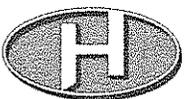


**Rose State College**  
**Financial Statements**  
**with Independent Auditors' Reports**  
**June 30, 2012 and 2011**



**Rose State College**  
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**June 30, 2012**

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**Rose State College**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2012**

***Introduction***

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

***Using This Annual Report***

The basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. This report is provided to highlight and explain significant changes in financial operations and conditions of the College.

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 College 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 College's operating results.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the College's net assets and changes in them. The College's net assets - the difference between assets and liabilities - are one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College'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, enrollment, student retention, accreditation, condition of the buildings and the safety of the campus to assess the overall health of the institution.

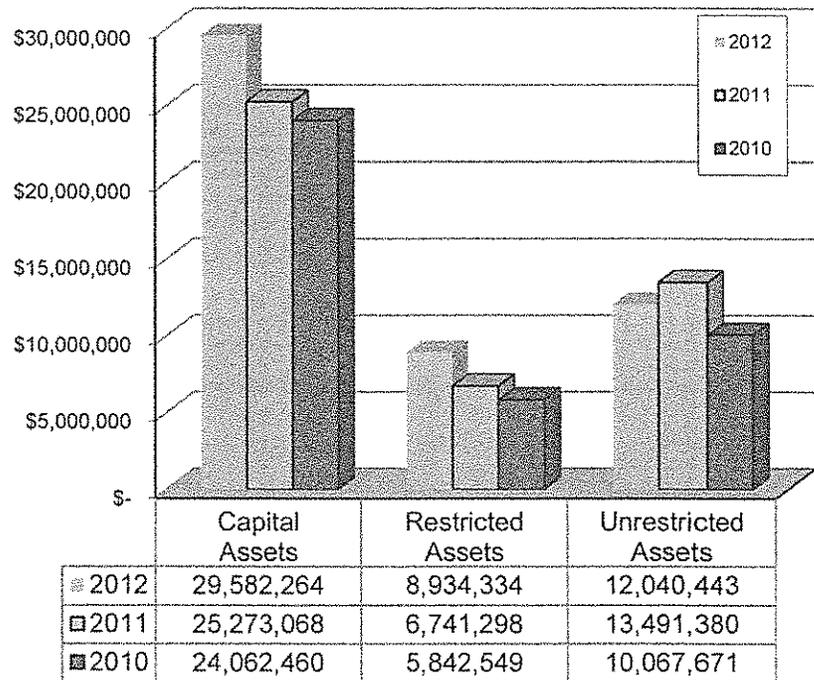
These statements report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. All of the current year's revenue and expense are taken into account regardless of when cash is received or paid.

The accompanying financial statements of the College include the financial statements of the College's blended component unit, the Rose State College Technical Area Education District. Separate financial statements of the Technical District can be obtained from the College's Vice President for Business Affairs.

## Financial Highlights

### Total Net Assets

At June 30, 2012, the College's net assets increased to \$50.6 million from \$45.5 million in 2011, an increase of \$5.1 million. Total net assets in 2011 were \$5.5 million more than the 2010 valuation of \$39.97 million. In fiscal year 2012, the 17% increase in Capital Assets reflects the donation of approximately 48 acres of undeveloped land appraised at approximately \$2 million and the installation of new air conditioning units for \$1.7 million. The increase in Restricted assets largely reflects the transfer and use of \$3 million from Unrestricted assets for the PeopleSoft upgrade project. The decrease in Unrestricted assets reflects this same transfer of funds to Restricted assets partially offset by an increase in the Tech District's Operating Fund cash balance. This chart provides a graphical breakdown of net assets by category for the fiscal years ending June 30, 2012, 2011 and 2010.



### Operating Results

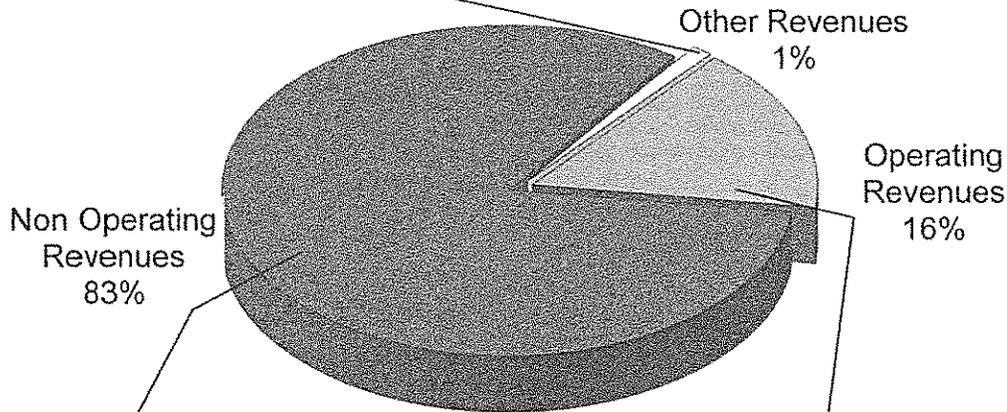
Total College revenues for 2012 were \$58.2 million, a decrease of \$1.2 million over the 2011 total of \$59.3 million. The 2011 total revenues increased \$2.1 million compared to 2010 totals. Expenditures for 2012 totaled \$53.1 million compared to \$53.8 million in 2011, a decrease of \$.7 million. The 2011 expenditures declined \$.8 million compared to 2010 total expenses. For fiscal year 2012, the College's revenues exceeded expenses by approximately \$5.1 million resulting in an 11.1% increase in total net assets. The following table and charts provide a presentation of total and operating revenues by category as well as total expenses by category for the fiscal years ending June 30, 2012, 2011 and 2010.

Revenue By Category	2012	2011	2010	Change F/11 to 12	Percent Change	Change F/10 to 11	Percent Change
Operating Revenues	\$ 9,358,857	\$ 12,260,944	\$ 10,307,814	(\$2,902,087)	23.67%	\$ 1,953,130	18.95%
Non-Operating Revenues	48,142,018	45,322,884	45,051,334	2,819,134	6.22%	271,550	0.60%
Other Revenues	664,533	1,738,248	1,911,597	(1,073,715)	(6.18%)	(173,349)	(9.07%)
Total Revenues	\$ 58,165,408	\$ 59,322,076	\$ 57,270,745	(\$ 1,156,668)	(1.95%)	\$ 2,051,331	3.58%

## Total Revenues by Category

The categories of non-operating revenue and operating revenues are shown in the charts and tables below.

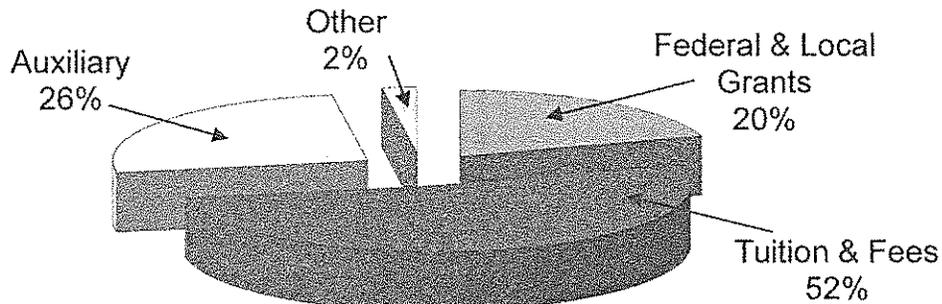
Other Revenues consist of capital appropriations and OCIA debt service totaling \$.7 million



### Non Operating Revenues

State appropriations	\$ 20,599,612
State appropriations - ARRA	0
Federal and state grants	16,386,432
OTRS On-behalf	1,225,000
Ad valorem taxes	9,704,447
Investment income	226,527
Other non-operating	-
<b>Total Non-Operating</b>	<b>\$ 48,142,018</b>

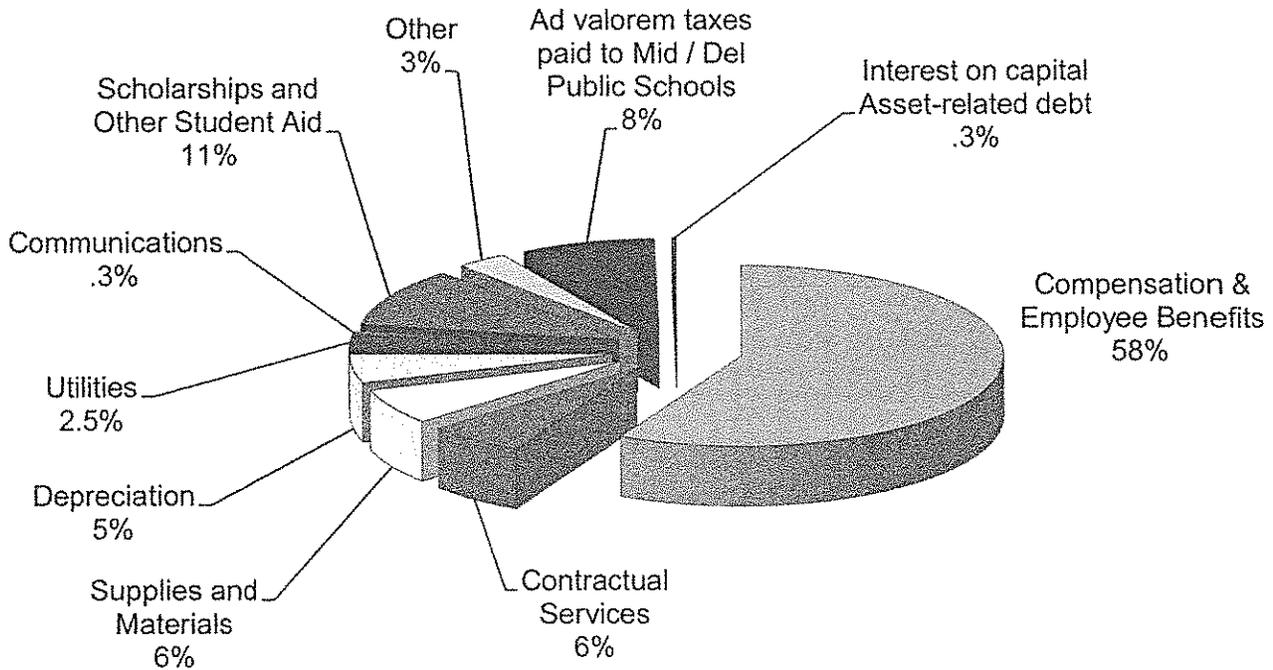
### Total Operating Revenues by Category



Operating Revenue	2012	2011	2010	Change F/11 To 12	Percent Change	Change F/10 to F/11	Percent Change
Federal & Local Grants	\$ 1,866,445	\$ 1,046,472	\$ 2,038,440	\$ 819,973	78.36%	\$ (991,968)	(48.66%)
Tuition & Fees	4,876,199	7,696,071	4,920,284	(2,819,872)	(36.64%)	2,775,787	56.42%
Auxiliary	2,407,525	3,328,140	2,893,680	(920,615)	(27.66%)	434,460	15.01%
Other	208,688	190,261	455,410	18,427	9.69%	(265,149)	(58.22%)
<b>Total Operating Rev.</b>	<b>\$ 9,358,857</b>	<b>\$ 12,260,944</b>	<b>\$10,307,814</b>	<b>(\$2,902,087)</b>	<b>23.67%</b>	<b>\$ 1,953,130</b>	<b>18.95%</b>

## Total Expenses by Category

Total expenses of the College for 2012 were \$53.1 million, a decrease of \$.7 million or 1.3% compared to 2011 expenses of \$53.8 million. The 2011 expenses total decreased \$.8 million or 1.4% compared to 2010 results. The College's largest expense category continues to be compensation and employee benefits representing 57.6% of total expenses in 2012.



