

Rose State College

Financial Statements
with Independent Auditor's Reports

June 30, 2022



Rose State College

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June 30, 2022

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Independent Auditor's Report

Board of Regents
Rose State College
Midwest City, Oklahoma

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rose State College, a component unit of the State of Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Rose State College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rose State College as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rose State College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Rose State College's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rose State College's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rose State College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rose State College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rose State College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of the Rose State 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rose State College's internal control over financial reporting and compliance.

Tulsa, Oklahoma
October 21, 2022

Hick & Company, PC



Rose State College
(A Component Unit of the State of Oklahoma)
Management's Discussion and Analysis
June 30, 2022

Introduction

The discussion and analysis of Rose State College's financial statements provides an overview of financial activities for the fiscal year ended June 30, 2022. Since the management's discussion and analysis is designed to focus on the financial performance based on current conditions, activities resulting in change and other currently known facts, please read it in conjunction with the basic financial statements and footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

The College adopted GASB Statement 87 for financial reports presented for the fiscal year ended June 30, 2022. For a full description of the adoption of GASB Statement 87 and the impact on the financials, please read Note #1 Summary of Significant Accounting Policies, following the financial statements, particularly the section entitled "*New Accounting Pronouncements adopted in 2022.*"

Using This Annual Report

The accompanying financial statements reflect the activities of Rose State College, its blended component unit, the Rose State College Technical Area Education District (the Tech District), and its discretely presented component unit, the Rose State College Foundation, Inc. (the Foundation). This MD&A, however, focuses only on highlights and explanations of significant changes in financial operations and results for Rose State College and its blended component unit, the Tech District, and will be referred to, in combined form as "the College."

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reports the results of the operation of the College. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The College's net position - the difference between assets, deferred inflows, liabilities and deferred outflows - is one way to measure the College's financial condition. The reader will also need to consider other non-financial factors, such as the quantity and quality of student applicants, enrollment trends, student retention, accreditation status, the condition of buildings, academic programming changes and the safety of the campus and other factors, in assessing the overall health of the institution.

These statements report all assets and liabilities at current values except for capital assets which are reported at historical costs less accumulated depreciation. All of the current year's revenues and expenses are reported using the accrual basis of accounting.

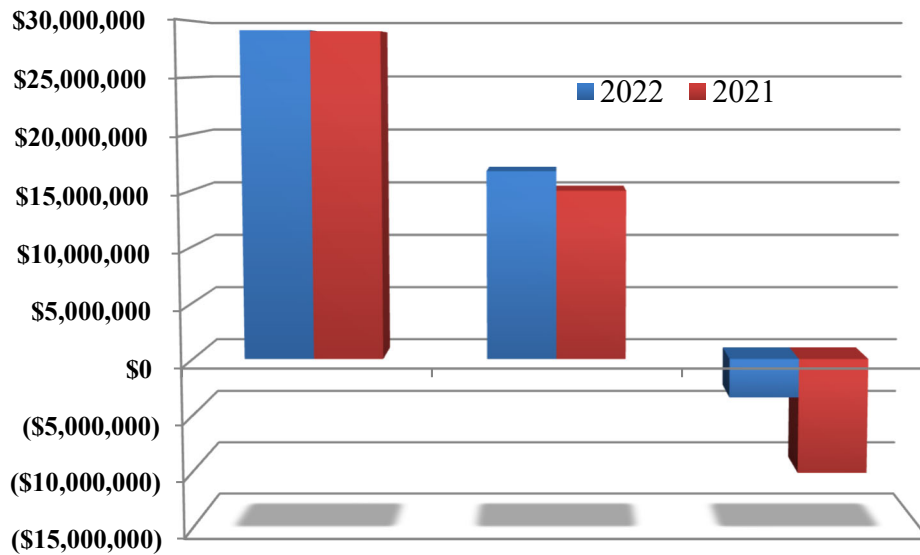
Separate financial statements for the College's component units are also available. Financial statements for the Tech District may be obtained by contacting the College's Executive Vice President. The financial statements for the Foundation may be obtained by contacting their Executive Director.

Rose State College
(A Component Unit of the State of Oklahoma)
Management's Discussion and Analysis
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Financial Highlights

Total Net Position

This chart provides a graphical breakdown of net position by category for the fiscal years ending June 30, 2022 and 2021.



	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position
■ 2022	\$29,145,529	\$16,764,843	(\$3,461,196)
■ 2021	\$29,051,583	\$15,032,825	(\$10,297,433)

The College's total net position at June 30, 2022 was \$42.4 million, an increase of \$7.7 million or 22.0% compared to the FY21 results. Net Investment in Capital Assets increased \$94 thousand mainly as a result of the refinancing of the debt for the Phase II Housing units. The Restricted Net Position increased \$1.73 million largely driven by increased receipts for scholarships and fellowships. Unrestricted Net Position grew \$6.8 million or 66.4% compared to fiscal year 2021. Net position is heavily impacted by the effect of pension related funding obligations and actuarial measurements of post-employment benefits. Please see Note #6 and #11 for descriptions of these obligations, the measurement of the recognized liabilities and the impact on the financial statements. Management does not believe that the recognition of these pension and post employment benefit obligations nor the volatility resulting from the actuarial evaluations of those liabilities from year to year constitutes any negative consequence to the true financial condition of the institution. Discussion of the various items that impact the fiscal condition of the College can be found in this MD&A and notes accompanying the statements

Rose State College
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Management's Discussion and Analysis
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Results from Operations – Revenue and Expenses

Total Revenues for fiscal year 2022 decreased \$495 thousand or 0.8% compared to fiscal year 2021. The bulk of the decrease is explained in the Non-Operating Revenue section below:

- Operating revenue is generated in exchange type transactions, that is the College provides a service or a good to a customer for a payment. For fiscal 2022 Operating Revenue grew by \$325 thousand or 2.9% compared to fiscal year 2021. Operating Revenue made up 19.4% of total revenue in fiscal year 2022 compared to 18.7% of total revenue in fiscal year 2021.
- Non-Operating Revenue involves the receipt of revenue not dependent on an exchange between the College and a customer. The College's three main sources of non-operating revenue are state appropriations, Federal and State grants and reimbursements and ad valorem taxes. Most colleges rely on non-operating revenue to ensure continuing operations. For fiscal year 2022 non-operating revenue decreased by \$978 thousand or 2.0% and made up 78.1% of total revenue compared to fiscal year 2021 when it made up 79.1% of total revenue for the College. The main drivers of the decrease include:
 - A \$1.5 million decrease in Federal and State grants not used to pay tuition and fees due to reduced HEERF funding received
 - A \$480 thousand net increase in State appropriations in the base allocation
 - A \$56 thousand decrease in ad valorem tax collections in the Tech District
 - A \$236 thousand increase in net charter school revenue.
- Other Revenue consists of capital appropriations and Oklahoma Capital Improvement Authority (OCIA) debt service payments made on behalf of the College for bonds that funded capital improvements and building construction. These on-behalf payments require no cash outlay by the College. In fiscal 2022 the OCIA on-behalf payments resulted in \$600 thousand recognized as non-operating revenue, the same amount that was recognized in fiscal year 2022. Revenue dedicated to capital funding increased by approximately \$158 thousand in fiscal year 2022 compared to fiscal year 2021.

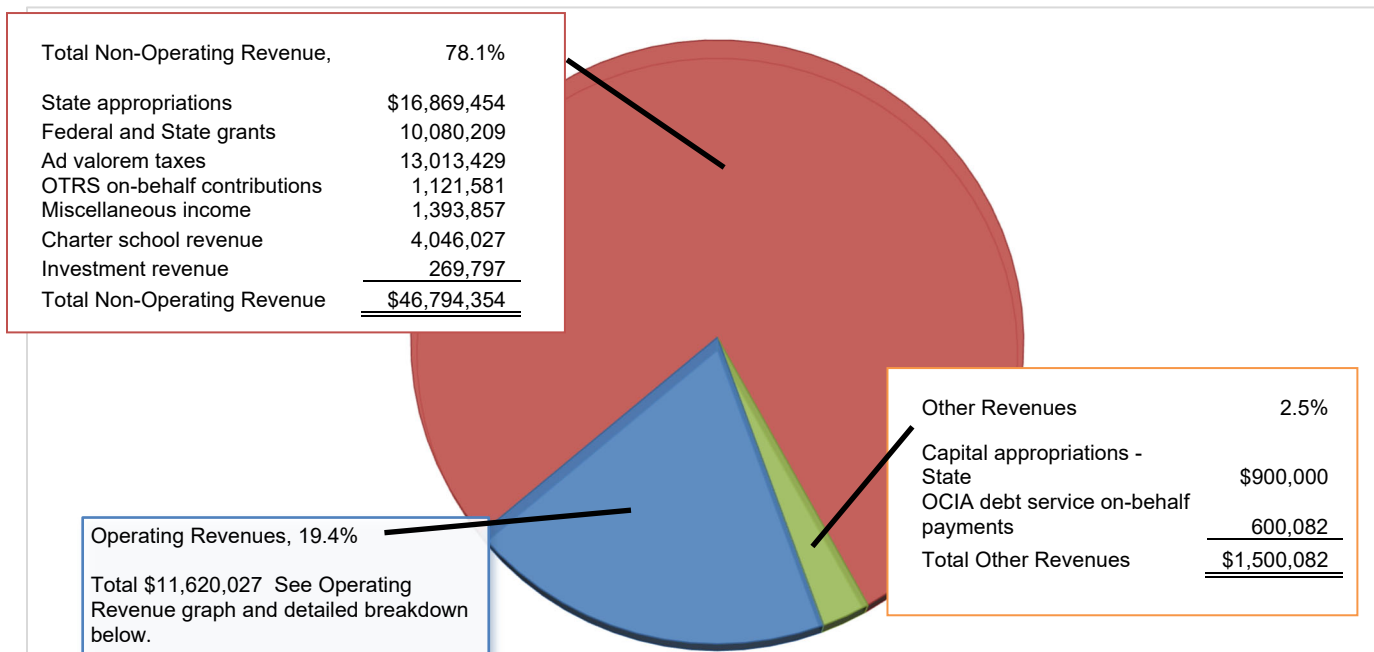
Rose State College
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Management's Discussion and Analysis
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The following table and chart present Total Revenues by category and source followed by a presentation of Operating Revenues by category and source for the fiscal years ending June 30, 2022 and 2021.

