Financial Statements
With Independent Auditor's Report
June 30, 2016

Rose State College

Rose State College
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June 30, 2016

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Regents
Rose State College
Midwest City, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of Rose State College (the College) and the discretely presented component unit of Rose State College Foundation, Inc. as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the discretely presented component unit as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the College has adopted the provisions of GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No 73,* which has resulted in a restatement of the net position as of July 1, 2015. Our opinions are not modified with respect to this matter.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The information shown in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the financial statements.

The schedule of expenditures of federal awards and the combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other 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 financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 31, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
October 31, 2016

Introduction

The discussion and analysis of Rose State College's (the College) financial statements provides an overview of the College's financial activities for the year ended June 30, 2016. Since the management's discussion and analysis is designed to focus on the College's financial performance based on current conditions, activities resulting in change, and other currently known facts, please read it in conjunction with the College's basic financial statements and footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

These financial statements reflect the implementation of GASB statement 82, issued March 2016, dealing with among other things, the classification of payments made by employers to a pension plan in fulfillment of the employee's contribution requirement. Statement 82 amends GASB No. 67 and No. 68 and No. 73, all implemented with the FY15 statements, and dealt with the accounting and presentation of pension plan contributions and the presentation of the unfunded liability of the Oklahoma Teachers Retirement System (OTRS). All regular Rose State College employees are members of the Oklahoma Teacher's Retirement System and the College pays the employee's portion of the required contribution each month on behalf of the employee. The implementation of GASB No. 82 required a restatement of the beginning net position carried forward from the fiscal 2015 statements. While the effect of all of these implementations have had a weighty impact on the resulting statements, management does not believe that it indicates a true negative consequence to the financial condition of the institution.

Using This Annual Report

The accompanying financial statements reflect the activities of the College, its blended component unit, the Rose State College Technical Area Education District (the Tech District), and its discretely presented component unit, the Rose State College Foundation, Inc. (the Foundation). However, this MD&A focuses on highlights and explanations of significant changes in financial operations and conditions only for the College and its blended component unit, the Tech District.

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the operation of the College. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The College's net position - the difference between assets, liabilities and deferred inflows and deferred outflows - is one way to measure the College's financial health or financial condition. As discussed above, the implementation of GASB statement 82 required a restatement of the beginning net position brought forward from the College's fiscal 2015 statements affecting the comparison between the two fiscal years. The reader will also need to consider other non-financial factors, such as the quality of applicants, enrollment trends, student retention, accreditation status, the condition of buildings, academic programming changes and the safety of the campus in assessing the overall health of the institution.

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

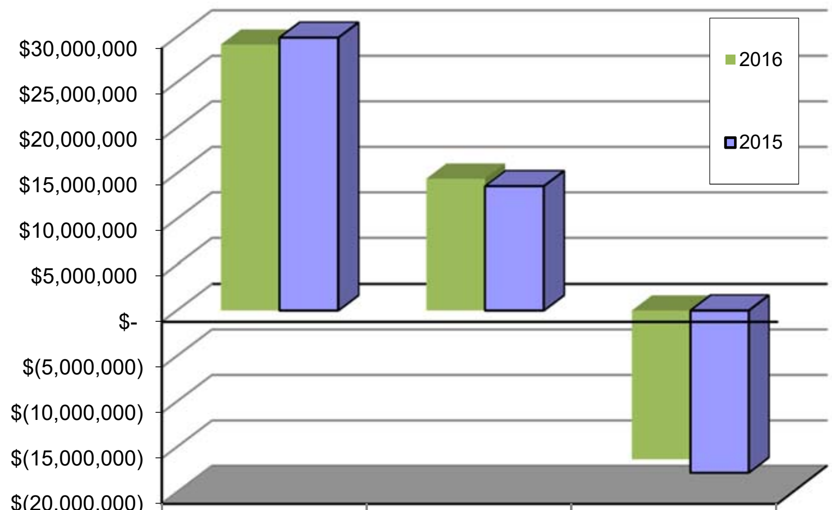
Separate financial statements for the College's component units are also available. Financial statements for the Tech District may be obtained by contacting the Executive Vice President. The financial statements for the Foundation may be obtained by contacting their Executive Director.

Financial Highlights

Total Net Position

This chart provides a graphical breakdown of net position by category for the fiscal years ending June 30, 2016 and 2015.

The implementation of GASB 82 required a restatement of FY15 ending Net Position to $25.7 million, a reduction of $1.5 million. This ending Net Position became the beginning Net Position for FY16 results. After taking this restatement into account, the College's net position at June 30, 2016 was $27.2 million, resulting in an increase of $1.5 million compared to the FY15 results. This increase, largely from the effect of the GASB 82 required restatement is reflected in the Unrestricted Net Position category. It is management's feeling that the GASB implementations dealing with pensions in both FY16 and FY15 have heavily and negatively impacted the unrestricted net position balance but the results shown are not an indication of a decline in the financial condition of the College.



	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position
2016	$29,151,901	$14,423,010	($16,351,613)
2015	$29,905,919	$13,589,798	($17,815,603)

The net effect of implementation of GASB 82 is shown on the following table:

Effect of GASB 82 Implementation:	**FY2016**
Net position, FY16 beginning as previously reported	$ 27,225,998
Implementation of GASB Statement 82	
Deferred Outflow of Resources	(1,545,884)
FY16 Beginning net position, restated	$ 25,680,114

Changes in the Net Investment in Capital Assets and the Restricted Net Position balances roughly offset each other, as shown in the graph above comparing FY16 and FY15 results. Investment in Net Capital Assets declined slightly as a result of the recognition of increased leases payable while Restricted Net Position show increased cash balances for short term use in debt service and scholarship activity.

Results from Operations - Revenue and Expenses

Total College revenues for fiscal 2016 decreased to $53.3 million, a decrease of $3.1 million or 5.4% in aggregate compared to fiscal 2015 revenues of $56.4 million for all categories.

- Operating revenue for fiscal 2016 increased by $1.5 million or 17.5% as a result of improving enrollment and gains in auxiliary revenue as a result of the opening of campus housing.

- Non-Operating Revenue decreased by $4.9 million or 10.4% compared to fiscal 2015. There are two main factors driving the decrease: the loss of $2.8 million of appropriated state support experienced during the fiscal year due to mid-year state revenue failures and the reduction of $2.1 million of federal grants related to financial aid and student loans.

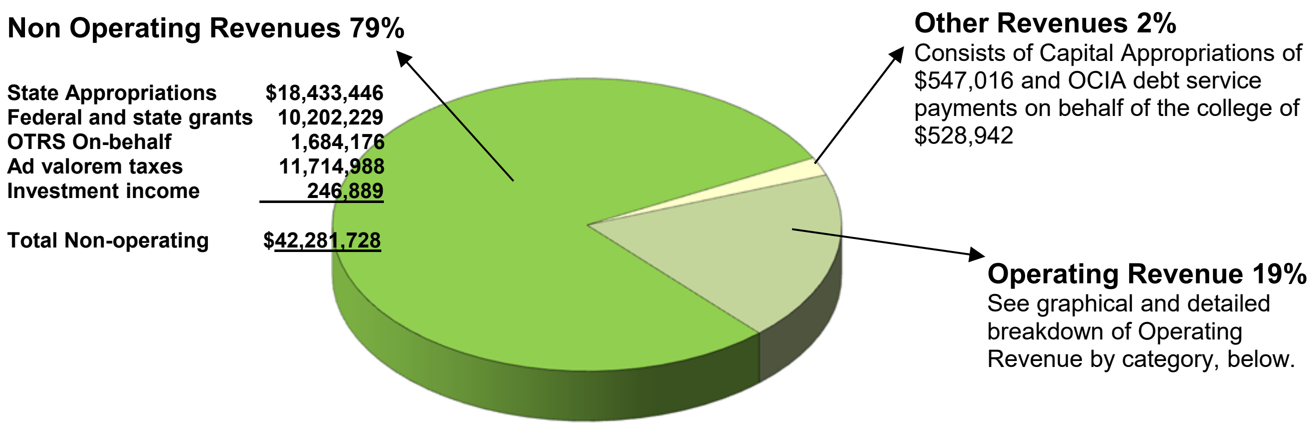
- Other Revenue consists of capital appropriations and Oklahoma Capital Improvement Authority debt service payments made on behalf of the college for bond proceeds funding capital improvements and the Health Sciences building. These on-behalf payments require no cash outlay by the college thus the college recognizes them as revenue. In FY15 the OCIA bonds were refinanced to take advantage of lower interest rates and extended terms resulting in historically low on-behalf payments of $84 thousand. In FY16, returning to normal payment schedule, $529 thousand of on behalf payments were recorded resulted in the recognition of $444 thousand more in Other Revenue as compared to fiscal 2015.

The following tables and charts present Total and Operating Revenues by category followed by a presentation of total expenses by category for the fiscal years ending June 30, 2016 and 2015.

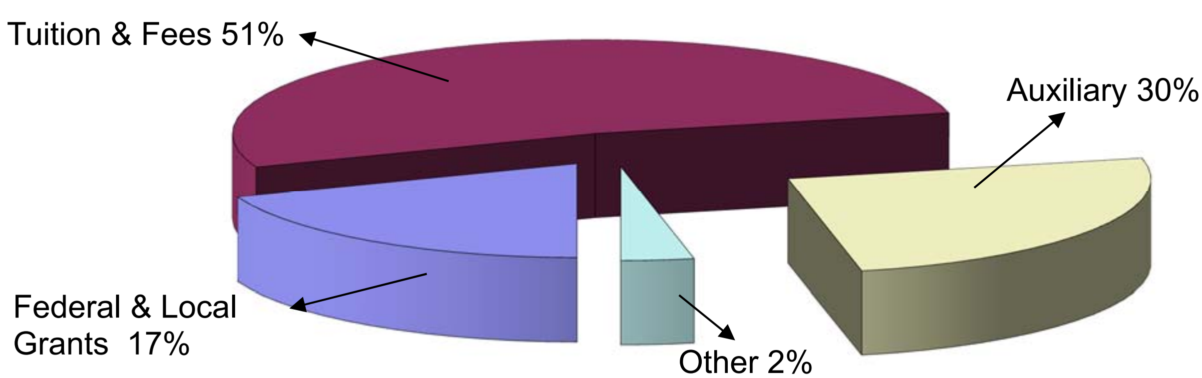
Total Revenues by Category FY16 Detail

Revenue Category	2016	2015	Change F/15 to F/16	Percent Change
Operating Revenues	$ 10,006,717	$ 8,518,269	$ 1,488,448	17.5%
Non-Operating Revenues	42,281,728	47,204,321	(4,922,593)	(10.4%)
Other Revenues	1,075,958	713,436	362,522	50.8%
Total Revenues	$ 53,364,403	$ 56,436,026	$ (3,071,623)	(5.4%)

Total Revenues by Category FY16 Graph



Operating Revenue by Category FY16



Operating Revenue Category	2016	2015	Change F/15 To F/16	Percent Change
Federal & Local Grants	$ 1,687,436	$ 1,634,839	$ 52,597	3.2%
Tuition & Fees	5,096,349	4,452,612	643,737	14.5%
Auxiliary	2,978,895	2,155,101	823,794	38.2%
Other	244,037	275,717	(31,680)	(11.5%)
Total Operating Rev.	$10,006,717	$ 8,518,269	$1,488,448	17.5%

Total Expenses by Category

Total expenses for fiscal 2016 were $51.8 million, an increase of $2.3 million or 4.6% compared to fiscal 2015 adjusted total expenses of $49.5 million.

