ROGERS STATE UNIVERSITY

June 30, 2012

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROGERS STATE UNIVERSITY

June 30, 2012

AUDITED FINANCIAL STATEMENTS

Independent Auditors' Report 1
Management's Discussion and Analysis 3
Statements of Net Assets 9
Statements of Revenues, Expense, and Changes in Net Assets 10
Statements of Cash Flows 11
Notes to Financial Statements 13

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Supplemental Retirement Plan
and Other Post Employment Health and Life Insurance Benefits 38

DISCRETELY PRESENTED COMPONENT UNIT

Rogers State University Foundation ..... Exhibit I

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

Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards* 39

Independent Auditors' Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular
A-133 and on the Schedule of Expenditures of Federal Awards 41

Schedule of Expenditures of Federal Awards 44
Notes to Schedule of Expenditures of Federal Awards 45
Schedule of Findings and Questioned Costs 46
Summary Schedule of Prior Audit Findings 48

Independent Auditors' Report

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinion.

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

531 Couch Drive
Oklahoma City
73102-2251
TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com
An Independently Owned Member,
McGladrey Alliance

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROGERS STATE UNIVERSITY

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

This discussion and analysis of Rogers State University's (the "University") financial statements provides an overview of the University's financial activities as of and for the year ended June 30, 2012, with fiscal years 2011 and 2010 presented for comparative purposes. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

FINANCIAL ANALYSIS OF THE UNIVERSITY AS A WHOLE

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

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

STATEMENT OF NET ASSETS

This statement is presented with three major categories, namely assets, liabilities, and net assets. The assets are classified between current and noncurrent assets. The current assets include cash and cash equivalents, deferred expenses, accounts receivable, and other assets. The noncurrent assets include cash and cash equivalents restricted for long-term purposes, receivables restricted for investment in capital assets, capital assets, and other assets. Capital assets include land, buildings and improvements, infrastructure, equipment, library materials, and construction in progress. Capital assets, with the exception of land and construction in progress, are shown net of depreciation.

Liabilities are also classified between current and noncurrent. Current liabilities include accounts payable, accrued expenses, deferred revenue, and the portion of noncurrent liabilities expected to be paid in the upcoming fiscal year. These liabilities represent obligations due within one year. Noncurrent liabilities include the portion of accrued compensation absences, capital lease obligation, and net pension obligation expected to be paid in fiscal year 2013 or thereafter. Total net assets increased to $36.3 million in FY 2012 from $36.1 million in FY 2011. Total net assets increased to $36.1 million in FY 2011 from $34.5 million in FY 2010.

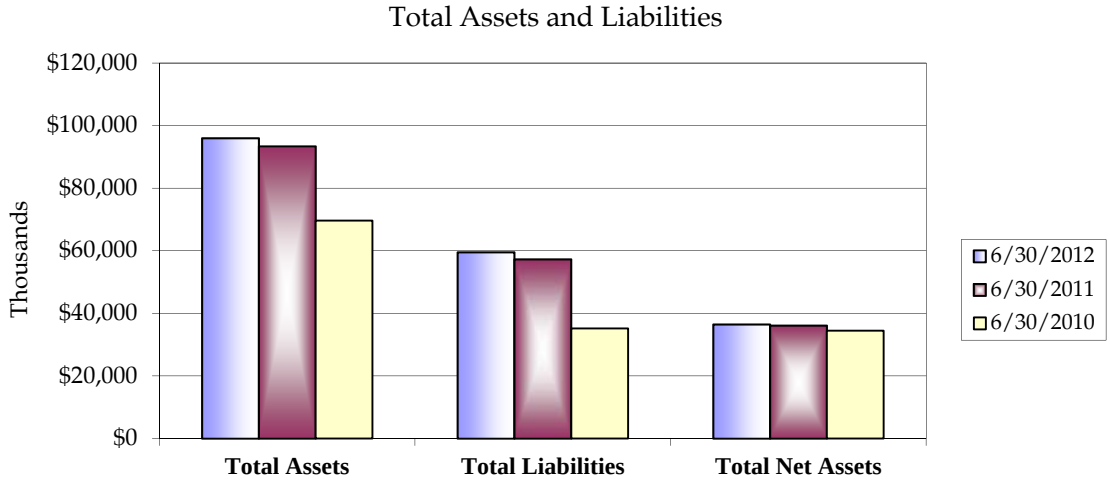
STATEMENT OF NET ASSETS--Continued

Following is a summarization of assets, liabilities, and net assets of the University at June 30, 2012, 2011 and 2010:

Condensed Statements of Net Assets at June 30
($ in millions)

	2012	2011	2010
Current assets	$ 17.0	$ 16.0	$ 13.1
Noncurrent assets	79.0	77.4	56.6
TOTAL ASSETS	$ 96.0	$ 93.4	$ 69.7
Current liabilities	$ 5.6	$ 5.3	$ 5.4
Noncurrent liabilities	54.1	52.0	29.8
TOTAL LIABILITIES	$ 59.7	$ 57.3	$ 35.2
Net assets			
Invested in capital assets, net of related debt	$ 21.1	$ 22.5	$ 24.1
Restricted	1.0	0.9	2.1
Unrestricted	14.2	12.7	8.3
TOTAL NET ASSETS	$ 36.3	$ 36.1	$ 34.5

In 2012, the University added $3.9 million in net capital assets which primarily included the completion of new student housing and construction of new athletic facilities. Additional debt incurred, in the form of capital leases through the Oklahoma Development Finance Authority, to finance the acquisition and construction of the athletic facilities totaled approximately $4 million.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets reports the results of the University's activities and their effect on net assets. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's revenues, expenses, and changes in net assets for the years ending June 30:

Condensed Statement of Revenues, Expenses and Changes in Net Assets
for the Years Ended June 30
(in millions)

	2012	2011	2010
OPERATING REVENUES			
Tuition and fees, net	$ 12.3	$ 11.8	$ 10.3
Federal and local grants and contracts	2.3	2.9	3.6
Auxiliary	4.2	2.9	2.3
Other	0.2	0.2	0.3
TOTAL OPERATING REVENUES	19.0	17.8	16.5
Operating expenses	(45.3)	(43.7)	(40.4)
Operating loss	$ (26.3)	$ (25.9)	$ (23.9)