Total Expenses by Category	2012	2011	2010	Increase (Decrease) F/11 to 12	Percent Change	Increase (Decrease) F/10 to 11	Percent Change
Compensation & Employee Benefits	\$30,570,816	\$31,429,787	\$31,254,350	\$ (858,971)	(2.73%)	\$ 175,437	.56%
Contractual Services	3,205,123	3,166,778	2,740,510	38,345	1.21%	426,268	15.55%
Supplies and Materials	3,353,678	5,166,489	4,471,912	(1,812,811)	35.09%	694,577	15.53%
Depreciation	2,701,436	2,557,611	2,302,808	143,825	5.62%	254,803	11.06%
Utilities	1,337,577	1,211,264	1,166,049	126,313	10.43%	45,215	3.88%
Communications	138,845	157,336	174,953	(18,491)	(11.8%)	(17,617)	(10.1%)
Scholarships and Other Student Aid	5,575,215	4,135,012	3,934,627	1,440,203	34.83%	200,385	5.09%
Other	1,675,863	1,719,413	3,076,706	(43,550)	(2.53%)	(1,357,293)	(44.1%)
Ad valorem paid to Mid/Del Public Schools	4,415,198	3,540,354	4,671,603	874,844	24.71%	(1,131,249)	(24.2%)
Interest on capital asset-related debt	140,362	704,966	767,261	(564,604)	(80.1%)	(62,295)	(8.12%)
<b>Total Expenses by Category</b>	<b>\$53,114,113</b>	<b>\$53,789,010</b>	<b>\$54,560,779</b>	<b>\$ (674,897)</b>	<b>(1.25%)</b>	<b>\$ 771,769</b>	<b>(1.41%)</b>

## Statement of Net Assets

The statement of net assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities is net assets, which is an indicator of the current financial condition of the College. Assets and liabilities are generally stated using current values. Notable exceptions are capital assets, which are stated at historical cost less an allowance for depreciation and long-term debt which is stated at its current unpaid borrowed amount. The following table is prepared from the College's Statement of Net Assets. It summarizes the assets, liabilities and net assets as of June 30, 2012, 2011 and 2010.

Balances as of June 30th	<u>2012</u>	<u>2011</u>	<u>2010</u>	Change F/11 <u>To 12</u>	Percent <u>Change</u>	Change F/10 <u>To 11</u>	Percent <u>Change</u>
<b>Current Assets</b>	\$22,090,954	\$22,516,579	\$18,885,642	(\$ 425,625)	(1.9%)	\$3,630,937	19.2%
<b>Noncurrent Assets</b>							
Restricted cash and cash equivalents	2,501,998	1,224,255	1,213,812	1,277,743	104.4%	10,443	.9%
Unamortized bond issuance costs	6,463	7,375	8,287	(912)	(12.4%)	(912)	(11.0%)
Capital assets, net of depreciation	<u>42,842,352</u>	<u>39,192,625</u>	<u>39,272,612</u>	<u>3,649,727</u>	<u>9.3%</u>	<u>(79,987)</u>	<u>(0.2%)</u>
Total assets	67,441,767	62,940,834	59,380,353	4,500,933	7.2%	3,560,481	6.0%
<b>Current Liabilities</b>	4,124,640	3,188,140	3,732,573	936,500	29.4%	(544,433)	(14.6%)
<b>Noncurrent Liabilities</b>	<u>12,760,086</u>	<u>14,246,948</u>	<u>15,675,100</u>	<u>(1,486,862)</u>	<u>(10.4%)</u>	<u>(1,428,152)</u>	<u>(9.1%)</u>
Total liabilities	<u>16,884,726</u>	<u>17,435,088</u>	<u>19,407,673</u>	<u>(550,362)</u>	<u>(3.2%)</u>	<u>(1,972,585)</u>	<u>(10.2%)</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	29,582,264	25,273,068	24,062,460	4,309,196	17.1%	1,210,608	5.0%
Restricted expendable	8,934,334	6,741,298	5,842,549	2,193,036	32.5%	898,749	15.4%
Unrestricted	<u>12,040,443</u>	<u>13,491,380</u>	<u>10,067,671</u>	<u>(1,450,937)</u>	<u>(10.8%)</u>	<u>3,423,709</u>	<u>34.0%</u>
Total net assets	<u>\$50,557,041</u>	<u>\$45,505,746</u>	<u>\$39,972,680</u>	<u>\$5,051,295</u>	<u>11.1%</u>	<u>\$ 5,533,066</u>	<u>13.8%</u>

- Current assets decreased \$.4 million or -1.9% to a balance of \$22.1 million in fiscal year 2012 from \$22.5 million in 2011. This decrease is largely due to the use of cash and reserves in a \$3 million transfer of funds to the Non-current Restricted classification for the PeopleSoft upgrade which is considered a capital improvement project. A decrease in enrollment and related revenue experienced in FY2012 was partially offset by an increase in the tuition rate and the reduction of budgetary expenditures overall. College management has made an intentional effort to increase reserves for the PeopleSoft system upgrade over the past few fiscal years. The net effect of these factors all resulted in a \$545,000 decrease in cash reserve balances to \$18.4 million compared to \$18.9 million in 2011 and \$15.0 million in 2010.
- Total liabilities decreased by \$.55 million or 3.2% in fiscal 2012 compared to fiscal 2011. This decrease reflects reduced long term debt which totaled \$12.6 million at the end of 2012 compared to \$14.1 million in 2011 and \$15.6 million in 2010. The majority of long term debt is comprised of the Technical District's Building Bond (2005 series) for the construction of the Professional Training Center with an outstanding balance of \$2.6 million and the OCIA Capital Lease obligation (2006 series) for the Health Sciences building with a balance of \$9.7 million at the end of 2012.

- Net Assets, in 2012, increased \$5.1 million or 11.1% compared to 2011 balances. The 2012 increase reflects the donation of approximately 48 acres of undeveloped land in Midwest City with an appraised value of almost \$2 million and an increase of \$1.5 million for the new HVAC system installed to control the Humanities, Social Science and Administration buildings. In 2011 the total net assets grew by \$5.5 million or 13.8% compared to 2010 results and reflects the purchase of building and property from the Mid-Del School district and the growth of reserves.

### **Statement of Revenues, Expenses and Changes in Net Assets**

The statement of revenues, expenses and changes in net assets presents the College's results of operations and other non-operating activities. A summarized statement of revenues, expenses and changes in net assets is included below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Change</u> <u>F/ 11 To 12</u>	<u>Percent</u> <u>Change</u>	<u>Change</u> <u>F/ 10 To 11</u>	<u>Percent</u> <u>Change</u>
<b>Operating Revenues</b>							
Tuition and fees, net	\$ 4,876,199	\$ 7,696,071	\$ 4,920,284	\$(2,819,872)	(36.6 %)	\$ 2,775,787	56.4 %
Federal, state and local grants and contracts	1,866,445	1,046,471	2,038,440	819,974	78.4%	(991,969)	(48.7 %)
Auxiliary (bookstore and food services), net	2,407,525	3,328,140	2,893,680	(920,615)	(27.7%)	434,460	15.0 %
Other	<u>208,688</u>	<u>190,261</u>	<u>455,410</u>	<u>18,427</u>	<u>9.7%</u>	<u>(265,149)</u>	<u>(58.2 %)</u>
Total operating revenues	<u>9,358,857</u>	<u>12,260,943</u>	<u>10,307,814</u>	<u>(2,902,086)</u>	<u>(23.7%)</u>	<u>1,953,129</u>	<u>19.0 %</u>
<b>Operating Expenses</b>							
Compensation and employee benefits	30,570,816	31,429,787	31,254,350	(858,971)	(2.7%)	175,437	0.6 %
Contractual services, supplies and materials	6,558,801	8,333,267	7,212,422	(1,774,466)	(21.3%)	1,120,845	15.5 %
Depreciation	2,701,436	2,557,611	2,302,808	143,825	5.6%	254,803	11.1 %
Utilities and communications	1,476,422	1,368,600	1,341,002	107,822	7.9%	27,598	2.1 %
Scholarships and other student aid	5,575,215	4,135,012	3,934,627	1,440,203	34.8%	200,385	5.1 %
Other	<u>1,675,863</u>	<u>1,719,413</u>	<u>3,076,706</u>	<u>(43,550)</u>	<u>(2.5%)</u>	<u>(1,357,293)</u>	<u>(44.1 %)</u>
Total operating expenses	<u>48,558,553</u>	<u>49,543,690</u>	<u>49,121,915</u>	<u>(985,137)</u>	<u>(2.0%)</u>	<u>421,775</u>	<u>0.9 %</u>
<b>Operating Loss</b>	<u>(39,199,696)</u>	<u>(37,282,747)</u>	<u>(38,814,101)</u>	<u>(1,916,949)</u>	<u>5.1%</u>	<u>1,531,354</u>	<u>(4.0 %)</u>
<b>Non-operating Revenues (Expenses)</b>							
State appropriations	20,599,612	17,650,700	20,626,019	2,948,912	16.7%	(2,975,319)	(14.4%)
State appropriations - ARRA	0	1,470,651	1,653,560	(1,470,651)	(100.0%)	(182,909)	(11.1 %)
Federal and state grants	16,386,432	15,483,917	12,295,821	902,515	5.8%	3,188,096	25.9%
OTRS on-behalf contributions	1,225,000	1,138,000	1,001,000	87,000	7.6%	137,000	13.7 %
Ad valorem taxes	9,704,447	9,359,847	9,165,625	344,600	3.7%	194,222	2.1 %
Ad valorem taxes remitted to Mid/Del Public Schools	(4,415,198)	(3,540,354)	(4,671,603)	(874,844)	24.7%	1,131,249	(24.2 %)
Other	<u>86,165</u>	<u>(485,197)</u>	<u>(457,952)</u>	<u>571,362</u>	<u>(117.8%)</u>	<u>(27,245)</u>	<u>6.0 %</u>
Net Non-operating revenues	<u>43,586,458</u>	<u>41,077,564</u>	<u>39,612,470</u>	<u>2,508,894</u>	<u>6.1%</u>	<u>1,465,094</u>	<u>3.7 %</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	<u>4,386,762</u>	<u>3,794,817</u>	<u>798,369</u>	<u>591,945</u>	<u>(15.6%)</u>	<u>2,996,448</u>	<u>375.3 %</u>
<b>Other Revenues, Expenses, Gains and Losses</b>	<u>664,533</u>	<u>1,738,248</u>	<u>1,911,597</u>	<u>(1,073,715)</u>	<u>(61.8%)</u>	<u>(173,349)</u>	<u>(9.1 %)</u>
<b>Cumulative Effect of Change in Accounting Principle see (Note 11)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.0 %</u>	<u>-</u>	<u>0.0 %</u>
<b>Increase (Decrease) in Net Assets</b>	<u>5,051,295</u>	<u>5,533,065</u>	<u>2,709,966</u>	<u>(481,770)</u>	<u>(8.7%)</u>	<u>2,823,099</u>	<u>104.2 %</u>
<b>Net Assets, Beginning of Year</b>	<u>45,505,746</u>	<u>39,972,680</u>	<u>37,262,714</u>	<u>5,533,066</u>	<u>13.8%</u>	<u>2,709,966</u>	<u>7.3 %</u>
<b>Net Assets, End of Year</b>	<u>\$ 50,557,041</u>	<u>\$ 45,505,745</u>	<u>\$ 39,972,680</u>	<u>\$ 5,051,296</u>	<u>11.1%</u>	<u>\$ 5,533,065</u>	<u>13.8 %</u>

- Total operating revenues fell by \$2.9 million or 23.7% in 2012 compared to 2011 results. This reflects a decrease in tuition and fee collections as a result of a decrease in enrollment, changes in financial aid regulations, especially summer Pell Grants and reduced results from Auxiliary operations. The reduced contributions from Auxiliary functions were expected as the food service operation was outsourced at the end of fiscal 2011. Further 2012 Auxiliary declines are related to lower earned commissions from bookstore operations as a reflection of the lower enrollment and increased competition for text book sales from online sources. In 2011, operating revenues increased by almost \$2.0 million or 19.0% over 2010 reflecting higher enrollments in the first half of the year and increased results in collections of tuition and fees via the interception of tax returns through the Oklahoma Tax Commission.
- Operating expenses decreased by almost \$1 million or 2% in 2012 compared to 2011. The 2011 results showed an increase in operating expenses of \$.4 million or .9% increase versus 2010. The 2012 decrease was driven by three main areas.
  1. Compensation and employee benefits declined \$.9 million compared to fiscal 2011 totals. The decrease reflects the budgeted decrease in headcount and savings from retirements and employee turnover as higher paid staff and faculty are replaced at lower salaries. The decrease also reflects a full year of salary savings from the decertification of the Rose State College Police Department and the privatizing of the food service operation. Both actions were completed late in fiscal year 2011 and so fiscal year 2012 results are the first to reflect a full period of wage and benefit savings.
  2. Contractual services, supplies and materials expenditures declined by \$1.8 million compared to the 2011 total expenditures. Likewise, this reflects a full year of expenditure savings from the privatization of the food service operations and the decertification of the Police Department and the reduced spending for food ingredients and operating supplies. Also, during the budget building process, budgeted operating expenditures were cut by more than \$.3 million in anticipation of decreases in revenue.
  3. Scholarships and other student aid, with an increase of \$1.4 million, partially offset the savings already discussed. Scholarships and other student aid represent financial aid received by the college exceeding the charges owed and thus refunded to the awarded students. This reflects an increase in the maximum Pell Grant award as set by the federal Department of Education.
- Net non-operating revenues for 2012, in total, increased \$2.5 million or 6.1% from 2011. The 2011 non-operating revenues increased by \$1.5 million or 3.7% versus 2010 results. The net increase for 2012 is the result of the combination of the following factors:
  1. State appropriated receipts were up \$2.9 million or 16.7% in 2012 compared to 2011. This increase was partially offset by the loss of \$1.5 million of ARRA funding from the Governor's Fiscal Stabilization Fund that ended with the fiscal year 2011 disbursements. Total appropriations, regardless of source, for fiscal year 2011 decreased approximately \$3.2 million compared to fiscal year 2010 total appropriations. Although an increase in appropriated revenue was experienced in fiscal year 2012 it is worth noting that total state appropriations, regardless of source, are still \$1.7 million less than total state appropriations of fiscal year 2010. So while the increase is welcomed, the college is still operating on less appropriated funding than the fiscal year 2010 levels. Distribution of appropriated funding has stabilized and is expected to remain stable with full distribution. Appropriations for fiscal year 2013 are slightly higher than the fiscal year 2012 appropriations.