FY22 Total Revenue by Category – Table

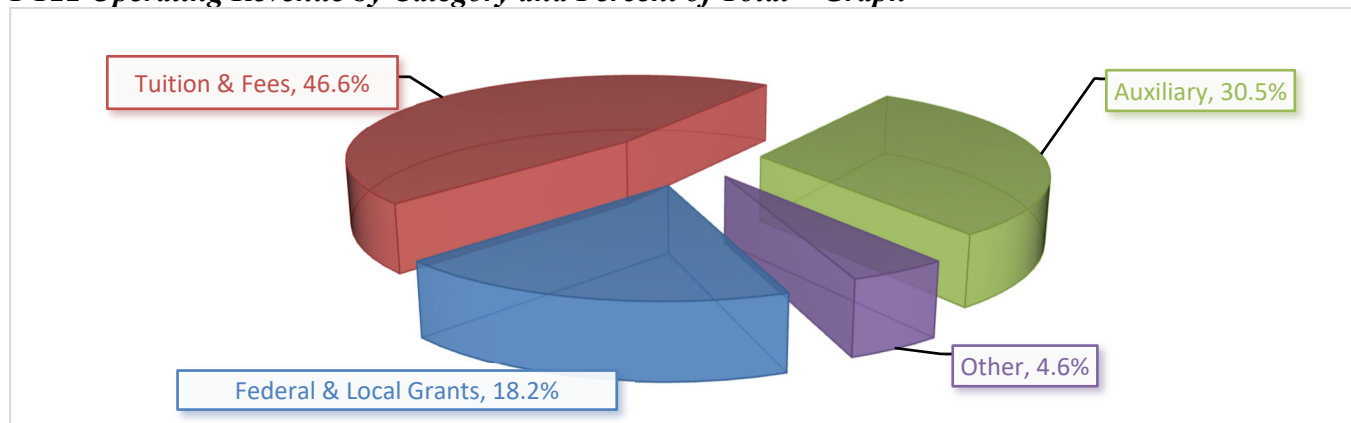
Revenue Category	2022	2021	Change FY21 to FY22	Percent Change
Operating Revenues	\$11,618,368	\$11,293,177	\$ 325,191	2.9%
Non-Operating Revenues	46,794,354	47,772,480	(978,126)	(2.0%)
Other Revenues	1,500,082	1,341,925	158,157	11.8%
Total Revenues	\$59,912,804	\$60,407,582	(\$494,778)	(0.8%)

FY22 Total Revenues by Category and Percent of Total – Graph



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FY22 Operating Revenue by Category and Percent of Total – Graph



FY22 Operating Revenue by Category – Table

Operating Revenue Category	2022	2021	Change FY21 to FY22	Percent Change
Federal & Local Grants	\$2,116,181	\$1,411,183	\$704,998	50.0%
Tuition & Fees	5,416,749	6,189,932	(773,183)	(12.5%)
Auxiliary	3,545,672	2,955,273	590,399	20.0%
Other	539,766	736,789	(197,023)	(26.7%)
Total Operating Revenue	\$11,618,368	\$11,293,177	\$325,191	2.9%

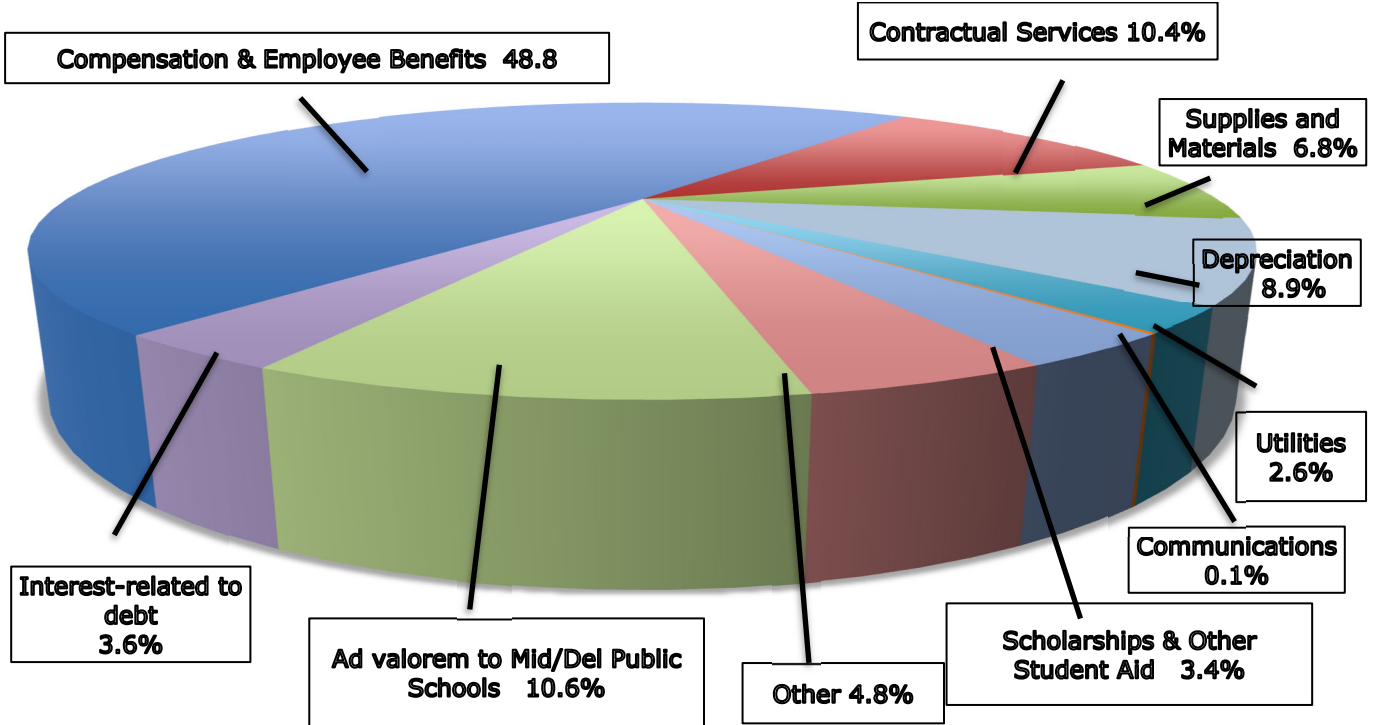
Total Expenses by Category

Total expenses for FY 2022 were \$52.3 million, a decrease of \$5.1 million or 8.9% compared to fiscal 2021 total expenses of \$57.4 million. The largest portion of this decrease was a \$6.6 million decrease in Compensation and Benefits expense as a result of the changes in the actuarial evaluations of the Oklahoma Teachers Retirement System (OTRS) accruals for GASB 68 & 75, GASB 82 reporting standards and the past Presidents' post employee benefits liability. Accruals and adjustments required by these actuarial evaluations effect the Compensation and Benefits expense category. In effect for FY22 was a reverse of the harsher FY21 due to overall market changes creating what appears to be a reduction in compensation expense.

The following graph and table may be useful in understanding total expenses. These should be evaluated by reading the more detailed Statement of Revenues, Expenses and Changes in Net Position presentation and discussion along with the other financial statements and footnotes.

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FY22 Total Expenses by Category and Percent of Total – graph



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FY22 Total Expenses by Category and Change – detail table

Total Expenses by Category	2022	2021	Change FY21 to FY22	Percent Change
Compensation & Employee Benefits	\$25,514,281	\$32,066,905	\$ (6,552,624)	(20.4%)
Contractual Services	5,457,483	4,722,496	734,987	15.6%
Supplies and Materials	3,571,127	2,822,494	748,633	26.5%
Depreciation	4,627,557	4,691,528	(63,971)	(1.4%)
Utilities	1,335,725	1,029,265	306,460	29.8%
Communications	76,719	111,363	(34,644)	(31.1%)
Scholarships & Other Student Aid	1,766,786	2,491,893	(725,107)	(29.1%)
Other	2,489,793	2,153,066	336,727	15.6%
Ad valorem to Mid/Del Public Schools	5,518,438	5,467,527	50,911	1.0%
Interest on capital asset-related debt	1,892,694	1,820,421	72,273	4.0%
Total Expenses	\$52,250,603	\$57,376,958	(\$5,126,355)	(8.9%)

Rose State College
(A Component Unit of the State of Oklahoma)
Management's Discussion and Analysis
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Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year and includes totals of all assets, liabilities and deferred inflows and outflows. Net position and the change between fiscal years may be one indicator of the current financial condition of the College. The fiscal 2022 financial statements show an increase of \$7.7 million or 22.0% in total net position compared to fiscal 2021 and reflects the effects of Pension and Other Post Employment Benefits liability calculations, as required by GASB. This table summarizes the College's Statement of Net Position as of June 30, 2022 and 2021.

Net Position: Balances as of June 30th	Fiscal Year 2022	Fiscal Year 2021	\$ Change FY21 to FY22	Percent Change
Current Assets	\$43,985,618	\$39,695,695	\$4,289,923	10.8%
Noncurrent Assets				
Restricted cash and cash equivalents	4,375,321	3,460,581	914,740	26.4%
Accounts receivable, net	0	2,842	(2,842)	(100.0%)
Restricted net OPEB asset	515,877	44,205	471,672	1067.0%
Capital assets, net of depreciation	80,267,008	82,933,657	(2,666,649)	(3.2%)
Total assets	<u>129,143,824</u>	<u>126,136,980</u>	<u>3,006,844</u>	<u>2.4%</u>
Deferred Outflows				
Total Deferred outflows	<u>7,726,055</u>	<u>13,669,236</u>	<u>(5,943,181)</u>	<u>(43.5%)</u>
Current Liabilities	6,929,403	6,451,841	477,562	7.4%
Noncurrent Liabilities	68,353,816	92,410,582	(24,056,766)	(26.0%)
Total liabilities	<u>75,283,219</u>	<u>98,862,423</u>	<u>(23,579,204)</u>	<u>(23.9%)</u>
Deferred Inflows				
Total Deferred Inflows	<u>19,137,484</u>	<u>7,156,818</u>	<u>11,980,666</u>	<u>167.4%</u>
Net Position				
Net investment in capital assets	29,145,529	29,051,583	93,946	0.3%
Restricted expendable	16,764,843	15,032,825	1,732,018	11.5%
Unrestricted	(3,461,196)	(9,297,433)	5,836,237	62.8%
Total net position	<u>\$42,449,176</u>	<u>\$34,786,975</u>	<u>7,662,201</u>	<u>22.0%</u>

- Current assets, in fiscal 2022 increased by a total of \$4.3 million or 10.8% compared to fiscal 2021. This largely reflects an increase in operational cash balances resulting from the explosive growth in the charter schools' enrollment and the resulting increase in authorizer's fiscal agent fees collected.
- Non-current assets decreased by \$1.3 million or 1.5%, in fiscal year 2022 compared to fiscal year 2021. This largely reflects a reduction in net capital assets due to the regularly scheduled depreciation of those assets and less expenditures to purchase or add to those same assets during 2022.

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- Total liabilities decreased \$23.6 million or 23.9% between fiscal years 2022 and fiscal 2021. Current liabilities increased \$478 thousand or 7.4% compared to fiscal 2021. This increase largely reflects an increase in accounts payable which is a result of a construction-in-progress project for ADA compliant sidewalks that is ongoing at year-end. Non-current liabilities decreased by \$24.1 million or 26.0% compared to fiscal 2021. This decrease was driven by a \$22.0 million decrease in actuarially calculated pension and Other Post Employment Benefit (OPEB) liabilities for various employees. See Notes #6 and 11 for a description of the calculation and impact of pension and OPEB liabilities.

- Deferred Outflows and Deferred Inflows should be read in conjunction with the footnotes to the financial statements to understand the nature of the measurements and the impact relating to future periods. For deferred outflows and inflows related to OPEB, please see Note #1 for a short definition of OPEB responsibilities and Note #11 for an explanation of the College's OPEB plans. For deferred outflows and inflows related to pensions, please read footnote #6 to understand the associated actuarial calculation of the unfunded balance of the OTRS and changes reflected in the FY22 financial statements. For an explanation of the Bookstore concession agreement and the related deferred outflow please read footnote #12 for a description of the concession agreement and the measurement of the economic impact. The deferred outflow and inflow related to debt please see footnote #5 for the discussion on the refinancing and the recognition of the gain/loss on refinancing as shown on the financial statements.

