Rose State College

Financial Statements
with Independent Auditors’ Reports

June 30, 2017
Independent Auditors’ Report on Financial Statements and Supplementary Information

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June 30, 2017

Rose State College
INDEPENDENT AUDITOR’S REPORT

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 its discretely presented component unit, as of and for the year ended June 30, 2017, 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. The financial statements of Rose State College Foundation, Inc. were not audited in accordance with Governmental Auditing Standards.

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’s primary government and its discretely presented component unit as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2017, 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.

Arlidge & Associates, P.C.

October 30, 2017
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, 2017. 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 current 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.

Note 1 is the Summary of Significant Accounting Policies and contains a section entitled “New Accounting Pronouncements adopted in 2017” that discusses all the new GASB statements. There is also a section entitled “New Accounting Pronouncements issued but not yet adopted” that outlines GASB statements that have been issued but will not be reflected in the financial measurements and presentations until fiscal year 2018 or later.

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”). A separate statement reporting the net position for funds held in a fiduciary capacity for the Oklahoma Higher Education Employee Interlocal Group (OKHEEI) is also presented (please see Note 9 for a discussion of the OKHEEI insurance pool). This MD&A, however, focuses only on highlights and explanations of significant changes in financial operations and conditions 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 results of the operation of the College. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The College’s net position - the difference between assets, deferred inflows, liabilities, and deferred outflows - is one way to measure the College’s financial condition. The reader will also need to consider other non-financial factors, such as the quantity and quality of 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 College’s 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, 2017 and 2016.

The College’s total net position at June 30, 2017 was $27.6 million, an increase of roughly $346 thousand compared to the fiscal year 2016 results although the variation with the three categories may seem more extreme. The positive change in Net Investment in Capital Assets results from the completion of major capital improvements to the buildings and infrastructure of the campus. The increase in Restricted Net Position reflects increases in scholarship activity and debt service related funds. The change in Unrestricted Net Position largely reflects recognition of pension related accruals. While the effect of pension related funding obligations and actuarial measurements heavily impact the Unrestricted Net Position results, management does not believe that it indicates a true negative consequence to the financial condition of the institution.

Results from Operations - Revenue and Expenses

Total revenues for fiscal year 2017 increased $253 thousand or .5% in aggregate compared to fiscal 2016 total revenues.

- Operating revenue for fiscal 2017 increased by $559 thousand or 5.6% in total compared to fiscal 2016. Most of this change is from increased collections of tuition and fees which went up $552 thousand in fiscal 2017 compared to fiscal 2016.

- Nonoperating Revenue decreased by $340 thousand or 0.8% compared to fiscal 2016. There are two main factors driving the decrease: the loss of $1.1 million of state appropriated support and an increase of $715 thousand in federal and state grants related to financial aid.
Other Revenue consists of capital appropriations and Oklahoma Capital Improvement Authority (ODFA) debt service payments made on behalf of the college for bond funding of capital improvements and buildings. These on-behalf payments require no cash outlay by the college thus the college recognizes them as revenue. In fiscal year 2017, the OCIA on-behalf payments increased by $66 thousand offsetting the $31 thousand decrease in State appropriated capital appropriations, compared to fiscal year 2016. In total, Other Revenues increased by $35 thousand or 3.3%.

The following tables and charts present Total Revenues by category and description of source followed by a presentation of Operating Revenues by category and source for the fiscal years ending June 30, 2017 and 2016.

**FY 17 Total Revenues by Category - Detail**

<table>
<thead>
<tr>
<th>Revenue Category</th>
<th>2017</th>
<th>2016</th>
<th>Change FY16 to FY17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$10,565,664</td>
<td>$10,006,717</td>
<td>$558,947</td>
<td>5.6%</td>
</tr>
<tr>
<td>Nonoperating Revenues</td>
<td>41,941,245</td>
<td>42,281,728</td>
<td>(340,483)</td>
<td>(0.8%)</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>1,111,086</td>
<td>1,075,958</td>
<td>35,128</td>
<td>3.3%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$53,617,995</td>
<td>$53,364,403</td>
<td>$253,592</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

**FY17 Total Revenues by Category, Percent of Total and Detailed Breakdown by Source**

- **Nonoperating Revenues, 78.2%**
  
<table>
<thead>
<tr>
<th>Source</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>17,325,064</td>
</tr>
<tr>
<td>Federal &amp; State Grants</td>
<td>10,917,674</td>
</tr>
<tr>
<td>Ad Valorem Taxes</td>
<td>11,949,400</td>
</tr>
<tr>
<td>OTRS On-Behalf Contributions</td>
<td>1,471,250</td>
</tr>
<tr>
<td>Investment Income</td>
<td>277,857</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,941,245</strong></td>
</tr>
</tbody>
</table>

- **Operating Revenues, 19.7%**
  
  Total $10,565,664 See graphical and detailed breakdown on next page.