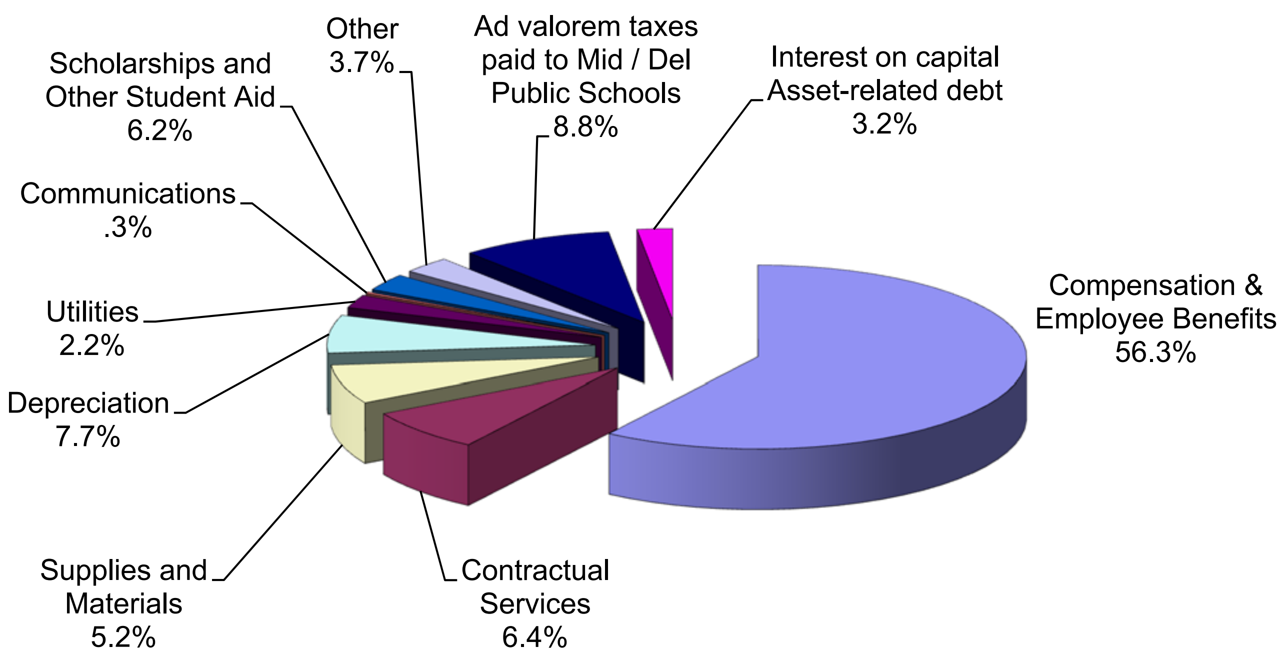
The implementation of GASB 82, in addition to requiring a restatement of ending net position for FY15, also required an adjustment to FY15 total Compensation & Employee Benefits expenses for the OTRS contributions made by the school on behalf of its employees. This adjustment decreased the FY15 compensation expenses by $300 thousand and makes a direct comparison of FY16 and FY15 less effective.

The majority of the $2.3 million increase in FY16 recognized expenses were in categories somewhat out of management's control. Scholarships and Other Student Aid increased $1.7 million compared to FY15 results. This category is very cyclical over the years due to the date that student refunds are made, particularly for the summer terms. For example, when comparing prior years' results, it can be seen that this category decreased $2.7 million in FY15 compared to FY14. This cycle is more a function of the academic calendar and will likely continue this cyclical characteristic. Depreciation for FY16 was increased nearly $700 thousand compared to FY15 resulting from the addition of completed projects for infrastructure improvements, remodeling and the addition of the campus housing. Somewhat related, interest on the capital assets-related debt category increased by $600 thousand compared to FY15 because of the newly recognized Housing Capital Lease and interest on the Tech District capital improvement bonds.

Those expense categories that are more directly related to management's day-to-day actions tended to show a decrease in FY16 compared to FY15 especially in the areas of Compensation (see note above about GASB 82 implementation effect), Contractual Services, and Supplies and Materials. This is the result of spending reductions in the last half of the fiscal year for the mid-year constriction of state support payments. The only major exception is the Other category which shows an increase mostly related to the placement of advertising (an Other category expense) by College staff rather than having an advertising agency place the ads (a Contractual category expense).

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

Total Expenses by Category - graph and detail table



Total Expenses by Category	**2016**	**2015**	**Increase (Decrease) F/15 to F/16**	**Percent Change**
Compensation & Employee Benefits	$29,166,702	$29,391,793	(225,092)	(0.8%)
Contractual Services	3,333,498	3,679,655	(346,157)	(9.4%)
Supplies and Materials	2,709,268	3,374,483	(665,215)	(19.7%)
Depreciation	3,983,845	3,315,188	668,657	20.2%
Utilities	1,119,733	1,140,910	(21,177)	(1.9%)
Communications	173,505	128,820	44,685	34.7%
Scholarships and Other Student Aid	3,233,640	1,467,402	1,766,238	120.4%
Other	1,887,221	1,457,043	430,178	29.5%
Ad valorem paid to Mid/Del Public Schools	4,550,922	4,526,095	24,827	0.6%
Interest on capital asset-related debt	1,662,885	1,055,167	607,718	57.6%
Total Expenses by Category	$51,821,219	$49,536,556	2,284,662	4.6%

Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year and includes totals of all assets, liabilities and deferred inflows and outflows. Net position and the change between fiscal years is one indicator of the current financial condition of the College. The fiscal 2016 information indicates an increase of $1.5 million or 6% in total net position compared to fiscal 2015. This is largely due to the implementation of GASB 82 and the restatement of FY 15 ending net position (see discussion above). The table and narrative below will illustrate some notable direct comparisons between the two fiscal years.

This table summarizes the College's Statement of Net Position with information as of June 30, 2016 and 2015.

Balances as of June 30th	**2016**	**2015**	**Change F/15 to F/16**	**Percent Change**
Current Assets	$31,062,060	$42,414,950	$(11,352,890)	(26.8%)
Noncurrent Assets				
Restricted cash and cash equivalents	4,304,024	4,208,282	95,742	2.3%
Accounts receivable, net	173,447	207,568	(34,121)	(16.4%)
Capital assets, net of depreciation	69,943,998	49,079,112	20,864,886	42.5%
Total assets	105,483,529	95,909,912	9,573,617	10.0%
Deferred Outflows				
Deferred Outflows related to pensions	6,314,390	2,269,655	4,044,735	178.2%
Current Liabilities	6,633,981	5,649,355	984,626	17.4%
Noncurrent Liabilities	73,546,748	58,831,944	14,714,804	25.0%
Total liabilities	80,180,729	64,481,299	15,699,430	24.4%
Deferred Inflows				
Bookstore service concession arrangement	207,568	241,689	(34,121)	(14.1%)
Gain on debt refinancing	848,501	898,101	(49,600)	(5.5%)
Deferred inflows related to pensions	3,337,823	6,878,364	(3,540,541)	(51.5%)
Total Deferred Inflows	4,393,892	8,018,154	(3,624,262)	(45.2%)
Net Position				
Net investment in capital assets	29,151,901	29,905,919	(754,018)	(2.5%)
Restricted expendable	14,423,010	13,589,798	833,212	6.1%
Unrestricted	(16,351,613)	(17,815,603)	1,463,990	8.2%
Total net position	$27,223,298	$25,680,114	$ 1,543,184	6.0%

- Please see the table on page 5, for an illustration of the impact of the GASB 82 implementation and the required restatement of FY15 ending net position. Management continues to believe that the implementations of GASB 68, GASB 69 and GASB 71 statements in the prior fiscal year and the implementation of GASB 82 in the current fiscal year have had a substantial negative impact on the reported net position of the College, especially in the unrestricted net position, deferred outflows and inflows categories recognized in the financial statements but do not indicate a true detriment to the financial condition of the College.

- Current assets, in fiscal 2016 declined by $11.4 million or 26.8% compared to fiscal 2015. This largely reflects the use of $12.2 million of Tech District bond proceeds for the restricted purpose of capital improvements. As these bond funded projects are completed and put into service, there is a comparable increase in capital assets. The increase in capital assets will be discussed below in the Non-current assets section. The largest bond project yet to be completed is the complete remodel of the Learning Resource Center (LRC) which is expected to be completed in fiscal year 2017. Once the LRC project is finished, the remaining bond proceeds, approximately $3.9 million, will be exhausted.

- Non-current assets saw a significant increase of $20.9 million, or 39.1%, in fiscal year 2016 compared to fiscal year 2015 reflecting the increase in capital assets of $20.9 million. This primarily comes from $4.4 million of completed Tech District bond projects and the addition of campus housing, the Village at Rose State valued at $13.9 million, which opened for occupancy in August 2015. The on-campus housing units were built using a capital lease purchase agreement with the developer. The Tech District bond projects are expected to be finalized in calendar year 2017. Please see footnote #4 for detailed presentation of capital asset activity and footnote #5 for a discussion of all long-term liabilities including the schedule of amortization for the Tech District bonds and the housing capital lease payable schedule.

- Total liabilities increased $15.7 million between fiscal 2016 and fiscal 2015. The largest portion of the increase results from an increase in debt related items. Current maturities of long-term debt increased $2 million in FY16 compared to FY15 from principal and interest payable on the Tech District Bonds. Only interest has been paid on the bonds in prior periods. The current portion of FY16 long-term liabilities reflect the accrual of the first $1.7 million principal payment in addition to interest on the bonds. Non-current liabilities increased approximately $10.0 million largely from the addition of $11.9 million of debt related to the Village at Rose State capital lease. Also, net pension obligations increased by $6.2 million comparing FY16 and FY15. Please see footnote #5 for a presentation and detailed discussion of long term liabilities and footnote #6 for a discussion of pension liabilities.