Rose State College
(A Component Unit of the State of Oklahoma)
Management's Discussion and Analysis
June 30, 2022

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the College's financial results from operations and other non-operating activities. A summarized statement of revenues, expenses and changes in net position, as of June 30, 2022 and 2021, appears below:

Revenue, Expenses, & Net Position, as of June 30	Fiscal Year 2022	Fiscal Year 2021	\$ Change FY21 to FY22	Percent Change
Operating Revenues				
Tuition and fees, net	\$5,416,749	\$6,189,932	(\$773,183)	(12.5%)
Federal, state and local grants & contracts	2,116,181	1,411,183	704,998	50.0%
Auxiliary (bookstore, food services & housing), net	3,545,672	2,955,273	590,399	20.0%
Other	539,766	736,789	(197,023)	(26.7%)
Total operating revenues	<u>\$11,618,368</u>	<u>\$11,293,177</u>	<u>\$325,191</u>	<u>2.9%</u>
Operating Expenses				
Compensation and employee benefits	\$25,514,281	\$32,066,905	(\$6,552,624)	(20.4%)
Contractual services, supplies and materials	9,028,610	7,544,990	1,483,620	19.7%
Depreciation	4,627,557	4,691,528	(63,971)	(1.4%)
Utilities and communications	1,412,444	1,140,628	271,816	23.8%
Scholarships and other student aid	1,766,786	2,491,893	(725,107)	(29.1%)
Other	2,489,793	2,153,066	336,727	15.6%
Total operating expenses	<u>\$44,839,471</u>	<u>\$50,089,010</u>	<u>(\$5,249,539)</u>	<u>(10.5%)</u>
Operating Loss	<u>(\$33,221,103)</u>	<u>(\$38,795,833)</u>	<u>\$5,574,730</u>	<u>(14.4%)</u>
Non-operating Revenues (Expenses)				
State appropriations	\$16,869,454	\$16,389,464	\$479,990	2.9%
Federal and state grants	10,080,209	11,572,889	(1,492,680)	(12.9%)
OTRS on-behalf contributions	1,121,581	1,475,330	(353,749)	(24.0%)
Charter School revenue	4,046,027	3,809,998	236,029	6.2%
Ad valorem taxes	13,013,429	13,070,308	(56,879)	(0.4%)
Ad valorem taxes remitted to Mid/Del public schools	(5,518,438)	(5,467,527)	(50,911)	1.0%
Miscellaneous revenue	1,393,857	1,178,175	215,682	18.3%
Other	(1,622,897)	(1,544,105)	(78,792)	5.1%
Net Non-operating Revenues	<u>\$39,383,222</u>	<u>\$40,484,532</u>	<u>(\$1,101,310)</u>	<u>(2.7%)</u>
Income (Loss) Before Other Revenues, Expenses Gains and Losses	<u>\$6,162,119</u>	<u>\$1,688,699</u>	<u>\$4,473,420</u>	<u>264.9%</u>
Other Revenues, Expenses, Gains and Losses	<u>1,500,082</u>	<u>1,341,925</u>	<u>158,157</u>	<u>11.8%</u>
Increase (Decrease in Position)	<u>\$7,662,201</u>	<u>\$3,030,624</u>	<u>\$4,631,577</u>	<u>152.8%</u>
Assets, Beginning of Year	<u>\$34,786,975</u>	<u>\$31,310,200</u>	<u>\$3,476,775</u>	<u>11.1%</u>
Effect of restatement of prior period – see Note #1	<u>0</u>	<u>446,151</u>	<u>(446,151)</u>	<u>(100.0%)</u>
Assets, End of Year	<u>\$42,449,176</u>	<u>\$34,786,975</u>	<u>\$7,662,201</u>	<u>22.0%</u>

- Total operating revenues, in fiscal 2022, increased \$325 thousand or 2.9% compared to fiscal 2021. This largely results from a decrease of \$773 thousand in tuition and fee collections offset by an increase of \$705 thousand in Federal and State grants and \$590 thousand in auxiliary operations. Other revenue decreased \$197 thousand from 2021.
- Operating expenses decreased by \$5.2 million or 10.5% in fiscal 2022 versus fiscal 2021. There were some significant changes when looking at individual categories such as:

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1. Compensation and Employee Benefits expenses decreased by \$6.6 million or 20.4% compared to fiscal 2021 due to changes in net pension and OPEB actuarial valuations. The reader should also read Notes #6 and #11 for discussion of changes in pension and OPEB liabilities.
 2. Contractual services, supplies and materials increased \$1.5 million as a result of s professional services related to damage remediation and repairs to buildings on campus as a result of winter storm damage and a catastrophic electrical arc event that effected the Administration building and two academic classroom buildings.
 3. Scholarships and other student aid declined \$725 thousand for fiscal year 2022 compared to fiscal year 2021 reflecting a decrease in enrollment as reduced HEERF student aid grants. This decline resulted in a decrease in financial aid from various sources received for the benefit of students.
- Non-operating revenues (expenses) decreased \$1.1 million or 2.7% in fiscal 2022 compared to fiscal 2021 as a result of the following highlights:
 1. State appropriations were \$480 thousand or 2.9% higher in FY22 compared to FY21 as a result of increased state support.
 2. Federal and State grants were down \$1.5 million or 12.9% as a result of decreased HEERF funding received due to less student aid grants being disbursed during FY22 when compared to FY21.

Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. This statement's 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 assists users in assessing an entity's ability to generate future net cash flows, meet obligations as they come due, and external financing needs.

The College's total cash and cash equivalents for fiscal 2022 increased by \$5.1 million or 12.6% compared to fiscal 2021 results.

Rose State College
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The following schedule is summarized from the College's Statement of Cash Flows for the year ended June 30, 2022 and 2021.

Cash provided by (Used in), as of June 30	Fiscal Year 2022	Fiscal Year 2021	\$ Change FY21 to FY22	Percent Change
Operating activities	(\$29,845,263)	(\$31,478,824)	\$1,692,339	(5.4%)
Noncapital financing activities	36,460,761	37,200,429	(798,446)	(2.2%)
Capital and related financing activities	(1,744,387)	(442,872)	(1,301,515)	293.9%
Investing activities	267,333	285,960	(18,627)	(6.5%)
Net increase (decrease) in cash & cash equivalents	\$5,138,444	\$5,564,693	(\$426,249)	(7.7%)
Cash and Cash Equivalents, Beginning of Year	\$40,932,263	\$35,367,570	\$5,564,693	15.7%
Cash and Cash Equivalents, End of Year	\$46,070,707	\$40,932,263	\$5,138,444	12.6%

Capital Assets

At June 30, 2022 the College had approximately \$157.6 million invested in capital assets with accumulated depreciation of \$76.0 million resulting in a net capital asset valuation of approximately \$80.3 million. This represents a net decrease of \$2.7 million or 3.2% compared to fiscal 2021. This decrease in net asset valuation reflects the normal depreciation of capital assets with less overall capital asset purchases during FY22. Please see Note #4 for details of the capital asset investments. The table below summarizes the activity in capital assets, net of depreciation.

Capital Assets, Net of Accumulated Depreciation at June 30, 2022 and 2021

Capital Assets, Net Accumulated Depreciation, as of June 30	Fiscal Year 2022	Fiscal Year 2021	\$ Change FY21 to FY22	Percent Change
Land	\$3,617,031	\$3,617,031	\$0	(0.0%)
Building and improvements	71,577,840	73,923,069	(2,345,229)	(3.2.0%)
Land improvements / infrastructure	805,778	871,614	(65,836)	(7.6%)
Furniture, fixtures and equipment	2,800,990	3,629,153	(828,163)	(22.8%)
Library materials	829,330	892,790	(63,460)	(7.1%)
Construction in progress	636,039	0	636,039	100.0%
Total Capital Assets, Net Accumulated Depreciation	\$80,267,008	\$82,933,657	(\$2,666,649)	(3.2%)

Debt

As of June 30, 2022, the College had approximately \$49.2 million in debt (bonds and note obligations) outstanding. This is a decrease of approximately \$2.0 million, or 3.9%, compared to fiscal 2021 balances. The fiscal 2022 results reflect the refinancing of debt on the new building for student housing known as Phase II within the Village at Rose State.

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The table below lists balances for long term debt and lease obligations. Please see Note #5 for more detailed information regarding the College's outstanding debt.

Outstanding Debt at June 30, 2022 and 2021

Outstanding Debt, as of June 30	Fiscal Year 2022	Fiscal Year 2021	\$ Change FY21 to FY22	Percent Change
2013 Building Bonds Payable	\$11,840,000	\$13,530,000	(\$1,690,000)	(12.5%)
2021 Housing Capital Lease	0	5,599,703	(5,599,703)	(100.0%)
2014C OCIA Capital Lease Obligation	6,004,779	6,343,428	(338,649)	(5.3%)
ODFA 2017A Master Lease (Student Union)	15,530,917	15,901,250	(370,333)	(2.3%)
ODFA 2018A Master Lease (Housing)	8,713,417	8,905,084	(191,667)	(2.2%)
ODFA 2022A Master Lease (Housing II)	6,002,545	0	6,002,545	100.0%
ODFA 2017A Premium	666,964	693,732	(26,768)	(3.9%)
ODFA 2018A Premium	222,749	231,344	(8,595)	(3.7%)
ODFA 2022A Premium	208,514	0	208,514	100.0%
Total Outstanding Debt	\$49,189,885	\$51,204,541	(\$2,014,656)	(3.9%)

Economic Outlook

Rose State College operates in an environment that is strongly influenced by several external elements, each providing its own impact on the College and its operations.

The condition of the local economy heavily influences the decision and ability to set tuition and fee rates. However, raising tuition and fees charged to students has been necessary to ensure continued excellence in instruction and facilities. For FY 2023, in total, the College increased mandatory fees by \$8.50 per credit hour making the cost for a resident student at \$167.67 per credit hour. For FY 2023, after receiving a \$479 thousand or 2.9% increase in state appropriations, the College decided not to make any change to tuition holding the cost at \$167.67 per credit hour for resident students. Decisions to change tuition and fees are made after weighing the availability of appropriated state support, students' ability to pay for classes and the projected cost of providing academic instruction and necessary student services. Controlling the students' cost to attend college is one of the guiding principles of the College's Board of Regents and the College management.

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The condition of the state and local economy also directly impacts college enrollment. Many high school seniors and adult workers must decide whether to, or how to, pursue higher education while also being in the workforce. As the local economy continues to recover from the pandemic, there are currently plenty of opportunities for those choosing to enter the workforce. The pandemic required a switch to almost all virtual instruction in FY2021 which negatively impacted enrollment and the College experienced a decline in credit hours produced of 5.9% extending the FY2020 enrollment decline of 2.8%. From FY2022 the college experienced a decline in credit hours of 3.2%. For FY2023 the College hopes to see a slight increase in enrollment. Opportunities for enrollment expansion continue to be explored and implemented as feasibility proves to be strong. For example, the College is testing the impact of partnerships with technology centers and other higher education institutions in the area of aerospace training and cyber security education. The College also continues to dedicate academic space to programs that show increased interest by students. In FY2023 the College, utilizing grant funds, will begin remodeling a portion of the Professional Technical Education Center building to be a dedicated Cyber Security space to serve those students pursuing a degree or certificates this academic area and will allow for growth in this program.

On-campus housing continues to have high occupancy rates and, with the addition of a new building, offers various housing configurations and multiple price points to make on-campus options available to students. The new student union building is now open and provides on-campus food service as well as a variety of meeting spaces to various public groups. Management believes this will provide a strong revenue stream in FY2023 and future periods. These efforts will help with student recruitment and retention, as well.

Property values continue to be firm with areas of commercial expansion in the area providing a secure source of ad valorem revenue for the Tech District. The *Ticket to Rose* program, funded with ad valorem tax collections, is a strong incentive for local high school seniors to enroll at Rose State College.