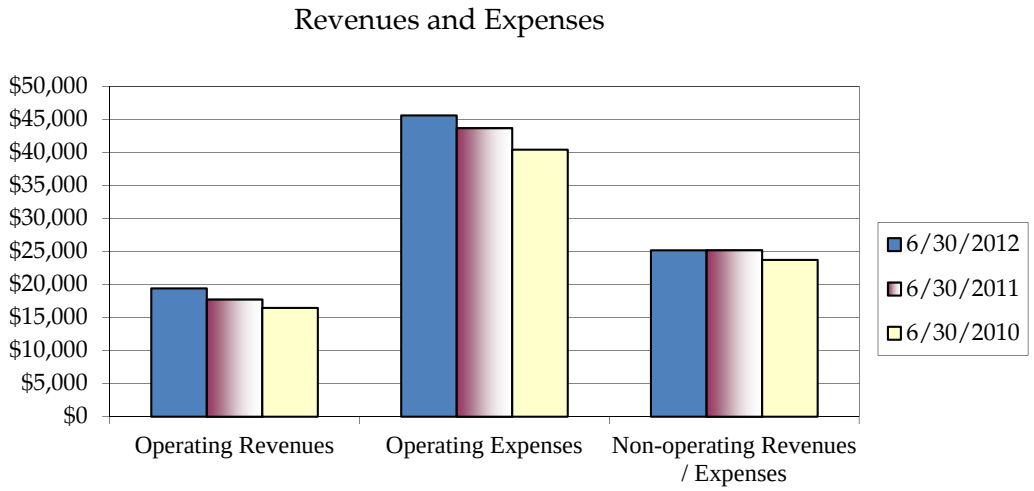
	2012	2011	2010
NONOPERATING REVENUES (EXPENSES)			
State appropriations, including OTRS	15.1	15.0	14.7
State appropriations, ARRA	-	1.0	1.1
Federal and state grants	11.9	10.4	9.0
Investment income	0.3	0.1	0.3
Interest expense	(2.1)	(1.4)	(1.4)
NET NONOPERATING REVENUES	25.2	25.1	23.7
Loss before other revenues	(1.1)	(0.8)	(0.2)
Other revenues	1.3	2.4	2.4
NET INCREASE IN NET ASSETS	0.2	1.6	2.2
NET ASSETS, BEGINNING OF YEAR	36.1	34.5	32.3
NET ASSETS, END OF YEAR	$ 36.3	$ 36.1	$ 34.5

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

Operating revenues include tuition and fees net of scholarship discounts and allowances, grants and contracts, sales and services, auxiliary operations, and other. Operating revenues increased by $1.2 million and $1.3 million in FY 2012 and FY 2011, respectively. As a result of rate increases and enrollment growth, tuition and fee revenues increased by $0.6 million and $1.5 million in FY 2012 and FY 2011, respectively. Grants and contracts revenue decreased by $0.6 million in FY 2012 due to the non-renewal of federal grants and capital gifts.

The predominant source of non-operating revenues is state appropriations, and federal and state grants for student financial aid. State appropriations declined from FY 2011 and FY 2010 due to the loss of federal stimulus funds.

The University's operating expenses are classified by natural classification, including employee compensation, scholarships, contractual services, etc. In FY 2012, operating expenses increased by $1.6 million from FY 2011 primarily due to a $0.4 million increase in compensation, a $0.7 million increase in scholarships, and a $0.5 increase supplies and operating costs. In FY 2011, operating expenses increased by $3.3 million from FY 2010 due to a $0.9 million increase in compensation, a $0.6 million increase in supplies and operating costs, a $1.2 million increase in scholarships and a $0.6 million increase in depreciation.



STATEMENT OF CASH FLOWS

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

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

Cash Flows for the Years Ended June 30
(in millions)

	2012	2011	2010
CASH FLOWS PROVIDED BY (USED IN):			
Operating activities	$ (21.4)	$ (22.7)	$ (20.6)
Noncapital financing activities	25.8	25.5	24.0
Capital and related financing activities	(3.1)	0.1	(4.1)
Investing activities	0.3	0.2	0.3
NET INCREASE (DECREASE) IN CASH	1.6	3.1	(0.4)
CASH, BEGINNING OF YEAR	16.2	13.1	13.5
CASH, END OF YEAR	$ 17.8	$ 16.2	$ 13.1

ECONOMIC OUTLOOK

The University continues to experience growth in enrollment, and ensuring adequate classroom space is available remains a high priority. The completion of the Baird Hall classroom expansion, renovation of existing buildings and the addition of student housing highlighted a year of growth and expansion of campus facilities. The expansion of athletic facilities reflects the continuing trend toward modernization of Oklahoma's fastest growing institution of higher learning.

Much of our success has been the result of offering students degree programs of choice and retaining and hiring qualified and dedicated faculty. However, continued success depends on federal and state support, student access to financial aid and a need to increase private support in order to expand degree programs, add new faculty, provide cost of living salary adjustments and construction of new facilities identified in the campus master plan.

These objectives will require increased funding for higher education while the institution continues its effort to control costs and implement cost saving measures.

The turmoil and uncertainty relating to the federal budget and federal funding of educational programs must be stabilized, predictable and available to meet student needs. Recent economic indicators for the state of Oklahoma reflect steady growth and we remain optimistic the State legislature will support increased funding for higher education. Private support has been increasing in recent years and will continue to be important to the continued success of the institution.

Funding for higher education is critical in order to minimize the need for increases in tuition and fees to students and their families, keeping higher education an affordable and attractive option for our students as we strive to achieve the state goal of increasing the number of Oklahoma citizens with a higher education degree.

STATEMENTS OF NET ASSETS

ROGERS STATE UNIVERSITY

	June 30 2012	June 30 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 14,137,237	$ 12,619,862
Restricted cash and cash equivalents	721,384	1,281,102
Accounts receivable, net	1,878,869	1,771,541
Receivable from OSRHE	256,519	258,093
Other current assets	-	34,027
TOTAL CURRENT ASSETS	16,994,009	15,964,625
NONCURRENT ASSETS		
Restricted cash and cash equivalents	2,920,718	2,337,782
Capital lease and bond receivables	269,219	2,701,429
Deferred charges on debt restructure	480,067	751,854
Net pension asset	350,403	417,651
Other non-current assets	585,774	769,001
Capital assets, net	74,417,202	70,475,646
TOTAL NONCURRENT ASSETS	79,023,383	77,453,363
TOTAL ASSETS	96,017,392	93,417,988
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	1,987,227	2,454,395
Accrued compensated absences	483,207	416,634
Deferred revenue	807,059	881,153
Funds held in custody for others	175,383	123,555
Bonds payable - current portion	270,000	255,000
Capital lease obligations - current portion	1,852,294	1,159,233
TOTAL CURRENT LIABILITIES	5,575,170	5,289,970
NONCURRENT LIABILITIES, net of current portion		
Deferred revenue	178,572	-
Other post-employment benefit obligation	1,089,906	938,701
Accrued compensated absences	341,017	287,187
Bonds payable	9,045,000	9,315,000
Capital lease obligations	43,469,107	41,404,068
Premium on bonds	41,773	51,478
TOTAL NONCURRENT LIABILITIES	54,165,375	51,996,434
TOTAL LIABILITIES	59,740,545	57,286,404
NET ASSETS		
Invested in capital assets, net of related debt	21,074,087	22,547,178
Restricted for:		
Expendable:		
Capital projects	162,788	14,604
Grants and other contracts	819,749	908,203
Unrestricted	14,220,223	12,661,599
TOTAL NET ASSETS	$ 36,276,847	$ 36,131,584