- Deferred Outflows and Deferred Inflows mainly reflect changes related to pension fund activities and accruals of pension expenses. Please see footnote #6 for a full discussion of the pension liabilities and associated actuarial calculation of the unfunded balance of the Teacher's Retirement System.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the College's results of operations and other non-operating activities. A summarized statement of revenues, expenses and changes in net position, as of June 30, 2016 and 2015, appears below:

	2016	2015	Change F/ 15 To 16	Percent Change
Operating Revenues				
Tuition and fees, net	$ 5,096,349	$ 4,452,612	$ 643,737	0.1%
Federal, state and local grants and contracts	1,687,436	1,634,839	52,597	3.2%
Auxiliary (bookstore, food services and housing), net	2,978,895	2,155,101	823,794	38.2%
Other	244,037	275,716	(31,679)	(11.5%)
Total operating revenues	10,006,717	8,518,268	1,488,449	17.5%
Operating Expenses				
Compensation and employee benefits	29,166,702	29,391,793	(225,091)	(.1%)
Contractual services, supplies and materials	6,042,766	7,054,138	(1,011,372)	(14.3%)
Depreciation	3,983,845	3,315,188	668,657	20.2%
Utilities and communications	1,293,238	1,269,730	23,508	1.9%
Scholarships and other student aid	3,233,640	1,467,402	1,766,238	120.4%
Other	1,887,221	1,457,043	430,178	29.5%
Total operating expenses	45,607,412	43,955,294	1,652,118	3.8%
Operating Loss	(35,600,695)	(35,437,026)	(163,669)	(.5%)
Non-operating Revenues (Expenses)				
State appropriations	18,433,446	21,182,974	(2,749,528)	(13.0%)
Federal and state grants	10,202,229	12,381,866	(2,179,637)	(17.6%)
OTRS on-behalf contributions	1,684,176	1,463,047	221,129	15.1%
Ad valorem taxes	11,714,988	11,864,686	(149,698)	(1.3%)
Ad valorem taxes remitted to Mid/Del Public Schools	(4,550,922)	(4,526,095)	(24,827)	(.6%)
Other	(1,415,996)	(743,419)	(672,577)	(90.5%)
Net Non-operating revenues	36,067,921	41,623,059	(5,555,138)	(13.4%)
Income Before Other Revenues, Expenses, Gains and Losses	467,226	6,186,033	(5,718,807)	(92.5%)
Other Revenues, Expenses, Gains and Losses	1,075,958	713,436	362,522	50.8%
Increase in Position	1,543,184	6,899,469	(5,356,285)	(77.6%)
Assets, Beginning of Year, as restated 7/1/2015	25,680,114	18,780,645	6,899,469	36.7%
Assets, End of Year	$ 27,223,298	$ 25,680,114	$ 1,553,184	6.1%

- Total operating revenues, for fiscal 2016 increased $1.5 million, or 17.5%, compared to fiscal 2015. This is a result of increased tuition and fee revenue reflecting an increase in enrollments and an increase in tuition and fee rates. Auxiliary revenues also grew in FY16 from the opening of on campus apartments, the Village at Rose State.

- Operating expenses are relatively stable in comparing fiscal 2016 and fiscal 2015, in total.

- There were some significant changes when looking at individual categories such as:

    1. Compensation and employee benefits for FY15 required an adjustment, reducing recognized expenses by $306 thousand, for the GASB 82 implementation. This effects the comparison between the two years. It should be noted that efforts were taken in FY16 to decrease headcount and reduce expenses for direct labor and benefits in order to control compensation expenditures. Compensation and benefits continues to be the largest operating expenditure for the college and represents almost 64% of the total operating expenses.
    2. Contractual services, supplies and materials decreased by $1 million in FY16 versus FY15 results. This is largely due to reduced spending put in place during the last half of the fiscal year in response to reductions in state appropriations from revenue failure declarations. While these spending reductions allowed the College to meet reserve requirements and maintain mission critical expenditures, it is not a long-run, sustainable practice. Another driver of the change from year to year is the way advertising is purchased. See further discussion of this issue in the Other Operating Expenses section below.
    3. Depreciation increased $669 thousand in FY16 compared to FY15, largely because of the addition of the Village at Rose State housing project to capital assets. There were also capital assets added from completed Tech District bond projects. Please see a discussion of capital assets below and review foot note 4 for a full presentation of changes in capital assets.
    4. Scholarships and other student aid operating expenses increased by $1.8 million in fiscal 2016 compared to fiscal 2015. This category is very cyclical and often reflects the academic calendar in the timing of student refunds. For example, in FY15 this category decreased by $2.7 million compared to FY14. Typically, this cyclical nature results from the timing of summer term student refunds of excess financial aid.
    5. Other operating expenses increased $430 thousand in fiscal 2016 compared to fiscal 2015. A large portion of this results from a change in the process of purchasing advertising and marketing for the College. In fiscal 2015 advertising expenses were paid directly to an advertising firm, classified as a contractual expenditure, for the purchase of radio, TV and periodical ads. In FY16, these advertising and marketing spots were purchased directly from local media outlets by the College. These purchases are classified as other operating expenses. It should also be noted that in FY16 approximately $200 thousand less was spent on advertising expenses compared to FY15 spending.

- Non-operating revenues for fiscal 2016 decreased $5.6 million or 13.4% when compared to fiscal 2015 as a result of the following highlights:

    1. State appropriations were $2.7 million lower in FY16 compared to FY15. At the beginning of the fiscal year, state appropriations were reduced in response to a decrease in funds available to be allocated at the state legislative level. However, during the fiscal year, beginning in January, the state recognized seven (7) revenue failures from reduced collections in both the General Fund and the oil and gas wellhead tax dedicated to Higher Education funding. The last revenue failure was recognized in June resulting in a total reduction of 13% in appropriated state support during the fiscal year.
    2. Federal and state grants, in the non-operating revenue classification, are related to financial aid from various federal and state sources. This aid is applied to the student account to cover the cost of tuition and fees. Fiscal 2016 shows a decrease of $2.2 million compared to fiscal 2015 indicating a decrease in financial aid grants and loans awarded. Some of this decrease is a result of enrollment and retention trends, which should stabilize in future fiscal periods. A portion of this decrease, however, indicates a lower reliance on student loans and federal grants by students.

- Other Revenues, Expenses, Gains and Losses reflect restricted funds allocated for capital expenditures from the state and payment of the Oklahoma Capital Improvement Authority (OCIA) lease obligation made on behalf of the College (and thus requiring no cash outlay by the College). The OCIA payment is recorded as other revenue and shown as such on the financial statements. These on-behalf payments were $363 thousand greater in FY16 compared to FY15.

Statement of Cash Flows

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

The College's total cash and cash equivalents for fiscal 2016 decreased by $11.5 million compared to fiscal 2015. Operating activities generated a smaller loss than the prior fiscal year and thus contributed approximately $163 thousand to the cash balance compared to fiscal 2015. The noncapital financing activities used approximately $5.0 million more cash compared to fiscal 2015 largely because of the decrease in state support, as discussed earlier, and the loss in non-operating grants (financial aid revenue) also discussed earlier. Capital purchases and related financing activities used significantly more cash in 2016 as compared to 2015. Completion of some of the Tech District bond projects and the completion of the on-campus housing project, the Village at Rose State, used $16.3 million for purchases of capital assets. Related to the housing project, approximately $12.4 million were recognized as debt proceeds from the recognition of the lease purchase agreement. Interest paid on the housing capital lease and the first payment of principle on the Tech District capital improvement bonds used $2.8 million more in FY16 than in FY15. In total, capital spending and related financing consumed $6.6 million of cash, in fiscal 2016 compared to fiscal 2015. Investing activities also contributed $53 thousand less from earned interest compared to the prior year. All combined, the operating activities, noncapital financing activities, capital and related financing and investing activities resulted in a large net decrease in cash and cash equivalents at the end of the fiscal period, as would be expected when large investments in buildings and infrastructure are completed in one particular fiscal period as opposed to being spread over a number of years.

The following schedule is summarized from the College's Statement of Cash Flows for the year ended June 30, 2016 and 2015.

Year Ended June 30	**2016**	**2015**	**Change F/ 15 To 16**	**Percent Change**
Cash Provided by (Used In):				
Operating activities	$(32,267,439)	$(32,430,777)	$ 163,338	0.5%
Noncapital financing activities	32,992,651	37,990,067	(4,997,416)	(13.2%)
Capital and related financing activities	(12,475,781)	(5,924,003)	(6,551,778)	(101.6%)
Investing activities	244,607	311,511	(66,904)	21.5%
Net decrease in cash and cash equivalents	(11,505,962)	(53,202)	(11,452,760)	(21,526.9%)
Cash and Cash Equivalents, Beginning of Year	44,390,295	44,443,497	53,202	.1%
Cash and Cash equivalents, End of Year	$ 32,884,333	$ 44,390,295	$ (11,505,962)	(25.9%)

Capital Assets

At June 30, 2016 the College had approximately $128.6 million invested in capital assets with accumulated depreciation of $58.6 million resulting in a net capital asset valuation of approximately $70.0 million. This represents an increase of $20.9 million, or 42.5%, compared to fiscal 2015 results. The 2016 increase in net valuation reflects the completion of some of the Tech District bond projects and the addition of the on-campus housing complex, the Village at Rose State. Because some projects are not yet completed as of June 30, construction in progress (CIP) reflected a balance of $13.7 million for on-going capital projects, an increase of approximately $3.7 million compared to the 2015 balance. Most notable of these projects is the Learning Resource Center (LRC) renovation. All of the Tech District bond projects are expected to be completed in calendar year 2017 and will then be reflected as building improvements rather than construction in progress.

Details of these capital asset investments are shown in the table below.

Capital Assets, Net of Accumulated Depreciation at June 30, 2016 and 2015

Year Ended June 30	**2016**	**2015**	**Change F/15 To 16**	**Percent Change**
Land	$ 5,614,377	$ 5,614,377	$ 0	0.0%
Building and improvements	44,746,448	28,757,177	15,989,271	55.6%
Land improvements/ infrastructure	459,038	476,786	(17,748)	(3.7%)
Furniture, fixtures and equipment	4,150,347	3,002,861	1,147,486	38.2%
Library materials	1,305,168	1,284,951	20,217	1.6%
Construction in Progress	13,668,620	9,942,960	3,725,660	37.5%
Total Capital Assets, net of Accumulated Depreciation	$ 69,943,998	$ 49,079,112	$ 20,864,886	42.5%

Debt

As of June 30, 2016, the College had approximately $42.5 million in debt (bonds and capital lease obligations) outstanding. This is an increase of approximately $12.0 million, or 39.1%, when compared to fiscal 2015 end of year balances. The fiscal 2016 results reflect two new obligations. The housing capital lease added $12.3 million dollars of debt to the financial statements and is for the Village at Rose State College apartment complex with a lease term to last thirty-five (35) years. The proceeds from the new ODFA 2015C bond issue, via the Master Lease program through the State Regents, have been used to purchase software for the financial aid department with lease payments lasting for five (5) years. Other new debt or lease obligations may also be realized in future fiscal periods as other capital building projects or equipment purchases are funded. See footnote #5 Long Term Liabilities for more detailed information regarding the College's outstanding debt. The table below summarizes the College's debts, by type, for the two most recent fiscal periods.