- **Other Revenues, 2.1%**
  
<table>
<thead>
<tr>
<th>Source</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Appropriations</td>
<td>516,162</td>
</tr>
<tr>
<td>OCIA Debt On Behalf Payments</td>
<td>594,924</td>
</tr>
<tr>
<td><strong>Total Other Revenue</strong></td>
<td><strong>1,111,086</strong></td>
</tr>
</tbody>
</table>
**FY17 Operating Revenue by Category and Percent of Total -- graph and detail table**

![Pie chart showing operating revenue by category]

<table>
<thead>
<tr>
<th>Operating Revenue Category</th>
<th>2017</th>
<th>2016</th>
<th>Change FY16 to FY17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal &amp; Local Grants</td>
<td>$1,753,093</td>
<td>$1,687,436</td>
<td>$65,657</td>
<td>3.9%</td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>5,648,795</td>
<td>5,096,349</td>
<td>552,446</td>
<td>10.8%</td>
</tr>
<tr>
<td>Auxiliary</td>
<td>2,887,256</td>
<td>2,978,895</td>
<td>(91,639)</td>
<td>(3.1%)</td>
</tr>
<tr>
<td>Other</td>
<td>276,520</td>
<td>244,037</td>
<td>32,483</td>
<td>13.3%</td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td>$10,565,664</td>
<td>$10,006,717</td>
<td>$558,947</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

**Total Expenses by Category**

Total expenses for fiscal year 2017 were $53.3 million, an increase of $1.5 million or 2.8% compared to fiscal 2016 total expenses of $51.8 million.

The majority of the fiscal year 2017 increase in recognized expenses was a result of pension obligation measurements required by GASB standards or were in categories that are somewhat out of management's control. Compensation and employee benefits recognized as expenses grew by $1.4 million or 4.8% compared to fiscal year 2016. During fiscal year 2017, actual compensation and benefit expenses decreased by $760 thousand compared to fiscal year 2016. However, the measurement of pension liability, in compliance with GASB standards of reporting, resulted in an expense accrual of $2.4 million, recognized as compensation expense, causing the large increase in the expense category. Scholarships and Other Student Aid expenses, that is the financial aid dollars in excess of a student’s cost to attend and thus returned to the student, decreased $882 thousand compared to fiscal year 2016 results. This category is very cyclical over the years due to the date that student refunds are made, particularly for the summer terms. However, the fiscal year 2017 result likely reflects more student aid dollars being used to cover increased tuition and fees as well as housing charges. Since more financial aid dollars are retained to pay for charges, fewer excess aid dollars are available to be refunded to students. Depreciation for fiscal year 2017 increased nearly $428 thousand compared to fiscal year 2016, a result of the addition of completed capital projects for building and infrastructure improvements during the fiscal period.

Other expense categories related to campus operations such as Contractual Services, Supplies, and Utilities show a combined overall increase in spending of $302 thousand compared to fiscal year 2016. This is a result of cost increases and utility usage.
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.

**FY17 Total Expenses by Category and Percent of Total - graph and detail table**

<table>
<thead>
<tr>
<th>Total Expenses by Category</th>
<th>2017</th>
<th>2016</th>
<th>Change FY 16 to FY 17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation &amp; Employee Benefits</td>
<td>$30,571,260</td>
<td>$29,166,702</td>
<td>$1,404,558</td>
<td>4.8%</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>3,325,306</td>
<td>3,333,498</td>
<td>(8,192)</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>2,977,151</td>
<td>2,709,268</td>
<td>267,883</td>
<td>9.9%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,411,490</td>
<td>3,983,845</td>
<td>427,645</td>
<td>10.7%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,251,910</td>
<td>1,119,733</td>
<td>132,177</td>
<td>11.8%</td>
</tr>
<tr>
<td>Communications</td>
<td>129,573</td>
<td>173,505</td>
<td>(43,932)</td>
<td>(25.3%)</td>
</tr>
<tr>
<td>Scholarships &amp; Other Student Aid</td>
<td>2,352,074</td>
<td>3,233,640</td>
<td>(881,566)</td>
<td>(27.3%)</td>
</tr>
<tr>
<td>Other</td>
<td>1,841,161</td>
<td>1,887,221</td>
<td>(46,060)</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>Ad valorem to Mid/Del Public Schools</td>
<td>4,690,169</td>
<td>4,550,922</td>
<td>139,247</td>
<td>3.1%</td>
</tr>
<tr>
<td>Interest on capital asset-related debt</td>
<td>1,721,807</td>
<td>1,662,885</td>
<td>58,922</td>
<td>3.5%</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$53,271,901</td>
<td>$51,821,219</td>
<td>$1,450,682</td>
<td>2.8%</td>
</tr>
</tbody>
</table>
Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year and includes totals of all assets, liabilities and deferred inflows and outflows. Net position and the change between fiscal years may be one indicator of the current financial condition of the College. The fiscal year 2017 information indicates an increase of $346 thousand or 1.3% in total net position compared to fiscal year 2016. This table summarizes the College’s Statement of Net Position with information as of June 30, 2017 and 2016.