The College is heavily impacted by the state's legislative and political environment due to the strong reliance on legislated appropriations to fund operations. For FY22, base support from the state was increased by \$480 or 2.9%. For fiscal year 2023, state appropriations were increased by \$397 thousand or 2.4%. The state's economy continues to recover from the effects of the pandemic and its effects on oil and gas production as well as agriculture yet revenue collections have been strong and the chance of mid-year revenue failure appears to be very slight. Management continues to monitor the State's collections so it can react quickly, if necessary, to protect the operations of the College.

Given students' reliance on Federal financial aid and the school's opportunities for Federal grant programs, the national political environment also has a direct influence on the College. Discussions on funding priorities and changes to regulations for student financial aid, loans and grants could have a material economic effect on the school. The College has benefited from CARES Act emergency stimulus funding but further direct assistance from the federal government is not likely.

Overall, the management of Rose State College believes the institution to be in solid financial condition, even as it faces all of these challenges, and is committed to maintaining that position.

Rose State College
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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 Executive Vice President at Rose State College, 6420 S. E. 15th Street, Midwest City, Oklahoma, 73110.

Rose State College
Statement of Net Position
June 30, 2022

	Rose State College	Rose State College Foundation Inc.
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,489,035	\$ 806,591
Restricted:		
Cash and cash equivalents	5,206,351	-
Investments	-	1,680,980
Restricted investments	38,104	-
Accounts receivable, net	1,449,972	-
Federal and state grants receivable	358,978	-
Delinquent ad valorem property taxes receivable	422,000	-
Accrued interest receivable	15,705	-
Prepaid expenses	5,473	-
Total current assets	43,985,618	2,487,571
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	4,375,321	-
Restricted net OPEB asset	515,877	-
Capital assets, net	80,267,008	2,870,000
Total noncurrent assets	85,158,206	2,870,000
Total assets	129,143,824	5,357,571
DEFERRED OUTFLOWS		
Deferred outflows related to debt	395,903	-
Deferred outflows related to OPEB	569,082	-
Deferred outflows related to pensions	6,761,070	-
Total deferred outflows	7,726,055	-
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1,759,688	13,285
Accrued compensated absences	870,775	-
Interest payable	139,427	-
Unearned revenue	1,332,118	-
Room deposits payable	61,717	-
Current maturities of long-term debt	2,765,678	-
Total current liabilities	6,929,403	13,285
Noncurrent liabilities:		
Accrued compensated absences	126,563	-
Total OPEB liability	1,111,188	-
Net pension obligation	20,691,857	-
Long-term debt	46,424,208	-
Total noncurrent liabilities	68,353,816	-
Total liabilities	75,283,219	13,285
DEFERRED INFLOWS		
Bookstore service concession arrangement	2,842	-
Gain on debt refinancing	2,399,353	-
Deferred inflows related to OPEB	472,715	-
Deferred inflows related to pensions	16,262,574	-
Total deferred inflows	19,137,484	-
NET POSITION		
Net investment in capital assets	29,145,529	-
Restricted nonexpendable - endowment	-	4,912,557
Restricted expendable for:		
Scholarships	6,667,294	-
Loans	6,815	-
Capital projects	6,244,451	-
Debt service	3,330,406	-
OPEB	515,877	-
Unrestricted (deficit)	(3,461,196)	431,729
Total net position	\$ 42,449,176	\$ 5,344,286

See notes to financial statements.

Rose State College
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

	Rose State College	Rose State College Foundation Inc.
Operating Revenues		
Tuition and fees, net	\$ 5,416,749	\$ -
Federal grants and contracts	1,524,009	-
State and private grants and contracts	592,172	-
Sales and services of auxiliary enterprises, net	3,545,672	-
Contributions and other revenue	-	441,092
Other operating revenues	539,766	-
Total operating revenues	<u>11,618,368</u>	<u>441,092</u>
Operating Expenses		
Compensation and benefits	25,514,281	-
Contractual services	5,457,483	-
Supplies and materials	3,571,127	-
Scholarships and fellowships	1,766,786	212,137
Communications	76,719	-
Depreciation	4,627,557	-
Utilities	1,335,725	-
Other	2,489,793	143,804
Total Operating Expenses	<u>44,839,471</u>	<u>355,941</u>
Operating income (loss)	<u>(33,221,103)</u>	<u>85,151</u>
Non-Operating Revenues (Expenses)		
State appropriations	16,869,454	-
Federal grants	8,660,658	-
State grants	1,419,551	-
OTRS on-behalf contributions	1,121,581	-
Charter school revenue, net of transfers (Note 8)	4,046,027	-
Ad valorem taxes	13,013,429	-
Academic support for the Mid-Del Area Vocational Technical school	(5,518,438)	-
Miscellaneous revenue	1,393,857	-
Investment revenue	269,797	(264,999)
Interest on capital asset-related debt	(1,892,694)	-
Net non-operating revenue (expenses)	<u>39,383,222</u>	<u>(264,999)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	6,162,119	(179,848)
Capital appropriations - state	900,000	-
OCIA debt service on-behalf payments	600,082	-
Increase (Decrease) in Net Position	<u>7,662,201</u>	<u>(179,848)</u>
Net Position, Beginning of Year	<u>34,786,975</u>	<u>5,524,134</u>
Net Position, End of Year	<u>\$ 42,449,176</u>	<u>\$ 5,344,286</u>

See notes to financial statements

Rose State College
Statement of Cash Flows
Year Ended June 30, 2022

	Rose State College
Operating Activities	
Tuition and fees	\$ 5,531,263
Grants and contracts	2,005,806
Payments to suppliers	(13,256,147)
Payments to employees	(28,202,324)
Auxiliary enterprises sales and services	3,536,147
Other operating receipts	539,992
Net cash provided by (used in) operating activities	(29,845,263)
Noncapital Financing Activities	
State appropriations	16,869,454
Non-operating grants	10,021,431
Charter school revenue	4,046,027
Ad valorem taxes received	11,086,020
Academic support for the Mid-Del Area Vocational Technical school	(5,620,949)
Federal direct student loans receipts	6,494,218
Federal direct student loans disbursements	(6,494,218)
Net cash provided by noncapital financing activities	36,401,983
Capital and Related Financing Activities	
Purchases of capital assets	(1,960,908)
Proceeds from debt	6,181,410
Principal paid on capital leases and bonds	(8,429,240)
Interest paid on capital leases and bonds	(1,805,377)
Capital appropriations – state	900,000
Non-operating revenues	1,393,857
Ad valorem taxes received for debt service	1,975,871
Net cash used in capital and related financing activities	(1,744,387)
Investing Activities	
Investment income received	267,333
Net cash provided by (used in) investing activities	267,333
Net Decrease in Cash and Cash Equivalents	5,079,666
Cash and Cash Equivalents, Beginning of Year	40,932,263
Cash and Cash Equivalents, End of Year	\$ 46,011,929

(continued)

Rose State College
Statement of Cash Flows
Year Ended June 30, 2022
(Continued)

		<u>Rose State College</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current assets		
Cash and cash equivalents	\$	36,489,035
Restricted cash and cash equivalents		5,206,351
Noncurrent assets		
Restricted cash and cash equivalents		<u>4,375,321</u>
	\$	<u><u>46,070,707</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	\$	(33,221,103)
Depreciation expense		4,627,557
OTRS on-behalf contributions		1,121,581
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:		
Receivables, net		894,609
Deferred outflows related to pensions and OPEB		6,512,263
Restricted net OPEB asset		(471,672)
Prepaid expenses		-
Accounts payable and accrued liabilities		460,317
Accrued compensated absences		(62,127)
Unearned revenue		98,572
Room deposits payable		1,659
Total OPEB liability		(282,863)
Net pension obligation		(21,656,471)
Deferred inflows related to pensions and OPEB		<u>12,132,415</u>
Net Cash Provided by (Used in) Operating Activities	\$	<u><u>(29,845,263)</u></u>
 Noncash Investing, Noncapital Financing and Capital and Related Financing Activities:		
Interest on capital debt paid by state agency on behalf of the College	\$	261,433
Principal on capital debt paid by state agency on behalf of the College	\$	338,649
Change in accounts payable for capital assets	\$	374,274

See notes to financial statements.

Rose State College
Notes to Financial Statements
June 30, 2022

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, and Federal Work Study programs. Unsecured credit is extended to students.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB statements No. 14 and No. 34*, the Rose State College Technical Area Education District (the District) is 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 Office of Administrative Services.

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 year ended June 30, 2021, the Foundation provided the College \$239,876 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, 2022

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 position 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 year-end, cash equivalents consisted primarily of pooled funds held by the Oklahoma State Treasurer or Office of Management and Enterprise Services and money market mutual funds on deposit with a trustee.

Restricted Cash and Investments

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

Rose State College
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

The College accounts for its investments at fair value based on quoted market prices.

Investment income consists of interest income earned from deposits in money market savings, interest-bearing checking accounts and money market funds.

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.

The College is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article X Section 6B for qualifying manufacturing concerns.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. In exchange for the five-year exemption, qualifying manufacturing concerns must incur investment costs of \$250,000 or more for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer a basic health benefit plan to all full-time employees within 180 days of employment.

The College had no ad valorem taxes abated under this program for the fiscal year.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. Section 193 that is used to reimburse the College for the loss of revenue. Contributions to this fund come from a dedicated tax stream comprised of one percent of net state personal and corporate income tax revenues. The College received \$38,982 during fiscal 2022 for payment of the abated manufacturing taxes and has no outstanding, unpaid claim for reimbursement from the State as of June 30, 2022.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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. For further information regarding student accounts receivables please see Note 3.

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. The College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under lease obligations are amortized 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	3-7 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. The expense and related liability are recognized as the vacation benefits are earned, whether the employee is expected to realize the benefit as paid time off or as a cash payment. 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 that 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 position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Unearned Revenue

Unearned 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.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position of the College is classified in three components. Net investment in capital assets consists 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 position is 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 position is noncapital assets, such as permanent endowments, that are required to be maintained in perpetuity as specified by parties external to the Foundation. Unrestricted net position is the 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.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows and deferred inflows are the consumption and the acquisition, respectively, of net position by the College that is applicable to a future reporting period. The College's deferred outflows of resources were comprised of changes related to pension and OPEB obligations that are applicable to future reporting periods. The College's deferred inflows of resources were comprised of revenues from the bookstore contract service concession arrangement, gains on debt refinancing and amounts related to OPEB and pension obligations related to experience and investments that are applicable to future reporting periods.

Classification of Revenues

The College has classified its revenues as either operating or non-operating 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, (2) sales and services of auxiliary enterprises, and (3) operating grants.

Nonoperating Revenues - Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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, charter school fees, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and 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 non-operating revenues in the College's financial statements.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded scholarship discounts and allowances. The scholarship discounts and allowances on tuition and fees for the year ended June 30, 2022 was \$10,102,045.

Income Taxes

The College and District, as political subdivisions of the State of Oklahoma, are exempt from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the College and District may be subject to federal income tax on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

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.

Pensions and OPEB

For purposes of measuring the net pension and OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Teachers' Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements Adopted in 2022

GASB 87 was issued in June 2017; the primary objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The College adopted GASB 87 for the June 30, 2022, reporting year and the implementation had an immaterial effect net on the College's financials. Leases will continue to be evaluated in subsequent years and any material effect will be accounted for in the financial statements in that particular year.

Rose State College
Notes to Financial Statements
June 30, 2022

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

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 College'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, 2022, none of the District's balances of \$17,565,188 are exposed to custodial credit risk as a result of being uninsured and uncollateralized.

The College maintains its cash in pooled funds held by the Oklahoma State Treasurer or Office of Management and Enterprise Services (OMES). 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.