2. Federal and state grants and contracts increased \$.9 million or 5.8% in 2012 versus 2011. The 2011 results show a \$3.1 million or 25.9% increase over 2010. These increases reflect the growth in Federal financial aid (Pell Grant and student loan) award limits and increased State student aid (OTAG and Oklahoma's Promise) revenue as well as general increases in grant programs and activities.
  3. Ad valorem tax revenue for 2012 increased \$345 thousand or 3.7% versus 2011. This follows the increase of \$194 thousand or 2.1% from the 2010 results. Currently there is a question before the voters that, if enacted, would change the valuation of property in the district and has the potential to negatively impact ad valorem growth beginning in calendar year 2013. The exact effect on the district's ad valorem receipts is unknown at this time.
  4. Other Non-operating Revenue (Expenses) results from the difference between interest earned on cash balances and interest expense incurred on capital asset related debt. In 2012, interest earned exceeded recognized interest expense by almost \$86 thousand. However, this is largely because of a change, in the recognition of the principal and interest payment on the OCIA bonds, which are paid on behalf of the College. The decision was made, at the state level, to realign the matching of the payment of principal and interest recognized on the state colleges' financial statements to more closely match the payment schedules recognized by the state. The result for fiscal year 2012 is that no principal and almost no interest for the OCIA bond payments are being recognized on the college's statements. In the next fiscal period, fiscal year 2013, the payment recognition will return to levels more in line with past fiscal years and it is expected that interest expense will again exceed interest earned on the College's cash balances. Because of the change in recognition of interest expense a comparison to FY2011 and FY2010 is almost meaningless. It is worth noting that the interest expense for the OCIA bonds is paid on behalf of the college and requires no actual cash outlay from the school. For 2012, 2011 and 2010, interest earned has been negatively affected by the continuation of decreased interest rates paid by institutions holding the College's and Technical Districts' cash funds.
- Other Revenues, Expenses, Gains and Losses reflects restricted funds allocated for capital expenditures from the state and payment of OCIA lease obligation made on behalf of the College. Since the OCIA payment requires no cash outlay by the College, the payment is recorded as Other Revenue and shown as such on the financial statements. Because of the change, discussed above, in the timing of the recognition of the OCIA principal payment, the fiscal year 2012 financial statements are only reflective of the capital appropriations from the state. Again, because fiscal year 2011 and 2010 results also reflect the payment of OCIA principal and fiscal year 2012 does not, a comparison of the fiscal year's totals is not meaningful. Results for fiscal year 2013 will include OCIA principal payment recognition and thus will be more in line with past year's results.

### ***Statement of Cash Flows***

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 the fiscal period. The Statement of Cash Flows also helps users assess an entity's ability to generate future net cash flows, meet its obligations as they come due and its needs for external financing.

The College's overall cash and cash equivalents increased in 2012 by \$.9 million versus 2011. The results for 2011 recognized a \$3.9 million increase over 2010. The increased use of cash for operating activities generated a net decrease in available cash of \$1.3 million versus 2011 results. Noncapital financing activities generated cash of \$150 thousand when compared to 2011 largely from increased state appropriations. Capital related financing increased largely because of purchases of capital assets, the

largest portion of this is related to the new air conditioning system installed in the Administration, Humanities and Social Sciences building. Investment returns in the form of interest earned which were marginally higher than 2011 levels. These items have been discussed in previous sections of this management discussion and analysis.

The following schedule is summarized from the College's Statement of Cash Flows for the year ended June 30, 2012, 2011 and 2010.

Year Ended June 30	2012	2011	2010	Change F/ 11 To 12	Change F/ 10 To 11
<b>Cash Provided by (Used In):</b>					
Operating activities	\$ (35,448,412)	\$(34,104,189)	\$(35,481,601)	\$(1,344,223)	\$ 1,377,412
Noncapital financing activities	39,629,208	39,479,278	38,126,698	149,930	1,352,580
Capital and related financing activities	(3,504,234)	(1,733,048)	(839,850)	(1,771,186)	(893,198)
Investing activities	<u>226,527</u>	<u>219,769</u>	<u>309,309</u>	<u>6,758</u>	<u>(89,540)</u>
Net increase (decrease) in cash and cash equivalents	903,089	3,861,810	2,114,556	(2,958,721)	1,747,254
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>21,346,232</u>	<u>17,484,422</u>	<u>15,369,866</u>	<u>3,861,810</u>	<u>2,114,556</u>
<b>Cash and Cash equivalents, End of Year</b>	<u>\$ 22,249,321</u>	<u>\$ 21,346,232</u>	<u>\$ 17,484,422</u>	<u>\$ 903,089</u>	<u>\$ 3,861,810</u>

### Capital Assets

At June 30, 2012, the College had approximately \$89.8 million invested in capital assets with accumulated depreciation of \$47.0 million resulting in a net capital asset value of approximately \$42.8 million which is an increase of \$3.6 million or 9.3% over the 2011 net valuation. For 2011 the total net capital asset value was approximately \$39.2 million and reflected a slight decrease of \$80 thousand or .2% compared to fiscal year 2010. The increase in net valuation for 2012 results from two main factors: the donation of approximately 48 acres of undeveloped land with an appraised value of almost \$2 million and the recognition of expenses related to the upgrade to the PeopleSoft ERP system which are shown as Construction in Progress. This capital project will be completed in the first half of fiscal year 2013. Details of these capital asset investments are shown in the table below.

#### Capital Assets, Net of Accumulated Depreciation at June 30, 2012, 2011 and 2010

Year Ended June 30	2012	2011	2009	Change F/ 11 To 12	Percent Change	Change F/ 10 To 11	Percent Change
Land	\$ 5,203,335	\$ 3,205,989	\$ 2,000,498	\$ 1,997,346	62.3 %	\$ 1,205,491	60.3 %
Building and improvements	32,457,386	32,290,264	33,593,643	167,122	0.5 %	(1,303,379)	(3.9 %)
Land improvements/ infrastructure	397,223	419,929	427,725	(22,706)	(5.4 %)	(7,796)	(1.8 %)
Furniture, fixtures and equipment	1,861,838	1,972,007	1,948,806	(110,169)	(5.6 %)	23,201	1.2 %
Library materials	1,285,936	1,304,436	1,301,939	(18,500)	(1.4 %)	2,497	.2 %
Construction in Progress	1,636,634	-	-	1,636,634	100.0 %	-	-
<b>Total Capital Assets, net of Accumulated Depreciation</b>	<u>\$42,842,352</u>	<u>\$ 39,192,625</u>	<u>\$39,272,611</u>	<u>\$ 3,649,727</u>	<u>9.3 %</u>	<u>\$ (79,986)</u>	<u>(0.2 %)</u>

## Debt

At June 30, 2012, the College had approximately \$12.6 million in debt (bonds and capital lease obligations) outstanding; a decrease of \$1.6 million or 10.9% compared the debt valuation of \$14.2 million in 2011. No new debt obligation was realized in 2012. In comparison, 2011 realized a \$1.4 million decrease in outstanding debt obligations from 2010 with no new obligation of debt. See *Note 5 to the Financial Statements* for more detailed information regarding the College's outstanding debt. The table below summarizes the College's debts, by type, for all three periods discussed.

Outstanding Debt at June 30, 2012, 2011 and 2010

Balances at June 30th	2012	2011	2010	Change F/11 To 12	Percent Change	Change F/10 To 11	Percent Change
2005 Building Bonds Payable	\$ 2,550,000	\$ 3,400,000	\$ 4,250,000	\$ (850,000)	(25.0%)	\$ (850,000)	(20.0%)
1999/2004 OCIA Capital Lease Obligation	185,994	235,457	258,464	(49,463)	(21.0%)	(23,007)	(8.9%)
2006 OCIA Capital Lease Obligation	9,591,915	10,157,115	10,665,795	(565,200)	(5.6%)	(508,680)	(4.8%)
ODFA Bus Master Lease	304,083	391,500	438,417	(87,417)	(22.3%)	(46,917)	(10.7%)
ODFA 2009A Premium	1,531	2,035	2,287	(504)	(24.8%)	(252)	(11.0%)
Total Outstanding Debt	\$12,633,523	\$14,186,107	\$15,614,963	\$(1,552,584)	(10.9%)	\$(1,428,856)	(9.2%)

## Economic Outlook

The economic stability of Rose State College is directly related to the state and local economic environment in which it operates. The College relies heavily on state appropriations to fund the operation of the school. Tuition and fee rate decisions must be weighed carefully and reflect local conditions experienced by students and parents. Financial Aid and Federal Grant funding are also in a state of flux as national priorities are being debated and reconfigured to reflect the macroeconomic condition of the country as a whole. The effect of the looming sequestration issue, with its mandated cuts to domestic spending, will have a definite negative impact on the College however the exact dollar amount of the impact cannot be determined, yet.

Fiscal year 2012 brought some feeling of stability as the economy of the state firmed and showed signs of growth. The College increased tuition and fees by 6.6% for fiscal year 2012. Even with this increase, the College continues to rank in the lowest tier of tuition and fees charged by public community colleges in Oklahoma. The College did experience a decline in enrollment in each semester of fiscal 2012. This continued a trend that began with the spring semester of fiscal year 2011. The decrease in enrollment is likely from improved employment opportunities with students returning to the workforce. Hours produced, during fiscal year 2012, declined by 15,168 credit hours or roughly 8.9% over fiscal year 2011 enrollment. In combination, the decreased hours of enrollment and the increased tuition and fee rates resulted in a decline in tuition and fee revenue. This was not entirely unexpected following the past several semesters of double digit increases in hours produced. As the economy of our service area continues to improve it is expected that enrollment will stabilize in fiscal year 2013 and will remain in a more traditional pattern.

Early in fiscal year 2012, the College began a system wide upgrade of its ERP system, PeopleSoft, with upgrades of servers, other hardware and software. Considerable use of consultants provided the opportunity to clean data currently in the system, improve the system setup and architecture and review many current process procedures. This upgrade, considered a capital project, will be completed with a cost approaching \$4 million in the first half of fiscal year 2013. This cost is largely being funded with the use of reserves built up over the past few years.

Reserves also provide a cushion for future capital needs and unforeseen events. Although the cash reserves declined slightly in fiscal year 2012, the college is well protected from any sudden change in economic conditions or policy changes. One potential economic event that could have a negative effect on the schools revenue, in fiscal year 2013, is the sequestration event with mandated cuts in defense and domestic spending. If Congress is not able to control the sequestration trigger, the College expects to see substantial declines in federally funded grants and possibly a negative impact on financial aid awarded to students. There is also the possibility of a loss of revenue from decreased contract training with Tinker Air Force Base. The exact impact of sequestration is unknown until the College has a more concrete idea of which programs will be affected and how deep the funding cuts will go, but, if sequestration occurs, the College's reserve will provide some level of support and cushion.

Looking even further into fiscal year 2013, the college anticipates continued limited opportunities for growth of appropriated funding from the State Legislature. Given the current economic conditions and political climate, tuition and fee increase requests may be limited in scope. Further potential contraction of Federal funding for grants and contracts may also serve as a challenge as programs are reviewed and debated at the national level. This level of review will also likely impact the availability of student aid and will include changes in regulations and controls.

The management of the College believes the institution to be in good financial condition and maintains a focus on continuing that position as new challenges and opportunities present themselves.

### ***Contacting the College's Financial Management***

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President for Business Affairs at Rose State College, 6420 S. E. 15<sup>th</sup> Street, Midwest City, Oklahoma, 73110.