<table>
<thead>
<tr>
<th>Net Position: Balances as of June 30th</th>
<th>Fiscal Year 2017</th>
<th>Fiscal Year 2016</th>
<th>$ Change FY16 to FY17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$45,527,845</td>
<td>$31,062,060</td>
<td>$14,465,785</td>
<td>46.6%</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>4,929,543</td>
<td>4,304,024</td>
<td>625,519</td>
<td>14.5%</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>139,326</td>
<td>173,447</td>
<td>(34,121)</td>
<td>(19.7%)</td>
</tr>
<tr>
<td>Capital assets, net of depreciation</td>
<td>70,975,041</td>
<td>69,943,998</td>
<td>1,031,043</td>
<td>1.5%</td>
</tr>
<tr>
<td>Total assets</td>
<td>121,571,755</td>
<td>105,483,529</td>
<td>16,088,226</td>
<td>15.3%</td>
</tr>
<tr>
<td>Deferred Outflows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred outflows related to pensions</td>
<td>14,276,203</td>
<td>6,314,390</td>
<td>7,961,813</td>
<td>126.1%</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>6,494,498</td>
<td>6,633,981</td>
<td>(139,483)</td>
<td>(2.1%)</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>98,107,218</td>
<td>73,546,748</td>
<td>31,054,988</td>
<td>42.2%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>104,601,716</td>
<td>80,180,729</td>
<td>30,915,485</td>
<td>30.6%</td>
</tr>
<tr>
<td>Deferred inflows</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bookstore service concession arrangement</td>
<td>173,447</td>
<td>207,568</td>
<td>(34,121)</td>
<td>(16.4%)</td>
</tr>
<tr>
<td>Gain on debt refinancing</td>
<td>798,902</td>
<td>848,501</td>
<td>(49,599)</td>
<td>(5.8%)</td>
</tr>
<tr>
<td>Deferred inflows related to pensions</td>
<td>2,704,501</td>
<td>3,337,823</td>
<td>(633,322)</td>
<td>(19.0%)</td>
</tr>
<tr>
<td>Total deferred inflows</td>
<td>3,676,850</td>
<td>4,193,392</td>
<td>(717,042)</td>
<td>(16.3%)</td>
</tr>
<tr>
<td>Net Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>29,482,907</td>
<td>29,151,901</td>
<td>331,006</td>
<td>1.1%</td>
</tr>
<tr>
<td>Restricted expendable</td>
<td>16,095,959</td>
<td>14,423,010</td>
<td>1,672,949</td>
<td>11.6%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(18,009,474)</td>
<td>(16,351,613)</td>
<td>(1,657,861)</td>
<td>(10.1%)</td>
</tr>
<tr>
<td>Total net position</td>
<td>$27,569,392</td>
<td>$27,223,298</td>
<td>346,094</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

- Current assets in fiscal year 2017 increased by $14.5 million or 46.6% compared to fiscal year 2016. This largely reflects the use of $3.6 million of Tech District bond proceeds for the restricted purpose of capital improvements and the addition of $18 million of Oklahoma Development Finance Authority (ODFA) bond funds secured through the State Board of Regents for Higher Education’s Master Lease program. These funds are dedicated for the construction of a new student union and one-stop student enrollment center building. Please see Note 5 for a description of all long-term liabilities including the new 2017 Master Lease program bond issue.

- Noncurrent assets increased $1.6 million, or 2.2%, in fiscal year 2017 compared to fiscal year 2016 largely reflecting the increase in capital assets of $1 million (net of depreciation). This primarily comes from the completion of Tech District bond projects during the fiscal year. Please see Note 4 for detailed presentation of capital asset activity.
• Total liabilities increased $24.4 million or 30.5% between fiscal year 2017 and fiscal 2016. Current liabilities decreased $139 thousand or 2.1% compared to fiscal year 2016. This change is mostly from a decrease in accounts payable of $947 thousand (related to payments of Tech District capital project invoices) and an increase of $393 thousand in the current portion of long term debt (related to the Master Lease financing for a new student union and enrollment center). Noncurrent liabilities increased by $31.0 million or 42.2%. This increase is driven by an increase in long-term debt of $15.4 million (related to the Master Lease obligation for construction of the student union building discussed above) and a $9.6 million increase in the College’s proportionate share of the net pension liability in the Oklahoma Teachers Retirement System (OTRS) recognized in 2017. Please see Note 5 for a listing and discussion of long-term financing obligations. Also, see Note 6 for a discussion of the net pension liability.

