474	-	(15,015)	131,459	15,755
ODFA - Series 2003C	168,000	-	(54,000)	114,000	56,000
ODFA - Series 2004A	1,525,000	-	(90,000)	1,435,000	95,000
ODFA - Series 2004C	176,000	-	(42,000)	134,000	43,000
OCIA - Series 2005F	4,641,019	-	-	4,641,019	189,900
ODFA - Series 2009B 20yr	1,649,000	-	(70,000)	1,579,000	71,000
ODFA - Series 2009B 15yr	283,000	-	(18,000)	265,000	19,000
OCIA-Series 2010A	1,871,244	-	-	1,871,244	-
OCIA-Series 2010B	555,717	-	-	555,717	-
ODFA-Series 2011	-	909,000	(17,000)	892,000	18,000
Total capital lease obligations	11,015,454	909,000	(306,015)	11,618,439	507,655
Total long-term debt obligations	13,175,454	909,000	(441,015)	13,643,439	647,655
Other liabilities					
Accrued pension benefit obligation	27,824	-	-	27,824	7,880
Federal loan program contributions	99,253	-	-	99,253	-
Total other liabilities	127,077	-	-	127,077	7,880
Total noncurrent liabilities	$ 13,302,531	$ 909,000	$ (441,015)	$ 13,770,516	$ 655,535

NOTE F--NONCURRENT LIABILITIES--Continued

Noncurrent liability activity for the year ended June 30, 2011, was as follows:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Current Portion
Revenue bonds payable					
2002 Revenue Bonds	$ 2,290,000	$ -	$ (130,000)	$ 2,160,000	$ 135,000
Capital lease obligations					
OCIA - Series 1999A/2004A	160,787	-	(14,313)	146,474	15,015
ODFA - Series 2003C	220,000	-	(52,000)	168,000	54,000
ODFA - Series 2004A	1,615,000	-	(90,000)	1,525,000	90,000
ODFA - Series 2004C	217,000	-	(41,000)	176,000	42,000
OCIA - Series 2005F	6,444,579	-	(1,803,560)	4,641,019	-
ODFA - Series 2009B 20yr	1,717,000	-	(68,000)	1,649,000	70,000
ODFA - Series 2009B 15yr	301,000	-	(18,000)	283,000	18,000
OCIA-Series 2010A	-	1,871,244	-	1,871,244	-
OCIA-Series 2010B	-	555,717	-	555,717	-
Total capital lease obligations	10,675,366	2,426,961	(2,086,873)	11,015,454	289,015
Total long-term debt obligations	12,965,366	2,426,961	(2,216,873)	13,175,454	424,015
Other liabilities					
Accrued pension benefit obligation	27,824	-	-	27,824	7,880
Federal loan program contributions	99,253	-	-	99,253	-
Total other liabilities	127,077	-	-	127,077	7,880
Total noncurrent liabilities	$ 13,092,443	$ 2,426,961	$ (2,216,873)	$ 13,302,531	$ 431,895

Revenue Bond Obligations

On September 1, 2002, the University issued revenue bonds Series 2002 in the amount of $2,965,000. The payments over the term of the agreement, including interest, total $4,886,478. Payments began September 1, 2005, and go through September 1, 2022, and will be made monthly ranging from $12,487 to $20,995. Proceeds from the obligation were used for the installation of equipment for energy conservation on campus buildings and facilities.

NOTE F--NONCURRENT LIABILITIES--Continued

Future aggregate maturities of principal and interest requirements on the University's revenue bonds payable are as follows at June 30, 2012:

Years Ending June 30:	Principal	Interest	Total
2013	$ 140,000	$ 104,055	$ 244,055
2014	150,000	97,080	247,080
2015	155,000	89,303	244,303
2016	165,000	81,143	246,143
2017	175,000	72,473	247,473
2018 - 2022	1,005,000	210,356	1,215,356
2023 - 2027	235,000	6,521	241,521
	$ 2,025,000	$ 660,931	$ 2,685,931

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 (the "OSRHE") allocated $700,000 to the University. Concurrently with the allocation, the University entered into a lease agreement with OCIA for the project being funded by the OCIA bonds. The lease agreement provides for the University to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the University.

The University has drawn down 100% of its total allotment for expenditures incurred in connection with specific projects. These expenditures have been capitalized as investments in capital assets, in accordance with the University's policy. Lease principal and interest payments to OCIA totaling $22,269 and $22,283 during the years ended June 30, 2012 and 2011, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net assets.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately $6,998,000 to the University. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be $12,223,801. Payments will be made annually ranging from $82,033 to $528,546, by the State of Oklahoma on behalf of the University.

NOTE F--NONCURRENT LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations--Continued

Concurrently with the allocation, the University entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are provided for capital improvements at the University.

Through June 30, 2012, the University has drawn its total allotment for expenditures incurred in connection with the project. These expenditures have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the University's policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made.

During fiscal year 2011, the University's 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued two new bonds, Series 2010A and 2010B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. OCIA issued the new Series 2010A and 2010B bonds to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring the debt service requirements. Consequently, the University's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring extended certain principal payments into the future, resulting in a deferred charge on the restructuring. The University has recorded a deferred charge totaling $623,401 in connection with the restructuring that will be amortized over a period of 6 years. As of June 30, 2012 and 2011, the unamortized cost totaled $280,953 and $351,192, respectively. This restructuring resulted in an aggregate difference in principal and interest between the original lease agreement and the restructured lease agreement of $30,810, which approximates the economic cost of the transaction.

Lease interest payments to OCIA, totaling $95,653 and $81,281 during the years ended June 30, 2012 and 2011, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net assets.

Oklahoma Development Finance Authority Lease Obligations

On December 1, 2003, the University entered into capital lease obligation Series 2003C in the amount of $501,000. Lease payments over the term of the agreement, including interest, total $595,507. Payments begin June 1, 2004 and go through December 1, 2013, and will be made semi-annually ranging from $1,088 to $59,088. Proceeds from the obligation were used for the purchase and installation of chillers on campus facilities. The University has pledged Section Thirteen revenues to support payments on this lease obligation.