There is \$28,505,519 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2022, \$15,647,618 represents the amount held within OK INVEST, an internal investment pool, and \$6,000 represents change funds. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages, and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. Based on an evaluation of the use and purpose of the College's participation in the internal investment pool, the amount on deposit with OK INVEST is treated as a demand account and reported as a cash equivalent.

Rose State College
Notes to Financial Statements
June 30, 2022

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

Summary of Carrying Values

The carrying values of deposits and invested funds shown above are included in the statement of net position and statement of fiduciary net position as follows at June 30, 2022:

Carrying Value		
Deposits	\$	30,417,089
Invested pooled funds		15,647,618
Change funds		6,000
	\$	46,070,707

Investments

The College 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 will adversely affect the fair value of an investment. The pooled funds held by the state treasurer or OMES and the money market mutual funds are presented with a maturity of less than one year because they are redeemable in full immediately.

Investment Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The College is authorized to invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Regents.

Fair Value Measurement: GASB establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that the market participants would use in pricing the assets or liabilities. Real Estate held as investments would be valued as level 3 inputs.

Rose State College
Notes to Financial Statements
June 30, 2022

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

Investment Income

Investment income of \$269,797 consisted primarily of interest income for the year ended June 30, 2022.

Note 3: Student 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. Accounts receivable consisted of the following at June 30, 2022:

Student tuition and fees	\$	4,002,415
Auxiliary enterprises and other operating activities		<u>237,557</u>
		4,239,972
Less: allowance for doubtful accounts		<u>(2,790,000)</u>
Net accounts receivable	\$	<u><u>1,449,972</u></u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2022 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 3,617,031	\$ -	\$ -	\$ -	\$ 3,617,031
Construction In progress	-	636,039	-	-	636,039
Total capital assets, not being depreciated	<u>3,617,031</u>	<u>636,039</u>	<u>-</u>	<u>-</u>	<u>4,253,070</u>
Other capital assets					
Building and improvements	121,551,498	856,136	-	-	122,407,634
Land improvements and infrastructure	1,316,684	-	-	-	1,316,684
Furniture fixtures and equipment	21,854,545	255,346	-	-	22,109,891
Library materials	7,299,569	213,387	20,886	-	7,492,070
Total other capital assets	<u>152,022,296</u>	<u>1,324,869</u>	<u>20,886</u>	<u>-</u>	<u>153,326,279</u>
Less accumulated depreciation					
Buildings and improvements	47,628,429	3,201,365	-	-	50,829,794
Land improvements and infrastructure	445,070	65,836	-	-	510,906
Furniture fixtures and equipment	18,225,392	1,083,509	-	-	19,308,901
Library materials	6,406,779	276,847	20,886	-	6,662,740
Total accumulated depreciation	<u>72,705,670</u>	<u>4,627,557</u>	<u>20,886</u>	<u>-</u>	<u>77,312,341</u>
Other capital assets, net	<u>79,316,626</u>	<u>(3,302,688)</u>	<u>-</u>	<u>-</u>	<u>76,013,938</u>
Total cost of capital assets	155,639,327	1,960,908	20,886	-	157,579,349
Less accumulated depreciation	72,705,670	4,627,557	20,886	-	77,312,341
Capital assets, net	<u>\$ 82,933,657</u>	<u>\$ (2,666,649)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,267,008</u>

Rose State College
Notes to Financial Statements
June 30, 2022

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and Capital Leases					
2013 Building Bonds Payable	\$ 13,530,000	\$ -	\$ (1,690,000)	\$ 11,840,000	\$ 1,690,000
2021 Housing Note Payable	5,599,703	-	(5,599,703)	-	-
2014C OCIA obligation	6,343,428	-	(338,649)	6,004,779	355,134
ODFA 2017A	15,901,250	-	(370,333)	15,530,917	386,167
ODFA 2018A	8,905,084	-	(191,667)	8,713,417	199,333
ODFA 2022A	-	6,011,000	(8,455)	6,002,545	92,711
ODFA 2017A Premium	693,732	-	(26,768)	666,964	26,768
ODFA 2018A Premium	231,344	-	(8,595)	222,749	8,595
ODFA 2022A Premium	-	208,514	-	208,514	6,970
Total Bonds and Capital Leases	<u>51,204,541</u>	<u>6,219,514</u>	<u>(8,234,170)</u>	<u>49,189,885</u>	<u>2,765,678</u>
Other noncurrent liabilities					
Accrued compensated absences	<u>1,087,934</u>	<u>870,775</u>	<u>(961,371)</u>	<u>997,338</u>	<u>870,775</u>
Total noncurrent liabilities	<u>\$ 52,292,475</u>	<u>\$ 7,090,289</u>	<u>\$ (9,195,541)</u>	<u>\$ 50,187,223</u>	<u>\$ 3,636,453</u>

2013 Building Bonds Payable

The District's Building Bonds of 2013, which were issued in August 2013, are general obligation bonds the proceeds of which were 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 semi-annually on August 1 and February 1 at rates between 0.05% and 7.0%. Principal is due annually on August 1 through August 1, 2028. 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 thereon is restricted for this purpose.

Debt service requirements as of June 30, 2022, on the 2013 Building Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total to be Paid</u>
2023	\$ 1,690,000	\$ 307,163	\$ 1,997,163
2024	1,690,000	245,900	1,935,900
2025	1,690,000	182,525	1,872,525
2026	1,690,000	119,150	1,809,150
2027	1,690,000	51,550	1,741,550
2028-2029	<u>3,390,000</u>	<u>9,725</u>	<u>3,399,725</u>
	<u>\$ 11,840,000</u>	<u>\$ 916,013</u>	<u>\$ 12,756,013</u>

Rose State College
Notes to Financial Statements
June 30, 2022

Note 5: Long-term Liabilities (Continued)

2006D/2014C OCIA Note Payable

The note payable consists of bonds issued by the 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 note payable.

The College's 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 payments on behalf of the College which for the year ended June 30, 2022 amounted to \$600,082.

In 2015, the OCIA issued Bond Series 2014C that refunded the 2006D Bonds. The agreement no longer secures the 2006D Bond Issue but now acts as security for the 2014C Bond Issue over the term of the agreement through the year 2035. The agreement restructuring resulted in a reduction of principal, thus the College has recorded a credit of \$921,276 on restructuring as a deferred inflow of resources that will be amortized over a period of twenty years. As of June 30, 2022, the unamortized gain totaled \$559,762.

The scheduled principal and interest payments related to the 2014C OCIA payable at June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2023	\$ 355,134	\$ 246,080	\$ 601,214
2024	369,264	232,412	601,676
2025	382,452	216,285	598,737
2026	401,763	196,962	598,725
2027	421,074	176,947	598,021
2028-2032	2,379,021	612,998	2,992,019
2033-2035	1,696,071	95,826	1,791,897
	<u>\$ 6,004,779</u>	<u>\$ 1,777,510</u>	<u>\$ 7,782,289</u>

2017A ODFA Payable

In June 2017, the College entered into a 30-year agreement with the ODFA and OSRHE as beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Real Property Master Revenue Bonds, Series 2017A. The College financed \$17,301,000 (including \$800,804 in premium) to renovate the Student Center.

Payments made by the College are forwarded to the trustee bank by OSRHE for future principal and interest payments on the Master Revenue bonds. The ODFA deposits the payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future payments.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 5: Long-term Liabilities (Continued)

The scheduled principal and interest payments related to the 2017A ODFA payable at June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2023	\$ 386,167	\$ 575,825	\$ 961,992
2024	400,417	560,379	960,796
2025	417,333	544,362	961,695
2026	433,500	527,669	961,169
2027	451,250	510,329	961,579
2028-2032	2,530,750	2,266,897	4,797,647
2033-2037	3,064,083	1,745,392	4,809,475
2038-2042	3,623,667	1,182,798	4,806,465
2043-2047	4,223,750	498,482	4,722,232
	<u>\$ 15,530,917</u>	<u>\$ 8,412,133</u>	<u>\$ 23,943,050</u>

2018A ODFA Payable

In June 2018, the College entered into a 30-year agreement with the ODFA and OSRHE as beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Real Property Master Revenue Bonds, Series 2018A. The College financed \$9,446,000 (including \$257,129 in premium) to refinance the Housing capital lease for the "Village at Rose State". The refinancing resulted in a reduction of principal, thus the College has recorded a credit of \$2,123,514 on refinancing as a deferred inflow of resources that will be amortized over a period of thirty years. As of June 30, 2022, the unamortized gain totaled \$1,839,590.

The scheduled principal and interest payments related to the 2018A ODFA payable at June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2023	\$ 199,333	\$ 342,487	\$ 541,820
2024	204,083	334,513	538,596
2025	216,667	326,350	543,017
2026	224,583	317,683	542,266
2027	231,583	308,700	540,283
2028-2032	1,301,333	1,397,067	2,698,400
2033-2037	1,585,417	1,115,083	2,700,500
2038-2042	1,931,667	771,333	2,703,000
2043-2047	2,342,083	360,075	2,702,158
2048	476,668	17,875	494,543
	<u>\$ 8,713,417</u>	<u>\$ 5,291,166</u>	<u>\$ 14,004,583</u>

Rose State College
Notes to Financial Statements
June 30, 2022

Note 5: Long-term Liabilities (Continued)

2022A ODFA Payable

In May 2022, the College entered into a 30-year agreement with the ODFA and OSRHE as beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Real Property Master Revenue Bonds, Series 2022A. The College financed \$6,170,000 (including \$208,514 in premium) to refinance the Housing note payable for the “Village at Rose State”. The refinancing resulted in an increase principal (but a reduction in overall interest), thus the College has recorded a debit of \$569,082 on refinancing as a deferred outflow of resources that will be amortized over a period of thirty years. As of June 30, 2022, the unamortized gain totaled \$569,082.

The scheduled principal and interest payments related to the 2018A ODFA payable at June 30, 2022, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2023	\$ 92,711	\$ 273,073	\$ 365,784
2024	98,333	273,667	372,000
2025	102,333	268,750	371,083
2026	106,500	263,633	370,133
2027	112,250	258,308	370,558
2028-2032	644,917	1,202,350	1,847,267
2033-2037	833,333	1,019,319	1,852,652
2038-2042	1,067,584	782,021	1,849,605
2043-2047	1,334,584	511,991	1,846,575
2048-2052	1,610,000	208,409	1,818,409
	<u>\$ 6,002,545</u>	<u>\$ 5,061,521</u>	<u>\$ 11,064,066</u>

Note 6: Retirement Plans

The College’s academic and nonacademic personnel are covered by two retirement plans. The plans available to College personnel include the Oklahoma Teachers’ Retirement System (OTRS) (the 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, as the employer, participates in the Oklahoma Teachers Retirement Plan - a cost-sharing multiple-employer defined benefit pension plan administered by OTRS. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Benefits Provided

OTRS provides retirement, disability, and death benefits to members of the plan.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (IRC).
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC Section 403(b).

Rose State College
Notes to Financial Statements
June 30, 2022

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Contributions

The contribution requirements of the OTRS Plan are at an established rate determined by Oklahoma Statute, as amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.50% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program, see Note 11. Contributions to the pension plan from the College were \$2,109,083. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$1,121,581 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the College reported a liability of \$20,691,857 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2021. Based upon this information, the College's proportion was 0.4050%.