• Deferred Outflows and Deferred Inflows mainly reflect changes related to pension fund activities and accruals of pension expenses. Please see Note 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, 2017 and 2016, appears below:

<table>
<thead>
<tr>
<th>Revenue, Expenses, &amp; Net Position, as of June 30</th>
<th>Fiscal Year 2017</th>
<th>Fiscal Year 2016</th>
<th>$ Change FY16 to FY17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net</td>
<td>$5,648,795</td>
<td>$5,096,349</td>
<td>$552,446</td>
<td>10.8%</td>
</tr>
<tr>
<td>Federal and state local grants &amp; contracts</td>
<td>1,753,093</td>
<td>1,687,436</td>
<td>65,657</td>
<td>3.9%</td>
</tr>
<tr>
<td>Auxiliary (bookstore, food services &amp; housing), net</td>
<td>2,887,256</td>
<td>2,978,895</td>
<td>(91,639)</td>
<td>(3.1%)</td>
</tr>
<tr>
<td>Other</td>
<td>276,520</td>
<td>244,037</td>
<td>32,483</td>
<td>13.3%</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>$10,565,664</td>
<td>$10,006,717</td>
<td>$558,947</td>
<td>5.6%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation and employee benefits</td>
<td>$30,571,260</td>
<td>$29,166,702</td>
<td>$1,404,558</td>
<td>4.8%</td>
</tr>
<tr>
<td>Contractual services, supplies and materials</td>
<td>6,302,457</td>
<td>6,042,766</td>
<td>259,691</td>
<td>4.3%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,411,490</td>
<td>3,983,845</td>
<td>427,645</td>
<td>10.7%</td>
</tr>
<tr>
<td>Utilities and communications</td>
<td>1,381,483</td>
<td>1,293,238</td>
<td>88,245</td>
<td>6.8%</td>
</tr>
<tr>
<td>Scholarships and other student aid</td>
<td>2,352,074</td>
<td>3,233,640</td>
<td>(881,566)</td>
<td>(27.3%)</td>
</tr>
<tr>
<td>Other</td>
<td>1,841,161</td>
<td>1,887,221</td>
<td>(46,060)</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$46,859,925</td>
<td>$45,607,412</td>
<td>$1,252,513</td>
<td>2.7%</td>
</tr>
<tr>
<td>Operating Loss</td>
<td>($36,294,261)</td>
<td>($35,600,695)</td>
<td>($693,566)</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Nonoperating Revenues (Expenses)

| Nonoperating Revenues (Expenses)                 |                 |                 |                      |                |
| State appropriations                            | $17,325,064     | $18,433,446     | ($1,108,382)         | (6.0%)         |
| Federal and state grants                        | 10,917,674      | 10,202,229      | 715,445              | 7.0%           |
| OTRS on-behalf contributions                    | 1,471,250       | 1,684,176       | (212,926)            | (12.6%)         |
| Ad valorem taxes                                | 11,949,400      | 11,714,988      | 234,412              | 2.0%           |
| Ad valorem taxes remitted to Mid/Del public schools | (4,690,169)     | (4,550,922)     | (139,247)            | 3.1%           |
| Other                                           | (1,443,950)     | (1,415,996)     | (27,954)             | 1.9%           |
| Net Nonoperating Revenues                       | $35,529,269     | $36,067,921     | ($538,652)           | (1.5%)         |
| Income (Loss) Before Other Revenues, Expenses, Gains, and Losses | ($764,992)     | $467,226       | ($1,232,218)         | (263.7%)        |
| Other Revenues, Expenses, Gains, and Losses     | 1,111,086       | 1,075,958       | 35,128               | 3.3%           |
| Change in Net Position                          | $346,094        | $1,543,184      | (1,197,090)          | (77.6%)         |
| Net Position, Beginning of Year                 | $27,223,298     | $25,680,114     | $1,543,184           | 6.0%           |
| Net Position, End of Year                       | $27,569,392     | $27,223,298     | $346,094             | 1.3%           |
• Total operating revenues, for fiscal year 2017 increased $559 thousand or 5.6% compared to fiscal year 2016. This results from an increase in tuition of $9.15 per credit hour or 10% and the addition of a new mandatory Safety and Security fee both enacted for fiscal year 2017.

• Operating expenses are relatively stable in comparing fiscal year 2017 and fiscal year 2016, in total, increasing only 2.7%. There were some significant changes when looking at individual categories such as:

  1. Compensation and Employee Benefits expenses grew by $1.4 million or 4.8% compared to fiscal year 2016. During fiscal year 2017, compensation and benefit expenses excluding pension liability decreased by $760 thousand compared to fiscal year 2016. However, the measurement of pension liability, in compliance with GASB standards of reporting, resulted in an expense accrual of $2.4 million recognized as compensation expense causing the increase in the expenses.

  2. Contractual services, supplies, and materials increased by $260 thousand in fiscal year 2017 versus fiscal year 2016. This is largely due to reduced spending in the past two fiscal years and increases in costs of supplies experienced in the current fiscal year, especially related to software licensing and software consultants.

  3. Depreciation increased $428 thousand in fiscal year 17 compared to fiscal year 16 from the addition of assets as projects from the Tech Districts bond issue were completed and placed into service during the year. Please see a discussion of fixed assets below and review Note 4 for a full presentation of changes in capital assets.