NOTE F--NONCURRENT LIABILITIES--Continued

Oklahoma Development Finance Authority Lease Obligations--Continued

On May 1, 2004, the University entered into capital lease obligation Series 2004A in the amount of $2,085,000. Lease payments over the term of the agreement, including interest, total $3,151,875. Payments began December 1, 2004, and go through June 1, 2024, and will be made semi-annually ranging from $3,600 to $153,600. Proceeds from the obligation were used for the installation of equipment for energy conservation on campus buildings and facilities. The University has pledged Section Thirteen revenues to support payments on this lease obligation.

On December 1, 2004, the University entered into capital lease obligation Series 2004C in the amount of $401,000. Lease payments over the term of the agreement, including interest, total $479,845. Payments began June 1, 2005, and go through December 1, 2014, and will be made semi-annually ranging from $874 to $46,874. Proceeds from the obligation were used for infrastructure capital expenditures. The University has pledged Section Thirteen revenues to support payments on this lease obligation.

On August 1, 2009, the University entered into capital lease obligation Series 2009B in the amount of $2,079,000. Lease payments over the term of the agreement, including interest, total $2,963,397. Payments began October 15, 2009 and go through May 15, 2029, and will range from $112,206 to $158,223 annually. Proceeds from the obligation were used for capital expenditures. The University has pledged fee revenues to support payments on this lease.

On July 14, 2011, the University entered into capital lease obligation Series 2011 in the amount of $909,000. Lease payments over the term of the agreement, including interest, total $1,684,113. Payments began December 1, 2011 and go through June 1, 2041, and will range from $51,607 to $58,545 annually. Proceeds from the obligation were used for capital expenditures. The University has pledged Section Thirteen revenues to support payments on this lease obligation.

NOTE F--NONCURRENT LIABILITIES--Continued

Future minimum lease payments under the University's capital lease obligations are as follows at June 30, 2012:

Years Ending June 30:	Principal	Interest	Total
2013	$ 507,655	$ 478,869	$ 986,524
2014	853,793	459,585	1,313,378
2015	819,297	432,304	1,251,601
2016	892,573	435,171	1,327,744
2017	928,680	397,277	1,325,957
2018 - 2022	2,392,707	1,543,113	3,935,820
2023 - 2027	2,982,744	960,692	3,943,436
2028 - 2032	1,839,990	282,474	2,122,464
2033 - 2037	201,000	79,268	280,268
2038 - 2041	200,000	25,106	225,106
	$ 11,618,439	$ 5,093,859	$ 16,712,298

NOTE G--RETIREMENT PLANS

The University's academic and non-academic personnel are covered by various retirement plans. One plan available to University personnel is the Oklahoma Teachers' Retirement System ("OTRS"), which is a State of Oklahoma public employee retirement system. The University also sponsors a Supplemental Retirement Plan, which is a single-employer public-employee retirement system. The University does not maintain the accounting records, hold the investments for, or administer these plans.

Oklahoma Teachers' Retirement System

Plan Description

The University contributes to the OTRS, which is a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. 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 OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

NOTE G--RETIREMENT PLANS--Continued

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% of covered salaries and fringe benefits in 2012, 2011, and 2010, 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 2012, 2011, and 2010. These contributions were made directly by the University for 2012, 2011, and 2010.

The University's contributions to OTRS for the years ended June 30, 2012, 2011, and 2010, were approximately $1,147,000, $1,073,000, and $1,044,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the share of the employee's contributions paid directly by the University.

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2012 and 2011, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes. The University has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2012 and 2011, the total amount contributed to OTRS by the State of Oklahoma on behalf of the University was approximately $560,000 and $462,000, respectively. These on-behalf payments have been recorded as both revenues and expenses in the statement of revenues, expenses, and changes in net assets.

Supplemental Retirement Plan

Plan Description

The Supplemental Retirement Plan (the "Plan") is a single-employer defined benefit pension plan administered by the University. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employees highest three years' earnings, the University pays the balance from the current year's operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

NOTE G--RETIREMENT PLANS--Continued

Funding Policy

The Plan is not funded and benefits do not vest to the participants until their retirement. The University has been funding the benefits on a "pay as you go" basis. Only certain employees are eligible to participate in the Plan and the Plan has been discontinued.

During the years ended June 30, 2012, 2011, and 2010, the University paid approximately $32,000 each year to retirees under the Plan.

Annual Pension Cost and Net Pension Obligation

The pension cost and pension obligation have not substantially changed from prior years and the liability is considered to be immaterial to these financial statements.

NOTE H--OTHER POST-EMPLOYMENT INSURANCE BENEFITS

In addition to pension benefits as described in Note G, the University pays the life insurance premiums for retired employees until death. A retiring employee must have been employed full-time in the Oklahoma State System of Higher Education for not less than ten years immediately preceding the date of retirement, been a member of OTRS during that time, and elected to receive a vested benefit under the provisions of OTRS. The University funds the payments for this benefit out of current operations. Each retiree is eligible to receive $10,000 of life insurance coverage at a cost to the University of $.29 per $1,000 of coverage. As of June 30, 2012, there were approximately 129 active employees and 48 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The OPEB Plan does not issue a stand-alone financial report.

Funding Policy

Contribution requirements of the University are established and may be amended by the Board of Regents. All contributions are made by the University. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate.

The University's annual life insurance cost and net obligation of the Plan were comparable with the prior year and the liability is considered to be immaterial to these financial statements.

NOTE I--FUNDS HELD IN TRUSTS BY OTHERS

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 of the State of Oklahoma as trustee for the various educational institutions entitled thereto. The University has the right to receive annually approximately 3.7% of the distributions of income produced by "Section Thirteen Fund State Educational Institutions" assets and "New College Fund.

The University received approximately $1,225,000 and $972,000 from these funds during the years ended June 30, 2012 and 2011, respectively, which is restricted to the construction or acquisition of buildings, equipment, or other capital items. These appropriated amounts are recorded as restricted state appropriations in the statements of revenues, expenses and changes in net assets. State law prohibits the distribution of any corpus of these funds to the beneficiaries. The total trust reserve for the University, held in trust by the Commissioners of the Land Office, is approximately $14,781,000 and $14,497,000 at June 30, 2012 and 2011, respectively.