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

ROGERS STATE UNIVERSITY

	For the Year Ended June 30	
	2012	2011
OPERATING REVENUES		
Tuition and fees, net of scholarship discounts and allowances of $7,664,000 and $6,331,000 at June 30, 2012 and 2011, respectively (revenues of $1,486,000 for 2012 and $1,424,000 for 2011 are used as security for the 2007A & B Student Facility Revenue Bonds)	$ 12,348,080	$ 11,789,147
Federal grants and contracts	1,564,518	1,893,049
State and private grants and contracts	758,370	983,626
Auxiliary enterprises	4,163,814	2,857,394
Other	161,444	238,645
TOTAL OPERATING REVENUES	18,996,226	17,761,861
OPERATING EXPENSES		
Employee compensation	25,013,173	24,643,325
Contractual services	1,501,136	1,414,130
Supplies and other operating expenses	4,911,007	4,551,956
Utilities	1,128,885	979,758
Communications	386,053	376,620
Other operating expenses	843,646	1,206,929
Depreciation expense	3,073,594	2,778,222
Scholarships	8,466,779	7,743,801
TOTAL OPERATING EXPENSES	45,324,273	43,694,741
Operating loss	(26,328,047)	(25,932,880)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	13,903,089	14,032,807
State appropriations - ARRA	-	981,294
OTRS on-behalf contributions	1,208,673	1,002,935
Federal and state grants	11,875,656	10,448,045
Investment income	201,389	160,693
OSRHE Endowment Income	68,832	(68)
Interest expense	(2,102,630)	(1,412,468)
NET NONOPERATING REVENUES	25,155,009	25,213,238
Loss before other revenues, expenses, gains, and losses	(1,173,038)	(719,642)
State appropriations restricted for capital purposes	436,941	458,988
Capital grants and gifts	383,333	1,446,477
On-behalf payments for OCIA capital leases	498,027	472,062
NET INCREASE IN NET ASSETS	145,263	1,657,885
NET ASSETS, BEGINNING OF YEAR	36,131,584	34,473,699
NET ASSETS, END OF YEAR	$ 36,276,847	$ 36,131,584

See notes to financial statements.

STATEMENTS OF CASH FLOWS

ROGERS STATE UNIVERSITY

	For the Year Ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 12,449,357	$ 11,667,642
Grants and contracts	2,069,795	2,821,817
Auxiliary enterprises	4,312,780	2,964,369
Other operating receipts	161,444	238,645
Payments to employees for salaries and benefits	(23,479,835)	(23,351,915)
Payments to suppliers	(16,922,053)	(17,018,333)
NET CASH USED IN OPERATING ACTIVITIES	(21,408,512)	(22,677,775)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	13,903,089	14,032,807
State appropriations - ARRA	-	981,294
Federal and state grants	11,875,656	10,448,045
Direct Loans received	15,650,605	13,674,275
Direct Loans disbursed	(15,650,605)	(13,674,275)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	25,778,745	25,462,146
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	436,941	458,988
Purchase of capital assets	(7,706,761)	(19,883,890)
Interest paid on capital debt and leases	(1,322,810)	(1,827,621)
Proceeds from capital lease	-	387,518
Principal paid on capital-related debt	(1,299,356)	(551,750)
Donations, grants and contracts for capital projects	358,344	1,446,477
Proceeds from master lease	6,432,209	20,158,638
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(3,101,433)	188,360
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	271,793	203,078
NET CASH PROVIDED BY INVESTING ACTIVITIES	271,793	203,078
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,540,593	3,175,809
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,238,746	13,062,937
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,779,339	$ 16,238,746

STATEMENTS OF CASH FLOWS--Continued

ROGERS STATE UNIVERSITY

	For the Year Ended June 30 2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (26,328,047)	$ (25,932,880)
Adjustments to reconcile operating loss to net cash used in operating activities:		
OTRS on-behalf contributions	1,208,673	1,002,935
Depreciation expense	3,073,594	2,778,222
Net loss on disposal of capital assets	8,698	5,169
Changes in assets and liabilities:		
Accounts receivable	(107,328)	(239,640)
Inventory	-	34,801
Net pension asset	67,248	(27,977)
Deferred revenue	104,478	170,252
Accounts payable and accrued expenses	240,736	(811,110)
Funds held in custody	51,828	85,081
Accrued expenses - OPEB	151,205	253,029
Accrued compensated absences	120,403	4,343
NET CASH USED IN OPERATING ACTIVITIES	$ (21,408,512)	$ (22,677,775)
NONCASH CAPITAL AND RELATED FINANCING ITEMS		
Principal and interest paid by OCIA and ODFA	$ 498,027	$ 472,062
Amortization of bond issuance cost	$ 25,369	$ 23,933
Deferred cost on OCIA lease restructure	$ -	$ 1,284,522
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets:		
Current cash and cash equivalents	$ 14,137,237	$ 12,619,862
Restricted cash and cash equivalents	721,384	1,281,102
Noncurrent assets:		
Restricted cash and cash equivalents	2,920,718	2,337,782
	$ 17,779,339	$ 16,238,746

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ROGERS STATE UNIVERSITY

June 30, 2012 and 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

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

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

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

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

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

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

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. Accounts receivable also include amounts due from the federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

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

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University's capitalization policy for furniture, fixtures, and equipment include all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 30 years for infrastructure, 20 years for land improvements and building renovations, and 5 years for library materials and equipment.

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

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

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

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

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

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

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

Net Assets--Continued:

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

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

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

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

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

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

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

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

Fiscal Year Ended June 30, 2013

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

- *Statement No. 61, The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34.*
  GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The University does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation.

- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
  GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The University does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.

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

New Accounting Pronouncements--Continued:

Fiscal Year Ended June 30, 2013--Continued

- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
  GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the University to make changes in its financial statement presentation.

Fiscal Year Ended June 30, 2014

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

Fiscal Year Ended June 30, 2015

- *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27.*
  GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the University has not yet determined the impact that implementation of GASB No. 68 will have on its net position.

NOTE B--DEPOSITS AND INVESTMENTS

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

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

At June 30, 2012 and 2011, the carrying amount of the University's deposits with the State Treasurer and other financial institutions were $17,779,339 and $16,238,746 respectively. These amounts consisted of deposits with the State Treasurer ($17,774,823 and $16,234,230), U.S. financial institutions ($500 and $500), and change funds ($4,016 and $4,016), as of June 30, 2012 and 2011, respectively.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total $8,902,159 at June 30, 2012 and $6,749,686 at June 30, 2011.

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

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued:

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

	2012		2011	
OK INVEST Portfolio	Cost	Market Value	Cost	Market Value
U.S. Agency securities	$ 3,147,365	$ 3,156,616	$ 2,465,221	$ 2,484,986
Certificates of deposit	287,535	287,534	318,701	318,701
Money market mutual funds	1,218,530	1,218,530	742,091	742,091
Tri-party repurchase agreements	-	-	455,476	455,476
Mortgage backed agency securities	3,929,276	4,174,691	2,448,454	2,556,590
Municipal bonds	159,677	182,173	134,535	145,688
Foreign bonds	44,798	44,798	25,095	25,095
Commercial paper	-	-	62,731	62,737
U.S. Treasury Obligations	114,978	143,444	97,382	115,386
TOTAL	$ 8,902,159	$ 9,207,786	$ 6,749,686	$ 6,906,750

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements.

Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at *http://www.treasurer.state.ok.us/*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

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

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying balance sheet. Accounts receivable consisted of the following at June 30:

	2012	2011
Student tuition and fees	$ 1,575,016	$ 1,571,815
Auxiliary enterprise and other operating activities	281,864	314,864
Federal, state and private grants and contracts	477,247	218,686
	2,334,127	2,105,365
Less allowance for doubtful accounts	(455,258)	(333,824)
Net accounts receivable	$ 1,878,869	$ 1,771,541

NOTE D--CAPITAL ASSETS, NET

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

	Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated:					
Land	$ 1,505,033	$ -	$ -	$ -	$ 1,505,033
Construction in progress	11,316,475	6,139,157	(12,932,308)	-	4,523,324
Total not being depreciated	$ 12,821,508	$ 6,139,157	$ (12,932,308)	$ -	$ 6,028,357
Other capital assets:					
Land improvements	$ 10,267,685	$ -	$ 734,952	$ -	$ 11,002,637
Infrastructure	2,538,589	-	-	-	2,538,589
Buildings	55,104,700	102,082	12,121,315	-	67,328,097
Furniture, fixtures, and equipment	6,861,102	683,188	76,041	(377,314)	7,243,017
Library materials	3,026,740	99,421	-	(60,289)	3,065,872
Total other capital assets	77,798,816	884,691	12,932,308	(437,603)	91,178,212
Less accumulated depreciation for:					
Land improvements	(2,329,189)	(520,110)	-	-	(2,849,299)
Infrastructure	(722,559)	(84,619)	-	-	(807,178)
Buildings	(8,794,926)	(1,648,406)	-	-	(10,443,332)
Furniture, fixtures, and equipment	(5,474,579)	(719,872)	-	369,110	(5,825,341)
Library materials	(2,823,425)	(100,587)	-	59,795	(2,864,217)
Total accumulated depreciation	(20,144,678)	(3,073,594)	-	428,905	(22,789,367)
Other capital assets, net	$ 57,654,138	$ (2,188,903)	$ 12,932,308	$ (8,698)	$ 68,388,845
Capital asset summary:					
Capital assets not being depreciated	$ 12,821,508	$ 6,139,157	$ (12,932,308)	$ -	$ 6,028,357
Other capital assets, at cost	77,798,816	884,691	12,932,308	(437,603)	91,178,212
Total cost of capital assets	90,620,324	7,023,848	-	(437,603)	97,206,569
Less accumulated depreciation	(20,144,678)	(3,073,594)	-	428,905	(22,789,367)
Capital assets, net	$ 70,475,646	$ 3,950,254	$ -	$ (8,698)	$ 74,417,202

The University has acquired certain capital assets, including Buildings and Equipment, under various lease-purchase contracts and other capital lease agreements. The cost of University assets held under capital leases totaled $48,204,803 and $35,246,455 as of June 30, 2012 and 2011, respectively.

NOTE D--CAPITAL ASSETS, NET--Continued

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

	Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$ 1,505,033	$ -	$ -	$ -	$ 1,505,033
Construction in progress	9,656,296	12,410,477	(10,750,298)	-	11,316,475
Total not being depreciated	$11,161,329	$12,410,477	$(10,750,298)	$ -	$12,821,508
Other capital assets:					
Land improvements	$ 9,272,141	$ -	$ 995,544	$ -	$10,267,685
Infrastructure	2,538,589	-	-	-	2,538,589
Buildings	38,487,429	6,894,565	9,754,754	(32,048)	55,104,700
Furniture, fixtures, and equipment	6,536,169	724,938	-	(400,005)	6,861,102
Library materials	2,991,309	91,633	-	(56,202)	3,026,740
Total other capital assets	59,825,637	7,711,136	10,750,298	(488,255)	77,798,816
Less accumulated depreciation for:					
Land improvements	(1,845,826)	(483,363)	-	-	(2,329,189)
Infrastructure	(637,940)	(84,619)	-	-	(722,559)
Buildings	(7,484,153)	(1,342,821)	-	32,048	(8,794,926)
Furniture, fixtures, and equipment	(5,106,281)	(764,991)	-	396,693	(5,474,579)
Library materials	(2,775,342)	(102,428)	-	54,345	(2,823,425)
Total accumulated depreciation	(17,849,542)	(2,778,222)	-	483,086	(20,144,678)
Other capital assets, net	$41,976,095	$ 4,932,914	$ 10,750,298	$ (5,169)	$57,654,138
Capital asset summary:					
Capital assets not being depreciated	$11,161,329	$12,410,477	$(10,750,298)	$ -	$12,821,508
Other capital assets, at cost	59,825,637	7,711,136	10,750,298	(488,255)	77,798,816
Total cost of capital assets	70,986,966	20,121,613	-	(488,255)	90,620,324
Less accumulated depreciation	(17,849,542)	(2,778,222)	-	483,086	(20,144,678)
Capital assets, net	$53,137,424	$17,343,391	$ -	$ (5,169)	$70,475,646

NOTE E--LONG-TERM LIABILITIES

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds, notes, and capital leases					
Student Facility Series, 2007A	$ 7,800,000	$ -	$ -	$ 7,800,000	$ -
Student Facility Series, 2007B	1,770,000	-	(255,000)	1,515,000	270,000
ODFA Master lease payable	26,960,857	4,017,000	(1,044,356)	29,933,501	1,185,917
OCIA Capital lease payable	15,602,444	-	(214,544)	15,387,900	666,377
Total bonds and capital lease	52,133,301	4,017,000	(1,513,900)	54,636,401	2,122,294
Other noncurrent liabilities					
Accrued Expense - OPEB	938,701	151,205	-	1,089,906	-
Accrued compensated absences	703,821	824,224	(703,821)	824,224	483,207
Total noncurrent liabilities	$ 53,775,823	$ 4,992,429	$ (2,217,721)	$ 56,550,531	$ 2,605,501

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

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds, notes, and capital leases					
Student Facility Series, 2007A	$ 7,800,000	$ -	$ -	$ 7,800,000	$ -
Student Facility Series, 2007B	2,015,000	-	(245,000)	1,770,000	255,000
ODFA Master lease payable	5,323,334	22,486,000	(848,477)	26,960,857	944,689
OCIA Capital lease payable	14,522,431	4,752,437	(3,672,424)	15,602,444	214,544
Total bonds and capital lease	29,660,765	27,238,437	(4,765,901)	52,133,301	1,414,233
Other noncurrent liabilities					
Accrued Expense - OPEB	685,672	253,029	-	938,701	-
Accrued compensated absences	699,478	703,821	(699,478)	703,821	416,634
Total noncurrent liabilities	$ 31,045,915	$ 28,195,287	$ (5,465,379)	$ 53,775,823	$ 1,830,867

NOTE E--LONG-TERM LIABILITIES--Continued

Student Facility Revenue Bonds

In August 2007, the University issued $7,800,000 Student Facility Revenue Bonds Series 2007A and $2,200,000 Federally Taxable Series 2007B. The proceeds received from the sale of these bonds and other funds available to the University were used to construct, renovate, equip, and furnish various facilities on the Claremore campus, including the Student Services Center and other student usage facilities. The bonds are secured by student facility fees assessed on a credit-hour basis. At June 30, 2012 and 2011, student facility fees accumulated over debt service requirements aggregated approximately $2,920,000 and $2,338,000, respectively.

The 2007A Student Facility Revenue bonds were issued at a discount of $92,178. During 2012 and 2011, the University recognized $4,974 each year of amortization, leaving a balance of the unamortized bond discount of $69,366 and $74,340, respectively. The 2007B Student Facility Revenue bonds were issued at a premium of $54,323. During 2012 and 2011, the University recognized $6,857 and $7,900 of amortization, leaving a balance of the unamortized bond premium of $16,534 and $23,391, respectively.

The schedule of maturities of the bonds is as follows:

	Principal	Interest	Total
Years Ending June 30			
2013	$ 270,000	$ 430,881	$ 700,881
2014	285,000	414,231	699,231
2015	300,000	396,681	696,681
2016	320,000	378,081	698,081
2017	340,000	358,181	698,181
2018 - 2022	1,880,000	1,533,653	3,413,653
2023- 2028	2,330,000	1,074,650	3,404,650
2029 - 2034	3,590,000	505,577	4,095,577
	$ 9,315,000	$ 5,091,935	$ 14,406,935

Oklahoma Capital Improvement Authority Lease Obligations

In September 1999, the Oklahoma Capital Improvement Authority (the "OCIA") issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents for Higher Education (the "State Regents") allocated $4,000,000 to the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA, representing the two projects funded by the OCIA bonds.