  4. Scholarships and other student aid operating expenses decreased by $882 thousand in fiscal year 2017 compared to fiscal year 2016. This category is very cyclical and often reflects the academic calendar in the timing of student refunds. However, the fiscal year 2017 results likely reflects more student aid dollars being used to cover increased tuitions and fees as well as housing charges. Since more financial aid dollars are retained to pay for charges fewer excess aid dollars are available to be refunded to students causing the reduced expense.

• Non-operating revenues for fiscal year 2017 decreased $539 thousand or 1.5% when compared to fiscal year 2016 as a result of the following highlights:

  1. State appropriations were $1.1 million or 6.0% lower in fiscal year 2017 compared to fiscal year 2016 continuing the trend of less state support.

  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 year 2017 shows an increase of $715 thousand or 7% compared to fiscal year 2016 indicating an increase in financial aid grants and loans awarded.

• Other Revenues, Expenses, Gains, and Losses has two components. State allocated capital funds were down $31 thousand during the year. OCIA lease obligation payments made on behalf of the College were up $66 thousand in fiscal year 2017. The net effect is a $35 thousand increase in Other Revenues.
**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 2017 increased by $2.7 million compared to fiscal year 2016. Operating activities generated a smaller loss than the prior fiscal year and thus contributed approximately $2.0 million to the cash balance compared to fiscal year 2016. Noncapital financing activities generated approximately $190 thousand less cash compared to fiscal 2016. Capital purchases and related financing activities required approximately $7 million less cash in 2017 compared to 2016 for the completion of the Tech District bond projects and purchases of capital assets. Investing activities also contributed $31 thousand more from earned interest compared to fiscal year 2016.

The operating activities, noncapital financing activities, capital and related financing and investing activities of the College used cash and cash equivalents during fiscal year 2017 but at a slower rate than fiscal year 2016.

The following schedule is summarized from the College’s Statement of Cash Flows for the year ended June 30, 2017 and 2016.

<table>
<thead>
<tr>
<th>Cash provided by (Used in), as of June 30</th>
<th>Fiscal Year 2017</th>
<th>Fiscal Year 2016</th>
<th>$ Change FY16 to FY17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td>(30,256,163)</td>
<td>(32,267,439)</td>
<td>$2,011,276</td>
<td>(6.2%)</td>
</tr>
<tr>
<td>Noncapital financing activities</td>
<td>32,803,070</td>
<td>32,992,651</td>
<td>(189,581)</td>
<td>(0.6%)</td>
</tr>
<tr>
<td>Capital and related financing activities</td>
<td>(5,489,191)</td>
<td>(12,475,781)</td>
<td>6,986,590</td>
<td>(56.0%)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>275,800</td>
<td>244,607</td>
<td>31,193</td>
<td>12.8%</td>
</tr>
<tr>
<td>Net increase (decrease) in cash &amp; cash equivalents</td>
<td>(2,666,484)</td>
<td>(11,505,962)</td>
<td>8,839,478</td>
<td>(76.8%)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, Beginning of Year</td>
<td>32,884,333</td>
<td>44,390,295</td>
<td>(11,505,962)</td>
<td>(25.9%)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, End of Year</td>
<td>$30,217,849</td>
<td>$32,884,333</td>
<td>($2,666,484)</td>
<td>(8.1%)</td>
</tr>
</tbody>
</table>
**Capital Assets**

At June 30, 2017, the College had approximately $129.8 million invested in capital assets with accumulated depreciation of $58.9 million resulting in a net capital asset valuation of approximately $71.0 million. This represents an increase of $1 million or 1.5%, compared to fiscal year 2016. The 2017 increase in net asset valuation reflects the completion of the Learning Resource Center funded by the Tech District bonds. Because some projects are not yet completed as of June 30, construction in progress (CIP) reflects a balance of $9.8 million for on-going capital projects, a reduction of approximately $3.9 million compared to fiscal year 2016.

Please see Note 4 for details of these capital asset investments. The table below summarizes the activity in capital assets, net of depreciation.

**Capital Assets, Net of Accumulated Depreciation at June 30, 2017 and 2016**

<table>
<thead>
<tr>
<th>Capital Assets, Net Accumulated Depreciation, as of June 30</th>
<th>Fiscal Year 2017</th>
<th>Fiscal Year 2016</th>
<th>$ Change FY16 to FY17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$5,614,377</td>
<td>$5,614,377</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>48,812,405</td>
<td>44,746,448</td>
<td>4,065,957</td>
<td>9.1%</td>
</tr>
<tr>
<td>Land improvements / infrastructure</td>
<td>496,294</td>
<td>459,038</td>
<td>37,256</td>
<td>8.1%</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>5,085,895</td>
<td>4,150,347</td>
<td>935,548</td>
<td>22.5%</td>
</tr>
<tr>
<td>Library materials</td>
<td>1,189,888</td>
<td>1,305,168</td>
<td>(115,280)</td>
<td>(8.8%)</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>9,776,182</td>
<td>13,668,620</td>
<td>(3,892,438)</td>
<td>(28.5%)</td>
</tr>
<tr>
<td>Total Capital Assets, Net Accumulated Depreciation</td>
<td>$70,975,041</td>
<td>$69,943,998</td>
<td>$1,031,043</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