NOTE J--RELATED PARTY TRANSACTIONS

The following is a summary of transactions between the University and the Foundation during the years ended June 30:

	2012	2011
Direct support from the Foundation to the University	$ 387,335	$ 320,000
Scholarships paid directly by the Foundation to University students	307,000	279,000

The following is a summary of transactions between the University and the LLC during the years ended June 30:

	2012	2011
Charges to students' accounts on-behalf of the LLC by the University	$ 514,712	$ 520,926
Transfers of cash to the LLC by the University	516,265	519,974

NOTE K--COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the University at June 30, 2012 and 2011 that management believes would result in a material loss to the University in the event of an adverse outcome.

NOTE L--RISK MANAGEMENT

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property damage, workers' compensation, and unemployment. 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 and the State Insurance Fund, public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays an annual premium to the pools for its torts, property, and workers' compensation insurance coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

DISCRETELY PRESENTED COMPONENT UNITS

Component Unit
Panhandle State Foundation

PANHANDLE STATE FOUNDATION

AUDIT REPORT

FOR THE YEARS ENDED

DECEMBER 31, 2011 and 2010

PANHANDLE STATE FOUNDATION

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5

BROWN, GRAHAM & COMPANY
PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 67 • Spearman, Texas 79081 • 806-659-2538

Independent Auditor's Report

Board of Directors
Panhandle State Foundation
Goodwell, Oklahoma

We have audited the accompanying statements of financial position of the Panhandle State Foundation (a nonprofit organization) (the "Foundation") as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Panhandle State Foundation as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Brown, Graham & Company, P.C.

Spearman, Texas
July 24, 2012

PANHANDLE STATE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 239,233	$ 119,481
Temporary investments	160,061	160,218
Investments (at fair market value)	8,684,174	6,804,598
Receivables:		
Accrued interest	165	448
Interest in net assets of perpetual trusts	422,209	447,624
Property and equipment (net of accumulated depreciation)	1,330	1,802
Investment in mineral interests	45,500	-
Total assets	$ 9,552,672	$ 7,534,171
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued compensated absences	$ 5,390	$ 4,198
Funds held in custody for others	176,708	163,644
Total liabilities	182,098	167,842
Net Assets:		
Unrestricted	5,211,549	4,511,376
Temporarily restricted	295,198	288,759
Permanently restricted	3,863,827	2,566,194
Total net assets	9,370,574	7,366,329
Total liabilites and net assets	$ 9,552,672	$ 7,534,171

The accompanying notes are an integral part of these financial statements.

PANHANDLE STATE FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

CHANGE IN UNRESTRICTED NET ASSETS	2011	2010
Unrestricted revenues, gains and (losses):		
Contributions	$ 77,285	$ 52,345
Investment income	333,899	299,340
Royalty income	21,764	-
Net unrealized gains (losses) on investments	579,730	710,922
Total unrestricted revenues, gains and (losses)	1,012,678	1,062,607
Net assets released from restrictions:		
Satisfaction of program restrictions	413,362	414,941
Reclassifications	-	(7,709)
Total unrestricted revenues, gains, (losses), and reclassifications	1,426,040	1,469,839
Expenses:		
Program services:		
Scholarships for University students	294,999	263,588
Non-scholarship support to University	309,480	331,491
Supporting services:		
General and administrative	120,916	104,712
Depreciation	472	751
Total expenses	725,867	700,542
Increase in unrestricted net assets	700,173	769,297
CHANGE IN TEMPORARILY RESTRICTED ASSETS		
Revenues and gains:		
Contributions	440,701	452,271
Net assets released from restrictions:		
Satisfaction of program restrictions	(413,362)	(414,941)
Reclassifications	(20,900)	(10,406)
Increase in temporarily restricted assets	6,439	26,924
CHANGES IN PERMANENTLY RESTRICTED ASSETS		
Revenues and gains:		
Contributions	1,302,147	27,973
Change in interest in perpetual trusts	(25,414)	22,126
Reclassifications	20,900	18,115
Increase in permanently restricted assets	1,297,633	68,214
Total increase in net assets	2,004,245	864,435
NET ASSETS, beginning of year	7,366,329	6,501,894
NET ASSETS, end of year	$ 9,370,574	$ 7,366,329

The accompanying notes are an integral part of these financial statements.

PANHANDLE STATE FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

CASH FLOWS FROM OPERATING ACTIVITIES	2011	2010
Cash received from contributions	$ 467,316	$ 499,446
Interest, dividends and royalty	355,945	299,309
Cash paid to vendors and employees	(114,553)	(98,295)
Cash paid for scholarships & other support	(604,479)	(595,079)
Net cash flows from operating activities	104,229	105,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in funds held in custody for others	13,064	10,003
Purchase of equipment	-	(1,945)
Proceeds from sale of investments	166,486	911,037
Purchase of investments	(1,466,174)	(1,042,374)
Net cash flows from investing activities	(1,286,624)	(123,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment in endowment	1,302,147	27,973
Net cash flows from financing activities	1,302,147	27,973
Net increase in cash and cash equivalents	119,752	10,075
CASH AND CASH EQUIVALENTS, beginning of year	119,481	109,406
CASH AND CASH EQUIVALENTS, end of year	$ 239,233	$ 119,481

RECONCILIATION OF CHANGES IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	$ 2,004,245	$ 864,435
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Net unrealized (gain) loss on investments	(579,730)	(710,922)
Change in interest in perpetual trusts	25,414	(22,126)
Receipt of non-cash contribution	(50,670)	(5,170)
Non-cash rent expense	5,170	5,170
Depreciation	472	751
Loss on disposal of assets	-	613
Contributions restricted for endowment	(1,302,147)	(27,973)
Change in assets and liabilities:		
(Increase) decrease in accrued interest receivable	283	(31)
Increase in accounts payable	1,192	634
Net cash flows from operating activities	$ 104,229	$ 105,381

SUPPLEMENTAL DISCLOSURES:		
Non-cash contributions received	$ 50,670	$ 5,170

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

Panhandle State Foundation (the Foundation) was established November 9, 1961, as a private non-profit organization for the benefit of Oklahoma Panhandle State University (the University). The Foundation awards scholarships to University students and provides general support to the University. In addition, the Foundation maintains and services the funds for various organizations and support groups of the University. A board of directors governs the Foundation, which is separate and distinct from the board of regents, the governing board of the University.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting - The Foundation uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when a liability is incurred. Expenses incurred but not paid at year-end are represented as a liability on the statements of financial position. Other revenues are recognized when received or earned. Net assets represent the cumulative excess of revenues recognized over expenses incurred.