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Business Advisors

**Independent Auditors' Report on Financial Statements  
and Supplementary Information**

Board of Regents  
Rose State College  
Midwest City, Oklahoma

We have audited the accompanying statements of net assets of Rose State College (the College) as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. Rose State College Foundation, Inc. (the Foundation), a not-for-profit Oklahoma corporation organized to support the College, is a component unit of the College as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The financial statements referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately. We also audited the financial statements of the Foundation, and our opinion as it relates to our audit of those financial statements is included in that separate set of financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 College'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, based on our audit, the financial statement referred to above presents fairly, in all material respects, the financial position of the College and the separately presented component unit as of June 30, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

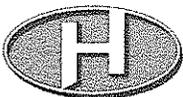
*Hick & Company, PC*

Tulsa, Oklahoma  
September 7, 2012



**Rose State College**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 18,406,117	\$ 18,951,315
Restricted:		
Cash and cash equivalents	1,341,206	1,170,662
Accounts receivable, net	1,227,394	1,360,995
Federal and state grants receivable	903,996	454,692
Delinquent ad valorem property taxes receivable	208,000	313,000
Receivables from OCIA	-	259,792
Prepaid Expenses	4,241	6,123
Total current assets	22,090,954	22,516,579
<b>Non-current assets:</b>		
Restricted:		
Cash and cash equivalents	2,501,998	1,224,255
Unamortized bond issuance costs	6,463	7,375
Capital Assets, net	42,842,352	39,192,625
Total non-current assets	45,350,813	40,424,255
Total assets	67,441,767	62,940,834
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	1,770,562	1,397,250
Accrued compensated absences	831,011	811,439
Interest payable	-	617
Deferred revenue	536,866	553,899
Current maturities of long-term debt	67,828	65,722
Deposits held in custody for others	353,173	359,213
Total current liabilities	3,559,440	3,188,140
<b>Non-current liabilities:</b>		
Accrued compensated absences	126,563	126,563
Long-term debt	12,633,523	14,120,385
Total non-current liabilities	12,760,086	14,246,948
Total liabilities	16,319,526	17,435,088
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	30,147,464	25,273,068
Restricted expendable for:		
Scholarships	5,091,130	4,346,381
Loans	5,213	5,091
Capital projects	2,880,214	1,724,456
Debt service	957,777	665,370
Unrestricted	12,040,443	13,491,380
Total net assets	\$ 51,122,241	\$ 45,505,746



**Rose State College**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Operating Revenues</b>		
Tuition and fees, net	\$ 4,876,199	\$ 7,696,071
Federal grants and contracts	1,575,776	841,291
State and private grants and contracts	290,669	205,181
Sales and services of auxiliary enterprises, net	2,407,525	3,328,140
Other operating revenues	208,688	190,261
Total operating revenues	9,358,857	12,260,944
<b>Operating Expenses</b>		
Compensation and benefits	30,570,816	31,429,787
Contractual services	3,205,123	3,166,778
Supplies and materials	3,353,678	5,166,489
Scholarships and fellowships	5,575,215	4,135,012
Communications	138,845	157,336
Depreciation	2,701,436	2,557,611
Utilities	1,337,577	1,211,264
Other	1,675,863	1,719,413
Total Operating Expenses	48,558,553	49,543,690
<b>Operating income (loss)</b>	(39,199,696)	(37,282,746)
<b>Non-operating Revenues (Expenses)</b>		
State appropriations	20,599,612	17,650,700
State appropriations - ARRA Funds	-	1,470,651
Federal grants - non-operating	12,970,462	13,962,818
State grants - non-operating	3,415,970	1,521,099
OTRS on-behalf contributions	1,225,000	1,138,000
Ad valorem taxes	9,704,447	9,359,847
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,415,198)	(3,540,354)
Investment revenue	226,527	219,769
Interest on capital asset-related debt	(649,035)	(704,966)
Net non-operating revenue (expenses)	43,077,785	41,077,564
<b>Income (loss) before other revenues, expenses, gains, losses and transfers</b>	3,878,089	3,794,818
Capital appropriations - state	628,735	660,459
OCIA debt services on-behalf payments	1,109,671	1,077,789
Transfers from (to)	-	-
<b>Increase in Net Assets</b>	5,616,495	5,533,066
<b>Net Assets, Beginning of Year</b>	45,505,746	39,972,680
<b>Net Assets, End of Year</b>	\$ 51,122,241	\$ 45,505,746



**Rose State College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Tuition and fees	\$ 4,899,838	\$ 7,706,746
Grants and contracts	1,417,141	1,085,350
Payments to suppliers	(15,090,371)	(15,974,053)
Payments to employees	(29,332,876)	(30,441,058)
Auxiliary enterprises sales and services	2,407,525	3,328,140
Other operating receipts	250,332	190,686
Net cash used in operating activities	<u>(35,448,412)</u>	<u>(34,104,189)</u>
<b>Noncapital Financing Activities</b>		
State appropriations	20,599,612	17,768,336
State appropriations - ARRA Funds	-	-
Non-operating grants	14,389,086	16,954,568
Ad valorem taxes received	8,875,851	8,350,955
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,235,341)	(3,594,581)
Net cash provided by noncapital financing activities	<u>39,629,208</u>	<u>39,479,278</u>
<b>Capital and Related Financing Activities</b>		
Purchases of capital assets	(4,353,817)	(2,477,624)
Receipts from OCIA & ODFA for capital purchases	259,792	137,349
Proceeds from issuance of bonds	-	-
Principal paid on capital leases and bonds	(895,167)	(896,917)
Interest paid on capital leases and bonds	(128,658)	(158,204)
Proceeds from disposal of capital assets	-	-
Capital appropriations -- state	628,735	660,459
Ad valorem taxes received for debt service	984,881	1,001,889
Net cash provided by (used in) capital and related financing activities	<u>(3,504,234)</u>	<u>(1,733,048)</u>
<b>Investing Activities</b>		
Purchase of investments	-	-
Proceeds from maturities of investments	-	-
Investment income received	226,527	219,769
Net cash provided by (used in) investing activities	<u>226,527</u>	<u>219,769</u>
<b>Increase in Cash and Cash Equivalents</b>	<b>903,089</b>	<b>3,861,810</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>21,346,232</b>	<b>17,484,422</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 22,249,321</b>	<b>\$ 21,346,232</b>



**Rose State College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**  
(Continued)

	2012	2011
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>		
Current assets		
Cash and cash equivalents	\$ 18,406,117	\$ 18,951,315
Restricted cash and cash equivalents	1,341,206	1,170,662
Noncurrent assets		
Restricted cash and cash equivalents	2,501,998	1,224,255
	\$ 22,249,321	\$ 21,346,232
 <b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (39,199,696)	\$ (37,282,746)
Depreciation expense	2,701,436	2,557,611
Net loss on disposal of fixed assets	-	-
OTRS on-behalf contributions	1,225,000	1,138,000
Changes in operating assets and liabilities	-	-
Receivables, net	(366,988)	(27,048)
Inventories	-	-
Prepaid expenses	1,882	(504)
Accounts payable and other accrued liabilities	194,047	(417,257)
Accrued payroll and compensated absences	12,940	(149,271)
Deferred revenue	(17,033)	77,026
	\$ (35,448,412)	\$ (34,104,189)



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 1: Summary of Significant Accounting Policies**

**Nature of Institution**

Rose State College (the College) is a two-year college operating under the jurisdiction of a Board of Regents and the Oklahoma State Regents for Higher Education and is a component unit of the state of Oklahoma. Major federally funded student financial aid programs in which the College participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, and Federal Family Education Loan programs. Unsecured credit is extended to students.

**Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the Rose State College Technical Area Education District (the District) has been presented in the College's financial statements as a blended component unit because the District's governing body is the same as the governing body of the College, and the District provides services almost entirely to the College, which is the primary government. Separate financial statements of the District are prepared and may be obtained by contacting the College's Vice President of Business Affairs.

Rose State College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt, not-for-profit organization formed under the provisions of the Oklahoma Nonprofit Corporations Act. The Foundation's mission and principal activities are to promote the educational and cultural interest of the College and to enhance higher education in eastern Oklahoma County, Oklahoma. The Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Separate financial statements of the Foundation are prepared and may be obtained by contacting the Foundation's Executive Director.

The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. During the years ended June 30, 2012 and 2011, the Foundation provided the College approximately \$176,000 and \$177,000, respectively, in scholarships, awards, and other program support.

The College, District, and Foundation all have a fiscal year end of June 30.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting and Presentation**

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place while those from government-mandated nonexchange transactions takes place while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met, and those from imposed nonexchange transactions (ad valorem taxes) are recognized in the period for which the taxes are levied. Internal activity and balances are eliminated in preparation of the financial statements unless they related to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), imposed nonexchange transactions, investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. The College first applies unrestricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The College prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the College has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 cash equivalents consisted primarily of pooled funds held by the Oklahoma State Treasurer or Office of State Finance and money market mutual funds on deposit with a trustee.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Restricted Cash**

Cash or cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, to purchase capital or other noncurrent assets, or to provide scholarships or loans are classified as restricted assets in the statements of net assets.

**Investments and Investment Income**

The College had no investments at June 30, 2012 and 2011.

The District's investment in the U.S. Treasury bill is carried at amortized cost. Investment income consists of interest income earned from deposits in money market savings and interest-bearing checking accounts.

**Ad Valorem Property Taxes**

Pursuant to Oklahoma statutes, the District may cause taxes to be levied against all taxable property in the taxing district. Certain tax levies have been approved by the voters of the taxing district and are utilized for operational purposes, capital projects, and to service certain debt of the District.

Annually, an Estimate of Needs report is submitted to the County Excise Board to determine the ad valorem tax levy. The county assessor is required to file a tax roll report on or before October 1 each year with the county treasurer indicating the net assessed valuation of all real, personal, and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). Ad valorem tax is levied each October 1 on the assessed valuation of nonexempt real property located in the District as of the preceding January 1, the assessment date. Ad valorem taxes are due and become a legally enforceable lien on October 1 following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1, the second installment is not delinquent until April 1). Ad valorem taxes are collected by the county treasurer and are subsequently remitted to the District.

**Student Accounts Receivable**

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables and historical collection information. Tuition is generally due at the beginning of the semester. Late payment fees are assessed throughout the semester. Fees not collected 30 days after the end of the semester are assigned to a third-party collection agency. Delinquent receivables are written off once they become approximately a year-and-one-half-old.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful life. The following estimated useful lives are being used by the College and the District:

Land improvements and infrastructure	20 – 30 years
Buildings and improvements	20 – 40 years
Furniture, fixtures, and equipment	7 years
Library materials	7 years

**Compensated Absences**

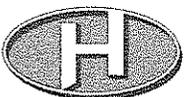
College policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

**Deferred Revenue**

Deferred revenue represents unearned student tuition and fees and advances on grants and contract awards for which the College has not met all of the applicable eligibility requirements.

**Net Assets**

Net assets of the College are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the College, including amounts deposited with the revenue bond trustee as required by the bond indenture and cash deposits as required by the District's building bond resolution. The Foundation's restricted nonexpendable net assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Foundation, such as permanent endowments. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt, or restricted expendable or nonexpendable.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Classification of Revenues**

The College 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 allowances and (2) sales and services of auxiliary enterprises.

*Nonoperating Revenues* – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations, ad valorem taxes, and investment income.

**Scholarship Discounts and Allowances**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30, 2012 and 2011, were approximately \$10,395,669 and \$10,867,753, respectively.

**Income Taxes**

The College and District, as political subdivisions of the state of Oklahoma, are exempt from federal income taxes under Section 115 of the Internal Revenue Code, as amended, and a similar provision of Oklahoma state statutes. However, the College and District are subject to federal income tax on any unrelated business taxable income.

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

**Subsequent Events**

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



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 2: Deposits, Pooled Funds, Investments, and Investment Income**

**District's Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U. S. agencies or instrumentalities, or the state of Oklahoma; bonds of any city, county, school district, or special road district of the state of Oklahoma; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2012 and 2011, respectively, \$0 of the District's bank balances of \$5,380,555 and \$3,889,613 were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

**College's Pooled Funds**

The College maintains its cash in pooled funds held by the Oklahoma State Treasurer or Office of State Finance (OSF). By state statute, the state treasurer is required to ensure that all state funds are either insured by the Federal Deposit Insurance Corporation, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's cash held by the state treasurer is pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the treasurer may determine.

At June 30, 2012 and 2011, the College had the following invested pooled funds and maturities:

Type	June 30, 2012		June 30, 2011	
	Fair Value	Maturing in Less Than One Year	Fair Value	Maturing in Less Than One Year
Pooled funds held by state treasurer or OSF	\$ 7,695,835	\$ 7,695,835	\$ 3,414,638	\$ 3,414,638
Money market mutual funds	—	—	—	—
	<u>\$ 7,695,835</u>	<u>\$ 7,695,835</u>	<u>\$ 3,414,638</u>	<u>\$ 3,414,638</u>



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 2: Deposits, Pooled Funds, Investments, and Investment Income (Continued)**

**District's Investments**

The District may legally invest in direct obligations of the U.S. Treasury and the state of Oklahoma.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. The pooled funds held by the state treasurer or OSF and the money market mutual funds are presented with a maturity of less than one year because they are redeemable in full immediately.