**Debt**

As of June 30, 2017, the College had approximately $58.3 million in debt (bonds and capital lease obligations) outstanding. This is an increase of approximately $15.8 million, or 37.1%, when compared to fiscal year 2016 end of year balances. The fiscal year 2017 results reflect one new lease obligation, the 2017 ODFA Master Lease obligation to be used for the construction of a new student union and one-stop enrollment center. This is a 30-year term obligation and will eventually be paid completely by student mandatory fees. Please see Note 5 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, 2017 and 2016**

<table>
<thead>
<tr>
<th>Outstanding Debt, as of June 30</th>
<th>Fiscal Year 2017</th>
<th>Fiscal Year 2016</th>
<th>$ Change FY16 to FY17</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Building Bonds Payable</td>
<td>$20,290,000</td>
<td>$21,980,000</td>
<td>($1,690,000)</td>
<td>(7.7%)</td>
</tr>
<tr>
<td>2014B OCIA Capital Lease Obligation</td>
<td>91,251</td>
<td>119,654</td>
<td>(28,403)</td>
<td>(23.7%)</td>
</tr>
<tr>
<td>2014C OCIA Capital Lease Obligation</td>
<td>7,473,357</td>
<td>7,714,980</td>
<td>(241,624)</td>
<td>(3.1%)</td>
</tr>
<tr>
<td>ODFA 2009A Master Lease (Bus)</td>
<td>101,000</td>
<td>153,333</td>
<td>(52,333)</td>
<td>(34.1%)</td>
</tr>
<tr>
<td>ODFA 2014C Master Lease (Software)</td>
<td>183,000</td>
<td>257,000</td>
<td>(74,000)</td>
<td>(28.8%)</td>
</tr>
<tr>
<td>ODFA 2015C Master Lease (Software)</td>
<td>158,000</td>
<td>210,333</td>
<td>(52,333)</td>
<td>(24.9%)</td>
</tr>
<tr>
<td>ODFA 2017A Master Lease (Student Union)</td>
<td>17,301,000</td>
<td>0</td>
<td>17,301,000</td>
<td>100.0%</td>
</tr>
<tr>
<td>ODFA 2009A Premium</td>
<td>523</td>
<td>775</td>
<td>(252)</td>
<td>(32.5%)</td>
</tr>
<tr>
<td>ODFA 2014C Premium</td>
<td>14,636</td>
<td>20,693</td>
<td>(6,057)</td>
<td>(29.3%)</td>
</tr>
<tr>
<td>ODFA 2015C Premium</td>
<td>7,194</td>
<td>9,661</td>
<td>(2,467)</td>
<td>(25.5%)</td>
</tr>
<tr>
<td>ODFA 2017A Premium</td>
<td>800,804</td>
<td>0</td>
<td>800,804</td>
<td>100.0%</td>
</tr>
<tr>
<td>Housing Capital Lease</td>
<td>11,899,513</td>
<td>12,069,820</td>
<td>(170,307)</td>
<td>(1.4%)</td>
</tr>
<tr>
<td>Total Outstanding Debt</td>
<td>$58,320,278</td>
<td>$42,536,249</td>
<td>$15,784,028</td>
<td>37.1%</td>
</tr>
</tbody>
</table>
Economic Outlook

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

The condition of the local economy heavily influences the decision and ability to set tuition and fee rates. However, in response to continued declines in appropriated state support, raising tuition and fees charged to students is necessary to ensure continued excellence in instruction and facilities. For fiscal year 2017, the College increased tuition and fees by $14.60 per credit hour or 12.9%. For fiscal year 2018, the College decided to increase tuition and fees by $10.55 per credit hour or 8.3% making the cost for a resident student $138.12 per credit hour. For fiscal year 2018, the average tuition and fee cost at a community college, for an in-state resident student, is $140.37 per credit hour. Decisions about increases are made after weighing the availability of appropriated state support, parents’ and students’ ability to pay higher rates, the projected cost of providing academic instruction and student services, and delivering the desired College experience that today’s students look for in making their choices for higher education. It must be noted that even with this increase, Rose State College was ranked as the sixth 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’s Board of Regents and 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 commercial expansion and thus providing a secure revenue stream from the Tech District’s ad valorem tax base. The state-wide economy continues to be soft with a weakened energy sector and related support functions. These factors all influence the College’s enrollment as does the availability of financial assistance such as the Ticket to Rose program. Currently, the College’s engineering 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. The demographics of the student body continues to change as more students arrive right out of high school and take heavier course loads while the older re-training student population declines.