Financial Statement Presentation - The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 958, which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Foundation. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently.

Contributions Received and Made - In accordance with FASB Accounting Standards Codification No. 958, pledges from contributors are recognized as revenues in the period that they are made by the donor. Unsolicited contributions are recognized as revenues when received. FASB Accounting Standards Codification No. 958 defines a contribution as "an unconditional transfer of cash or other assets. Other assets include unconditional promises to give." FASB Accounting Standards Codification No. 958 also requires the recognition of a liability for an unconditional promise to give by the Foundation. The liability and associated expense should be recognized at the time when the Foundation has an obligation to transfer the promised assets in the future, which generally occurs when the donor approves a specific grant or when the recipient is notified.

Recognition of Donor Restrictions - Revenues restricted by donors are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenues are received. All other donor restricted revenues are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Purchased property and equipment is recorded at cost while donated property and equipment is recorded at fair market value at the date of donation. Depreciation of property and equipment is calculated on the estimated useful life of the assets using the straight-line method as follows:

Computer equipment and software	5 - 7 years
Furniture and fixtures	10 years

Statements of Cash Flows - For purposes of the statements of cash flows, cash and cash equivalents include bank checking and savings accounts and certificates of deposit with original maturities of 90 days or less.

Investments - In accordance with FASB Accounting Standards Codification No. 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Net unrealized and realized gains and losses on investments are included in the statements of activities as changes in unrestricted net assets.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, and net assets, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax - The Panhandle State Foundation qualifies as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code.* As such, no provision has been made for federal or state income taxes.

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation 48 (FIN 48) *Accounting for Uncertainty in Income Taxes* (Currently FASB Accounting Standards Codification (ASC) 740, *Income Taxes*), which requires extensive disclosures about uncertain income tax positions. This standard seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to income taxes. The Panhandle State Foundation evaluates any uncertain tax positions using the provisions of ASC 450, *Contingencies.* Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Panhandle State Foundation does not believe that it engaged in any activity that would result in an uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the three previous reporting periods remain open to examination. Currently the Panhandle State Foundation has no open examination with either the Internal Revenue Service or state taxing authorities.

3. CASH AND CASH EQUIVALENTS

For purposes of these financial statements, cash equivalents consist of deposits in checking and money market accounts.

	2011	2010
Checking account	$ 195,455	$ 52,714
Money market	43,778	66,767
Total cash and cash equivalents	$ 239,233	$ 119,481

Certificates of deposit with an original maturity in excess of 90 days, in the amounts of $160,061 and 160,218 on December 31, 2011 and 2010, respectively, are reported as temporary investments rather than cash equivalents. A credit risk exists when deposits held at a financial institution are in excess if FDIC insured amounts or when cash accounts at brokerage firms exceed SIPC limits. For the years ended December 31, 2011 and 2010 there were no deposits in excess of FDIC and SIPC limits.

4. INVESTMENTS IN SECURITIES

The Foundation's investments in securities, at fair market value, include the following as of December 31, 2011 and 2010:

	2011	2010
Common stocks	$ 3,945,220	$ 2,917,584
Mutual funds	348,389	367,085
Corporate bonds	1,627,391	751,630
Asset and mortgage backed securities	2,683,660	2,768,299
Publically traded limited partnership	79,514	-
Total investments	$ 8,684,174	$ 6,804,598

Total investment return consists of the following components:

	2011	2010
Interest income	$ 195,137	$ 183,595
Dividend income	138,762	115,745
Net gains and losses on investments reported at fair value	579,730	710,922
Total investment return	$ 913,629	$ 1,010,262

5. FAIR VALUE MEASUREMENTS

FASB ASC No. 820-10-50, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10-50 are described as follows:

Level 1 – Inputs to the value methodology are quoted prices available in active markets for identical investments as of the reporting date;

5. FAIR VALUE MEASUREMENTS (continued)

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of model or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The fair market values of the Foundation's investments are determined from quoted prices in active markets, (Level 1, as defined above) as of December 31, 2011, and 2010. The fair market values of the Foundation's CD's are determined by issuer, which is a valuation methodology other than quoted prices in active markets (Level 2, as defined above) as of December 31, 2011, and 2010.

6. PROPERTY AND EQUIPMENT

Investment in property and equipment, at December 31, 2011 and 2010, was as follows:

	Balance 1/1/11	Additions	Dispositions	Balance 12/31/11
Computer equipment and software	$ 7,907	$ -	$ -	$ 7,907
Accumulated depreciation	(6,105)	(472)	-	(6,577)
Net property and equipment	$ 1,802	$ (472)	$ -	$ 1,330

	Balance 1/1/10	Additions	Dispositions	Balance 12/31/10
Computer equipment and software	$ 8,489	$ 1,945	$ (2,527)	$ 7,907
Accumulated depreciation	(7,268)	(751)	1,914	(6,105)
Net property and equipment	$ 1,221	$ 1,194	$ (613)	$ 1,802

7. INTEREST IN NET ASSETS OF PERPETUAL TRUST

The Foundation is the beneficiary of assets held in trust by other foundations. Two donors created trusts that are managed through Baptist Foundation of Oklahoma and the Oklahoma United Methodist Foundation. These assets are to be held in perpetuity by the respective foundations, with the trust income to be distributed annually to the Panhandle State Foundation. The funds received from these trusts are for general scholarships and therefore reported as unrestricted. Investments of the trusts were valued at $422,209 and $447,624 on December 31, 2011 and 2010, respectively. In accordance with FASB Accounting Standards Codification No. 958, the value of the assets held in trust have been reported as an asset of the Panhandle State Foundation.