*Credit Risk* – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. At June 30, 2012 and 2011, the College's invested funds were rated as follows:

	<b>Standard &amp; Poor's</b>	
	<b>2012</b>	<b>2011</b>
Pooled funds held by state treasurer or OSF	Not rated	Not rated

**Summary of Carry Values**

The carrying values of deposits and invested funds shown above are included in the statements of net assets as follows:

	<b>2012</b>	<b>2011</b>
Carrying Value		
Deposits	\$ 14,547,486	\$ 17,925,594
Invested pooled funds	7,695,835	3,414,638
Money market mutual funds	—	—
Change funds	6,000	6,000
	<b>\$ 22,249,321</b>	<b>\$ 21,346,232</b>



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 2: Deposits, Pooled Funds, Investments, and Investment Income (Continued)**

**Investment Income**

Investment income consisted primarily of interest income of \$226,527 and \$219,769 for the years ended June 30, 2012 and 2011, respectively.

**Note 3: Accounts Receivable**

The College's accounts receivable relate primarily to tuition and enrollment fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Total accounts receivable is shown on the accompanying statements of net assets, net of related allowances for doubtful accounts approximately \$2,385,000 and \$2,301,000 at June 30, 2012 and 2011, respectively.

**Note 4: Capital Assets**

Capital assets activity for the years ended June 30, 2012 and 2011, were:

	FY2012			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 3,205,989	\$ 1,997,346	\$ -	\$ 5,203,335
Building and improvements	64,291,036	1,861,251	-	66,152,287
Land improvements and infrastructure	886,617	-	-	886,617
Furniture fixtures and equipment	9,186,709	477,893	7,280	9,657,322
Library materials	5,934,509	378,039	38,240	6,274,308
Construction in progress	-	1,636,634	-	1,636,634
	<u>83,504,860</u>	<u>6,351,162</u>	<u>45,520</u>	<u>89,810,502</u>
Less accumulated depreciation				
Buildings and improvements	32,000,772	1,694,128	-	33,694,900
Land improvements and infrastructure	466,688	22,706	-	489,394
Furniture fixtures and equipment	7,214,702	588,062	7,280	7,795,484
Library materials	4,630,073	396,539	38,240	4,988,372
	<u>44,312,235</u>	<u>2,701,436</u>	<u>45,520</u>	<u>46,968,150</u>
Net Capital Assets	<u>\$ 39,192,625</u>	<u>\$ 3,649,727</u>	<u>\$ -</u>	<u>\$ 42,842,352</u>



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 4: Capital Assets (Continued)**

	FY2011			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 2,000,498	\$ 1,205,491	\$ -	\$ 3,205,989
Building and improvements	63,994,395	296,641	-	64,291,036
Land improvements and infrastructure	872,347	14,270	-	886,617
Furniture fixtures and equipment	8,844,814	577,234	235,339	9,186,709
Library materials	5,600,577	383,988	50,056	5,934,509
Construction in progress	-	-	-	-
	<u>81,312,631</u>	<u>2,477,624</u>	<u>285,395</u>	<u>83,504,860</u>
Less accumulated depreciation				
Buildings and improvements	30,400,751	1,600,021	-	32,000,772
Land improvements and infrastructure	444,623	22,065	-	466,688
Furniture fixtures and equipment	6,896,008	554,033	235,339	7,214,702
Library materials	4,298,637	381,492	50,056	4,630,073
	<u>42,040,019</u>	<u>2,557,611</u>	<u>285,395</u>	<u>44,312,235</u>
Net Capital Assets	<u>\$ 39,272,612</u>	<u>\$ (79,987)</u>	<u>\$ -</u>	<u>\$ 39,192,625</u>

**Note 5: Long-term Liabilities**

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Bonds and Capital Leases</b>					
2005 Building Bonds Payable	\$ 3,400,000	\$ -	\$ (850,000)	\$ 2,550,000	\$ -
1999/2004 OCIA lease obligation	235,457	-	(24,137)	211,320	25,326
2006 OCIA lease obligation	10,157,115	-	(565,200)	9,591,915	-
ODFA Bus Master Lease	391,500	-	(45,167)	346,333	42,250
ODFA 2009A Premium	2,035	-	(252)	1,783	252
Total Bonds and Capital Leases	<u>14,186,107</u>	<u>-</u>	<u>(1,484,756)</u>	<u>12,701,351</u>	<u>67,828</u>
<b>Other noncurrent liabilities</b>					
Accrued compensated absences	938,002	831,011	(811,439)	957,574	831,011
Total noncurrent liabilities	<u>\$ 15,124,109</u>	<u>\$ 831,011</u>	<u>\$ (2,296,195)</u>	<u>\$ 13,658,925</u>	<u>\$ 898,839</u>



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Long-term Liabilities (Continued)**

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Bonds and Capital Leases</b>					
2005 Building Bonds Payable	\$ 4,250,000	\$ -	\$ (850,000)	\$ 3,400,000	\$ -
1999/2004 OCIA lease obligation	258,464	-	(23,007)	235,457	24,137
2006 OCIA lease obligation	10,665,795	-	(508,680)	10,157,115	-
ODFA Bus Master Lease	438,417	-	(46,917)	391,500	41,333
ODFA 2009A Premium	2,287	-	(252)	2,035	252
Total Bonds and Capital Leases	15,614,963	-	(1,428,856)	14,186,107	65,722
<b>Other noncurrent liabilities</b>					
Accrued compensated absences	1,080,641	811,439	(954,078)	938,002	811,439
Total noncurrent liabilities	\$ 16,695,604	\$ 811,439	\$ (2,382,934)	\$ 15,124,109	\$ 877,161

**2005 Building Bonds Payable**

The District's Building Bonds of 2005, which were issued in July 2005, are general obligation bonds, the proceeds of which will be used to provide funds for the purpose of making capital improvements and purchasing equipment within and for the benefit of the District. Interest is payable semiannually on July 1 and January 1 at rates between 3.0% and 4.125%. Principal is due annually on July 1 through July 1, 2015. A continuing annual ad valorem tax levied upon all taxable property within the District area has been pledged to retire bonds and collection of such taxes and interest earned therein is restricted for this purpose.

Debt service requirements as of June 30, 2012, on the 2005 Building Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2013	\$ —	\$ 43,775	\$ 43,775
2014	850,000	73,313	923,313
2015	850,000	44,413	894,413
2016	850,000	14,874	864,874
	\$ 2,550,000	\$ 176,375	\$ 2,726,375



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Long-term Liabilities (Continued)**

**1999 OCIA Lease Payable**

The lease payable consists of bonds issued by the Oklahoma Capital Improvement Authority (OCIA) to build, improve, and remodel facilities at various higher education and other institutions in Oklahoma. Funds are received from OCIA as needed to fund construction projects. The College's pro rata share of bonds has been recorded as a lease payable.

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 20 years through August 31, 2019, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the years ended June 30, 2012 and 2011, amounted to \$35,798 and \$35,819, respectively. In 2004, the OCIA issued Bond Series 2004A that refunded a significant portion of the 1999A Bonds. Consequently, the amortization of the 1999A bond issue will end in 2010. The lease agreement will no longer secure the 1999A Bond Issue but will now act as security for the 2004A Bond Issue over the term of the lease through the year 2020. As a result, there are two amortization schedules, which have been combined, related to this one lease agreement.

The schedule principal and interest payments related to the 1999 OCIA lease at June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total to be Paid</u>
2013	\$ 25,326	\$ 10,454	\$ 35,780
2014	26,597	9,188	35,785
2015	27,882	7,858	35,740
2016	29,222	6,519	35,741
2017	30,657	5,069	35,726
2018 – 2020	<u>71,636</u>	<u>5,739</u>	<u>77,375</u>
	<u>\$ 211,320</u>	<u>\$ 44,827</u>	<u>\$ 256,147</u>

**2006 OCIA Lease Payable**

The lease payable consists of bonds issued by the Oklahoma Capital Improvement Authority (OCIA) to build, improve, and remodel facilities at various higher education and other institutions in Oklahoma. Funds are received from OCIA as needed to fund construction projects. The College's pro rata share of bonds has been recorded as a lease payable. In addition, a corresponding receivable from OCIA has been recorded to reflect the amount available to the College from the bond proceeds. At June 30, 2012 the full amount of the receivable had been drawn down and in 2011 the amount of the receivable from OCIA that had not been drawn down by the College was \$259,792.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Long-term Liabilities (Continued)**

**2006 OCIA Lease Payable** (Continued)

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 30 years through August 31, 2035, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the years ended June 30, 2012 and 2011, amounted to \$1,073,873 and \$1,041,970, respectively.

The scheduled principal and interest payments related to the 2006 OCIA lease at June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total to be Paid</u>
2013	\$ —	\$ —	\$ —
2014	—	478,824	478,824
2015	—	479,596	479,596
2016	—	479,596	479,596
2017	—	480,368	480,368
2018 – 2022	—	2,397,207	2,397,207
2023 – 2027	—	2,397,979	2,397,979
2028 – 2032	2,826,000	2,397,979	5,223,979
2033 – 2035	<u>6,765,915</u>	<u>591,213</u>	<u>7,357,128</u>
	<u>\$ 9,591,915</u>	<u>\$ 9,702,762</u>	<u>\$ 19,294,677</u>

**2009 ODFA Lease Payable**

In July 2009, the College entered into a 10 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2009A. The College financed \$481,000 (including \$2,518 in bond premium) to purchase a new bus.

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid \$58,462 and \$62,746 in principal and interest on these bonds during 2012 and 2011, respectively.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Long-term Liabilities (Continued)**

**2009 ODFA Lease Payable (Continued)**

The scheduled principal and interest payments related to the 2009 ODFA lease at June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total to be Paid</u>
2013	\$ 42,250	\$ 11,050	\$ 53,300
2014	47,167	10,783	57,950
2015	49,083	9,309	58,392
2016	50,167	7,764	57,931
2017	52,167	6,060	58,227
2018 – 2019	<u>105,500</u>	<u>6,211</u>	<u>111,711</u>
	<u>\$ 346,334</u>	<u>\$ 51,177</u>	<u>\$ 397,511</u>

**Note 6: Retirement Plans**

The College's academic and nonacademic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System, which is a state of Oklahoma public employees' retirement system, and an annuity plan, which is a privately administered plan. The College does not maintain the accounting records, hold the investments for, or administer these plans.

**Oklahoma Teachers' Retirement System (OTRS)**

**Plan Description**

The College contributes to OTRS, a cost-sharing, multiple employer, defined benefit, public employee retirement system administered by a 13-member Board of Trustees appointed by the Oklahoma State Governor. Pension expense is recorded for the amount the College is required to contribute for the year as determined by the OTRS Board of Trustees or Oklahoma state statutes. OTRS issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Oklahoma Teachers' Retirement System at P.O. Box 53524, Oklahoma City, Oklahoma 73152 or calling (405) 521-2387.

OTRS provides defined retirement benefits based on members' final compensation, age, and term of service for all qualified persons employed by state-supported educational institutions. In addition, OTRS provides for benefits upon disability and to survivors upon death of eligible members. OTRS does not provide for a cost-of-living adjustment. Oklahoma Statute, Title 70 O.S., Section 17-105, defines all retirement benefits under OTRS. The authority to establish or amend benefit provisions rests with the Oklahoma State Legislature.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 6: Retirement Plans (Continued)**

**Oklahoma Teachers' Retirement System (OTRS) (Continued)**

**Funding Policy**

The authority to define or amend employer contribution rates is given to the OTRS Board of Trustees by Oklahoma Statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma State Legislature. For each of the years ended June 30, 2012, 2011, and 2010, OTRS members were required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active OTRS members. The employer contribution rate was 9.50% for 2012, 2011 and 2010. The College's contributions to OTRS for the years ended June 30, 2012, 2011, and 2010, were approximately \$3,621,000, \$3,683,000, and \$3,627,000, respectively, which equaled to required contributions for the years.

Oklahoma statutes require the state of Oklahoma to contribute to OTRS a defined percentage of the natural and casinghead gas tax (the dedicated tax) collected each year. The dedicated tax contribution to OTRS is used toward the College's required fixed percentage contribution. The College recognizes these on-behalf payments made to OTRS by the state of Oklahoma under the provisions of GASB Statement No. 24. These on-behalf payments do not represent a direct or indirect obligation of the College. For the years ended June 30, 2012 and 2011, the total amount contributed to OTRS by the state of Oklahoma on behalf of the College was approximately \$1,225,000 and \$1,138,000, respectively. The on-behalf payment has been recorded as both a nonoperating state appropriation revenue and compensation expense.