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 2017, the College produced 1,119 (or .9%) more credit hours than fiscal year 2016. While this may not seem to be a significant improvement, it does represent a second year of increased credit hour production. Management believes that this solidifies a change in enrollment trends. It also points to the need to branch out and create partnerships for other instructional opportunities. The College began such an endeavor in the fall 2017 semester as they began to take over the instruction of developmental classes for one of the major flagship universities. This has led to an increase in credit hour enrollments for fiscal year 2018. To support students and improve the aesthetics of the campus, management continues to improve buildings and infrastructure. The construction and remodeling efforts from the Tech District’s general obligation bond issue has provided improvements to every academic building. The reconstructed Learning Resource Center now provides improved learning opportunities 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 heavily impacted by the state’s legislative and political environment due to the reliance on the use of legislated appropriations to fund operations. For fiscal year 2017, actual receipt of state support was significantly lower than originally allocated. Revenue failures were declared by state agencies that collect and distribute tax and fee revenue. Although no revenue failures have yet been declared for fiscal year 2018, appropriations face uncertainty as revenue generating legislation was declared unconstitutional and a special session has been called by the Governor to deal with the revenue shortfall. If no new revenue generating legislation is created, the College faces the possibility of severe mid-year reductions in appropriated support. College management does not believe this to be imminent but creates a level of uncertainty in its ability to move forward with its vision. For fiscal year 2019, the legislature will likely face another budget shortfall but the effect on the College is not yet determinable.

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. The effect of these discussions are a focus of attention for management.

The management of Rose State College believes the institution to be in solid financial condition and is committed to maintaining that position as challenges arise and opportunities present themselves.

**Contacting the College’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the College’s finances and to show the College’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the 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, 2017

<table>
<thead>
<tr>
<th></th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 21,634,654</td>
<td>$ 409,341</td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,653,652</td>
<td>30,635</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>1,335,785</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>18,002,839</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,603,719</td>
<td>-</td>
</tr>
<tr>
<td>Federal and state grants receivable</td>
<td>290,223</td>
<td>-</td>
</tr>
<tr>
<td>Delinquent ad valorem property taxes receivable</td>
<td>314,000</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>16,694</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>12,064</td>
<td>-</td>
</tr>
<tr>
<td>Total current assets</td>
<td>45,527,845</td>
<td>1,775,761</td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4,929,543</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>139,326</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>70,975,041</td>
<td>2,948,400</td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>76,043,910</td>
<td>2,948,400</td>
</tr>
<tr>
<td>Total assets</td>
<td>121,571,755</td>
<td>4,724,161</td>
</tr>
<tr>
<td>DEFERRED OUTFLOWS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred outflows related to pensions</td>
<td>14,276,203</td>
<td>-</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>1,702,046</td>
<td>46,500</td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>917,015</td>
<td>-</td>
</tr>
<tr>
<td>Interest payable</td>
<td>350,677</td>
<td>-</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>572,780</td>
<td>-</td>
</tr>
<tr>
<td>Room deposits payable</td>
<td>26,400</td>
<td>-</td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>2,696,772</td>
<td>-</td>
</tr>
<tr>
<td>Deposits held in custody for others</td>
<td>229,808</td>
<td>-</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>6,494,498</td>
<td>46,500</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>126,563</td>
<td>-</td>
</tr>
<tr>
<td>Net pension obligation</td>
<td>42,356,149</td>
<td>-</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>55,624,506</td>
<td>-</td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>98,107,218</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>104,601,716</td>
<td>46,500</td>
</tr>
<tr>
<td>DEFERRED INFLOWS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bookstore service concession arrangement</td>
<td>173,447</td>
<td>-</td>
</tr>
<tr>
<td>Gain on debt refinancing</td>
<td>798,902</td>
<td>-</td>
</tr>
<tr>
<td>Deferred inflows related to pensions</td>
<td>2,704,501</td>
<td>-</td>
</tr>
<tr>
<td>Total deferred inflows</td>
<td>3,676,850</td>
<td>-</td>
</tr>
<tr>
<td>NET POSITION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>29,482,907</td>
<td>-</td>
</tr>
<tr>
<td>Restricted nonexpendable - endowment</td>
<td>-</td>
<td>3,561,985</td>
</tr>
<tr>
<td>Restricted expendable for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarships</td>
<td>7,588,403</td>
<td>965,161</td>
</tr>
<tr>
<td>Loans</td>
<td>5,952</td>
<td>-</td>
</tr>
<tr>
<td>Capital projects</td>
<td>5,373,221</td>
<td>-</td>
</tr>
<tr>
<td>Debt service</td>
<td>3,128,383</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>(18,009,474)</td>
<td>150,515</td>
</tr>
<tr>
<td>Total net position</td>
<td>$ 27,569,392</td>
<td>$ 4,677,661</td>
</tr>
</tbody>
</table>

See notes to financial statements.
Rose State College  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2017  

<table>
<thead>
<tr>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
</table>