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations--Continued

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

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents allocated $13,922,702 to the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA, representing the seven projects being funded by the OCIA bonds.

Through June 30, 2012, the University had drawn its entire allotment for expenditures incurred in connection with the projects. Expenditures have been capitalized as investments in capital assets and/or recorded as construction in progress in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment less repayments made.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The University has recorded a charge of $1,284,522 on restructuring as a deferred cost that will be amortized over a period of six years. As of June 30, 2012 and 2011, the unamortized cost totaled $734,860 and $1,032,015, respectively. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $445,026 which also approximates the economic cost of the lease restructuring. Even though this restructuring resulted in a cost to the University, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

During the years ended June 30, 2012 and 2011, OCIA made lease principal and interest payments totaling $498,027 and $472,062, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted State appropriations in the University's statements of revenues, expenses and changes in net assets.

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations--Continued

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

	Principal	Interest	Total
Years Ending June 30			
2013	$ 666,377	$ 735,705	$ 1,402,082
2014	1,451,906	703,174	2,155,080
2015	1,501,540	655,216	2,156,756
2016	1,446,669	571,696	2,018,365
2017	1,512,657	505,696	2,018,353
2018 - 2022	2,579,402	1,821,158	4,400,560
2023 - 2027	3,605,511	1,209,371	4,814,882
2028 - 2031	2,623,838	265,092	2,888,930
	$ 15,387,900	$ 6,467,108	$ 21,855,008

Oklahoma Development Finance Authority Master Lease Program

In March 2005, the University entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (the "ODFA") and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2005A. The University received a net amount of $138,000 of the proceeds for the installation of a geothermal mechanical system. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

In May 2006, the University entered into a 20-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2006A. The University received a net amount of $4,414,000 of the proceeds for the installation of a geothermal mechanical system. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease Program--Continued

In August 2007, the University entered into a 20-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2006B. The University received a net amount of $950,000 of proceeds for the installation of a geothermal system, lighting retrofit, HVAC monitoring system, water conservation enhancements, and other energy conservation projects. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

In May 2010, the University entered into a 4 year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University has recorded a receivable from the ODFA on its statements of net assets. The net proceeds of $578,000 will be used for the purchase of equipment. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

In September 2010, the University entered into a 15 year Master Lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University received a net amount of $3,500,000 of the proceeds for the completion of the Baird Hall expansion project. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

In September 2010, the University entered into a 30 year Master Lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University received a net amount of $10,500,000 of the proceeds for the construction of student apartments. Through June 30, 2012, the University has drawn down $10,424,076 for expenditures incurred, leaving remaining proceeds of $75,924, which are a receivable to the University Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease Program--Continued

In November 2010, the University entered into a 24 year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010C. The University received a net amount of $6,989,212 of the proceeds for the purchase of student apartments from the Foundation. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

In December 2010, the University entered into a 15 year Master lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010B. The University received a net amount of $720,000 of the proceeds for the installation of a geothermal mechanical system. Through June 30, 2012, the University has drawn down $648,000 for expenditures incurred, leaving remaining proceeds of $72,000, which are a receivable to the University. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

In July 2011, the University entered into a 25-year Master lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2011A. The net proceeds of $4,000,000 will be used for the construction of athletic facilities. Through June 30, 2012, the University has drawn down $3,806,705 for expenditures incurred, leaving remaining proceeds of $193,295, which are a receivable to the University. Lease payments made by the University are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the University's future lease payments.

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease Program--Continued

The schedule of maturities of the obligations under the ODFA Master Lease Program are as follows:

	Principal	Interest	Total
Years Ending June 30			
2013	$ 1,185,917	$ 1,146,976	$ 2,332,893
2014	1,214,250	1,107,532	2,321,782
2015	1,114,500	1,067,585	2,182,085
2016	1,140,417	1,037,768	2,178,185
2017	1,180,833	1,000,416	2,181,249
2018 - 2022	6,464,833	4,405,746	10,870,579
2023 - 2027	6,562,417	3,121,185	9,683,602
2028 - 2032	4,954,750	1,993,372	6,948,122
2033 - 2037	4,349,917	881,965	5,231,882
2038 - 2040	1,765,667	149,890	1,915,557
	$ 29,933,501	$ 15,912,435	$ 45,845,936

NOTE F--RETIREMENT PROGRAMS

Oklahoma Teachers' Retirement System (OTRS)

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System (the "OTRS"), which is a state of Oklahoma public employees retirement system and the Teachers Insurance Annuity Association (the "TIAA"), which is a defined contribution plan. The University does not maintain the accounting records, hold the investments for, or administer these plans.

Plan Description: The University contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the state of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. OTRS does not provide for a cost-of-living adjustment. Title 70, Sections 17-101 through 17-116-9, of the Oklahoma Statutes defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS.

NOTE F--RETIREMENT PROGRAMS--Continued

Oklahoma Teachers' Retirement System (OTRS)--Continued

That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152 or by calling (405) 521-2387.

Funding Policy: The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 8.55% is applied to annual compensation and is determined by state statute. The contribution rate was 8.55% for 2012, 2011 and 2010.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2012, 2011 and 2010. The University makes all contributions on behalf of the employees.

The University's contributions to the OTRS for the years ended June 30, 2012, 2011, and 2010 were approximately $2,584,000, $2,555,000, and $2,501,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the employee's contribution paid directly by the University.

The state of Oklahoma is also required to contribute to the OTRS on behalf of participating employers. For 2012 and 2011, the state of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers.

The University has estimated the amounts contributed to the OTRS by the state of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2012 and 2011, the total amount contributed to the OTRS by the state of Oklahoma on behalf of the University was approximately $1,209,000 and $1,003,000, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statements of revenues, expenses, and changes in net assets.

NOTE F--RETIREMENT PROGRAMS--Continued

Teachers Insurance and Annuity Association (TIAA)

For all eligible full-time employees, the University contributes to a defined contribution pension plan (the "Plan") administered by the University's Board of Regents. Through November 30, 2011, employee investments were managed by the TIAA, and effective December 1, 2011, investments are managed by Fidelity Investments. Pension expense is recorded for the amount of the University's required contributions determined in accordance with the terms of the Plan. Eligible employees are not required to make contributions to the Plan. The Plan provides retirement benefits to eligible employees or their beneficiaries. Benefit provisions and contribution requirements are contained in the Plan document and were established and can be amended by action of the University's Board of Regents. Prior to December 1, 2011, the University contributed 15% of the base salary above $9,000 for certain employees who were employed prior to January 1, 1999 and 4% of the annual base salary for all other employees in the Plan. Effective December 1, 2011, the University contributed 4% of the annual base salary for all employees in the Plan. Contributions made by the University during 2012 and 2011 were approximately $667,000 and $731,000, respectively.

Supplemental Retirement Annuity (SRA)

Plan Description**:** The University's Supplemental Retirement Annuity ("SRA") plan is a single-employer, defined-benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to certain eligible University employees, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a stand-alone financial report nor is it included in the financial report of another entity.

Funding Policy**:** Eligible employees are not required to make contributions to the SRA. The University may contribute to the SRA an actuarially determined amount on an annual basis.