8. FUNDS HELD IN CUSTODY FOR OTHERS

The Foundation holds in custody funds belonging to the Alumni Association. Although these funds are administered by the Foundation, the Foundation does not exercise control over the funds. Accordingly, these amounts are presented as liabilities in the accompanying statements of financial position. The balances of these funds as of December 31, 2011 and 2010, include the following:

	2011	2010
Alumni Association	$ 176,708	$ 163,644

9. COMPENSATED ABSENCES

Employees earn annual leave at a rate of 20 hours per month. Upon leaving employment with the Foundation, an employee with one or more years of service is paid for accrued annual leave up to a maximum of 36 days. The liability for accrued compensated absences as of December 31, 2011 and 2010, was $5,390 and $4,198, respectfully.

10. RESTRICTED NET ASSETS

In the year 2011 temporarily restricted net assets are available for the following purposes as specified by the donor:

	12/31/2010	Increase	Decrease	Reclass	12/31/2011
Contributions received for scholarships	$ 149,425	$ 88,149	$ 103,882	$ (20,000)	$ 113,692
Contributions received for staff development	12,196	5,000	3,575	-	13,621
Contributions received for specific programs and student groups	124,081	283,968	258,426	(900)	148,723
Contribution received for PSU facilities and equipment	3,057	63,584	47,479	-	19,162
Total temporarily restricted net assets	$ 288,759	$ 440,701	$ 413,362	$ (20,900)	$ 295,198

In the year 2010 temporarily restricted net assets are available for the following purposes as specified by the donor:

	12/31/2009	Increase	Decrease	Reclass	12/31/2010
Contributions received for scholarships	$ 120,101	$ 122,774	$ 83,450	$ (10,000)	$ 149,425
Contributions received for staff development	10,948	5,000	3,752	-	12,196
Contributions received for specific programs and student groups	94,058	314,247	284,225	-	124,081
Contribution received for PSU facilities and equipment	36,728	10,250	43,515	(406)	3,057
Total temporarily restricted net assets	$ 261,835	$ 452,271	$ 414,942	$ (10,406)	$ 288,759

10. RESTRICTED NET ASSETS (continued)

Permanently restricted net assets are restricted to investments held in perpetuity, the income from which is expendable for scholarships to students and for the support of specified academic programs of the University.

In the year 2011 permanently restricted net assets include the following endowment funds:

	Balance 12/31/2010	Market Increase or Decrease	Contributions	Reclass	Balance 12/31/2011
Endowments					
Rule of Law Educational fund	$ -	$ -	$1,000,000	$ -	$1,000,000
Lucille Rhoton Fund	319,621	-	-	-	319,621
Hazel E. Exline Scholarship Endowment	164,289	-	-	-	164,289
Mary Lee Memorial Endowment	160,000	-	-	-	160,000
Baughman Foundation Endowment	145,000	-	5,000	-	150,000
Other permanently restricted funds	1,329,661	-	297,147	20,900	1,647,708
Total Endowments	2,118,571	-	1,302,147	20,900	3,441,618
Beneficial Interests					
Interest in Allie Mitchell Trust	431,544	(24,338)	-	-	407,206
Interest in Robert Murphy Trust	16,079	(1,076)	-	-	15,003
Total Beneficial Interests	447,623	(25,414)	-	-	422,209
Total permanently restricted net assets	$2,566,194	$ (25,414)	$1,302,147	$ 20,900	$3,863,827

In the year 2010 permanently restricted net assets include the following endowment funds:

	Balance 12/31/2009	Market Increase or Decrease	Contributions	Reclass	Balance 12/31/2010
Endowments					
Lucille Rhoton Fund	$ 319,621	$ -	$ -	$ -	$ 319,621
Hazel E. Exline Scholarship Endowment	164,289	-	-	-	164,289
Mary Lee Memorial Endowment	160,000	-	-	-	160,000
Baughman Foundation Endowment	140,000	-	5,000	-	145,000
Downer Endowment	119,931	-	-	-	119,931
Other permanently restricted funds	1,168,642	-	22,973	18,115	1,209,730
Total Endowments	2,072,483	-	27,973	18,115	2,118,571
Beneficial Interests					
Interest in Allie Mitchell Trust	410,282	21,262	-	-	431,544
Interest in Robert Murphy Trust	15,215	864	-	-	16,079
Total Beneficial Interests	425,497	22,126	-	-	447,623
Total permanently restricted net assets	$2,497,980	$ 22,126	$ 27,973	$ 18,115	$2,566,194

10. RESTRICTED NET ASSETS (continued)

Selected funds within the three groups of net assets have been reclassified. Reclassified temporarily restricted net assets and permanently restricted net assets are included in the "Reclass" columns of the tables listed on the previous page. Funds in the temporarily restricted net assets grouping that had accumulated enough contributions to endow a continuing scholarship have been reclassified as permanently restricted net assets, based upon an understanding with the donor.

The Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date the donor restricted endowment funds are received, absent of any explicit donor stipulations to the contrary.

The Foundation's policy is to invest endowed assets in such a way as to provide a predictable stream of funding for scholarships to the University while preserving the original principal of endowed funds. When selecting investments, more emphasis is given to investment return rather than growth as a means to provide more current income for scholarships. The rate of return on investments varies according to the market, but the Foundation has been able to consistently maintain a minimum return of at least 5% over the past few years.

The Foundation utilizes a total return approach whereby all funds are pooled for investing and the total earnings are reported as unrestricted net assets. The total earnings are first used to fund the endowed scholarships and the remainder is then used to provide general scholarship support to the University. Any unrealized gains or losses on investments are also reported as unrestricted net assets so that the original amount of the endowment principal is maintained.

11. SUMMARY OF SUPPORTING SERVICES

Following is a summary of general and administrative supporting services by type of expenditure for the year ended December 31, 2011 and 2010.