Outstanding Debt at June 30, 2016 and 2015

Balances at June 30th	2016	2015	Change F/15 To 16	Percent Change
2013 Building Bonds Payable	$ 21,980,000	$ 21,980,000	$ 0	0%
2014B OCIA Capital Lease Obligation	119,654	145,126	(25,472)	(17.6%)
2014C OCIA Capital Lease Obligation	7,714,980	7,888,779	(173,799)	(2.2%)
ODFA 2009A Master Lease (Bus)	153,333	203,666	(50,333)	(24.7%)
ODFA 2014C Master Lease (Software)	257,000	330,091	(73,091)	(22.1%)
ODFA 2015C Master Lease (Software)	210,333	0	210,333	100.0%
ODFA 2009A Premium	775	1,027	(252)	(24.5%)
ODFA 2014C Premium	20,693	26,750	(6,057)	(22.6%)
ODFA 2015C Premium	9,661	0	9,661	100.0%
Housing Capital Lease	12,069,820	0	12,069,820	100.0%
Total Outstanding Debt	$ 42,536,249	$ 30,575,439	$ 11,960,810	39.1%

Economic Outlook

Rose State College operates in a multi-faceted environment that is strongly influenced by several elements, each providing its own set of influences on the College and its operations.

The condition of the local economy heavily influences the decision and ability to set tuition and fee rates. In response to a decrease in allocated state support, the College decided to increase tuition and fee rates, effective for FY17. Tuition increased $9.15 (or 10%) per credit hour. A new mandatory Security Services fee of $3.00 per credit hour was added and other mandatory fees were increased by a total of $2.25 per credit hour. The Student ID fee was also increased to $5 per semester. In total, all tuition and mandatory fees were increased 12.9%. The average cost to attend, for an in-state resident student, is $127.57 per credit hour. Decisions about increases are made after weighing parents' and students' ability to pay higher rates, the projected cost of providing quality academic instruction and student services, and delivering the desired College atmosphere and experience that today's students look for in making their choice for higher education. It must be noted that even with this increase, Rose State College was ranked as the fifth least expensive higher education institution in the state system. Controlling the students' cost to attend college is one of the guiding principles of the College administration.

The condition of the state and local economy also directly impacts college enrollment. High school seniors and adult workers must decide whether to, or how to, pursue higher education while also being in the workforce. Currently, the local economy remains stable and provides ample opportunities to find jobs locally. Employment opportunities in the local aerospace industry associated with Tinker Air Force Base continue to grow, helping stabilize the economic outlook within the College's immediate service area. Property values continue to be firm with some areas of expansion and thus providing a secure revenue stream from the Tech District's ad valorem tax base. The state-wide economy has softened considerably with the weakening of the energy sector and those related support functions. These factors help to fortify the College's enrollment. Currently, the College's Engineering and STEM related programs and cybersecurity program are areas of enrollment growth with high levels of interest from incoming students. Growth is also seen in other academic programs designed to transfer easily to a university as students choose to start at community college and then transition to other institutions for completion. New programs are being added, such as the Emergency Management program, to meet the demand for workers by industry and government and provide opportunities for enrollment growth and academic expansion.

The College is also affected by changes in the local economic demographic makeup. As the population of the local area ages, graduating classes from high schools in the general service area shrink and thus feed fewer local students to the College. Thus, recruitment of students from outside the normal service area becomes necessary. In fiscal year 2016 the College produced .2% more credit hours than fiscal year 2015. While this may not seem to be a significant improvement, it does represent the first time since fiscal year 2012 that enrollment rose over the entire fiscal year. Management believes that this indicates a change in enrollment trends as evidenced by the fall 2016 enrollment report indicating an increase in credit hour production of 4.4% compared to the prior fall semester. Beginning in fiscal year 2014, the administration of the College began a series of projects to change the student experience from a commuter college to a more traditional college atmosphere in an attempt to enhance recruitment of students from both the local area and throughout the state. These projects included the addition of inter-collegiate soccer teams and improved baseball and softball facilities. The construction of apartment style housing, through a public/private partnership with a local developer, gives the College the distinction of being the first urban community college in the state to offer on-campus living. The construction and remodeling efforts from the Tech District's general obligation bond issue has improved buildings and infrastructure campus wide. The Learning Resource Center, once completed, will supply additional learning and socialization space for students. For students, these efforts distinguish Rose State College from other regional university and community college options with an experience and college feel that has not been achieved on an urban community college campus elsewhere. Management believes that these efforts will continue to aid in student recruitment and retention efforts and the effects will be long lasting.

The College is also heavily impacted by the state's legislative and political environment due to the reliance on the use of legislative appropriations to fund the operations of the College. For fiscal year 2016, actual receipt of state support was significantly lower than originally allocated. Revenue failures were declared seven times by state agencies that collect and distribute tax and fee revenue with each failure reducing support distributed to the College. Although no revenue failures have yet been declared for fiscal 2017, collections to the state coffers have been below projections and the possibility does exist for mid-year reductions in appropriated support. College management does not believe this to be imminent or absolute. For fiscal year 2018, the legislature will likely face another budget shortfall. How that shortfall is met will not be determined until after the elections in November.

Given student's reliance on Federal financial aid and the school's opportunities for Federal grant programs, the national political environment also has a direct influence on the College. Discussions on funding priorities and changes to regulations for student financial aid, loan and grants could have a material economic effect on the school. Certainly, much attention has been focused lately on the cost of college education and who should pay the associated cost. The full effect of these discussions and debates cannot be projected yet but are a focus of attention for the College administration.

There are many challenges to be faced by Rose State College in the next few fiscal periods but the administration and management of the College believe the institution to be in solid financial condition and maintains a commitment to continue that position as challenges arise and opportunities for growth and excellence present themselves.

Contacting the College's Financial Management

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

Rose State College
Statement of Net Position
June 30, 2016

	Rose State College	Rose State College Foundation Inc.
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,271,769	$ 347,671
Restricted:		
Cash and cash equivalents	7,308,540	93,030
Investments	-	1,072,408
Accounts receivable, net	1,575,509	-
Federal and state grants receivable	252,418	-
Delinquent ad valorem property taxes receivable	319,000	-
Receivable from ODFA	311,858	-
Accrued interest receivable	14,637	-
Prepaid expenses	8,329	-
Total current assets	31,062,060	1,513,109
Non-current assets:		
Restricted:		
Cash and cash equivalents	4,304,024	-
Accounts receivable	173,447	-
Capital assets, net	69,943,998	2,257,000
Total non-current assets	74,421,469	2,257,000
Total assets	105,483,529	3,770,109
DEFERRED OUTFLOWS		
Related to pensions	6,314,390	-
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	2,649,266	51,525
Accrued compensated absences	912,152	-
Unearned revenue	517,395	-
Room deposits payable	32,000	-
Current maturities of long-term debt	2,302,525	-
Deposits held in custody for others	220,643	-
Total current liabilities	6,633,981	51,525
Non-current liabilities:		
Interest payable	399,968	-
Accrued compensated absences	126,563	-
Net pension obligation	32,786,493	-
Long-term debt	40,233,724	-
Total non-current liabilities	73,546,748	-
Total liabilities	80,180,729	51,525
DEFERRED INFLOWS		
Bookstore service concession arrangement	207,568	-
Gain on debt refinancing	848,501	-
Related to pensions	3,337,823	-
Total deferred inflows	4,393,892	-
NET POSITION		
Net investment in capital assets	29,151,901	-
Restricted nonexpendable - endowment	-	2,900,239
Restricted expendable for:		
Scholarships	6,681,162	799,253
Loans	5,774	-
Capital projects	4,890,068	-
Debt service	2,846,006	-
Unrestricted (deficit)	(16,351,613)	19,092
Total net position	$ 27,223,298	$ 3,718,584

Rose State College

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2016

	Rose State College	Rose State College Foundation Inc.
Operating Revenues		
Tuition and fees, net	$ 5,096,349	$ -
Federal grants and contracts	1,579,398	-
State and private grants and contracts	108,038	-
Sales and services of auxiliary enterprises, net	2,978,895	-
Contributions and other revenue	-	452,070
Other operating revenues	244,037	-
Total operating revenues	10,006,717	452,070
Operating Expenses		
Compensation and benefits	29,166,702	-
Contractual services	3,333,498	-
Supplies and materials	2,709,268	-
Scholarships and fellowships	3,233,640	101,889
Communications	173,505	-
Depreciation	3,983,845	-
Utilities	1,119,733	-
Other	1,887,221	161,474
Total Operating Expenses	45,607,412	263,363
Operating income (loss)	(35,600,695)	188,707
Non-operating Revenues (Expenses)		
State appropriations	18,433,446	-
Federal grants	8,866,375	-
State grants	1,335,854	-
OTRS on-behalf contributions	1,684,176	-
Ad valorem taxes	11,714,988	-
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,550,922)	-
Net unrealized and realized gain (loss) on investments	-	(26,019)
Investment revenue	246,889	-
Interest on capital asset-related debt	(1,662,885)	-
Net non-operating revenue (expenses)	36,067,921	(26,019)
Income before other revenues, expenses, gains, losses and transfers	467,226	162,688
Capital appropriations - state	547,016	-
OCIA debt services on-behalf payments	528,942	-
Increase in Net Position	1,543,184	162,688
Net Position, Beginning of Year (as restated, see Note 1)	25,680,114	3,555,896
Net Position, End of Year	$ 27,223,298	$ 3,718,584