NOTE F--RETIREMENT PROGRAMS--Continued

Supplemental Retirement Annuity (SRA)--Continued

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

	2012	2011
Annual required contribution	$ 38,774	$ 45,456
Interest on net pension obligation	(25,059)	(23,380)
Adjustment to annual required contribution	53,533	49,947
Annual pension cost	67,248	72,023
Contributions made	-	(100,000)
Increase (decrease) in net pension obligation	67,248	(27,977)
Net pension obligation (asset) at beginning of year	(417,651)	(389,674)
Net pension obligation (asset) at end of year	$ (350,403)	$ (417,651)

The annual required contributions for 2012 was determined as part of an actuarial valuation as of June 30, 2012 using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 6% per year to determine the present value of future benefit payments; (b) retirement at age 62; (c) a 6% rate of return on investments; and (d) projected salary increases of 2% per year. The unfunded actuarial accrued liability is being amortized over ten years as a level-dollar amount on a closed basis.

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

Actuarial accrued liability (AAL)	$ 1,189,859
Actuarial value of plan assets	870,119
Unfunded actuarial accrued liability (UAAL)	$ 319,740
Funded ratio (actuarial value of plan assets/AAL)	73.13%
Annual covered payroll (active plan members)	$ -
UAAL as a percentage of annual covered payroll	0.00%

NOTE F--RETIREMENT PROGRAMS--Continued

Supplemental Retirement Annuity (SRA)--Continued

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	$ 67,248	0.0%	$ (350,403)
2011	$ 72,073	138.7%	$ (417,651)
2010	$ 85,801	233.1%	$ (389,674)

NOTE G--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS

The Rogers State University Postemployment Benefit ("OPEB") Plan provides post-employment benefits to retirees under single employer, defined benefit healthcare and long-term care plan.

Plan Description: For employees hired before July 1, 2009, the University pays a share of the group health and all of the life insurance premiums for eligible retired employees until reaching Medicare age. A retiring employee must have been employed full-time at the University for not less than ten years immediately preceding the date of retirement, been a member of the OTRS during that time, and elected to receive a vested benefit under the provisions of the OTRS.

Funding Policy: Contribution requirements of participating employees and the University are established by University policy. The University funds these benefits on a pay-as-you-go basis and currently provides $371 to $373 per month for employees receiving health benefits and $21 to $171 per month for employees receiving life insurance benefits. Contributions are subject to change based on the rates assessed by the respective insurance provider.

The University's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For the year ended June 30, 2012, the ARC is $232,061 and represents 2% of covered payroll.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan are required on a biennial basis and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE G--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS--Continued

Actuarial Methods and Assumptions--Continued: Projections of benefits for financial reporting purposes are based on the substantive benefits, as understood by the University and its employees, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the employee and the employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the actuarial valuations the projected unit actuarial cost method was used. The actuarial assumptions include a 0% investment rate of return and an annual health care cost trend rate of 8.5%.

Annual OPEB Cost and Net OPEB Obligation (Asset)

Annual OPEB cost and net OPEB obligation (asset) for 2012 and 2011 is as follows:

	2012	2011
Annual required contribution	$ 232,061	$ 311,920
Interest on OPEB obligation (asset)	-	-
Adjustment to annual required contribution	(31,290)	(14,441)
Annual OPEB cost	200,771	297,479
Contributions made	(49,566)	(44,450)
Increase in net OPEB obligation	151,205	253,029
OPEB obligation at beginning of year	938,701	685,672
OPEB obligation at end of year	$ 1,089,906	$ 938,701

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

Actuarial accrued liability (AAL)	$ 1,754,405
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 1,754,405
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	$ 10,970,013
UAAL as a percentage of annual covered payroll	15.99%

NOTE G--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS--Continued

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

Year Ended June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2012	$ 200,771	24.7%	$ 1,089,906
2011	$ 297,479	14.9%	$ 938,701
2010	$ 297,479	15.1%	$ 685,701

NOTE H--FUNDS HELD IN TRUST BY OTHERS

Oklahoma State Regents Endowment Trust Fund: In connection with the Oklahoma State Regents' Endowment Program (the "Endowment Program"), the State of Oklahoma has matched contributions received under the Endowment Program. The state match amounts, plus retained accumulated earnings, totaled approximately $1,668,000 and $1,624,000 at June 30, 2012 and 2011, respectively, and is invested by the Oklahoma State Regents for Higher Education on behalf of the University. The University is entitled to receive an annual distribution of earnings of 4.5% of the market value at year end on these funds. Legal title of these endowment funds is retained by the Oklahoma State Regents of Higher Education; only the funds available for distribution, or approximately $257,000 and $258,000 at June 30, 2012 and 2011, respectively, have been reflected as assets in the statements of net assets.

NOTE I--RELATED PARTY TRANSACTIONS

The University is the beneficiary of a foundation that provides support for the University by way of scholarships and other direct resources. The University contracts with the Foundation to provide limited services and office space in exchange for the support the University receives. Scholarships awarded by the Foundation are remitted to the University after the University pays the award recipient. Such amounts were approximately $303,000 and $231,000 during the years ended June 30, 2012 and 2011, respectively.

Net assets available for the benefit of the University are as follows:

	2012	2011
Unrestricted	$ 443,334	$ 512,157
Temporarily restricted	2,084,342	1,087,407
Permanently restricted	7,597,956	7,291,001
	$ 10,125,632	$ 8,890,565

NOTE J--COMMITMENTS AND CONTINGENCIES

The University conducts certain programs pursuant to various grants and contracts, which 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 University.

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

NOTE K--RISK MANAGEMENT

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

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

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

ROGERS STATE UNIVERSITY

June 30, 2012

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2008	387,528	1,204,991	817,463	32.16%	-	0.00%
6/30/2009	733,040	1,226,309	493,269	59.78%	-	0.00%
6/30/2010	875,021	1,209,585	334,564	72.34%	-	0.00%
6/30/2011	920,825	1,206,205	285,380	76.34%	-	0.00%
6/30/2012	870,119	1,189,859	319,740	73.13%	-	0.00%

The actuarial accrued liability is based on the projected unit credit method.

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS

Actuarial Valuation Date	Acturial Accrued of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2008	-	1,712,128	1,712,128	0.00%	13,120,359	13.05%
6/30/2010	-	2,142,292	2,142,292	0.00%	13,013,456	16.46%
6/30/2012	-	1,754,405	1,754,405	0.00%	10,970,013	15.99%

The actuarial liability is based on the projected unit credit cost method.
The University obtains an actuarial evaluation every other year.

DISCRETELY PRESENTED COMPONENT UNIT
ROGERS STATE UNIVERSITY FOUNDATION

ROGERS STATE UNIVERSITY FOUNDATION
REPORT ON EXAMINATION OF CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

CONKLIN • GILPIN • WERTZ PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. Jeffrey Conklin, CPA
Neil D. Gilpin, CPA
Shaun B. Wertz, CPA

Donald L. Wertz, CPA
Kim M. Walton, CPA
Melissa A. Graham, CPA
Taylor D. Gilpin, CPA

Board of Directors
Rogers State University Foundation
Claremore, Oklahoma

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statement of assets, liabilities and net assets - cash basis of Rogers State University Foundation, as of June 30, 2012, and the related consolidated statement of support, revenue, and expenses - cash basis for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, these financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated assets, liabilities and net assets - cash basis of Rogers State University Foundation as of June 30, 2012, and its consolidated support, revenue, and expenses - cash basis for the year then ended, on the basis of accounting described in Note 1.