General and Administrative:	2011	2010
Salaries and benefits	$ 84,259	$ 75,892
Audit and legal	17,408	8,155
Office supplies	3,864	2,811
Postage	2,322	3,139
Printing	4,146	4,312
Travel	742	988
Meeting expense	2,813	2,862
Other current expense	192	1,383
Facility expense	5,170	5,170
Total general and administrative	$ 120,916	$ 104,712

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011 and 2010, the Foundation awarded scholarships totaling approximately $294,999 and $263,588 respectively, to students and faculty members of the University. In addition, the Foundation paid for goods and services on behalf of the University totaling $309,480 and $331,491 for 2011 and 2010 respectively. Included in contribution revenues and in general and administrative expenses for both years is $5,170 for office space contributed by the University to the Foundation.

13. RELATED ENTITY

The Panhandle State Foundation is the sole owner of the OPSU Student Housing, LLC, a single-member limited liability company created to build and manage a student housing facility on the OPSU campus. The LLC is to exist until all construction related debt is satisfied. By contract, the University controls the operation of the facility owned by the LLC. The Foundation has no transactions with the LLC, it has no investment in the LLC, it is not entitled to any distribution of net profits from the LLC, and all assets of the LLC pass directly to the University upon dissolution of the LLC. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 958-810-55 the financial statements of the LLC have not been consolidated with the financial statements of the Panhandle State Foundation. The LLC is reported as a component unit of Panhandle State University.

14. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through July 24, 2012, which is the date on which the financial statements were available to be issued. No events requiring disclosure were noted.

Component Unit
OPSU Student Housing, L.L.C.

AUDIT REPORT

OPSU STUDENT HOUSING, L.L.C.
GOODWELL, OKLAHOMA

JUNE 30, 2012

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OPSU STUDENT HOUSING, L.L.C.
GOODWELL, OKLAHOMA
JUNE 30, 2012

TABLE OF CONTENTS

		PAGE
INDEPENDENT AUDITOR'S REPORT		3
EXHIBIT A	BALANCE SHEET	4
EXHIBIT B	STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S DEFICIT	5
EXHIBIT C	STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS		7-13

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
OPSU Student Housing, L.L.C.
Goodwell, Oklahoma

We have audited the accompanying financial statements of the OPSU Student Housing, L.L.C. (the "LLC") as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the OPSU Student Housing, L.L.C.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OPSU Student Housing, L.L.C. as of June 30, 2012, and the results of its operations and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note A to the financial statements, the accompanying financial statements have been prepared from separate records maintained by the LLC and may not necessarily indicate the conditions that would have existed or the revenues and expenses that would have occurred if the LLC had been operated as an unaffiliated company.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC
September 20, 2012

EXHIBIT A

OPSU STUDENT HOUSING, L.L.C.
GOODWELL, OKLAHOMA
BALANCE SHEET
JUNE 30, 2012

ASSETS	2012	Memo Only 2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 359,093	$ 319,184
Investments with Bond Trustees	566,651	509,520
Accounts receivable from Panhandle State University	23,111	23,111
Accounts receivable from residents, net of allowance for doubtful accounts of $139,378 and $127,378 for 2012 and 2011, respectively	776	17,584
Other assets	4,450	4,525
TOTAL CURRENT ASSETS	954,082	873,924
OTHER ASSETS:		
Investment with Bond Trustees	382,776	382,794
Property and equipment, net of accumulated depreciation	3,015,100	3,169,811
TOTAL ASSETS	$ 4,351,958	$ 4,426,529
LIABILITIES & MEMBER'S EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 128,044	$ 128,811
Deferred revenue	9,405	12,825
Current portion of long-term debt	120,000	115,000
Total Current Liabilities	257,449	256,636
LONG-TERM LIABILITIES:		
Tax exempt bonds payable, net of discount	4,796,987	4,914,303
Taxable bonds payable, net of discount	-	-
Total Long-Term Liabilities	4,796,987	4,914,303
TOTAL LIABILITIES	5,054,436	5,170,938
MEMBER'S DEFICIT	(702,478)	(744,409)
TOTAL LIABILITIES AND NET ASSETS	$ 4,351,958	$ 4,426,529

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT B

OPSU STUDENT HOUSING, L.L.C.
GOODWELL, OKLAHOMA
STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S DEFICIT
FOR THE YEAR ENDED JUNE 30, 2012

	2012	Memo Only 2011
REVENUES:		
Rental	$ 509,884	$ 509,434
Investment income	99	1,143
Miscellaneous income	8,247	9,098
TOTAL REVENUES	518,230	519,675
EXPENSES:		
Interest	265,487	270,021
Depreciation	154,711	154,711
Insurance expense	35,601	35,417
Professional fees	3,500	5,500
Payroll expense	-	-
Bad debt expense	12,000	17,500
Issuance costs	-	-
Repairs and maintenance	-	-
Other expenses	5,000	4,953
TOTAL EXPENSES	476,299	488,102
NET INCOME (LOSS)	41,931	31,573
MEMBER'S DEFICIT AT BEGINNING OF YEAR	(744,409)	(775,984)
MEMBER'S DEFICIT, PRIOR YEAR ADJUSTMENT	-	2
MEMBER'S DEFICIT AT END OF YEAR	$ (702,478)	$ (744,409)

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT C

OPSU STUDENT HOUSING, L.L.C.
GOODWELL, OKLAHOMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	2012	Memo Only 2011
Cash Flows from Operating Activities:		
Net income (loss)	$ 41,931	$ 31,573
Add(Deduct) Items Not Affecting Cash:		
Depreciation	154,711	154,711
Amortization	2,684	2,684
Bad debt expense	12,000	17,500
(Increase)Decrease in Accounts Receivable from OPSU	-	-
(Increase)Decrease in Accounts Receivable from residents	4,808	(24,907)
(Increase)Decrease in Other assets	75	(672)
Increase(Decrease) in Accounts Payable and accrued expenses	(767)	(733)
Increase(Decrease) in Deferred revenue	(3,420)	2,394
Net Cash Provided (Used) by Operating Activities	212,022	182,550
Cash Flows from Investing Activities:		
Net change in deposits with Trustees	(57,113)	114,522
Property and equipment purchases	-	-
Net Cash Flows from Investing Activities	(57,113)	114,522
Cash Flows from Financing Activities:		
Payment on Taxable Bonds	(115,000)	(110,000)
Net Cash Flows from Financing Activities	(115,000)	(110,000)
Net Increase (Decrease) in Cash	39,909	187,072
Cash, Beginning of Year	319,184	132,111
Cash, Prior Year Adjustment	-	2
Cash, End of Year	$ 359,093	$ 319,184
Supplemental Cash Flow Information:		
Interest expensed	$ 265,487	$ 270,021
Interest capitalized	-	-
Amortization of bond discount	(2,684)	(2,684)
Decrease in accrued interest payable	767	733
Cash paid for interest	$ 263,570	$ 268,070