Rose State College
Statement of Cash Flows
Year Ended June 30, 2016

	Rose State College	Rose State College Foundation Inc.
Operating Activities		
Tuition and fees	$ 4,772,311	$ -
Grants and contracts	2,015,155	-
Payments to suppliers	(13,320,802)	(72,747)
Payments to employees	(28,885,384)	-
Foundation contributions	-	362,134
Scholarships	-	(177,445)
Auxiliary enterprises sales and services	2,904,509	-
Other operating receipts	246,772	1,209
Net cash (used in) provided by operating activities	(32,267,439)	113,151
Noncapital Financing Activities		
State appropriations	18,433,446	-
Non-operating grants	10,202,229	-
Ad valorem taxes received	9,107,396	-
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,750,420)	-
Transfer to Rose State College	1,766,012	-
Transfer from Tech Distict	(1,766,012)	-
Net cash provided by noncapital financing activities	32,992,651	-
Capital and Related Financing Activities		
Purchases of capital assets	(24,848,731)	-
Proceeds from capital debt	12,376,687	-
Principal paid on capital leases and bonds	(342,582)	-
Interest paid on capital leases and bonds	(2,830,244)	-
Capital appropriations – state	547,016	-
Ad valorem taxes received for debt service	2,622,073	-
Net cash used in capital and related financing activities	(12,475,781)	-
Investing Activities		
Purchase of investments	-	(77,125)
Proceeds from maturities and sales of investments	-	34,297
Net unrealized and realized loss on investments	-	(4,216)
Investment income received	244,607	16,341
Net cash provided by (used in) investing activities	244,607	(30,703)
(Decrease) Increase in Cash and Cash Equivalents	(11,505,962)	82,448
Cash and Cash Equivalents, Beginning of Year	44,390,295	358,253
Cash and Cash Equivalents, End of Year	$ 32,884,333	$ 440,701

Rose State College
Statement of Cash Flows
Year Ended June 30, 2016

	Rose State College	Rose State College Foundation Inc.
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current assets		
Cash and cash equivalents	$ 21,271,769	$ 347,671
Restricted cash and cash equivalents	7,308,540	93,030
Noncurrent assets		
Restricted cash and cash equivalents	4,304,024	-
	$ 32,884,333	$ 440,701
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	$ (35,600,695)	$ 188,707
Depreciation expense	3,983,845	-
OTRS on-behalf contributions	1,684,176	-
Changes in operating assets, deferred outflows, liabilities, and deferred inflows		
Receivables, net	(125,827)	-
Deferred outflows	(4,044,735)	-
Prepaid expenses	(1,668)	-
Accounts payable and accrued liabilities	(862,269)	(75,556)
Accrued compensated absences	4,682	-
Unearned revenue	41,857	-
Room deposits payable	16,000	-
Net pension obligation	6,177,736	-
Deferred inflows related to pensions	(3,540,541)	-
Net Cash (Used in) Provided by Operating Activities	$ (32,267,439)	$ 113,151

Note 1: Summary of Significant Accounting Policies

Nature of Institution

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

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB statements No. 14 and No. 34*, the Rose State College Technical Area Education District (the District) has been presented in the College's financial statements as a blended component unit because the District's governing body is the same as the governing body of the College, and the District provides services almost entirely to the College, which is the primary government. Separate financial statements of the District are prepared and may be obtained by contacting the College's Office of Administrative Services.

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

The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. During the year ended June 30, 2016, the Foundation provided the College approximately $102,000 in scholarships, awards, and other program support.

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

Basis of Accounting and Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met, and those from imposed nonexchange transactions (ad valorem taxes) are recognized in the period for which the taxes are levied. Internal activity and balances are eliminated in preparation of the financial statements unless they related to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange

Note 1: Summary of Significant Accounting Policies (Continued)

transactions that are not program specific (such as state appropriations), imposed nonexchange transactions, investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. The College first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

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

Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016, cash equivalents consisted primarily of pooled funds held by the Oklahoma State Treasurer or Office of State Finance and money market mutual funds on deposit with a trustee.

Restricted Cash

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

Investments and Investment Income

The College and the District had no investments at June 30, 2016.

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

Ad Valorem Property Taxes

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

Annually, an Estimate of Needs report is submitted to the County Excise Board to determine the ad valorem tax levy. The county assessor is required to file a tax roll report on or before October 1 each year with the country treasurer indicating the net assessed valuation of all real, personal, and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). Ad valorem tax is levied each October 1 on the assessed valuation of nonexempt real property located in the District as of the preceding January 1, the assessment date. Ad valorem taxes are due and become a legally enforceable lien on October 1 following the levy date, although they may

Note 1: Summary of Significant Accounting Policies (Continued)

be paid in two equal installments (if the first installment is paid prior to January 1, the second installment is not delinquent until April 1). Ad valorem taxes are collected by the county treasurer and are subsequently remitted to the District.

Student Accounts Receivable

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables and historical collection information. Tuition is generally due at the beginning of the semester. Late payment fees are assessed throughout the semester.

Capital Assets

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

Land improvements and infrastructure	20 – 30 years
Buildings and improvements	20 – 40 years
Furniture, fixtures, and equipment	3-7 years
Library materials	7 years

Compensated Absences

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

Unearned Revenue

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

Net Position

Net position of the College is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the College, including amounts deposited with the revenue bond trustee as required by the

Note 1: Summary of Significant Accounting Policies (Continued)

bond indenture and cash deposits as required by the District's building bond resolution. The Foundation's restricted nonexpendable net position is noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Foundation, such as permanent endowments. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt, or restricted expendable or nonexpendable.

Deferred Outflows and Deferred Inflows of Resources

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

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) operating grants.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the year ended June 30, 2016 was $9,163,080.

Income Taxes

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions

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

New Accounting Pronouncements

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2016 — except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the College beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The College has not yet determined the impact that implementation of GASB No. 73 will have on its net position.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued in June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2017. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and addresses the financial reports of defined benefit other post-employment benefit (OPEB) plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans. The College has not yet determined the impact that implementation of GASB No. 74 will have on its net position.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust.

Note 1: Summary of Significant Accounting Policies (Continued)

The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. The College has not yet determined the impact that implementation of GASB No. 75 will have on its net position.

GASB Statement No. 77, *Tax Abatement Disclosures* - GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The College has not yet determined the impact that implementation of GASB No. 77 will have on its net position.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*- GASB 78 was issued in December 2015, and amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the College's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* – GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the College is unknown.

Note 1: Summary of Significant Accounting Policies (Continued)

GASB Statement No. 80, *Blending Requirements for Certain Component Units* – An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the College is unknown.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* – GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The College does not believe that GASB No. 81 will have significant impact on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The College implemented GASB No. 82 during FY16 and it resulted in the following restatement of beginning net position:

Prior Period Adjustment
Beginning net position was restated as of July 1, 2015 as follows:

Beginning net position, as previously reported	$ 27,225,998
Implementation of GASB Statement No. 82	
Deferred outflows of resources	(1,545,884)
Beginning net position, as restated	$ 25,680,114

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

District's Deposits

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

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

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

At June 30, 2016, none of the District's bank balances of $14,366,872 were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

College's Pooled Funds

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

Of the $9,248,199 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016, $594,635 represent the amount held within OK INVEST an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at *http://www.ok.gov/treasurer/*. An evaluation of the use and purpose of the Departments participation in the internal investment pool the amount on deposit with OK INVEST are treated as demand accounts and reported as cash equivalents.

District's Investments

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

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation.

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

Summary of Carry Values

The carrying values of deposits and invested funds shown above are included in the statements of net position as follows at June 30, 2016:

Carrying Value	
Deposits	$ 22,873,895
Invested pooled funds	10,004,438
Change funds	6,000
	$ 32,884,333

Investment Income

Investment income consisted primarily of interest income of $246,889 for the year ended June 30, 2016.

Note 3: Accounts Receivable

The College's accounts receivable relate primarily to tuition and enrollment fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Total accounts receivable is shown on the accompanying statements of net position, net of related allowances for doubtful accounts of approximately $2,597,000 at June 30, 2016.

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2016 were:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 5,614,377	$ -	$ -	$ -	$ 5,614,377
Construction In progress	9,942,960	22,007,284	-	(18,281,624)	13,668,620
Total capital assets, not being depreciated	15,557,337	22,007,284	-	(18,281,624)	19,282,997
Other capital assets					
Building and improvements	68,139,174	296,163	-	17,786,183	86,221,520
Land improvements and infrastructure	607,782	13,250	-	-	621,032
Furniture fixtures and equipment	13,614,165	2,155,791	34,723	495,441	16,230,674
Library materials	5,866,955	389,273	23,444	-	6,232,784
Total other capital assets	88,228,076	2,854,477	58,167	18,281,624	109,306,010
Less accumulated depreciation					
Buildings and improvements	39,381,996	2,093,076	-	-	41,475,072
Land improvements and infrastructure	130,996	30,998	-	-	161,994
Furniture fixtures and equipment	10,611,303	1,490,718	21,694	-	12,080,327
Library materials	4,582,006	369,054	23,444	-	4,927,616
Total accumulated depreciation	54,706,301	3,983,846	45,138	-	58,645,009
Other capital assets, net	33,521,775	(1,129,369)	13,029	18,281,624	50,661,001
Total cost of capital assets	103,785,413	24,861,761	58,167	-	128,589,007
Less accumulated depreciation	54,706,301	3,983,846	45,138	-	58,645,009
Capital assets, net	$ 49,079,112	$ 20,877,915	$ 13,029	$ -	$ 69,943,998

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the College for the year ended June 30, 2016:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and Capital Leases					
2013 Building Bonds Payable	$ 21,980,000	$ -	$ -	$ 21,980,000	$ 1,690,000
2014B OCIA lease obligation	145,126	-	(25,472)	119,654	28,403
2014C OCIA lease obligation	7,888,779	-	(173,799)	7,714,980	241,623
ODFA Bus Master Lease	203,666	-	(50,333)	153,333	47,833
ODFA 2014C	330,091	-	(73,091)	257,000	67,750
ODFA 2015C	-	243,000	(32,667)	210,333	47,833
Housing Capital Lease	-	12,256,311	(186,491)	12,069,820	170,307
ODFA 2009A Premium	1,027	-	(252)	775	252
ODFA 2014C Premium	26,750	-	(6,057)	20,693	6,057
ODFA 2015C Premium	-	10,894	(1,233)	9,661	2,467
Total Bonds and Capital Leases	30,575,439	12,510,205	(549,395)	42,536,249	2,302,525
Other noncurrent liabilities					
Accrued compensated absences	1,024,233	912,152	(897,670)	1,038,715	912,152
Total noncurrent liabilities	$ 31,599,672	$ 13,422,357	$ (1,447,065)	$ 43,574,964	$ 3,214,677

2013 Building Bonds Payable

The District's Building Bonds of 2013, which were issued in August 2013, are general obligation bonds, the proceeds of which will be used to provide funds for the purpose of making capital improvements and purchasing equipment within and for the benefit of the District. Interest is payable semi-annually on August 1 and February 1 at rates between 0.05% and 7.0%. Principal is due annually on August 1 through August 1, 2028. The first interest payment was due August 1, 2015 and the first principal payment is due August 1, 2016. A continuing annual ad valorem tax levied upon all taxable property within the District area has been pledged to retire bonds, and collection of such taxes and interest earned thereon is restricted for this purpose.