Conklin, Gilpin & Wertz, P.L.L.C.

CONKLIN, GILPIN & WERTZ, P.L.L.C.
Certified Public Accountants

October 1, 2012

2738 East 51st Street, Suite 370 • Tulsa, OK 74105-6285 • 918.749.0921 • 918.744.8609 fax • www.cgwpllc.com

Rogers State University Foundation
Consolidated Statement of Assets, Liabilities and Net Assets - Cash Basis
June 30, 2012
With Comparative Totals for June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012	(Note 1) 2011
ASSETS:					
Cash and cash equivalents	$ 561,547	$ -	$ 215,507	$ 777,054	$ 1,051,429
Investments (Note 2)	1,729,933	-	7,339,444	9,069,377	7,530,497
Cash surrender value - life insurance	-	-	49,880	49,880	45,711
Receivable from RSU	26,000	-	-	26,000	-
Land, building & equipment, net (Note 3)	203,321	-	-	203,321	262,928
Due from/(to) other funds	(2,077,467)	2,084,342	(6,875)	-	-
TOTAL ASSETS	$ 443,334	$ 2,084,342	$ 7,597,956	$ 10,125,632	$ 8,890,565
LIABILITIES:					
	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-	-	-
NET ASSETS:					
Unrestricted	443,334	-	-	443,334	512,157
Temporarily restricted	-	2,084,342	-	2,084,342	1,087,407
Permanently restricted	-	-	7,597,956	7,597,956	7,291,001
TOTAL NET ASSETS	443,334	2,084,342	7,597,956	10,125,632	8,890,565
TOTAL LIABILITIES AND NET ASSETS	$ 443,334	$ 2,084,342	$ 7,597,956	$ 10,125,632	$ 8,890,565

See accompanying Notes to Consolidated Financial Statements.

Rogers State University Foundation
Consolidated Statement of Support, Revenue and Expenses - Cash Basis
Year Ended June 30, 2012
With Comparative Totals for the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012	(Note 1) 2011
SUPPORT, REVENUE AND OTHER GAINS:					
Contributions and grants	$ 99,938	$ 1,515,060	$ 366,317	$ 1,981,315	$ 1,470,677
Investment return (Note 2)	16,263	-	99,587	115,850	1,041,872
Rentals	1,800	-	-	1,800	455,436
Other	328	195,860	9,644	205,832	1,365,204
Net assets released from restrictions:					
Satisfaction of purpose restrictions	900,577	(900,577)	-	-	-
TOTAL SUPPORT, REVENUES AND OTHER GAINS	1,018,906	810,343	475,548	2,304,797	4,333,189
EXPENSES AND LOSSES:					
College program support	631,652	-	-	631,652	1,513,415
Scholarships	291,229	-	-	291,229	254,980
Management and general	82,284	-	-	82,284	1,073,410
Fundraising	64,564	-	-	64,564	81,535
TOTAL EXPENSES AND LOSSES	1,069,729	-	-	1,069,729	2,923,340
Change in net assets	(50,823)	810,343	475,548	1,235,068	1,409,849
Interfund transfers	(18,000)	186,592	(168,592)	0	-
NET ASSETS AT BEGINNING OF YEAR	512,157	1,087,407	7,291,001	8,890,565	7,480,716
NET ASSETS AT END OF YEAR	$ 443,334	$ 2,084,342	$ 7,597,956	$ 10,125,632	$ 8,890,565

See accompanying Notes to Consolidated Financial Statements.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities and Organization - The Rogers State University Foundation (the Foundation) supports the academic, staff and alumni programs of Rogers State University (the University). The University in turn pays for a substantial portion of the operating expenses of the Foundation, including all salaries and related expenses, and provides office space for the Foundation's use. The Foundation and the University have certain management and board members in common.

The RSU Foundation, LLC (the LLC), a wholly owned subsidiary of the Foundation, was the owner of a student housing facility located on land owned by the University. Effective November 18, 2010, the LLC student housing bonds outstanding were refunded through the issuance of new bonds by the University. As a result of the bond refunding, ownership of the student housing complex transferred from the LLC to the University. There has been no activity within this LLC during the fiscal year ended June 30, 2012.

The RSU Foundation Broadcasting Towers, LLC (the Towers), a wholly owned subsidiary of the Foundation, is the owner of one broadcasting tower used primarily by the University (see Note 8).

Principles of Consolidation – The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

Accounting Method - The financial statements have been prepared on the modified cash basis of accounting, which differs from generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Investments - Investments in marketable securities with readily determinable fair values are reported at their fair market value in the statement of assets, liabilities and net assets – cash basis. Unrealized gains and losses are included in the statement of support, revenues and expenses – cash basis.

Restricted Support - The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenue and expenses – cash basis as net assets released from restrictions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

Temporarily restricted funds are restricted primarily for specific academic and alumni programs of the University; permanently restricted funds are restricted primarily for endowment of the University to be held indefinitely, the income from which is expended, and used primarily to fund student scholarships.

Recognition of Public Support – Pledges are recorded in the accounts when received and accounted for as deferred pledge support. They are recognized as current support only when realized in cash. Contributions of donated noncash assets are recorded as a contribution when received at fair value.

Cash and Cash Equivalents – The Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Property, Plant and Equipment - The Foundation capitalizes major expenditures for property, plant and equipment at cost. Donated property and equipment are recorded as contributions at their estimated fair value.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

Leased land	50 years
Foundation/Alumni Center	40 years
Radio tower and building	40 years
Equipment & furnishings	5-10 years
Vehicles	3 years

The Foundation policy is to capitalize property and equipment over $500; the lesser amounts are expensed currently.

Contributed services – During the year ended June 30, 2012 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosure of contingent assets and liabilities in the accompanying notes. Accordingly, actual results could differ from those estimates.

Income Taxes - The Foundation is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2012.

The Organization files its forms 990 in the U.S. federal jurisdiction and the state of Oklahoma. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2008.

Comparative Totals - Totals at June 30, 2011 are shown in the financial statements for memorandum purposes only. Within the Statement of Support, Revenue and Expenses – Cash Basis certain amounts have been reclassified to conform to the year ended June 30, 2012 presentation.

NOTE 2: INVESTMENTS:

Investment advisors manage certain funds of the Foundation. Investments are stated at fair value, based on quoted market prices, and consist of the following at June 30, 2012:

Cash and Money Market Funds	$ 338,604
Corporate Bonds	4,963,413
US Government Securities	-
Common Stock	1,496,803
Equity Mutual Funds	2,270,557
Total	$ 9,069,377

NOTE 2: INVESTMENTS (Cont'd):

The following summarizes the investment return and its classification in the statement of support, revenue and expenses – cash basis for the year ended June 30, 2012:

	Unrestricted	Restricted
Interest and dividend income	$ 12,188	$ 173,503
Realized and unrealized gains/(losses)	4,075	(73,916)
Total	$ 16,263	$ 99,587

The total investment return is net of stated advisory fees in the amount of $30,020 for the year ended June 30, 2012.