**Annuity Plan**

All eligible employees of the College can elect to participate in a tax-deferred annuity plan (the Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the Plan. Contributions made by the College are subject to annual discretion by the Board of Regents. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for each of the years ended June 30, 2012 and 2011, was 2.5% of an eligible employee's annual base salary (as defined in the plan document). Contributions made by the College during 2012 and 2011 totaled approximately \$370,000 and \$379,000, respectively.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 7: Academic Support for the Mid-Del Area Vocational-Technical School District I-52 (Mid-Del)**

The Governing Board of the District has authorized the payment of monies in fiscal year 2012 and 2011 to Mid-Del for the cost of providing various technical area educational programs. Such payment from the proceeds of the ad valorem tax levies (*Note 1*) is to be made at an amount which is the lesser of (a) 60% of the net collections from the Mid-Del net valuation for the respective fiscal year or (b) 50% of total collections for the respective fiscal year. For the years ended June 30, 2012 and 2011, the District incurred \$4,415,198 and \$3,540,354, respectively, of non-operating expense related to the support of Mid-Del. At June 30, 2012 and 2011, the District owed to Mid-Del \$799,653 and \$619,796, respectively, which is included in accounts payable.

**Note 8: Commitments and Contingencies**

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

The College participates in the Federal Family Education Loan Program (the Program). The Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2012 and 2011, approximately \$12,992,000 and \$12,996,000, respectively, of Program loans were provided to the College's students.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. Management believes that resolution of such matters pending at June 30, 2012, will not have a material adverse impact on the College's financial position.

**Note 9: Risk Management**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illness; and natural disasters. The College pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverages. The College, as a state agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the Plan), a public entity risk pool. The College pays an annual premium to the Plan through member premiums. The College carries insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident and health insurance.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 10: Recently Issued Accounting Pronouncements**

In September 2007, GASB issued additional guidance to GASB 34 concerning nonexchange transactions. The guidance states that public institutions should record Pell grant receipts as nonoperating revenue in the financial statements. Management has determined that this guidance should also be applied to other federal financial aid programs as well as certain state programs; therefore, receipts associated with the programs are recorded as nonoperating revenues in the statement of revenues, expenses, and changes in fund balance.

In 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB No. 54 addresses how this information is reported by state and local governments. A key provision in the Statement is to improve the usefulness of the amount reported in the fund balance by providing more structured classification along with clarifying the definition of existing governmental fund types and the constraints placed on fund balances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has not yet determined the effect this Statement will have on the College's financial condition or results of operations.

**Note 11 – Post-Employment Benefit Plans**

In January, 2011, the College ended its association with the Oklahoma State and Educational Employee Group Insurance Board (OSEEGIB) for employee and retiree benefit administration and joined the Oklahoma Higher Education Employee Insurance Group (OKHEEI Group) a consortium of higher education institutions for administration of benefits to these groups. For fiscal year 2012 all employee and retiree benefits were provided solely through the OKHEEI Group.

Currently, Rose State College provides post-employment benefits to retirees under two post-employment benefit (OPEB) plans:

1. OKHEEI Group OPEB Plan – a single employer defined benefit health, dental and vision care plan
2. College President's OPEB Plan – a single employer defined benefit healthcare and long-term care plan



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 11 – Post-Employment Benefit Plans (Continued)**

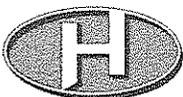
**OKHEEI Group OPEB Plan**

*A. General Description of the Other Postemployment Benefit Plan*

Rose State College provides postemployment healthcare benefits to its retirees through a single-employer defined benefit other postemployment benefit (OPEB) plan administered by the Oklahoma Higher Education Employee Insurance Group (OKHEEI Group). The OKHEEI Group membership is comprised of Oklahoma colleges, universities or auxiliary institutions bound together by interlocal agreement complying with the Interlocal Cooperation Act as provided by 74 O.S. 2001, § 1004 (f), with the purpose of more effectively and economically securing employee benefits for members' employees. Members of the OKHEEI Group are required to show continuing membership with the annual approval, by vote of its governing body, to participate in any policy or service plan being offered by the Group. The interlocal agreement creating the OKHEEI Group, as approved by the Office of the Attorney General for the State of Oklahoma, is on file with the appropriate County Clerk and the Secretary of State. The OKHEEI Group administers group health, dental and vision insurance for active employees and retirees of group members. The OKHEEI Group plan provides coverage for retiree dependents when so elected.

The OKHEEI Group is governed by a Board of Trustees comprised of a representative from each member institution. The OKHEEI Group Board of Trustees has the authority to amend any plan structure, negotiate with providers, set premium or contribution rates each year and fulfill the fiduciary responsibility of overseeing and operating the plans, policies and services offered including managing funds and assets contributed by each participating institution's management and employees. Currently the board has established a series of blended rates for both active employees and retirees. Governmental Accounting Standards Board Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB-45) defines most situations where retirees pay the same or similar premiums as current active employees for health coverage as an implicit rate subsidy, and consequently as OPEB, subject to the GASB-45 accounting and reporting standards.

The OKHEEI Group serves as a consortium contracting for health care benefits for member employees; both current employees and retirees. Therefore, the assets and liabilities related to retirees are not segregated from the remaining assets and liabilities of the insurance plan. As such, the OKHEEI Group does not consider itself an OPEB plan pursuant to the definitions of GASB-43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 11 – Post-Employment Benefit Plans (Continued)**

**OKHEEI Group OPEB Plan** (Continued)

*B. Funding Policy*

For participating current active employees, the College pays the full premium for employee only coverage, while the employee pays any additional premium for elected dependent coverage through a payroll deduction. For retirees electing to be covered by the defined benefit plan upon retirement, the retiree premiums are paid directly to a third party processor, HealthSmart, through a combination of contributions made by the Teachers Retirement System and personal check or electronic payments made to HealthSmart, by retirees, on a monthly basis. These contributions account for 100% of the OKHEEI Group required premiums and Rose State College does not incur any additional pay-as-you-go cost in regards to these retiree benefits. For the calendar year ended December 31, 2012, the OKHEEI Group required premiums for employee only coverage, consisting of health, dental and vision insurance, ranged from \$400 to \$517 for active employees. Retirees under age 65 pay the same premium for coverage but no funding is provided by the College. For retirees age 65 and over, supplemental Medicare policies are available with monthly premiums ranging from \$209 to \$1,325 depending on elected options and dependent coverage with no funding provided by the College.

*C. Funded Status and Funding Progress*

While active employees and retirees pay a series of blended premiums as established by the OKHEEI Group, the College believes that any annual OPEB cost that may result from this implicit rate subsidy, as defined by GASB-45, is immaterial. Therefore, no actuarial valuation has been performed to quantify any OPEB annual cost and OPEB obligation, or report the funding status and funding progress for Rose State College as employer for this OPEB plan.

**College Presidents' OPEB Plan**

*A. General Description of the Other Postemployment Benefit Plan*

Rose State College, through employment contracts, provides post employment healthcare and long term care benefits to retired and active College Presidents. These benefits are provided through a single-employer defined benefit plan arrangement defined in the College Presidents' employment contracts and are approved by the College's Board of Regents. The plan does not issue separate financial statements. The Rose State College Board of Regents has the sole authority to define the benefits, plan structure, and set premium rates for contributions to the plan. The plan currently covers three participants: two retired former Presidents and the current active College President.



**Rose State College**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 11 – Post-Employment Benefit Plans (Continued)**

**College President's OPEB Plan (Continued)**

*B. Funding Policy and Actuarial Methods and Assumptions*

Rose State College has not established a formal trust to advance fund these accrued benefits and funds these OPEB costs on a pay-as-you-go basis. Amounts paid by Rose State College for these post-employment benefits for the last three fiscal years are as follows: 2010 \$45,330.00, 2011 \$49,130.00 and 2012 \$49,337.00.

*C. Funded Status and Funding Progress*

Actuarial information for this plan as of June 30, 2012, indicates that the present value of future projected benefits under this plan amounts to \$505,203 using an 8% discount rate and 1983 Group Annuity Table. Because the College has not established a trust or trust equivalent to advance fund these benefits and no plan assets have been irrevocably set aside to pay them, the College continues to fund and report these benefits on a pay-as-you-go basis. The College has determined that the difference between these pay-as-you go costs and the OPEB annual cost and any OPEB obligation as defined by GASB Statement 45 are immaterial; therefore no net OPEB obligation is reported nor is any funding status and funding progress information reported by the College in regards to this plan.



## Supplementary Information



**Rose State College**  
**Combining Schedule of Net Assets**  
**June 30, 2012**

	<u>College</u>	<u>District</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 14,366,768	\$ 4,039,349	\$ 18,406,117
Restricted:			
Cash and cash equivalents	-	1,341,206	1,341,206
Accounts receivable, net	1,191,291	36,103	1,227,394
Federal and state grants receivable	903,996	-	903,996
Delinquent ad valorem property taxes receivable	-	208,000	208,000
Receivables from OCIA	-	-	-
Prepaid Expenses	-	4,241	4,241
Total current assets	<u>16,462,055</u>	<u>5,628,899</u>	<u>22,090,954</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	2,501,998	-	2,501,998
Unamortized bond issuance costs	6,463	-	6,463
Capital Assets, net	<u>24,214,318</u>	<u>18,628,034</u>	<u>42,842,352</u>
Total non-current assets	<u>26,722,779</u>	<u>18,628,034</u>	<u>45,350,813</u>
Total assets	<u>43,184,834</u>	<u>24,256,933</u>	<u>67,441,767</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	579,806	1,190,756	1,770,562
Accrued compensated absences	831,011	-	831,011
Interest payable	-	-	-
Deferred revenue	536,866	-	536,866
Current maturities of long-term debt	67,828	-	67,828
Deposits held in custody for others	353,173	-	353,173
Total current liabilities	<u>2,368,684</u>	<u>1,190,756</u>	<u>3,559,440</u>
Non-current liabilities:			
Accrued compensated absences	126,563	-	126,563
Long-term debt	<u>10,083,523</u>	<u>2,550,000</u>	<u>12,633,523</u>
Total non-current liabilities	<u>10,210,086</u>	<u>2,550,000</u>	<u>12,760,086</u>
Total liabilities	<u>12,578,770</u>	<u>3,740,756</u>	<u>16,319,526</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	14,069,430	16,078,034	30,147,464
Restricted expendable for:			
Scholarships	5,091,130	-	5,091,130
Loans	5,213	-	5,213
Capital projects	1,604,377	1,275,837	2,880,214
Debt service	892,408	65,369	957,777
Unrestricted	<u>8,943,506</u>	<u>3,096,937</u>	<u>12,040,443</u>
Total net assets	<u>\$ 30,606,064</u>	<u>\$ 20,516,177</u>	<u>\$ 51,122,241</u>



**Rose State College**  
**Combining Schedule of Net Assets**  
**June 30, 2011**

	<u>College</u>	<u>District</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 16,232,365	\$ 2,718,950	\$ 18,951,315
Restricted:			
Cash and cash equivalents	-	1,170,662	1,170,662
Accounts receivable, net	1,273,607	87,388	1,360,995
Federal and state grants receivable	454,692	-	454,692
Delinquent ad valorem property taxes receivable	-	313,000	313,000
Receivables from OCIA	259,792	-	259,792
Prepaid Expenses	-	6,123	6,123
Total current assets	<u>18,220,456</u>	<u>4,296,123</u>	<u>22,516,579</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	1,224,255	-	1,224,255
Unamortized bond issuance costs	7,375	-	7,375
Capital Assets, net	<u>22,084,104</u>	<u>17,108,521</u>	<u>39,192,625</u>
Total non-current assets	<u>23,315,734</u>	<u>17,108,521</u>	<u>40,424,255</u>
Total assets	<u>41,536,190</u>	<u>21,404,644</u>	<u>62,940,834</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	476,962	920,288	1,397,250
Accrued compensated absences	811,439	-	811,439
Interest payable	617	-	617
Deferred revenue	553,899	-	553,899
Current maturities of long-term debt	65,722	-	65,722
Deposits held in custody for others	359,213	-	359,213
Total current liabilities	<u>2,267,852</u>	<u>920,288</u>	<u>3,188,140</u>
Non-current liabilities:			
Accrued compensated absences	126,563	-	126,563
Long-term debt	<u>10,720,385</u>	<u>3,400,000</u>	<u>14,120,385</u>
Total non-current liabilities	<u>10,846,948</u>	<u>3,400,000</u>	<u>14,246,948</u>
Total liabilities	<u>13,114,800</u>	<u>4,320,288</u>	<u>17,435,088</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,564,547	13,708,521	25,273,068
Restricted expendable for:			
Scholarships	4,346,381	-	4,346,381
Loans	5,091	-	5,091
Capital projects	599,889	1,124,567	1,724,456
Debt service	619,275	46,095	665,370
Unrestricted	<u>11,286,207</u>	<u>2,205,173</u>	<u>13,491,380</u>
Total net assets	<u>\$28,421,390</u>	<u>\$ 17,084,356</u>	<u>\$ 45,505,746</u>