Debt service requirements as of June 30, 2016, on the 2013 Building Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2017	$ 1,690,000	$ 900,775	$ 2,590,775
2018	1,690,000	782,475	2,472,475
2019	1,690,000	664,175	2,354,175
2020	1,690,000	545,875	2,235,875
2021	1,690,000	436,025	2,126,025
2022-2026	8,450,000	1,214,713	9,664,713
2027-2029	5,080,000	61,275	5,141,275
	$ 21,980,000	$ 4,605,313	$ 26,585,313

Note 5: Long-term Liabilities (Continued)

1999/2004/2014B OCIA Lease Payable

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

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 20 years through August 31, 2019, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the year ended June 30, 2016, amounted to $29,859. In 2004, the OCIA issued Bond Series 2004A that refunded a significant portion of the 1999A Bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The lease agreement no longer secures the 1999A Bond Issue but now acts as security for the 2004A Bond Issue over the term of the lease through the year 2020. As a result, there are two amortization schedules, which have been combined, related to this one lease agreement. In 2015, the OCIA issued Bond Series 2014B that refunded the 2004A Bonds. The lease agreement no longer secures the 2004A Bond Issue but now acts as security for the 2014B Bond Issue over the term of the lease through the year 2020. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $14,271 on restructuring as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2016 the unamortized gain totaled $8,858. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $23,406, which approximates the economic savings of the transaction.

The schedule principal and interest payments related to the 2014B OCIA lease at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2017	$ 28,403	$ 3,768	$ 32,171
2018	29,232	3,049	32,281
2019	30,406	2,077	32,483
2020	31,613	731	32,344
	$ 119,654	$ 9,625	$ 129,279

2006D/2014C OCIA Lease Payable

The lease payable consists of bonds issued by the Oklahoma Capital Improvement Authority (OCIA) to build, improve, and remodel facilities at various higher education and other institutions in Oklahoma. Funds are received from OCIA as needed to fund construction projects. The College's pro rata share of bonds has been recorded as a lease payable. In addition, a corresponding receivable from OCIA has been recorded to reflect the amount available to the College from the bond proceeds. At June 30, 2012 the full amount of the receivable had been drawn down.

Note 5: Long-term Liabilities (Continued)

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 30 years through August 31, 2035, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the year ended June 30, 2016 amounted to $499,083.

In 2015, the OCIA issued Bond Series 2014C that refunded the 2006D Bonds. The lease agreement no longer secures the 2006D Bond Issue but now acts as security for the 2014C Bond Issue over the term of the lease through the year 2035. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $921,276 on restructuring as a deferred inflow of resources that will be amortized over a period of twenty years. As of June 30, 2016 the unamortized gain totaled $839,644. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $5,587,315, which approximates the economic savings of the transaction.

The scheduled principal and interest payments related to the 2014C OCIA lease at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2017	$ 241,623	$ 321,130	$ 562,753
2018	246,333	315,018	561,351
2019	253,869	306,246	560,115
2020	307,092	293,491	600,583
2021	322,635	277,748	600,383
2022-2026	1,847,262	1,153,172	3,000,434
2027-2031	2,284,350	710,129	2,994,479
2032-2035	2,211,816	175,643	2,387,459
	$ 7,714,980	$ 3,552,577	$ 11,267,557

2009 ODFA Lease Payable

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

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid $57,957 in principal and interest on these bonds during 2016.

Note 5: Long-term Liabilities (Continued)

The scheduled principal and interest payments related to the 2009 ODFA lease at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2017	$ 47,833	$ 5,542	$ 53,375
2018	54,167	4,158	58,325
2019	51,333	2,053	53,386
	$ 153,333	$ 11,753	$ 165,086

2014C ODFA Lease Payable

In December 2014, the College entered into a 5 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2014C. The College financed $374,000 (including $29,778 in premium) to purchase new software.

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid $85,081 in principal and interest on these bonds during 2016.

The scheduled principal and interest payments related to the 2014C ODFA lease at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2017	$ 67,750	$ 9,309	$ 77,059
2018	76,750	7,620	84,370
2019	79,167	4,638	83,805
2020	33,333	1,416	34,749
	$ 257,000	$ 22,983	$ 279,983

Note 5: Long-term Liabilities (Continued)

2015C ODFA Lease Payable

In December 2015, the College entered into a 5 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2015C. The College financed $243,000 (including $10,894 in premium) to purchase new software.

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid $36,974 in principal and interest on these bonds during 2016.

The scheduled principal and interest payments related to the 2015C ODFA lease at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2017	$ 47,833	$ 5,893	$ 53,726
2018	54,167	4,875	59,042
2019	56,083	3,250	59,333
2020	52,250	1,568	53,818
	$ 210,333	$ 15,586	$ 225,919

Housing Capital Lease Payable

On June 2, 2014, the College entered into an agreement with BCP Commons I, LLC (BCP), under which BCP built 3 residential apartment buildings and one clubhouse on College property and is now leasing them to the College. On August 10, 2015 the College took over control of the housing complex known as "The Village at Rose State" and began leasing units to current students. The lease will continue through the 2049-2050 fiscal year, subject to annual mutual ratifications by the College and BCP. Base lease payments made by the College to BCP will be $650,000 annually.

Note 5: Long-term Liabilities (Continued)

The scheduled principal and interest payments related to the Housing Capital lease at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2017	$ 170,307	$ 479,693	$ 650,000
2018	177,246	472,754	650,000
2019	184,467	465,533	650,000
2020	191,982	458,018	650,000
2021	199,804	450,196	650,000
2022-2026	1,127,964	2,122,036	3,250,000
2027-2031	1,377,240	1,872,760	3,250,000
2032-2036	1,681,605	1,568,395	3,250,000
2037-2041	2,053,234	1,196,766	3,250,000
2042-2046	2,506,992	743,008	3,250,000
2047-2050	2,398,979	201,022	2,600,001
	$ 12,069,820	$ 10,030,181	$ 22,100,001

Note 6: Retirement Plans

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

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

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

Benefits Provided

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

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- Upon the death of a retired member, the System will pay $5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.

- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.

- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Oklahoma Higher Education Employees Insurance Group ("OKHEEI"), depending on the members' years of service during 2015.

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were $2,269,655. The State of Oklahoma also made on-behalf contributions to OTRS, of which $1,684,176 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2016, the College reported a liability of $32,786,493 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information, the College's proportion was 0.5399%.

For the year ended June 30, 2016, the College recognized pension expense of $2,432,850 in compensation and benefits expense. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,113,629
Changes of assumptions	1,569,922	-
Net difference between projected and actual earnings on pension plan investments	-	2,224,194
Changes in proportion and differences between College contributions and proportionate share of contributions	2,573,724	-
Contributions during measurement date	14,529	-
College contributions subsequent to the measurement date	2,156,215	-
Total	$ 6,314,390	$ 3,337,823

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

The $2,156,215 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	$	(427,665)
2018		(427,665)
2019		(427,665)
2020		1,329,718
2021		628,924
Thereafter		144,705
	$	820,352

Actuarial Assumptions

The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as if June 30, 2015 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Asset Class	Target Asset Allocation	Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
Internationa Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100.00%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

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

Discount Rate

A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and June 30, 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

The following presents the net pension liability of the employers calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
Employers' net pension liability	$ 45,323,914	$ 32,786,493	$ 22,248,221

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Pension plan fiduciary net position

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

Annuity Plan

All eligible employees of the College can elect to participate in a tax-deferred annuity plan (the Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the Plan. Contributions made by the College are subject to annual discretion by the Board of Regents. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for the year ended

June 30, 2016, was 2.5% of an eligible employee's annual base salary (as defined in the plan document). Contributions made by the College during 2016 totaled approximately $374,000.

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

The Governing Board of the District has authorized the payment of monies in fiscal year 2016 to Mid-Del for the cost of providing various technical area educational programs. Such payment from the proceeds of the ad valorem tax levies (*Note 1*) is to be made at an amount which is the lesser of (a) 60% of the net collections from the Mid-Del net valuation for the respective fiscal year or (b) 50% of total collections for the respective fiscal year. For the year ended June 30, 2016, the District incurred $4,550,922 of non-operating expense related to the support of Mid-Del. At June 30, 2016, the District owed to Mid-Del $430,108, which is included in accounts payable.

Note 8: Commitments and Contingencies

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

The College participates in the Direct Student Loan Program (the Program). The College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2016, approximately $7,465,000, of Program loans were provided to the College's students.

Note 8: Commitments and Contingencies (Continued)

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. Management believes that resolution of such matters pending at June 30, 2016, will not have a material adverse impact on the College's financial position.

Note 9: Risk Management

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

Note 10 – Post-Employment Benefit Plans

Since January, 2011, the College has been a member of the Oklahoma Higher Education Employee Insurance Group (OKHEEI Group), a consortium of higher education institutions, and has used this group for all employee and retiree benefit plans and administration.

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

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

OKHEEI Group OPEB Plan

A. General Description of the Other Postemployment Benefit Plan

Rose State College provides postemployment healthcare benefits to its retirees through a single-employer, defined benefit, other postemployment benefit (OPEB) plan administered by the Oklahoma Higher Education Employee Insurance Group (OKHEEI Group). The OKHEEI Group membership is comprised of Oklahoma colleges, universities or auxiliary institutions bound together by interlocal agreement, complying with the Interlocal Cooperation Act as provided by 74 O.S. 2001, § 1004 (f), with the purpose of more effectively and economically securing employee benefits for members' employees.

Note 10 – Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

Members of the OKHEEI Group are required to show continuing membership with annual approval, by action of its governing body, to participate in any policy or service plan being offered by the Group. The interlocal agreement creating the OKHEEI Group, as approved by the Office of the Attorney General for the State of Oklahoma, is on file with the appropriate County Clerk and the Secretary of State. The OKHEEI Group administers group health, dental and vision insurance for active employees and retirees of group members. The OKHEEI Group plan provides coverage for retiree dependents when so elected.

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

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

B. Funding Policy

For participating current active employees, the College pays the full premium for employee only coverage, while the employee pays any additional premium for elected dependent coverage through a payroll deduction. For retirees electing to be covered by the defined benefit plan upon retirement, the retiree premiums are paid directly to a third party processor, HealthSmart, through a combination of contributions made by the Teachers Retirement System and personal check or electronic payments made to HealthSmart, by retirees, on a monthly basis. These contributions account for 100% of the OKHEEI Group required premiums and Rose State College does not incur any additional pay-as-you-go cost in regards to these retiree benefits. For the calendar year ending December 31, 2016, the OKHEEI Group required premiums for employee only coverage, consisting of health, dental and vision insurance, ranged from $494 to $631 for active employees. Retirees under age 65 pay the same premium for coverage but no funding is provided by the College. For retirees age 65 and over, supplemental Medicare policies are available with monthly premiums ranging from $224 to $1,905 depending on elected options and dependent coverage with no funding provided by the College.