For the year ended June 30, 2022, the College recognized pension expense (benefit) of (\$261,139) in compensation and benefits expense. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,364,362	\$ 769,460
Changes of assumptions	3,218,817	206,065
Net difference between projected and actual earnings on pension plan investments	-	10,747,100
Changes in proportion and differences between College contributions and proportionate share of contributions	34,737	4,515,523
Contributions during measurement date	34,071	24,426
College contributions subsequent to the measurement date	2,109,083	-
Total	<u>\$ 6,761,070</u>	<u>\$ 16,262,574</u>

Rose State College
Notes to Financial Statements
June 30, 2022

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

The \$2,109,083 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2023	\$ (2,914,364)
	2024	(2,223,255)
	2025	(2,401,361)
	2026	(3,885,720)
	2027	(185,887)
		<u>\$ (11,610,587)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined based on an actuarial valuation prepared as of June 30, 2020 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25% inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return - 7.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement - Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members - Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

Rose State College
Notes to Financial Statements
June 30, 2022

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	100.00%	

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered).

Discount Rate

A single discount rate of 7.0% was used to measure the total pension liability as of June 30, 2021. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.0%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the employers calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Employers' net pension liability	\$ 33,821,180	\$ 20,691,857	\$ 9,822,561

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/TRS.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 6: Retirement Plans (Continued)

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 the year ended June 30, 2022, was 2.5% of an eligible employee's annual base salary (as defined in the plan document). Contributions made by the College during 2022 totaled approximately \$367,000.

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

The Board of Trustees for the District entered into an inter-local agreement with the Midwest City -Del City School Board (Mid-Del) to provide financial support for instruction in specified vocational and technical programs provided at the Lewis Eubanks Technical Center (Tech Center) during fiscal year 2022. The financial support payments, from the proceeds of the ad valorem tax levies (Note 1), is to be made at an amount which is equal to 50% of total collections of the Operational, Incentive and Building millage levied for the respective fiscal year. For the year ended June 30, 2022, the District incurred \$5,518,438 of non-operating expense related to the support of the Tech Center. At June 30, 2022, the District owed Mid-Del \$474,907 which is included in accounts payable. The inter-local agreement providing the financial support is approved by the Board of Trustees for the District annually for the upcoming fiscal year and does not extend beyond the bounds of the specified fiscal year. The Board of Trustees for the District retains the right to review, modify and accept or reject any and all future inter-local agreements.

Note 8: Charter School Revenue

The College entered into a contract with EPIC Blended Charter Schools (EPIC) and Dove Science Academy in the capacity as sponsoring entity pursuant to the Oklahoma Charter School Act (Act), 70 O.S. §3-130, et seq. Pursuant to the Act the College receives 3% of only the State aid portion of the funding. The College and EPIC ended their agreement as of June 30, 2022.

Note 9: 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.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 9: Commitments and Contingencies (Continued)

The College participates in the Direct Student Loan Program (the Program). 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, 2022, \$6,494,218 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, 2022, will not have a material adverse impact on the College's financial position.

Note 10: 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 carries insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident and health insurance.

The College participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool (OKHEEI). College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provided by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2022, additional assessments did not occur.

Note 11: Other Post-Employment Benefit Plans

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

1. OTRS Supplemental Health Insurance Program - a cost-sharing multiple-employer defined benefit plan administered by OTRS
2. OKHEEI OPEB Plan - a single employer defined benefit health, dental and vision care plan
3. 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, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

Summary of Net OPEB Obligation

	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
Health Insurance Obligation	\$ 197,162	\$ 267,563	\$ 97,777	\$ 27,273
President's Health Obligation	914,026	-	-	(137,896)
OTRS OPEB Obligation (asset)	(515,877)	128,340	374,938	(71,665)
Total	<u>\$ 595,311</u>	<u>\$ 395,903</u>	<u>\$ 472,715</u>	<u>\$ (182,288)</u>

OTRS Supplement Health Insurance Program

Plan description

The College as the employer, participates in the Supplemental Health Insurance Program - a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS

Benefits provided

OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Higher Education Employee Interlocal Group (OKHEEI), provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.12% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$26,070.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

OTRS Supplement Health Insurance Program (Continued)

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the College reported an asset of \$515,877 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2021. Based upon this information, the College's proportion was .4050%.

For the year ended June 30, 2022, the College recognized an OPEB expense (benefit) of (\$71,665). At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 80,764
Net difference between projected and actual earnings on OPEB plan investments	70,119	-
Changes in College's proportionate share of contributions	-	276,680
Differences between College contributions and proportionate share of contributions	32,151	17,494
College contributions subsequent to the measurement date	26,070	-
Total	<u>\$ 128,340</u>	<u>\$ 374,938</u>

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

OTRS Supplement Health Insurance Program (Continued)

The \$26,070 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	(70,539)
2024		(56,624)
2025		(60,521)
2026		(82,178)
2027		(1,863)
Thereafter		(943)
Total	\$	(272,668)

Actuarial Assumptions

The total OPEB liability (asset) as of June 30, 2022, was determined based on an actuarial valuation prepared as if June 30, 2021 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25% inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return - 7.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement - Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members - Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

OTRS Supplement Health Insurance Program (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	100.00%	

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered).

Discount Rate

A single discount rate of 7.00% was used to measure the total OPEB liability (asset) as of June 30, 2021. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.0%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net OPEB liability (asset)	\$ (331,424)	\$ (515,877)	\$ (672,170)

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/TRS.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan

Plan description

The College's defined benefit OPEB plan, RSC Retiree Benefits Plan, provides OPEB to eligible retirees and their dependents. The College's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The College provides medical, dental, and vision benefits to eligible retirees and their dependents through the Oklahoma Higher Education Employee Interlocal Group. The retiree pays the full contribution rate for the retiree's coverages and for any other elected dependent dental and vision coverages. The medical rates for pre-age-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees covered by benefit terms

At June 30, 2022, the following employees were covered by the benefit terms:

Active Employees	304
Retired participants or beneficiaries currently receiving benefit payments	<u>15</u>
Total	<u>319</u>

Total OPEB Liability

The College's total OPEB liability of \$197,162 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2022 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Discount Rate - 3.55%, based on published Bond Pay Go-20 bond index

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

- Pre-Retirement Termination - Table T-3 of the Actuary's Pension Handbook

Age	Annual Termination Rate
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	0.33%
60	0.00%

- Retirement Age: 65
- Healthcare cost trend rates - Level 5.00%
- Mortality Rates - RPA-2000 Mortality Table projected to 2020

Changes in Total OPEB Liability

The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
Balances Beginning of Year	\$ 342,129
Changes for the Year:	
Interest expense	7,664
Changes of assumptions	(8,361)
Difference between expected and actual experience	(78,103)
Benefits paid	(66,167)
Net Changes	(144,967)
Balances End of Year	\$ 197,162

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.55%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.55%) or 1-percentage-point higher (4.55%) than the current rate:

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

	<u>1% Decrease (2.55%)</u>	<u>Current Discount Rate (3.55%)</u>	<u>1% Increase (4.55%)</u>
Employers' net opeb liability	\$ 202,523	\$ 197,162	\$ 192,048

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rates Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Employers' net opeb liability	\$ 192,040	\$ 197,162	\$ 202,397

OPEB Expense

For the year ended June 30, 2022, the College recognized OPEB expense of \$27,273. The College also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 238,660	\$ 88,780
Changes of assumptions	28,903	8,997
Total	<u>\$ 267,563</u>	<u>\$ 97,777</u>

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2023	\$	19,609
2024		19,609
2025		19,609
2026		17,784
2027		16,925
Thereafter		76,251
Total	<u>\$</u>	<u>169,787</u>

College President's OPEB Plan

Plan Description

The College's Presidents defined benefit OPEB plan, College President's Plan, provides OPEB to several eligible retired Presidents and their spouses as defined in those Presidents' employment contracts as approved by the College's Board of Regents. The College's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The College provides healthcare and long-term care benefits to eligible retirees and their spouses. The College pays the full contribution rate for the retirees' coverages and their spouses.

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms:

Retired participants or beneficiaries currently receiving benefit payments 6

Total OPEB Liability

The College's total OPEB liability of \$914,026 was measured as of June 30, 2022, and was determined by an actuarial valuation as of that date.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

College President's OPEB Plan (Continued)

Actuarial Assumptions - The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2022 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Discount Rate - 3.55%, based on published Bond Pay Go-20 bond index
- Healthcare cost trend rates - Level 5.00%
- Mortality Rates - RPA-2000 Mortality Table projected to 2020

Changes in Total OPEB Liability

The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
Balances Beginning of Year	\$ 1,051,922
Changes for the Year:	
Interest expense	21,459
Changes of assumptions	(80,522)
Difference between expected and actual experience	16,568
Benefits paid	(95,401)
Net Changes	(137,896)
Balances End of Year	\$ 914,026

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.55%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.55%) or 1-percentage-point higher (4.55%) than the current rate:

	1% Decrease (2.55%)	Current Discount Rate (3.55%)	1% Increase (4.55%)
Employers' net OPEB liability	\$ 965,577	\$ 914,026	\$ 868,472

Rose State College
Notes to Financial Statements
June 30, 2022

Note 11: Other Post-Employment Benefit Plans (Continued)

College President's OPEB Plan (Continued)

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Employers' net opeb liability	\$ 876,014	\$ 914,026	\$ 956,012

OPEB Expense

For the year ended June 30, 2022, the College recognized OPEB expense (benefit) of (\$137,896).

Note 12: Other Service Concession Arrangement

On August 1, 2012, the College entered into a 10-year agreement with Follett Higher Education Group (Follett), under which Follett will operate the bookstore. Follett will pay the College installment payments of \$40,000 per year over the course of the arrangement; the present value of these installment payments were estimated to be \$341,000 as of August 1, 2012. Follett will also pay the College 14% of the first \$3 million of annual revenues, 14.5% of annual revenues between \$3-4 million, and 15% of annual revenues over \$4 million that it earns from the operation of the bookstore. Follett is required to operate and maintain the bookstore in accordance with the contract. The College reports a receivable and deferred inflow of resources in the amount of \$2,842 at June 30, 2022, pursuant to the service concession arrangement.

Note 13: Segment Information

As noted in the reporting entity section above, the College's financials contain a blended component unit, the Rose State College Technical Area Education District (the District). Summary financial information for the College and the District is presented below.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 13: Segment Information (Continued)