Current year investment income, if available, is annually transferred to the unrestricted and restricted funds in order to support operations of the Foundation and provide funding for program support to the University. The policy of the Foundation is to return the balance of investment income for the fiscal year to the permanently restricted endowments to develop the endowment corpus.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following at June 30, 2012:

	Unrestricted
Land	$ 49,000
Foundation/Alumni center	-
Furniture and Fixtures	13,968
Vehicles	42,862
Television tower and building	258,820
Mineral interest	3,000
Collectibles (non-depreciable)	500
	368,150
Less accumulated depreciation	(164,829)
Total	$ 203,321

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (Cont'd):

The Foundation voted and approved, at the April 21, 2011 Board meeting, to transfer ownership of the Rogers State University Foundation and Alumni Center to the University, with the condition that adequate office space on the RSU Claremore campus is made available for the Foundation. The OU Board of Regents approved the transfer of the building to the University on September 21, 2011.

Depreciation expense for the year ended June 30, 2012 was $24,196.

NOTE 4: PERMANENTLY RESTRICTED NET ASSETS:

Net assets were permanently restricted for the following purposes at June 30, 2012:

Scholarship Endowments	$ 5,122,120
President's Leadership Class Endowments	174,206
Other Named Scholarship Endowments	316,629
Faculty & Staff Award Endowments	54,823
Lectureship Endowments	90,553
Endowed Chairs	1,475,380
Other Endowments	288,293
Unrestricted Endowments	20,597
Life Insurance Endowments	55,355
Total	$ 7,597,956

The permanently restricted endowments increased by $306,956 during the fiscal year.

NOTE 5: FAIR VALUE MEASUREMENTS:

Fair value of financial assets at June 30, 2012 is as follows:

	Fair Value	Level 1 Inputs
Unrestricted	$ 1,729,933	$ 1,729,933
Temporarily Restricted	-	-
Permanently Restricted	7,339,444	7,339,444
Investments	$ 9,069,377	$ 9,069,377

NOTE 5: FAIR VALUE MEASUREMENTS (Cont'd):

Level 1 Inputs - Fair values for investments are determined by reference to quoted market prices in active markets for which the Foundation is invested.

NOTE 6: ENDOWMENTS:

The Foundation endowments consist of approximately 167 individual funds established for a variety of purposes. During the year, some developing individual endowment funds were consolidated into named scholarship funds with approval from the donors and the Board of Directors. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - In accordance with the requirements of accounting standards related to endowments, and the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as permanently restricted (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) all realized and unrealized gains and losses of the endowment, and (4) less any income distribution in accordance with the spending policy which will be classified as temporarily restricted.

In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes 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.

NOTE 6: ENDOWMENTS (Cont'd):

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

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

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 four percent of its endowment fund's fair value as of the immediately preceding January 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of three percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ -	$ -	$ 7,597,956
Board-designated endowment funds	-	-	-
Total endowment funds	$ -	$ -	$ 7,597,956

NOTE 6: ENDOWMENTS (Cont'd):

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets - beginning	$ -	$ -	$ 7,291,001
Investment return	-	-	109,231
Contributions	-	-	366,317
Appropriation for expenditure	-	-	-
Transfers - board designated	-	-	(168,592)
Total endowment funds	$ -	$ -	$ 7,597,956

The historical dollar value of the permanently restricted endowments, excluding the cash value of life insurance, is $6,908,311 as compared to the fair value of $7,542,600 at June 30, 2012. The difference between the historical dollar value and fair value is a gain of $634,289, which is reflected in permanently restricted funds.

NOTE 7: LEASES:

The RSU Foundation Broadcasting Towers, LLC (the Towers) leases space on the television tower under certain operating lease agreements. The Towers also provides tower space for broadcasting equipment used by the University's television station.

NOTE 8: OFF-BALANCE SHEET RISK AND CONCENTRATIONS:

The Foundation has a potential concentration of credit risk in that it periodically maintains deposits with financial institutions in excess of amounts insured by the FDIC. At June 30, 2012, the Foundation did not have any cash in excess of funds insured by the FDIC (based on a $250,000 limit). However, the Foundation had cash held in repurchase agreement accounts totaling $340,379 at June 30, 2012.

At Fiscal Year End 2011, the University had a payable amount of $3,978 for expenses which were paid by the Foundation. As of June 30, 2012, the payable amount was zero. The University reimbursed $3,978 to the Foundation on December 13, 2011.

NOTE 8: OFF-BALANCE SHEET RISK AND CONCENTRATIONS (Cont'd):

The University and the Foundation have signed a Memorandum of Understanding in which the Foundation will assist with expenses related to the Athletic Complex (baseball and softball complex) architect fees. The Foundation paid $72,824 to the architect during the year ended June 30, 2011. During the year ended June 30, 2012 the University repaid $57,265 of these expenses and an additional $9,855 of expense was paid by the Foundation.

NOTE 9: SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 1, 2012, which is the date the financial statements were available to be issued.

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

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

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

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

Internal Control Over Financial Reporting

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

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

531 Couch Drive
Oklahoma City
73102-2251
TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com
An Independently Owned Member,
McGladrey Alliance

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

Compliance and Other Matters

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

This report is intended solely for the information of the management, Board of Regents, others within the University, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 12, 2012

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

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

Compliance

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

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

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

531 Couch Drive
Oklahoma City
73102-2251
TEL 405.239.7961
FAX 405.235.0042
WEB www.coleandreed.com
An Independently Owned Member,
McGladrey Alliance

Internal Control over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is intended solely for the information of the management, Board of Regents, others within the University, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 12, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Student Financial Assistance		
Federal Pell Grant	84.063	$ 9,572,741
Federal Supplemental Education Opportunity Grant	84.007	103,053
Federal Direct Student Loan Program	84.268	15,650,605
ACG (Academic Competitiveness Grant)	84.375	(187)
Federal Work Study	84.033	133,211
Total Student Financial Aid Cluster		25,459,423
TRIO Program Cluster		
Upward Bound	84.047A	405,291
Talent Search Grant	84.044A	284,629
Education Opportunity Centers	84.066A	512,740
Total TRIO Program Cluster		1,202,660
Other Programs		
Passed through Oklahoma Department of Vocational Technical Education		
Carl Perkins Vocational and Applied Technology	84.048	102,593
Total Other Programs		102,593
Total U.S. Department of Education		26,764,676
U.S. Department of Commerce		
Economic Development Administration		
RSU-University Center-Award # 08-66-04630	11.306	102,395
Total U.S. Department of Commerce		102,395
U.S. Department of Agriculture		
Passed through Oklahoma Department of Education		
Child and Adult Care Food Program	10.558	9,805
Rural Development		
Biofuels Assistance Center	10.769	8,190
Total U.S. Department of Agriculture		17,995
U.S. Fish and Wildlife Service, Region #2		
Passed through the OK Dept of Wildlife Conservation		
Mgmt & Cave Protection-ID E-22-15	15.615	21,942
Total U.S. Fish and Wildlife Service, Region #2		21,942
U.S. Department of Health & Human Services		
Passed through the Ottawa Tribe of Oklahoma		
ARRA-Child Care & Development Block Grant	93.713	2,000
Total U.S. Department of Health & Human Services		2,000
Total Expenditures of Federal Awards		$ 26,909,008

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2012

NOTE A--BASIS OF ACCOUNTING

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

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University began participation in the Direct Loan Program on July 1, 2010. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

NOTE C--SUBRECIPIENTS

The University provided no federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2012

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Program/Cluster	CFDA Number
Student Financial Aid Cluster	*
Carl Perkins Vocational and Applied Technology	84.048

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

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

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

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

None to report for the June 30, 2012 period.

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

None to report for the June 30, 2012 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2012

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