**Rose State College**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Assets**  
**Year Ended June 30, 2012**

	<u>College</u>	<u>District</u>	<u>Total</u>
<b>Operating Revenues</b>			
Tuition and fees, net	\$ 4,876,199	\$ -	\$ 4,876,199
Federal grants and contracts	1,575,776	-	1,575,776
State and private grants and contracts	290,669	-	290,669
Sales and services of auxiliary enterprises, net	2,407,525	-	2,407,525
Other operating revenues	208,688	-	208,688
Total operating revenues	<u>9,358,857</u>	<u>-</u>	<u>9,358,857</u>
<b>Operating Expenses</b>			
Compensation and benefits	30,570,816	-	30,570,816
Contractual services	2,604,664	600,459	3,205,123
Supplies and materials	2,901,717	451,961	3,353,678
Scholarships and fellowships	5,575,215	-	5,575,215
Communications	138,845	-	138,845
Depreciation	1,726,375	975,061	2,701,436
Utilities	569,945	767,632	1,337,577
Other	781,773	894,090	1,675,863
Total Operating Expenses	<u>44,869,350</u>	<u>3,689,203</u>	<u>48,558,553</u>
<b>Operating income (loss)</b>	<u>(35,510,493)</u>	<u>(3,689,203)</u>	<u>(39,199,696)</u>
<b>Non-operating Revenues (Expenses)</b>			
State appropriations	20,599,612	-	20,599,612
State appropriations - ARRA Funds	-	-	-
Federal grants - non-operating	12,970,462	-	12,970,462
State grants - non-operating	1,418,624	1,997,346	3,415,970
OTRS on-behalf contributions	1,225,000	-	1,225,000
Ad valorem taxes	-	9,704,447	9,704,447
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,415,198)	(4,415,198)
Investment revenue	218,273	8,254	226,527
Interest on capital asset-related debt	(533,672)	(115,363)	(649,035)
Net non-operating revenue (expenses)	<u>35,898,299</u>	<u>7,179,486</u>	<u>43,077,785</u>
<b>Income (loss) before other revenues, expenses, gains, losses and transfers</b>	387,806	3,490,283	3,878,089
Capital appropriations - state	628,735	-	628,735
OCIA debt services on-behalf payments	1,109,671	-	1,109,671
Transfers from (to)	58,462	(58,462)	-
<b>Increase in Net Assets</b>	2,184,674	3,431,821	5,616,495
<b>Net Assets, Beginning of Year</b>	<u>28,421,390</u>	<u>17,084,356</u>	<u>45,505,746</u>
<b>Net Assets, End of Year</b>	<u>\$ 30,606,064</u>	<u>\$ 20,516,177</u>	<u>\$ 51,122,241</u>



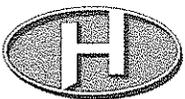
**Rose State College**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Assets**  
**Year Ended June 30, 2011**

	<u>College</u>	<u>District</u>	<u>Total</u>
<b>Operating Revenues</b>			
Tuition and fees, net	\$ 7,696,071	\$ -	\$ 7,696,071
Federal grants and contracts	841,291	-	841,291
State and private grants and contracts	205,181	-	205,181
Sales and services of auxiliary enterprises, net	3,328,140	-	3,328,140
Other operating revenues	190,261	-	190,261
Total operating revenues	<u>12,260,944</u>	<u>-</u>	<u>12,260,944</u>
<b>Operating Expenses</b>			
Compensation and benefits	31,429,787	-	31,429,787
Contractual services	2,867,856	298,922	3,166,778
Supplies and materials	4,873,114	293,375	5,166,489
Scholarships and fellowships	4,135,012	-	4,135,012
Communications	157,336	-	157,336
Depreciation	1,605,531	952,080	2,557,611
Utilities	566,506	644,758	1,211,264
Other	797,380	922,033	1,719,413
Total Operating Expenses	<u>46,432,522</u>	<u>3,111,168</u>	<u>49,543,690</u>
<b>Operating income (loss)</b>	<u>(34,171,578)</u>	<u>(3,111,168)</u>	<u>(37,282,746)</u>
<b>Non-operating Revenues (Expenses)</b>			
State appropriations	17,650,700	-	17,650,700
State appropriations - ARRA Funds	1,470,651	-	1,470,651
Federal grants - non-operating	13,962,818	-	13,962,818
State grants - non-operating	1,521,099	-	1,521,099
OTRS on-behalf contributions	1,138,000	-	1,138,000
Ad valorem taxes	-	9,359,847	9,359,847
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(3,540,354)	(3,540,354)
Investment revenue	209,810	9,959	219,769
Interest on capital asset-related debt	(562,591)	(142,375)	(704,966)
Net non-operating revenue (expenses)	<u>35,390,487</u>	<u>5,687,077</u>	<u>41,077,564</u>
<b>Income (loss) before other revenues, expenses, gains, losses and transfers</b>	1,218,909	2,575,909	3,794,818
Capital appropriations - state	660,459	-	660,459
OCIA debt services on-behalf payments	1,077,789	-	1,077,789
Transfers from (to)	62,746	(62,746)	-
<b>Increase in Net Assets</b>	3,019,903	2,513,163	5,533,066
<b>Net Assets, Beginning of Year</b>	<u>25,401,487</u>	<u>14,571,193</u>	<u>39,972,680</u>
<b>Net Assets, End of Year</b>	<u>\$ 28,421,390</u>	<u>\$ 17,084,356</u>	<u>\$ 45,505,746</u>



**Rose State College**  
**Statements of Revenues and Expenses – Student Center System**  
**Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Revenues</b>		
Campus Store	\$ -	\$ 57,196
Follett Earned Commissions	320,434	369,216
Follett Book & Supply Charge Reimbursement	1,372,947	1,746,598
Student Center Fee	489,264	520,175
Food service -Banquet and Food Court	-	304,974
Food Service - Rose Café	-	160,173
Auxiliary Services	139,377	45,516
Total Revenues	2,322,022	3,203,848
 <b>Expenses</b>		
Cost of Sales	-	760,141
Follett Book & Supply Charges	1,521,475	1,608,279
Salaries and Benefits	238,331	518,835
General, Administrative and Other	636,596	386,947
Depreciation	167,562	160,567
Total Expenses	2,563,964	3,434,769
 <b>Expenses in Excess of Revenues</b>	 \$ (241,942)	 \$ (230,921)





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*Strategic  
Business Advisors*

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

Board of Regents  
Rose State College  
Midwest City, Oklahoma

We have audited the financial statements of Rose State College (the College) as of June 30, 2012 and 2011, and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of Rose State College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rose State College'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 expressing an opinion on the effectiveness of Rose State College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rose State College'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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

4500 S. Garnett, Ste. 800  
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College'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 for the information of the audit committee, management, and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Hick & Company, PC*

Tulsa, Oklahoma  
September 7, 2012



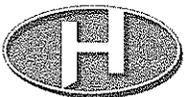
# EXHIBIT



**Rose State College Foundation, Inc.**

**Financial Statements  
with Independent Auditors' Report**

**June 30, 2012 and 2011**



**Rose State College Foundation, Inc.**  
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**June 30, 2012 and 2011**

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COMPANY**  
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*Strategic  
Business Advisors*

**Independent Auditors' Report  
on Financial Statements**

Board of Trustees  
Rose State College Foundation, Inc.  
Midwest City, Oklahoma

We have audited the accompanying statements of financial position of Rose State College Foundation, Inc. (the Foundation), a component unit of Rose State College, as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our 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 audit provides a reasonable basis for our opinion.

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

*Hinkle & Company, PC*

Tulsa, Oklahoma  
October 24, 2012

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**Rose State College Foundation, Inc.**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

**ASSETS**

	2012	2011
<b>Cash and Cash Equivalents</b>	\$ <u>5,588</u>	\$ <u>54,853</u>
<b>Investments</b>		
Certificates of deposit	18,662	18,662
Funds held by State Regents' Endowment Trust	925,780	962,256
Common funds of equity and debt securities	715,339	782,327
Equity securities	33,614	32,324
Accrued interest receivable	<u>565</u>	<u>565</u>
	<u>1,693,960</u>	<u>1,796,134</u>
<b>Other Assets</b>		
Atkinson Historical Center property	2,250,000	2,250,000
Artwork collection	7,000	7,000
Prepaid assets	2,372	2,372
Computer equipment and software, at cost, net of accumulated depreciation	<u>—</u>	<u>—</u>
	<u>2,259,372</u>	<u>2,259,372</u>
<b>Total Assets</b>	<b>\$ <u>3,958,920</u></b>	<b>\$ <u>4,110,359</u></b>
 <b>Liabilities</b>		
Accounts payable	\$ —	\$ —
Scholarships payable	<u>34,000</u>	<u>74,257</u>
Total Liabilities	<u>34,000</u>	<u>74,257</u>
 <b>Net Assets</b>		
Unrestricted	(1,060,740)	(1,011,108)
Temporarily restricted	1,456,132	1,517,682
Permanently restricted	<u>3,529,528</u>	<u>3,529,528</u>
Total Net Assets	<u>3,924,920</u>	<u>4,036,102</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>3,958,920</u></b>	<b>\$ <u>4,110,359</u></b>



**Rose State College Foundation, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2012 and 2011**

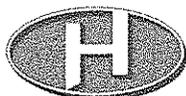
	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains, and Other Support</b>				
Fund-raising	\$ —	\$ —	\$ —	\$ 78,000
In-kind contributions	78,000	—	—	176,793
Contributions	25,664	151,129	—	(24,531)
Investment return	(24,531)	—	—	
Unrealized gains on State Regents' Endowment Trust Funds	—	(36,476)	—	(36,476)
Net assets released from restrictions	<u>176,203</u>	<u>(176,203)</u>	<u>—</u>	<u>—</u>
Total Revenues, Gains, and Other Support	<u>255,336</u>	<u>(61,550)</u>	<u>—</u>	<u>193,786</u>
<b>Expenses</b>				
Programs				
Scholarships, awards, and programs	176,203	—	—	176,203
Supporting services				
Management and general	128,031	—	—	128,031
Fund-raising	734	—	—	734
Total Expenses	<u>304,968</u>	<u>—</u>	<u>—</u>	<u>304,968</u>
<b>Change in Net Assets</b>	(49,632)	(61,530)	—	(111,182)
<b>Net Assets, Beginning of Year</b>	<u>(1,011,108)</u>	<u>1,517,682</u>	<u>3,529,528</u>	<u>4,036,102</u>
<b>Net Assets, End of Year</b>	<u>\$ (1,060,740)</u>	<u>\$ 1,456,132</u>	<u>\$ 3,529,528</u>	<u>\$ 3,924,920</u>



See Notes to Financial Statements

2011

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
—	—	\$ —	—
78,000	—	—	78,000
24,792	165,272	2,000	192,064
87,777	—	—	87,777
—	18,656	—	18,656
<u>(72,559)</u>	<u>72,559</u>	<u>—</u>	<u>—</u>
<u>118,010</u>	<u>256,487</u>	<u>2,000</u>	<u>376,497</u>
196,800	—	—	196,800
114,803	—	—	114,803
<u>119</u>	<u>—</u>	<u>—</u>	<u>119</u>
<u>311,722</u>	<u>—</u>	<u>—</u>	<u>311,722</u>
(193,712)	256,487	2,000	64,775
<u>(817,396)</u>	<u>1,261,195</u>	<u>3,527,528</u>	<u>3,971,327</u>
<u>\$ (1,011,108)</u>	<u>\$ 1,517,682</u>	<u>\$ 3,529,528</u>	<u>\$ 4,036,102</u>



**Rose State College Foundation, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	2012	2011
<b>Operating Activities</b>		
Change in net assets	\$ (111,182)	\$ 64,775
Items not requiring (providing) operating activities cash flows		
Unrealized gains on State Regents' Endowment Trust		
Funds	36,476	(18,656)
Unrealized gains (loss) on other investments	24,531	(70,541)
Change in		
Accounts and scholarships payable	<u>(40,257)</u>	<u>(9,878)</u>
Net Cash Used in (Provided by) Operating Activities	<u>(90,432)</u>	<u>(34,300)</u>
<b>Investing Activities</b>		
Purchase of investments	—	—
Proceeds from disposition of investments	<u>41,167</u>	<u>(409)</u>
Net Cash Provided by (Used in) Investing Activities	<u>41,167</u>	<u>(409)</u>
<b>Decrease in Cash and Cash Equivalents</b>	(49,265)	(34,709)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>54,853</u>	<u>89,562</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 5,588</u>	<u>\$ 54,853</u>



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

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

**Nature of Operations**

Rose State College Foundation, Inc. (the Foundation) is a not-for-profit organization whose mission and principal activities are to promote the educational and cultural interest of Rose State College (the College), a public institution of higher education. The Foundation's revenues and other support are derived principally from contributions and its activities are conducted in the Midwest City, Oklahoma, area. Members of the College's Board of Regents are associate members of the Board of Trustees and are nonvoting members.