CONDENSED STATEMENT OF NET POSITION	College	District	Total
ASSETS			
Current assets	\$ 25,975,740	\$ 18,009,878	\$ 43,985,618
Capital assets, net	53,074,835	27,192,173	80,267,008
Other assets	4,891,198	-	4,891,198
Total assets	<u>83,941,773</u>	<u>45,202,051</u>	<u>129,143,824</u>
DEFERRED OUTFLOWS	<u>7,726,055</u>	<u>-</u>	<u>7,726,055</u>
LIABILITIES			
Current liabilities	4,133,802	2,795,601	6,929,403
Non-current liabilities	58,203,816	10,150,000	68,353,816
Total liabilities	<u>62,337,618</u>	<u>12,945,601</u>	<u>75,283,219</u>
DEFERRED INFLOWS	<u>19,137,484</u>	<u>-</u>	<u>19,137,484</u>
NET POSITION			
Net investment in capital assets	13,932,783	15,212,746	29,145,529
Restricted	11,558,492	5,206,351	16,764,843
Unrestricted	<u>(15,298,549)</u>	<u>11,837,353</u>	<u>(3,461,196)</u>
Total net position	<u>\$ 10,192,726</u>	<u>\$ 32,256,450</u>	<u>\$ 42,449,176</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	\$ 11,618,368	\$ -	\$ 11,618,368
Depreciation	(2,484,209)	(2,143,348)	(4,627,557)
Other operating expenses	<u>(36,887,914)</u>	<u>(3,324,000)</u>	<u>(40,211,914)</u>
Operating loss	<u>(27,753,755)</u>	<u>(5,467,348)</u>	<u>(33,221,103)</u>
Non-operating Revenues (Expenses)			
State appropriations	16,869,454	-	16,869,454
Federal grants	8,660,658	-	8,660,658
State grants	1,419,551	-	1,419,551
OTRS on-behalf contributions	1,121,581	-	1,121,581
Charter school revenue, net of transfers (Note 8)	4,046,027	-	4,046,027
Ad valorem taxes	-	13,013,429	13,013,429
Academic support for the Mid-Del Area Vocational Technical School	-	(5,518,438)	(5,518,438)
Miscellaneous revenue	1,393,857	-	1,393,857
Investment revenue	265,143	4,654	269,797
Interest on capital asset-related debt	(1,553,844)	(338,850)	(1,892,694)
Capital appropriations - state	900,000	-	900,000
OCIA debt services on-behalf payments	600,082	-	600,082
Transfers from (to)	60,005	(60,005)	-
Change in net position	<u>6,028,759</u>	<u>1,633,442</u>	<u>7,662,201</u>
Beginning net position (restated)	<u>4,163,967</u>	<u>30,623,008</u>	<u>34,786,975</u>
Ending net position	<u>\$ 10,192,726</u>	<u>\$ 32,256,450</u>	<u>\$ 42,449,176</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ (26,852,191)	\$ (2,993,072)	\$ (29,845,263)
Noncapital financing activities	31,055,695	5,405,066	36,460,761
Capital and related financing activities	(1,541,029)	(203,358)	(1,744,387)
Investing activities	<u>262,679</u>	<u>4,654</u>	<u>267,333</u>
Net increase (decrease)	2,925,154	2,213,290	5,138,444
Cash and Cash Equivalents, Beginning of Year	<u>25,580,365</u>	<u>15,351,898</u>	<u>40,932,263</u>
Cash and Cash Equivalents, End of Year	<u>\$ 28,505,519</u>	<u>\$ 17,565,188</u>	<u>\$ 46,070,707</u>

Rose State College
Notes to Financial Statements
June 30, 2022

Note 14: Rose State College Foundation, Inc.

Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Foundation is a nonprofit organization whose mission and principal activities are to promote the educational and cultural interest of 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 non-voting 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 position during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments and Investment Return

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Investment in the common funds is valued at fair value based upon the underlying fair value of the funds' equity and debt securities. Net investment gain/(loss) is reported in the statement of revenues, expenses, and changes in net position and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 14: Rose State College Foundation, Inc.

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 position. Other investment return is reflected in the statement of revenues, expenses, and changes in net position as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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.

Income Taxes

The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 14: Rose State College Foundation, Inc.

Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Investment Return

Total investment return is comprised of the following for the year ended June 30, 2022:

Net realized and unrealized gain	\$ (257,202)
Less investment management and custodial fees	<u>(7,797)</u>
	<u><u>\$ (264,999)</u></u>

Fair Value Measurements and Disclosures

The Foundation measures its investments at fair value using the net asset value (NAV) per share practical expedient.

The following table presents investments measured at fair value based on NAV per share at June 30, 2022:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Bond Fund	\$ 927,073	\$ -	Limited	5 business days*
Multi-Strategy Equity Fund	<u>753,907</u>	<u>-</u>	Limited	5 business days*
	<u><u>\$ 1,680,980</u></u>	<u><u>\$ -</u></u>		

* With additional stipulations such as withdrawal performed at month-end

Rose State College
Notes to Financial Statements
June 30, 2022

Note 14: Rose State College Foundation, Inc.

Capital Assets

Capital Assets consist of the following at June 30, 2022:

Historical Properties:	
Atkinson Heritage Center	\$ 1,400,000
Atkinson Land	850,000
Atkinson Pony Barn	613,000
Artwork- Sculpture	<u>7,000</u>
Total Capital Assets	<u>\$ 2,870,000</u>

The properties are not depreciated since they have cultural and historical value that is worth preserving perpetually, and the Foundation is protecting the service potential of the properties.

Restricted Net Position

Net Position with Donor Restrictions

Net position with donor restrictions at June 30, 2022, consists of funds restricted by donors for scholarships in the amount of \$4,912,557, including the Atkinson Heritage Center property of \$2,863,000, and artwork of \$7,000.

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 year ended June 30, 2022 are reported in the Foundation's financial statements as scholarships, awards, and programs of \$212,137. At June 30, 2022, the Foundation had scholarship, awards, and programs payable to the College of \$13,285.

The Foundation receives various administrative services and office space from the College at no cost. The Foundation's office space is provided by the College. During 2022, approximately \$6,900 was recorded as in-kind rent. The Foundation's payroll cost for employees handling all the day-to-day operations are paid by the College. During 2022, approximately \$105,000 was recorded as contributed services, which represent the Foundation's portion of the staff's salaries. These amounts are recorded as in-kind contributions on the accompanying statement of revenue, expenses, and changes in net position.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 14: Rose State College Foundation, Inc.

Related Party Transactions (Continued)

The Foundation has entered into an operating lease with the College for the Atkinson Heritage 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 administrative costs (maintenance, insurance, etc.) related to the property.

Endowments

The Foundation endowments consist of several 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 Trustees 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 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 restricted nonexpendable 1) the original value of gifts donated to the endowment, 2) the original value of subsequent gifts donated to the endowment, 3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OUPMIFA. 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 to conservative level of investment risk.

Rose State College
Notes to Financial Statements
June 30, 2022

Note 14: Rose State College Foundation, Inc.

Endowments (Continued)

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.

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. Permitted annual disbursements for scholarships from permanent endowment fund earnings are reviewed by the Budget and Investment Committee annually and submitted to the Board for approval. In establishing this policy, the Foundation considered both the short-term and the long-term expected return on its endowment. 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.

Changes in Endowment Net Position for the year ending June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net position, beginning of year	\$ -	\$ 946,106	\$ 946,106
Investment income net	-	-	-
Contributions	-	83,068	83,068
Transfers between restrictions	-	750	750
Appropriations	-	-	-
Endowment net position, end of year	<u>\$ -</u>	<u>\$ 1,029,924</u>	<u>\$ 1,029,924</u>

Required Supplementary Information

Rose State College
June 30, 2022

ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
College's proportion of the net pension liability	0.4946%	0.5399%	0.5075%	0.5125%	0.5092%	0.4683%	0.4462%	0.4050%
College's proportionate share of the net pension liability	\$ 26,608,757	\$ 32,786,493	\$ 42,356,149	\$ 33,937,322	\$ 30,778,185	\$ 30,991,385	\$ 42,348,328	\$ 20,691,857
College's covered-employee payroll	\$ 22,925,808	\$ 22,192,483	\$ 21,302,035	\$ 21,101,444	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039	\$ 20,103,020
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	116%	148%	199%	161%	146%	141%	197%	103%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%	71.56%	63.47%	80.80%

*The amounts presented for each fiscal year were determined as of 6/30

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Rose State College
June 30, 2022

ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 2,269,655	\$ 2,156,215	\$ 2,015,580	\$ 2,104,834	\$ 2,217,467	\$ 2,169,170	\$ 2,017,043	\$ 2,109,083
Contributions in relation to the contractually required contribution	<u>2,269,655</u>	<u>2,156,215</u>	<u>2,015,580</u>	<u>2,104,834</u>	<u>2,217,467</u>	<u>2,169,170</u>	<u>2,017,043</u>	<u>2,109,083</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 22,192,483	\$ 21,302,035	\$ 21,101,444	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039	\$ 20,103,020	\$ 21,288,688
Contributions as a percentage of covered-employee payroll	10%	10%	10%	10%	10%	10%	10%	10%

Notes to Schedule:

Only these years are presented because 10-year data is not yet available.

Rose State College

June 30, 2022

ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
College's proportion of the net OPEB liability (asset)	0.5125%	0.5092%	0.4682%	0.4462%	0.4050%
College's proportionate share of the net OPEB liability (asset)	\$ (228,566)	\$ (329,100)	\$ (289,523)	\$ (44,205)	\$ (515,877)
College's covered-employee payroll	\$ 21,101,444	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039	\$ 20,103,020
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.08%	-1.56%	-1.32%	-0.21%	-2.57%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.41%	115.07%	102.30%	129.91%

*The amounts presented for each fiscal year were determined as of 6/30

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Rose State College

June 30, 2022

**ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 33,421	\$ 14,957	\$ 4,086	\$ 3,799	\$ 26,070
Contributions in relation to the contractually required contribution	<u>33,421</u>	<u>14,957</u>	<u>4,086</u>	<u>3,799</u>	<u>26,070</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039	\$ 20,103,020	\$ 21,288,688
Contributions as a percentage of covered-employee payroll	0.16%	0.07%	0.02%	0.02%	0.12%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Rose State College

June 30, 2022

ROSE STATE COLLEGE
Schedule of Changes in Total OPEB Liability and Related Ratios
OKHEEI Group OPEB Plan
Last 10 Fiscal Years

	2018	2019	2020	2021	2022
Total OPEB liability					
Interest	\$ 8,500	\$ 8,944	\$ 5,942	\$ 6,146	\$ 7,664
Change in assumptions	(3,218)	2,270	33,738	1,537	(8,361)
Differences between expected and actual experience	25,549	(24,878)	142,518	142,292	(78,103)
Benefit payments, including refunds of member contributions	(76,282)	(43,609)	(81,079)	(82,207)	(66,167)
Net change in total OPEB liability	(45,451)	(57,273)	101,119	67,768	(144,967)
Total OPEB liability - beginning	275,966	230,515	173,242	274,361	342,129
Total OPEB liability - ending (a)	<u>\$ 230,515</u>	<u>\$ 173,242</u>	<u>\$ 274,361</u>	<u>\$ 342,129</u>	<u>\$ 197,162</u>
Covered employee payroll	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039	\$ 20,103,020	\$ 21,288,688
Net OPEB liability (asset) as a percentage of covered-employee payroll	1.09%	0.79%	1.28%	1.70%	0.93%
Discount rate used	3.88%	3.43%	2.21%	2.04%	3.55%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Rose State College

June 30, 2022

ROSE STATE COLLEGE
Schedule of Changes in Total OPEB Liability and Related Ratios
College President's OPEB Plan
Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Interest	\$ 24,962	\$ 30,421	\$ 30,157	\$ 23,254	\$ 21,459
Change in assumptions	(30,983)	13,333	33,738	1,537	(80,522)
Differences between expected and actual experience	239,485	(76,770)	181,397	80,686	16,568
Benefit payments, including refunds of member contributions	<u>(56,211)</u>	<u>(75,480)</u>	<u>(86,352)</u>	<u>(91,694)</u>	<u>(95,401)</u>
Net change in total OPEB liability	177,253	(108,496)	158,940	13,783	(137,896)
Total OPEB liability - beginning	<u>810,442</u>	<u>987,695</u>	<u>879,199</u>	<u>1,038,139</u>	<u>1,051,922</u>
Total OPEB liability - ending (a)	<u>\$ 987,695</u>	<u>\$ 879,199</u>	<u>\$ 1,038,139</u>	<u>\$ 1,051,922</u>	<u>\$ 914,026</u>
Discount rate used	3.88%	3.43%	2.21%	2.04%	3.55%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Supplementary Information