Note 10 – Post-Employment Benefit Plans (Continued)

C. Funded Status and Funding Progress

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

College President's OPEB Plan

A. General Description of the Other Postemployment Benefit Plan

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

The current active College President's employment contract specifies that employment benefits mirror all other regular professional employees and those benefits accrue and are payable only during the period that the President is employed by the Board. No post-employment benefits exist beyond the employment period other than the OKHEEI Group OPEB Plan previously discussed as it applies to retirees.

B. Funding Policy and Actuarial Methods and Assumptions

Rose State College has not established a formal trust to advance fund these accrued benefits but funds these OPEB costs on a pay-as-you-go basis. Amounts paid by Rose State College for these post-employment benefits for the last three fiscal years are as follows: 2014 $51,313, 2015 $54,989 and 2016 $56,407.

C. Funded Status and Funding Progress

Actuarial information for this plan as of June 30, 2016, indicates that the present value of future projected benefits under this plan amounts to $900,389 using a 3.4% discount rate and RP 2000 projected 2020 Table. Because the College has not established a trust or trust equivalent to advance fund these benefits and no plan assets have been irrevocably set aside to pay them, the College continues to fund and report these benefits on a pay-as-you-go basis. The College has determined that the difference between these pay-as-you go costs and the OPEB annual cost and any OPEB obligation as defined by GASB Statement 45 are immaterial; therefore no net OPEB obligation is reported nor is any funding status and funding progress information reported by the College in regards to this plan.

Note 11 – Service Concession Arrangement

On August 1, 2012, the College entered into a 10-year agreement with Follett Higher Education Group (Follett), under which Follett will operate the bookstore. Follett will pay the College installment payments of $40,000 per year over the course of the arrangement; the present value of these installment payments is estimated to be $341,000 as of August 1, 2012. Follett will also pay the College 14 percent of the first $3 million of annual revenues, 14.5 percent of annual revenues between $3-4 million, and 15 percent of annual revenues over $4 million that it earns from the operation of the bookstore. Follett is required to operate and maintain the bookstore in accordance with the contract. The College reports a receivable and deferred inflow of resources in the amount of approximately $208,000 at June 30, 2016, pursuant to the service concession arrangement.

Note 12 – Illustrative Disclosure of Segment Information

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

Note 12 – Illustrative Disclosure of Segment Information (Continued)

As of and for year ended June 30, 2016

	College	District	Total
CONDENSED STATEMENT OF NET POSITION			
ASSETS			
Current assets	$ 16,411,775	$ 14,650,285	$ 31,062,060
Capital assets, net	34,701,974	35,242,024	69,943,998
Other assets	4,477,471	-	4,477,471
Total assets	55,591,220	49,892,309	105,483,529
DEFERRED OUTFLOWS	6,314,390	-	6,314,390
LIABILITIES			
Current liabilities	2,713,737	3,920,244	6,633,981
Non-current liabilities	52,856,780	20,689,968	73,546,748
Total liabilities	55,570,517	24,610,212	80,180,729
DEFERRED INFLOWS	4,393,892	-	4,393,892
NET POSITION			
Net investment in capital assets	13,609,082	15,542,819	29,151,901
Restricted	10,985,186	3,437,824	14,423,010
Unrestricted	(22,653,067)	6,301,454	(16,351,613)
Total net position	$ 1,941,201	$ 25,282,097	$ 27,223,298
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	$ 10,006,717	$ -	$ 10,006,717
Depreciation	(2,535,292)	(1,448,553)	(3,983,845)
Other operating expenses	(39,538,672)	(2,084,895)	(41,623,567)
Operating loss	(32,067,247)	(3,533,448)	(35,600,695)
Non-operating Revenues (Expenses)			
State appropriations	18,433,446	-	18,433,446
Federal grants	8,866,375	-	8,866,375
State grants	1,335,854	-	1,335,854
OTRS on-behalf contributions	1,684,176	-	1,684,176
Ad valorem taxes	-	11,714,988	11,714,988
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,550,922)	(4,550,922)
Investment revenue	236,674	10,215	246,889
Interest on capital asset-related debt	(702,960)	(959,925)	(1,662,885)
Capital appropriations - state	547,016	-	547,016
OCIA debt services on-behalf payments	528,942	-	528,942
Transfers from (to)	1,766,012	(1,766,012)	-
Change in net position	628,288	914,896	1,543,184
Beginning net position (restated)	1,312,913	24,367,201	25,680,114
Ending net position	$ 1,941,201	$ 25,282,097	$ 27,223,298
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$ (29,450,836)	$ (2,816,603)	$ (32,267,439)
Noncapital financing activities	30,401,687	2,590,964	32,992,651
Capital and related financing activities	(1,178,213)	(11,297,568)	(12,475,781)
Investing activities	234,392	10,215	244,607
Net increase (decrease)	7,030	(11,512,992)	(11,505,962)
Cash and Cash Equivalents, Beginning of Year	18,576,050	25,814,245	44,390,295
Cash and Cash Equivalents, End of Year	$ 18,583,080	$ 14,301,253	$ 32,884,333

Note 13 – Rose State College Foundation, Inc.

Note A – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Investment Return

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

Note 13 – Rose State College Foundation, Inc. (Continued)

Note A – Nature of Operations and Summary of Significant Accounting Policies (Continued)

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

Collections

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

Income Taxes

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

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Financial Instruments and Credit Risk

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

Note 13 – Rose State College Foundation, Inc. (Continued)

Note B – Investment Return

Total investment return is comprised of the following for the year ended June 30, 2016:

Interest and dividends	$ 16,341
Net realized and unrealized loss	(38,144)
Less investment management and custodial fees	(4,216)
	$ (26,019)

Note C – Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

Note 13 – Rose State College Foundation, Inc. (Continued)

Note C – Fair Value Measurements and Disclosures (Continued)

The Foundation uses Net Asset Value (NAV) per share, or its equivalent, such as member units, to estimate the fair values of certain commingled funds which do not have readily determinable fair values. Investments valued at NAV are classified within level 2 if we have to redeem the investment at NAV per share at the measurement date or within near term; otherwise, the investment is classified within level 3. As the investments in Commonfund securities have specific redemption requirements that are not generally at the measurement date or within the near term, they are classified within level 3.

The following table presents assets measured at fair value on a recurring basis, at June 30, 2016:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment:				
Commonfund securities				
Fixed income	$ 89,219	$ -	$ -	$ 89,219
Equity	983,189	-	-	983,189
	$ 1,072,408	$ -	$ -	$ 1,072,408

Below is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2016:

	Fair Value Measurement at Report Date Using Significant Unobservable Inputs (Level 3)	
	Multi-Strategy Bond Fund	Multi-Strategy Equity Fund
Balance at June 30, 2015	$ 85,441	$ 982,283
Net realized and unrealized gain (loss)	1,235	(39,379)
Interest and dividends	2,802	13,539
Investment management fees	(259)	(3,957)
Contributions	-	65,000
Distribution	-	(34,297)
Balance at June 30, 2016	$ 89,219	$ 983,189
Unrealized gain included in net investment return in the statement of activities relating to assets still held at June 30, 2016	$ 1,235	$ (39,379)

Note 13 – Rose State College Foundation, Inc. (Continued)

Note D – Historical Properties

Historical properties consists of the following at June 30, 2016:

Atkinson Historical Center	$ 1,400,000
Atkinson Land	850,000
Artwork - Sculpture	7,000
	$ 2,257,000

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

Note E – Restricted Net Assets/Position

Temporarily Restricted

Temporarily restricted net assets at June 30, 2016, consist of funds restricted by donors for scholarships in the amounts of $799,253.

Net assets released from restrictions related to scholarships were $72,369 in 2016.

Permanently Restricted

Permanently restricted net assets consist of endowment funds restricted by donors, the Atkinson Heritage Center property of $2.25 million, and artwork of $7,000. Earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Foundation. The permanently restricted net asset balances, classified by restriction on the use of earnings, are investments in perpetuity, the income of which is expendable to support scholarships and are approximately $643,000 as of June 30, 2016.

Note 13 – Rose State College Foundation, Inc. (Continued)

Note F - Functionalized Expenses

Total expenses by function were as follows for the year ended June 30, 2016:

Scholarships and awards	$ 101,889
Total program expenses	$ 101,889
Management and general (includes investment management fees of $4,216)	$ 105,568
Fundraising and development (includes cost of direct benefits to donors of $60,122)	60,122
Total functionalized expenses	$ 267,579

Note G – Related Party Transactions

The Foundation and the College are related parties that are not financially interrelated organizations. The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. The Foundation's contributions to the College during the year ended June 30, 2016 is reported in the Foundation's financial statements as scholarships, awards, and programs of $101,889. At June 30, 2016, the Foundation had scholarship, awards and programs payable to the College of $51,525.

The Foundation receives various administrative services and office space from the College at no cost. The Foundation's office space is provided by the College. During 2016, approximately $8,000 was recorded as in-kind rent. The Foundation's payroll cost for employees handling all the day-to-day operations are paid by the College. During 2016, approximately $67,000, was recorded as contributed services, which represent the Foundation's portion of the staff's salaries. These amounts are recorded as in-kind contributions on the accompanying statements of activities.

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

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

Note 13 – Rose State College Foundation, Inc. (Continued)

Note H – Endowments

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

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

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

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk.

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

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

Note 13 – Rose State College Foundation, Inc. (Continued)

Note H – Endowments (Continued)

Changes in Endowment Net Position for the year ending June 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 11,483	$ 549,164	$ 560,647
Investment earnings				
Investment income, net of fees	-	6,979	-	6,979
Net realized and unrealized gain	-	(17,175)	-	(17,175)
	-	(10,196)	-	(10,196)
Contributions	-	-	94,075	94,075
Endowment net assets, end of year	$ -	$ 1,287	$ 643,239	$ 644,526

Required Supplementary Information
June 30, 2016

Rose State College

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

	2015	2016
College's proportion of the net pension liability	0.4946%	0.5399%
College's proportionate share of the net pension liability	$ 26,608,757	$ 32,786,493
College's covered-employee payroll	$ 17,874,808	$ 17,567,469
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149%	187%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%

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

Notes to Schedule:

Only the current and prior fiscal year are presented because 10-year data is not yet available.

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

	2015	2016
Contractually required contribution	$ 2,269,655	$ 2,156,215
Contributions in relation to the contractually required contribution	2,269,655	2,156,215
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 17,567,469	$ 22,192,483
Contribuions as a percentage of covered-employee payroll	13%	10%

Notes to Schedule:

Only the current and prior fiscal year are presented because 10-year data is not yet available.