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Background:

OPSU Student Housing, L.L.C. (the "LLC") is responsible for administration and operations of a student housing facility (the "Project") constructed with the proceeds of revenue bonds. The LLC is governed by a Board of Trustees comprised primarily of management of Oklahoma Panhandle State University (the "University"). The LLC's sole member, Panhandle State Foundation (the "Foundation"), is an Oklahoma not-for-profit corporation formed to promote the projects of the University.

On November 1, 2003, the Texas County Development Authority (the "Issuer") issued its 2003 Series A and 2003 Series B Student Housing Revenue Bonds (the "Bonds"), totaling $5,455,000. The proceeds of the Bonds were loaned to the LLC pursuant to a loan agreement dated November 1, 2003.

The University is responsible for collection of monthly rentals and management of the operations of the LLC under a Manage and Maintain agreement dated November 1, 2003. The LLC is responsible for the payment of the interest and principal obligations on the outstanding bonds and limited administrative expenses. Excess funds in the LLC, if any, as determined by the Ground Lease Agreement described in Note E, are transferred to the University annually.

Nature of Operations:

The Project consists of a 144 bed housing facility located in Goodwell, Oklahoma, on the campus of the University.

Basis of Accounting:

The financial statements of the LLC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements have been prepared from the separate records maintained by the LLC and may not indicate the conditions that would have existed if the LLC had been operated as an affiliated company.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the

use of estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents:
For purposes of the statement of cash flows, the LLC considers all highly liquid investments with original maturities of three months or less to be cash equivalents, except for treasury bills, commercial paper, and other short term financial instruments included in the LLC's investment accounts. The carrying amount of cash and cash equivalents approximates fair value due to short maturity of these financial instruments.

Investments:
Investments in marketable securities are stated at fair value, based on quoted market prices.

Accounts Receivable:
Accounts receivable from residents are carried at the unpaid balance of the original amount billed to students less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, by using historical experience applied to any aging of accounts, and by considering the general economy and the industry as a whole. Student accounts are written off when deemed uncollectible. Recoveries of students' accounts previously written off are credited to the allowance for doubtful accounts.

Property and Equipment:
Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over a thirty year life and furniture and equipment are depreciated over ten years. The cost of maintenance and repairs is charged to expense as incurred. The capitalization threshold has been set at $4,000.00.

Revenue Recognition:
The LLC generally leases units based on single semester lease agreements for which students are billed at the beginning of each semester. Deferred revenues are recorded for unearned rent.

Financial Instruments:
Due to their short maturity, the carrying amounts of accounts receivable, accounts payable, and accrued liabilities approximated their fair values at June 30, 2012. The LLC estimates that the carrying amount of long-term debt described in Note 6 would not differ materially from fair value because those instruments bear interest rates that are close to current market rates.

Costs of Borrowing:
Interest costs incurred on funds borrowed to finance the Project, net of interest earned on short-term investment of the proceeds of such borrowings, are capitalized as a component of the cost of acquiring such assets during the construction period.

Debt issue costs incurred in connection with the issuance of the bonds are written off in the year incurred. The debt issue costs written off were $0 and $0 during the years ended June 30, 2012 and 2011, respectively.

Income Taxes:
For federal income tax purposes, the LLC, as a wholly owned limited liability company of a single tax exempt organization, is disregarded as an entity separate from its owner. Accordingly, the Foundation treats the operations of the LLC as its own for income tax and information reporting purposes, and includes the operating results of the LLC in its tax return. Therefore, neither provision nor benefits for income taxes will be recorded by the LLC.

Memorandum Totals:

The “memorandum only” captions above the total columns mean that totals are presented for overview information purposes only.

NOTE 2 - INVESTMENTS

The funds held by the Bond Trustees consist of cash, money market investments, securities that are primarily issued by the U.S. government and various other financial instruments. These short-term investments are primarily stated at cost, which approximates market.

Under the terms of the various trust indentures or similar documents, various funds such as revenue, operating, bond, and debt service must be

established and maintained for each of the projects. These or associated documents govern the types of investments and requirements for collateralization.

The Bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages. Investments are maintained in the following accounts at:

	June 30,	
	2012	2011
Debt Service Reserve Fund	$ 382,776	$ 382,794
Surplus Fund	202,753	13,286
Revenue Fund	208,729	343,631
2003 A Bond Fund	123,545	120,978
Operating Fund	31,625	31,625
2003 B Bond Fund	-	-
	$ 949,428	$ 892,314

Investment income, to the extent it exceeds capitalized interest for the respective project, is reported in income. Information necessary to report the proceeds of sales and purchases of investments for the statement of cash flows is not meaningful due to the nature of the investments and the large volume of transactions.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2012	2011
Buildings	$ 4,032,325	$ 4,032,325
Furniture and equipment	203,000	203,000
	4,235,325	4,235,325
Less: Accumulated depreciation	(1,220,225)	(1,065,514)
	$ 3,015,100	$ 3,169,811

NOTE 4 - CONCENTRATION OF CREDIT RISK

The LLC maintains cash balances with financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. Periodically, the LLC maintains deposits in excess of federally insured limits. Management monitors the soundness of these financial institutions and believes the LLC's risk is not significant. The balances in investments with Bond Trustees are invested according to bond documents which work to mitigate the credit risk of those investments.