Rose State College
Combining Schedule of Net Position
June 30, 2022

	<u>College</u>	<u>District</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 24,130,198	\$ 12,358,837	\$ 36,489,035
Restricted:			
Cash and cash equivalents	-	5,206,351	5,206,351
Accounts receivable, net	1,432,755	17,217	1,449,972
Federal and state grants receivable	358,978	-	358,978
Delinquent ad valorem property taxes receivable	-	422,000	422,000
Restricted investments	38,104	-	38,104
Accrued interest receivable	15,705	-	15,705
Prepaid expenses	-	5,473	5,473
Total current assets	<u>25,975,740</u>	<u>18,009,878</u>	<u>43,985,618</u>
Noncurrent assets:			
Restricted:			
Cash and cash equivalents	4,375,321	-	4,375,321
Restricted net OPEB asset	515,877	-	515,877
Capital assets, net	53,074,835	27,192,173	80,267,008
Total noncurrent assets	<u>57,966,033</u>	<u>27,192,173</u>	<u>85,158,206</u>
Total assets	<u>83,941,773</u>	<u>45,202,051</u>	<u>129,143,824</u>
DEFERRED OUTFLOWS			
Related to debt	395,903	-	395,903
Related to OPEB	569,082	-	569,082
Related to pensions	6,761,070	-	6,761,070
Total deferred outflows	<u>7,726,055</u>	<u>-</u>	<u>7,726,055</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	793,514	966,174	1,759,688
Accrued compensated absences	870,775	-	870,775
Interest payable	-	139,427	139,427
Unearned revenue	1,332,118	-	1,332,118
Current maturities of long-term debt	1,075,678	1,690,000	2,765,678
Room deposits payable	61,717	-	61,717
Total current liabilities	<u>4,133,802</u>	<u>2,795,601</u>	<u>6,929,403</u>
Noncurrent liabilities:			
Accrued compensated absences	126,563	-	126,563
Total OPEB liability	1,111,188	-	1,111,188
Net pension liability	20,691,857	-	20,691,857
Long-term debt	36,274,208	10,150,000	46,424,208
Total noncurrent liabilities	<u>58,203,816</u>	<u>10,150,000</u>	<u>68,353,816</u>
Total liabilities	<u>62,337,618</u>	<u>12,945,601</u>	<u>75,283,219</u>
DEFERRED INFLOWS			
Bookstore service concession arrangement	2,842	-	2,842
Gain on debt refinancing	2,399,353	-	2,399,353
Related to OPEB	472,715	-	472,715
Related to pensions	16,262,574	-	16,262,574
Total deferred inflows	<u>19,137,484</u>	<u>-</u>	<u>19,137,484</u>
NET POSITION			
Net investment in capital assets	13,932,783	15,212,746	29,145,529
Restricted expendable for:			
Scholarships	6,667,294	-	6,667,294
Loans	6,815	-	6,815
Capital projects	2,951,566	3,292,885	6,244,451
Debt service	1,416,940	1,913,466	3,330,406
OPEB	515,877	-	515,877
Unrestricted	<u>(15,298,549)</u>	<u>11,837,353</u>	<u>(3,461,196)</u>
Total net position	<u>\$ 10,192,726</u>	<u>\$ 32,256,450</u>	<u>\$ 42,449,176</u>

Rose State College
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2022

	<u>College</u>	<u>District</u>	<u>Total</u>
Operating revenues			
Tuition and fees, net	\$ 5,416,749	\$ -	\$ 5,416,749
Federal grants and contracts	1,524,009	-	1,524,009
State and private grants and contracts	592,172	-	592,172
Sales and services of auxiliary enterprises, net	3,545,672	-	3,545,672
Other operating revenues	539,766	-	539,766
Total operating revenues	<u>11,618,368</u>	<u>-</u>	<u>11,618,368</u>
Operating Expenses			
Compensation and benefits	25,514,281	-	25,514,281
Contractual services	4,299,573	1,157,910	5,457,483
Supplies and materials	3,356,334	214,793	3,571,127
Scholarships and fellowships	1,766,786	-	1,766,786
Communications	76,719	-	76,719
Depreciation	2,484,209	2,143,348	4,627,557
Utilities	765,867	569,858	1,335,725
Other	1,108,354	1,381,439	2,489,793
Total Operating Expenses	<u>39,372,123</u>	<u>5,467,348</u>	<u>44,839,471</u>
Operating Loss	<u>(27,753,755)</u>	<u>(5,467,348)</u>	<u>(33,221,103)</u>
Non-Operating Revenues (Expenses)			
State appropriations	16,869,454	-	16,869,454
Federal grants	8,660,658	-	8,660,658
State grants	1,419,551	-	1,419,551
OTRS on-behalf contributions	1,121,581	-	1,121,581
Charter school revenue, net of transfers (Note 8)	4,046,027	-	4,046,027
Ad valorem taxes	-	13,013,429	13,013,429
Academic support for the Mid-Del Area Vocational Technical school	-	(5,518,438)	(5,518,438)
Miscellaneous revenue	1,393,857	-	1,393,857
Investment revenue	265,143	4,654	269,797
Interest on capital asset-related debt	(1,553,844)	(338,850)	(1,892,694)
Net non-operating revenue	<u>32,222,427</u>	<u>7,160,795</u>	<u>39,383,222</u>
Income loss before other revenues, expenses, gains, losses, and transfers	4,468,672	1,693,447	6,162,119
Capital appropriations - state	900,000	-	900,000
OCIA debt service on-behalf payments	600,082	-	600,082
Transfers from (to)	60,005	(60,005)	-
Increase (decrease) in Net Position	6,028,759	1,633,442	7,662,201
Net Position, Beginning of Year	<u>4,163,967</u>	<u>30,623,008</u>	<u>34,786,975</u>
Net Position, End of Year	<u>\$ 10,192,726</u>	<u>\$ 32,256,450</u>	<u>\$ 42,449,176</u>

**Reports Required by *Governmental Auditing Standards*
and Uniform Guidance**



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

Board of Regents
Rose State College
Midwest City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rose State College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Rose State College's basic financial statements, and have issued our report thereon date October 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rose State College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rose State College's internal control. Accordingly, we do not express an opinion on the effectiveness of Rose State College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rose State College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2022-001.

Rose State College's Response to Findings

Rose State College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rose State College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hick & Company, PC

Tulsa, Oklahoma
October 21, 2022





**Independent Auditor's Report on Compliance
for Each Major Federal Program; Report on Internal Control
over Compliance and Report on Schedule of Expenditures of
Federal Awards Required by the *Uniform Guidance***

Board of Regents
Rose State College
Midwest City, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rose State College's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Rose State College's major federal programs for the year ended June 30, 2022. Rose State College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Rose State College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rose State College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rose State College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Rose State College's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rose State College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rose State College's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rose State College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rose State College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rose State College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Hick & Company, PC

Tulsa, Oklahoma
October 21, 2022



Rose State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Student Financial Aid Cluster:				
Federal Pell Grant Program	84.063	N/A	\$ -	\$ 8,422,925
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	228,411
Federal Work Study Program	84.033	N/A	-	182,218
Federal Direct Student Loans	84.268	N/A	-	6,494,218
Total Student Financial Aid Cluster			<u>-</u>	<u>15,327,772</u>
TRIO Cluster				
Student Support Services Program	84.042	N/A	-	252,866
Talent Search Program	84.044	N/A	-	311,280
Total TRIO Cluster			<u>-</u>	<u>564,146</u>
Fund for the Improvement of Postsecondary Education (FIPSE) - Cyber Security Laboratory	84.116R	N/A	-	58,778
Emergency Financial Aid Grants to Students under HEERF	84.425E	N/A	-	58,221
Passed Through Oklahoma State Department of Technology Carl Perkins	84.048A	5A028C2D076E	-	143,216
Passed Through Oklahoma State Regents for Higher Education Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	N/A	-	26,965
Total U.S. Department of Education			<u>-</u>	<u>16,179,098</u>
U.S. Department of Health and Human Services				
Passed Through Oklahoma State Regents for Higher Education				
Scholars for Excellence in Child Care	93.575	21000308	-	92,196
Temporary Assistance for Needy Families (TANF)	93.558	20000528	-	156,311
Total U.S. Department of Health and Human Services			<u>-</u>	<u>248,507</u>
U.S. Small Business Administration				
Passed Through Southeastern Oklahoma State University				
Oklahoma Small Business Development Centers	59.037	SBAHQ-19-B-0044	-	25,697
SBDC CARES Act Supplemental Funding	59.037	SBAHQ20C0036	-	102,965
Total U.S. Small Business Administration			<u>-</u>	<u>128,662</u>
National Science Foundation				
Direct Programs				
Unmanned Aerial Systems	47.076	N/A	-	9,206
Total National Science Foundation			<u>-</u>	<u>9,206</u>
Total Federal Awards			<u>-</u>	<u>\$ 16,565,473</u>

Rose State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Rose State College (the College) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3: Federal Direct Student Loan Program

The College participates in the Federal Direct Loan Program (the Program), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the College to draw down cash; and 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. The College is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

Note 4: Subrecipients

During the year ended June 30, 2022, the College did not provide any federal awards to subrecipients.

Rose State College
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022

Summary of Auditor's Results

1. The opinion expressed in the independent auditor's report was:
 Unmodified Qualified Adverse Disclaimed

2. The independent auditor's report on internal control over financial reporting described:
 Significant deficiencies Yes None reported
 Material weaknesses? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
 Significant deficiencies? Yes None reported
 Material weaknesses? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance? Yes No

Summary of Auditor's Results (Continued)

7. The College's major program was:

Cluster/Program	Federal Assistance Listing Number
Student Financial Aid Cluster	
Federal Pell Grant	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Direct Loan Program	84.268
Federal Work Study	84.033

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

Rose State College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

9. The College qualified as a low-risk auditee as that term is defined in Uniform Guidance. Yes No

Findings Required to be Reported by Government Auditing Standards

Finding: 2022-001 - Proper Design and Implementation of the Cash Reconciliation Close Process

Criteria: The College should maintain a system of controls that ensures cash reconciliations are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") in a timely manner.

Condition: During the year ended June 30, 2022 and 2021, the College did not maintain appropriate oversight of the cash reconciliation process resulting in several months of cash going unreconciled.

Cause and Effect: During the year ended June 30, 2022, the College did not have the necessary personnel resources due to an employee quitting to maintain appropriate processes to ensure cash reconciliations were timely done.

The College should evaluate the cash reconciliation process to ensure that the finance department is producing timely and accurate reconciliations.

Recommendation: Management should evaluate the controls related to cash reconciliations to ensure that timely and accurate financial reports are prepared to support decision-making as well as review of the cash accounts.

Management Response: We agree with the causes and findings as outlined above. We will implement the recommendations of the auditor and ensure the proper controls are in place to perform the cash reconciliations. During fiscal year 2023, the College anticipates hiring a new accountant to perform these tasks.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.

Rose State College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Findings Required to be Reported by Government Auditing Standards

Finding: 2021-001 - Proper Design and Implementation of the Cash Reconciliation Close Process

Criteria: The College should maintain a system of controls that ensures cash reconciliations are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") in a timely manner.

Condition: During the year ended June 30, 2021, the College did not maintain appropriate oversight of the cash reconciliation process resulting in several months of cash going unreconciled.

Cause and Effect: During the year ended June 30, 2021, the College did not have the necessary personnel resources due to an employee quitting to maintain appropriate processes to ensure cash reconciliations were timely done.

The College should evaluate the cash reconciliation process to ensure that the finance department is producing timely and accurate reconciliations.

Recommendation: Management should evaluate the controls related to cash reconciliations to ensure that timely and accurate financial reports are prepared to support decision-making as well as review of the cash accounts.

Management Response: We agree with the causes and findings as outlined above. We will implement the recommendations of the auditor and ensure the proper controls are in place to perform the cash reconciliations. During fiscal year 2021, the College anticipates hiring a new accountant to perform these tasks.

Status: Finding repeated for the year ended June 30, 2022.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.