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

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

**Investments and Investment Return**

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment in the common funds is valued at fair value based upon the underlying fair values of the funds' equity and debt securities. Investment in the pooled funds held by the State Regents' Endowment Trust is valued at fair value based upon the fair value of the securities in the pooled investment funds. Other investments are valued at the lower of cost or fair value at the time of donation, if acquired by contribution. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

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

**Investments and Investment Return** (Continued)

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

**Contributions**

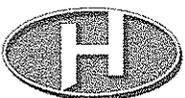
Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts of noncash items (land, buildings, equity, or debt securities) are recorded at fair value at the date of the gift. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

**Collections**

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

**Property and Equipment**

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset.



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

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

**Income Taxes**

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

**Note 2: Investment Return**

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

	2012	2011
Interest and dividend income, net of investment expenses	\$ 938	\$ 17,238
Unrealized gains (loss) on common funds	(26,760)	67,624
Unrealized gains (loss) on equity securities	1,291	2,915
	\$ (24,531)	\$ 87,777

**Note 3: Net Assets**

Permanently restricted net assets at June 30, 2012 and 2011, are restricted to:

	2012	2011
Investment in perpetuity, the income of which is expendable to support scholarships		
Union Ladies Aid Society of Sooner Scholarship	\$ 62,500	\$ 62,500
Alice Cannon McWaters Scholarship	10,000	10,000
Charles and Lola Howard Scholarship	10,000	10,000
LaFern Barnes Scholarship	10,000	10,000
Janet R. Burnham Dental Hygiene Scholarship	10,000	10,000
Elizabeth DeCarlo Memorial Scholarship	10,000	10,000
Business Division Faculty and Staff Scholarship	20,000	20,000
Erma Jean Newman Nursing Scholarship	10,000	10,000
Parker, Tucker-Wells, Hughes Scholarship	10,000	10,000
Professional and Administrative Staff Association Scholarship	20,000	20,000
Faculty Memorial Scholarship	15,000	15,000
Teddy Roosevelt "Bully" Arts Scholarship	10,000	10,000
Katherine Joan Hardin Memorial Scholarship	23,800	23,800



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

**Note 3: Net Assets (Continued)**

	2012	2011
Stacy Messenger Memorial Scholarship	15,000	15,000
April Primo Scholarship	15,000	15,000
Estes and Frances Walker Child Development Award	15,000	15,000
Susan Loveless Scholarship	13,450	13,450
Jordan Scholarship	20,000	20,000
David and Jo Anne Fox Scholarship	15,000	15,000
Mt. Vernon Butler Scholarship	10,081	10,081
Various others	<u>42,697</u>	<u>42,697</u>
	<u>367,528</u>	<u>367,528</u>
Investment in perpetuity, the income of which is expendable for the Business Division of Rose State College		
Henry Croak Endowment	<u>130,000</u>	<u>130,000</u>
Investment in perpetuity, the income of which is expendable for small business development at Rose State College		
Ray M. Hardin/Kelly and Kevin Miller Endowment	<u>125,000</u>	<u>125,000</u>
Investment in perpetuity, the income of which is expendable for lectureship programs at Rose State College		
Don S. Reynolds Lectureship	25,000	25,000
James F. Howell "Country Lawyer"	<u>25,000</u>	<u>25,000</u>
	<u>50,000</u>	<u>50,000</u>
Investment in perpetuity, the income of which is expendable for at-risk program in student services at Rose State College		
Hudiburg Student Services Endowment	\$ <u>125,000</u>	\$ <u>125,000</u>
Investment in perpetuity, the income of which is expendable for maintenance of the Atkinson Heritage Center	<u>350,000</u>	<u>350,000</u>
Investment in perpetuity, the income of which is expendable for faculty development at Rose State College	<u>125,000</u>	<u>125,000</u>
Artwork -- sculpture	<u>7,000</u>	<u>7,000</u>
Atkinson Historical Center	<u>2,250,000</u>	<u>2,250,000</u>
	<u>\$ 3,529,528</u>	<u>\$ 3,529,528</u>

**Net Assets Released from Restrictions**

During the years ended June 30, 2012 and 2011, net assets of \$176,203 and \$72,559, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, primarily scholarships, and maintenance on the Atkinson Historical Center property.



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

**Note 4: Related Party Transactions**

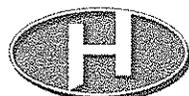
The Foundation and the College are related parties that are not financially interrelated organizations. The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. The Foundation's contributions to the College during the years ended June 30, 2012 and 2011, are reported in the Foundation's financial statements as scholarships, awards, and programs of \$176,000 and \$182,000, respectively. At June 30, 2012 and 2011, the Foundation had scholarships, awards, and programs payable to the College of \$34,000 and \$74,257, respectively.

The Foundation receives various administrative services and office space from the College at no cost. In addition, accounting and bookkeeping services are provided to the Foundation at no cost from a company owned by a member of the Foundation's Board of Trustees. The value of those donated services has not been recorded in the Foundation's financial statements as revenue and expense as the amount is not readily determinable.

The Foundation has entered into an operating lease with the College for the Atkinson Historical Center property. The purpose of the lease is for the College to use, operate, and maintain the property. The term of the lease is for a period of 99 years. In consideration for use of the property, the College is to pay a nominal rent amount to the Foundation and is to pay all executory costs (maintenance, insurance, etc.) related to the property.

**Note 5: Funds Held by Oklahoma State Regents' Endowment Trust**

The Foundation has invested through the Oklahoma State Regents' Endowment Trust various funds donated, or raised for specific temporarily or permanently restricted donor-imposed purposes or internally designated unrestricted purposes. The State Regents maintain the Foundation's invested funds in pooled investments and may, at its discretion, provide matching funds to be invested. The Foundation has access to its invested funds and related earnings thereon but does not have access to the State Regents' matched funds and thus, the matched funds are not reflected on the Foundation's financial statements. At June 30, 2012 and 2011, matching funds held by the State Regents were approximately \$962,256 and \$962,256, respectively. The earnings from the Foundation's invested funds and any State Regents' matching funds are available for annual distribution to the College for the specified restricted purposes. During the years ended June 30, 2012 and 2011, the College received \$0 and \$83,000, respectively, in distributions from the earnings on these funds.



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

**Note 6: Endowments**

The Foundation endowments consist of approximately 140 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

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

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

*Return Objectives and Risk Parameters:* The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

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



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

**Note 6: Endowments (Continued)**

*Spending Policy and How the Investment Objectives Relate to Spending Policy:* The Foundation has a policy of appropriating for distribution each year the equivalent of 4% percent of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ —	\$ 1,456,132	\$ 3,529,528
Board-designated endowment funds	<u>—</u>	<u>—</u>	<u>—</u>
Total endowment funds	<u>\$ —</u>	<u>\$ 1,456,132</u>	<u>\$ 3,529,528</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ —	\$ 1,517,682	\$ 3,529,528
Board-designated endowment funds	<u>—</u>	<u>—</u>	<u>—</u>
Total endowment funds	<u>\$ —</u>	<u>\$ 1,517,682</u>	<u>\$ 3,529,528</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets - beginning	\$ —	\$ 1,517,682	\$ 3,529,528
Investment return	—	(36,476)	—
Contributions	—	151,129	—
Appropriations for expenditure	—	(176,203)	—
Transfers	<u>—</u>	<u>—</u>	<u>—</u>
Total endowment funds	<u>\$ —</u>	<u>\$ 1,456,132</u>	<u>\$ 3,529,528</u>



**Rose State College Foundation, Inc.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2012**

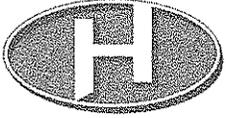
**Note 6: Endowments (continued)**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets - beginning	\$ —	\$ 1,261,195	\$ 3,527,528
Investment return	—	87,777	—
Contributions	—	183,419	2,000
Appropriations for expenditure	—	(14,709)	—
Transfers	—	—	—
 Total endowment funds	 <u>\$ —</u>	 <u>\$ 1,517,682</u>	 <u>\$ 3,529,528</u>

The historical dollar value of the permanently restricted endowments is \$4,048,427 and \$4,048,427 as compared to the fair value of \$3,529,528 and \$3,529,528 as of June 30, 2012 and 2011, respectively. The difference between the historical dollar value and fair value is a deficit of \$518,899 and \$518,899, which is reflected in permanently restricted funds.





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**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 the Schedule of Expenditures of Federal Awards**

Board of Regents  
Rose State College  
Midwest City, Oklahoma

**Compliance**

We have audited the compliance of Rose State College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012 and 2011. The College's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of the College 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 of America, 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 College'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 College's compliance with those requirements.

In our opinion, Rose State College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

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### **Internal Control over Compliance**

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

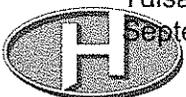
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over weaknesses. We did not identify any deficiencies in internal control over compliance that we consider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

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Rose State College as of and for the year ended June 30, 2012, and have issued our report thereon dated September 7, 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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.

*Hickel & Company*



**Rose State College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Amount Expended</u>
<b>U.S. Department of Education</b>		
Student Financial Aid Cluster		
Federal Pell Grant	84.063	\$ 12,748,404
Federal Supplemental Education Opportunity Grant	84.007	162,391
Federal Work Study	84.033	188,737
Direct Student Loans	84.032	12,991,983
Academic Competitiveness Grant	84.375	-
Carl Perkins	84.048	132,644
GEAR UP	84.334	25,266
Total Student Financial Aid Cluster		<u>26,249,425</u>
<b>TRIO Cluster</b>		
TRIO-Talent Search	84.044	175,024
Student Support Services	84.042A	246,734
Total TRIO Cluster		<u>421,758</u>
<b>U.S. Department of Health and Human Services</b>		
Scholars for Excellence in Child Development Program	93.575	88,848
Temporary Assistance for Needy Families (Empower)	93.558	235,854
Temporary Assistance for Needy Families (Empower)	93.558	194,844
Bridges to Baccalaureate Program	93.859	17,839
<b>U.S. Department of Labor</b>		
Oklahoma Gree	17.275 ARRA	36,436
Oklahoma Works	17.282	3,053
<b>U.S. Small Business Administration/Southeastern Oklahoma State University</b>		
Oklahoma Small Business Development Centers	59.037	25,468
<b>U.S. Institute of Museums and Libraries</b>		
Information Matrix Camp	45.313	16,752
<b>National Science Foundation - Pass-through Tulsa University</b>		
N.S.F. - OCIAFE	47.076	53,672
<b>National Science Foundation - Pass-through Prince George's Community College</b>		
N.S.F. - Cyberwatch II CAE2Y	97.128	18,734
<b>National Science Foundation</b>		
N.S.F. - Cyber Security Scholarship Program	47.076	<u>95,057</u>
Total Other Federal Programs		<u>786,557</u>
<b>Total Federal Awards</b>		<u>\$ 27,457,740</u>



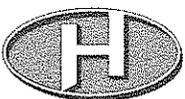
**Rose State College**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

**Note 1: Summary of Significant Accounting Policies**

This schedule includes the federal awards activity of Rose State College 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 this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2: Subrecipients**

Rose State College provided no federal awards to subrecipients.



**Rose State College**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

**Summary of Auditors' Results**

1. The opinion expressed in the independent accountants' report was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
2. The independent accountants' report on internal control over financial reporting described:  
 Significant deficiency(ies) noted considered material weakness(es)?     Yes     No  
 Significant deficiency(ies) noted that are not considered to be a material weakness?     Yes     No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?     Yes     No
  
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:  
 Significant deficiency(ies) noted considered material weakness(es)?     Yes     No  
 Significant deficiency(ies) noted that are not considered to be a material weakness?     Yes     No
  
5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?     Yes     No
  
7. The College's major program was:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster Trio Cluster	84.063, 84.007, 84.32, 84.033, 84.048, and 84.375 84.042A, 84.044, 84.344

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms defined by OMB Circular A-133.
  
9. The College qualifies as a low-risk auditee as defined by OMB Circular A-133.

**Findings Required to be Reported by Government Auditing Standards**

No matters are reportable.

**Findings Required to be Reported by OMB Circular A-133**

No matters are reportable.



**Rose State College**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2011**

No matters were reportable for the year ended June 30, 2012.