Supplementary Information
June 30, 2016

Rose State College

Rose State College
Combining Schedule of Net Position
June 30, 2016

	College	District	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 14,279,056	$ 6,992,713	$ 21,271,769
Restricted:			
Cash and cash equivalents	-	7,308,540	7,308,540
Accounts receivable, net	1,553,806	21,703	1,575,509
Federal and state grants receivable	252,418	-	252,418
Delinquent ad valorem property taxes receivable	-	319,000	319,000
Receivable from ODFA	311,858	-	311,858
Accrued interest receivable	14,637	-	14,637
Prepaid expenses	-	8,329	8,329
Total current assets	16,411,775	14,650,285	31,062,060
Non-current assets:			
Restricted:			
Cash and cash equivalents	4,304,024	-	4,304,024
Accounts receivable	173,447	-	173,447
Capital assets, net	34,701,974	35,242,024	69,943,998
Total non-current assets	39,179,445	35,242,024	74,421,469
Total assets	55,591,220	49,892,309	105,483,529
DEFERRED OUTFLOWS			
Related to pensions	6,314,390	-	6,314,390
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	419,022	2,230,244	2,649,266
Accrued compensated absences	912,152	-	912,152
Unearned revenue	517,395	-	517,395
Current maturities of long-term debt	612,525	1,690,000	2,302,525
Room deposits payable	32,000	-	32,000
Deposits held in custody for others	220,643	-	220,643
Total current liabilities	2,713,737	3,920,244	6,633,981
Non-current liabilities:			
Interest payable	-	399,968	399,968
Accrued compensated absences	126,563	-	126,563
Net pension liability	32,786,493	-	32,786,493
Long-term debt	19,943,724	20,290,000	40,233,724
Total non-current liabilities	52,856,780	20,689,968	73,546,748
Total liabilities	55,570,517	24,610,212	80,180,729
DEFERRED INFLOWS			
Bookstore service concession arrangement	207,568	-	207,568
Gain on debt refinancing	848,501	-	848,501
Related to pensions	3,337,823	-	3,337,823
Total deferred inflows	4,393,892	-	4,393,892
NET POSITION			
Net investment in capital assets	13,609,082	15,542,819	29,151,901
Restricted expendable for:			
Scholarships	6,681,162	-	6,681,162
Loans	5,774	-	5,774
Capital projects	3,633,955	1,256,113	4,890,068
Debt service	664,295	2,181,711	2,846,006
Unrestricted	(22,653,067)	6,301,454	(16,351,613)
Total net position	$ 1,941,201	$ 25,282,097	$ 27,223,298

Rose State College

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2016

	College	District	Total
Operating revenues			
Tuition and fees, net	$ 5,096,349	$ -	$ 5,096,349
Federal grants and contracts	1,579,398	-	1,579,398
State and private grants and contracts	108,038	-	108,038
Sales and services of auxiliary enterprises, net	2,978,895	-	2,978,895
Other operating revenues	244,037	-	244,037
Total operating revenues	10,006,717	-	10,006,717
Operating Expenses			
Compensation and benefits	29,166,702	-	29,166,702
Contractual services	2,740,536	592,962	3,333,498
Supplies and materials	2,561,181	148,087	2,709,268
Scholarships and fellowships	3,233,640	-	3,233,640
Communications	173,505	-	173,505
Depreciation	2,535,292	1,448,553	3,983,845
Utilities	744,769	374,964	1,119,733
Other	918,339	968,882	1,887,221
Total Operating Expenses	42,073,964	3,533,448	45,607,412
Operating (loss)	(32,067,247)	(3,533,448)	(35,600,695)
Non-operating Revenues (Expenses)			
State appropriations	18,433,446	-	18,433,446
Federal grants	8,866,375	-	8,866,375
State grants	1,335,854	-	1,335,854
OTRS on-behalf contributions	1,684,176	-	1,684,176
Ad valorem taxes	-	11,714,988	11,714,988
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,550,922)	(4,550,922)
Investment revenue	236,674	10,215	246,889
Interest on capital asset-related debt	(702,960)	(959,925)	(1,662,885)
Net non-operating revenue (expenses)	29,853,565	6,214,356	36,067,921
Income before other revenues, expenses, gains, losses and transfers	(2,213,682)	2,680,908	467,226
Capital appropriations - state	547,016	-	547,016
OCIA debt services on-behalf payments	528,942	-	528,942
Transfers from (to)	1,766,012	(1,766,012)	-
Increase in Net Position	628,288	914,896	1,543,184
Net Position, Beginning of Year (restated) *	1,312,913	24,367,201	25,680,114
Net Position, End of Year	$ 1,941,201	$ 24,367,201	$ 27,223,298

* Note: Beginning net position for FY16 was reduced by approximately $1,546,000 due to the implementation of GASB 82, Pension Issues Reporting, as explained in Note 1.

Independent Auditor's 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*

The Board of Regents
Rose State College
Midwest City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rose State College (the College) and the discretely presented component unit of Rose State College Foundation, Inc., as of and for the year ended June 30, 2016, and the related notes to the financial statements for the year then ended, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2016.

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

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

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

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

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

Eide Bailly LLP

Oklahoma City, Oklahoma
October 31, 2016

Independent Auditor's Report on Compliance for Its Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance

The Board of Regents
Rose State College
Midwest City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Rose State College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2016. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, Rose State College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance
Management of Rose State College is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rose State College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Rose State College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The College's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Eide Bailly LLP

Oklahoma City, Oklahoma
October 31, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Federal Grant Expenditures
U.S. Department of Education			
Direct Programs			
Student Financial Aid Cluster:			
Pell Grant Program	84.063 *	N/A	$ 9,254,004
Federal Work-Study Program	84.033 *	N/A	189,272
Direct Loan Program	84.268 *	N/A	7,465,089
Supplemental Education Opportunity Grants Program	84.007 *	N/A	174,271
Total Student Financial Aid Cluster			17,082,636
TRIO - Student Support Services	84.042A	N/A	224,497
Passed Through Oklahoma State Department of Technology			
Carl Perkins	84.048	(1)	129,723
Passed Through Oklahoma State Regents for Higher Education			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	(1)	42,809
Total U.S. Department of Education			17,479,665
U.S. Department of Health and Human Services			
Passed Through Oklahoma State Regents for Higher Education			
Scholars for Excellence in Child Care	93.575	(1)	84,611
Temporary Assistance for Needy Families (TANF)	93.558	(1)	183,317
			267,928
Passed Through Oklahoma Department of Human Services			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	140,584
Total U.S. Department of Health and Human Services			408,512
U.S. Department of Labor			
Passed Through Oklahoma City Community College			
TAACCCT Oklahoma Works	17.282	(1)	8,706
Total U.S. Department of Labor			8,706

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Federal Grant Expenditures
National Science Foundation			
Direct Programs			
Cyber Securtiy Scholarship Program	47.076	N/A	40,138
Passed Through Tulsa University			
Cyber Securtiy Education Consortium OCIAFE	47.076	(1)	16,355
Total National Science Foundation			56,493
U.S. Environmental Protections Agency			
Direct Programs			
Environmental Workforce Development and Job Training	66.815	N/A	29,863
Total U.S. Environmental Protection Agency			29,863
U.S. Small Business Administration			
Passed Through Southeastern Oklahoma State University			
Oklahoma Small Business Development Centers	59.037	(1)	44,803
Total U.S. Small Business Administration			44,803
U.S. Department of Defense National Security Agency			
Direct Programs			
GenCyber Student Camp	12.903	N/A	32,527
Total U.S. Department of Defense National Security			32,527
U.S. National Aeronautics and Space Administration			
Passed Through Langston University			
Collaboration Center for Advancing Human Exploration & Education	43.008	(1)	6,272
Total U.S. National Aeronautics and Space			6,272
U.S. Department of Transportation			
Direct Programs			
National Summer Transportation Institute	20.215	N/A	1,112
Total U.S. Department of Transportation			1,112
Total Federal Awards			**$ 18,067,953**

(1) Pass-through grantor's project number is not available

* Denotes major program cluster

Note 1: Summary of Significant Accounting Policies

This schedule includes the federal awards activity of Rose State College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Rose State College received federal awards both directly from federal agencies and indirectly through pass-through entities.

The organization has not elected to use the 10% de minimis cost rate.

Note 2: Subrecipients

Rose State College provided no federal awards to subrecipients.

Section I – Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No
Federal Awards	
Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes
Name of Federal Program or Cluster	CFDA number
Student Financial Aid Cluster	84.063, 84.007 84.033, 84.268
Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000
Auditee qualified as low-risk auditee	Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

2016-001 **Direct Program from U.S. Department of Education**
Student Financial Aid Cluster (CFDA #'s 84.007, 84.033, 84.268, 84.063)

Special Tests: Enrollment Reporting
Significant Deficiency in Internal Controls over Compliance

Criteria: The institution is responsible for timely reporting of a student's enrollment status regarding eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsides to FFEL program. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

Condition: FY2016 procedures did not allow for accurate or timely communication of enrollment statuses for students' withdrawals from the institution. Student's status were either communicated beyond the 60 day time window, were reported as differing days from when the institution classified their status, or had not been reported as of fieldwork.

Questioned costs: None

Cause: Procedures throughout the year were not designed or effectively utilized to communicate the enrollment status change for the students' withdrawals, especially for those considered to be unofficial withdrawals.

Effect: Untimely reporting of student enrollment status does not allow the Department of Education to properly track and monitor students, including initiation of the loan repayment process.

Context: 37 items in our nonstatistical sample of 40 students that were official or unofficial withdrawals did not have this change in status communicated either at the time required by federal regulations or accurately with student records, or both.

Recommendation:

We recommend that the institution implement a more timely method for communicating enrollment status changes and ensure that the information is reported accurately with what the institution is recording.

Repeat Finding:

No

Views of Responsible Officials:

Management does agree with the finding.

The College acknowledges the importance of compliance with reporting student enrollment status changes in a timely manner and will work with our designated servicer to ensure that changes in enrollment status are communicated on the National Student Loan Data System (NSLDS) as required by current regulation. Also, the College will discontinue the practice of requesting the date of last class attendance on enrollment reports. This will allow the communication between the designated servicer and the NSLDS to occur as designed.

2015-001 **Direct Program from U.S. Department of Education**
Student Financial Aid Cluster (CFDA #84.268)

Special Test – Disbursements to Students – Direct Student Loans
Significant Deficiency in Internal Control over Compliance

Initial Fiscal Year Finding Occurred: 2014

Finding Summary:
Fall 2014 procedures did not allow for a written communication at the time the loan is disbursed of the student's or parent's right to cancel all or a portion of the related loans and the related times and procedures to cancel those loans within the time guidelines established. It should be noted that communication of such rights did occur prior to loan disbursements. Corrective actions were implemented in Spring 2015 to enable timely notifications.

Status:
No similar findings in the current year.