NOTE 5 - GROUND LEASE

The ground lease agreement between the Board of Regents of the Oklahoma Agricultural and Mechanical Colleges (the "Board of Regents") and the LLC requires the LLC to pay to the Board of Regents of the College for the term beginning November 1, 2003 through October 31, 2043, the net available cash flow for the lease year ended November 1, as defined in the ground lease agreement. No rent is due or payable in years where the net available cash flow is zero or a negative amount. In addition to the base rent, the LLC shall pay directly, or reimburse the College upon written notice, for all real estate, personal property and other taxes, special assessments, insurance premiums and other charges, costs and expenses. The Trust Indenture restricts transfers to the Board of Regents for ground lease expense until the cumulative net available cash flows exceed $150,000. Annual commitments for the ground lease for the succeeding five years are not yet determinable.

The liability of the LLC, with respect to its obligations under the ground lease, shall be non-recourse and the satisfaction of any of the LLC's obligations shall be limited to the LLC's interest in the property. Pursuant to the ground lease agreement, ground lease expense is to be calculated from November to November. For the years ended June 30, 2012 and 2011, no ground lease expense has been accrued, which is subject to adjustment at the calculation date.

NOTE 6 - LONG-TERM DEBT

Certain series of taxable and non-taxable bonds have been issued by the issuer as registered bonds pursuant to an indenture of trust between the Issuer and the Bond Trustees. The issuance of both tax-exempt and taxable bonds was due to the percentage limitation on the amount of tax exempt bond

proceeds that can be used to pay transaction expenses and still maintain a tax-exempt status.

Pursuant to loan agreements between the Issuer and the LLC, the Issuer has loaned the proceeds of the Bonds to the LLC. The proceeds were used to finance the construction of the facilities, fund interest on the Bonds during the construction period, fund a debt service reserve fund, and pay the cost of issuing the Bonds.

Pursuant to security agreements, leasehold deeds to secure debt, assignment of contract documents and assignment of rents between the LLC and the Bond Trustees, the LLC grants to the Bond Trustees first lien security title in the leasehold estates created by the ground leases and a security interest in the revenues and accounts generated by the operations of the LLC. The LLC also assigned to the Bond Trustees its rights under various agreements and contracts. Pursuant to the Bond indenture, the Issuer assigned all of its interest in the loan agreements to the Bond Trustees to secure the Bonds.

The Issuer and the Bond Trustees agree that the LLC will have no liability under the various agreements delivered in connection with the issuance of the bonds beyond its interest in the project.

Long-term debt consists of the following at June 30:

	2012	2011
Notes payable, secured by a mortgage on property:		
Due in three annual installments beginning November 1, 2011, interest payable semi-annually at interest rates ranging between 4.00% to 4.40%	$ 245,000	$ 360,000
Due in five annual installments beginning November 1, 2014, interest payable semi-annually at 4.90%	715,000	715,000
Due in five annual installments beginning November 1, 2019, interest payable semi-annually at 5.25%	910,000	910,000
Due in eleven annual installments beginning November 1, 2024, interest payable semi-annually at 5.45%	3,080,000	3,080,000
	4,950,000	5,065,000
Less unamortized discount on bonds payable	33,013	35,697
	4,916,987	5,029,303
Less current maturities	120,000	115,000
	$ 4,796,987	$ 4,914,303

The unamortized bond discount recognized upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method.

Maturities of long-term debt at June 30, 2012 are as follows:

Year Ending June 30,	Tax Exempt	Taxable	Total
2013	$ 120,000	$ -	$ 120,000
2014	125,000	-	125,000
2015	130,000	-	130,000
2016	135,000	-	135,000
2017	145,000	-	145,000
2018-2022	825,000	-	825,000
2023-2027	1,060,000	-	1,060,000
2028-2032	1,385,000	-	1,385,000
2033-2035	1,025,000	-	1,025,000
	$ 4,950,000	$ -	$ 4,950,000

NOTE 7 - SUBSEQUENT EVENTS

The LLC did not have any subsequent events through September 20, 2012, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2012.

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

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

Board of Regents for the Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University
Oklahoma City, Oklahoma

We have audited the financial statements of Oklahoma Panhandle State University (the "University") as of June 30, 2012, and for the year then ended, and have issued our report thereon dated October 30, 2012. Our report includes a reference to 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 in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Other auditors audited the financial statements of Panhandle State Foundation (the "Foundation") and OPSU Student Housing, L.L.C (the "LLC"), the University's separately presented component units, as described in our report on the University's financial statements. The financial statements of the Foundation and the LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2012

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

Board of Regents for the Oklahoma Agricultural and Mechanical Colleges
Oklahoma Panhandle State University
Oklahoma City, Oklahoma

Compliance

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

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

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

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Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2012, and have issued our report thereon dated October 30, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2012

	CFDA Number	Amount Expended
Student Financial Aid Cluster:		
U.S. Department of Education:		
Direct Programs:		
Office of Student Financial Assistance:		
Federal Pell Grant Program	84.063	$ 2,602,623
Federal Work Study Program	84.033	24,793
Federal Direct Student Loans	84.268	4,848,527
Perkins Student Loan Program	84.038	40,905
Federal Supplemental Educational Opportunity Grants	84.007	14,000
Total Student Financial Aid Cluster		7,530,848
Trio Cluster:		
Office of Post-secondary Education TRIO		
Upward Bound	84.047	218,502
Total U.S. Department of Education		
Coporation for National and Community Service		
AmeriCorps State and National	94.006	6,047
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 7,755,397

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA PANHANDLE STATE UNIVERSITY

Year Ended June 30, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards includes the federal awards activity of Oklahoma Panhandle State 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 States, 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--FEDERAL PERKINS LOAN PROGRAM

The University had $40,905 in Federal Perkins Loans outstanding at June 30, 2012.

NOTE D--SUBRECIPIENTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKLAHOMA PANHANDLE STATE UNIVERSITY

June 30, 2012

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*

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

Dollar threshold used to distinguish between type A and type B programs: $300,000

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

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

None to report for the June 30, 2012 period.

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

None to report for the June 30, 2012 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

OKLAHOMA PANHANDLE STATE UNIVERSITY

Year Ended June 30, 2012

No matters are reportable.