**Operating Revenues**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees, net</td>
<td>$ 5,648,795</td>
<td>$ -</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>1,655,599</td>
<td>-</td>
</tr>
<tr>
<td>State and private grants and contracts</td>
<td>97,494</td>
<td>-</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises, net</td>
<td>2,887,256</td>
<td>-</td>
</tr>
<tr>
<td>Contributions and other revenue</td>
<td>-</td>
<td>1,102,756</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>276,520</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>$10,565,664</td>
<td>$1,102,756</td>
</tr>
</tbody>
</table>

**Operating Expenses**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation and employee benefits</td>
<td>30,571,260</td>
<td>-</td>
</tr>
<tr>
<td>Contractual services</td>
<td>3,325,306</td>
<td>-</td>
</tr>
<tr>
<td>Supplies and materials</td>
<td>2,977,151</td>
<td>-</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>2,352,074</td>
<td>152,857</td>
</tr>
<tr>
<td>Communications</td>
<td>129,573</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,411,490</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,251,910</td>
<td>-</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>1,841,161</td>
<td>177,860</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$46,859,925</td>
<td>$330,717</td>
</tr>
</tbody>
</table>

**Operating Income (Loss)**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($36,294,261)</td>
<td>772,039</td>
</tr>
</tbody>
</table>

**Nonoperating Revenues (Expenses)**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State appropriations</td>
<td>17,325,064</td>
<td>-</td>
</tr>
<tr>
<td>Federal grants</td>
<td>9,445,661</td>
<td>-</td>
</tr>
<tr>
<td>State grants</td>
<td>1,472,013</td>
<td>-</td>
</tr>
<tr>
<td>OTRS on-behalf contributions</td>
<td>1,471,250</td>
<td>-</td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>11,949,400</td>
<td>-</td>
</tr>
<tr>
<td>Ad valorem taxes remitted to Midwest City/Del City Public Schools</td>
<td>(4,690,169)</td>
<td>-</td>
</tr>
<tr>
<td>Net unrealized and realized gain on investments</td>
<td>-</td>
<td>187,038</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>277,857</td>
<td>-</td>
</tr>
<tr>
<td>Interest on capital asset related debt</td>
<td>(1,721,807)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net nonoperating revenue</strong></td>
<td>35,529,269</td>
<td>187,038</td>
</tr>
</tbody>
</table>

**Income (Loss) before other revenues, expenses, gains, and losses**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(764,992)</td>
<td>959,077</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital appropriations - state</td>
<td>516,162</td>
<td>-</td>
</tr>
<tr>
<td>OCIA debt services on-behalf payments</td>
<td>594,924</td>
<td>-</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>346,094</td>
<td>959,077</td>
</tr>
</tbody>
</table>

**Net Position, Beginning of Year**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27,223,298</td>
</tr>
</tbody>
</table>

**Net Position, End of Year**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 27,569,392</td>
</tr>
</tbody>
</table>

See notes to financial statements.
### Rose State College
#### Statement of Cash Flows
##### Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Operating Activities</th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and fees</td>
<td>$ 5,689,584</td>
<td>$ -</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>1,715,288</td>
<td>-</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(12,694,148)</td>
<td>(56,971)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(28,125,765)</td>
<td>-</td>
</tr>
<tr>
<td>Foundation contributions</td>
<td>-</td>
<td>288,412</td>
</tr>
<tr>
<td>Scholarships</td>
<td>-</td>
<td>(157,882)</td>
</tr>
<tr>
<td>Auxiliary enterprises sales and services</td>
<td>2,880,466</td>
<td>-</td>
</tr>
<tr>
<td>Other operating receipts</td>
<td>278,412</td>
<td>2,055</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>(30,256,163)</td>
<td>75,614</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Noncapital Financing Activities</th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>State appropriations</td>
<td>17,325,064</td>
<td>-</td>
</tr>
<tr>
<td>Nonoperating grants</td>
<td>10,917,674</td>
<td>-</td>
</tr>
<tr>
<td>Ad valorem taxes received</td>
<td>9,370,179</td>
<td>-</td>
</tr>
<tr>
<td>Ad valorem taxes remitted to Midwest City/Del City Public Schools</td>
<td>(4,809,847)</td>
<td>-</td>
</tr>
<tr>
<td>Federal direct student loans receipts</td>
<td>7,181,058</td>
<td>-</td>
</tr>
<tr>
<td>Federal direct student loans disbursements</td>
<td>(7,181,058)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash provided by noncapital financing activities</strong></td>
<td>32,803,070</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital and Related Financing Activities</th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of capital assets</td>
<td>(5,442,533)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from capital debt</td>
<td>410,823</td>
<td>-</td>
</tr>
<tr>
<td>Principal paid on capital leases and bonds</td>
<td>(2,038,973)</td>
<td>-</td>
</tr>
<tr>
<td>Interest paid on capital leases and bonds</td>
<td>(1,504,575)</td>
<td>-</td>
</tr>
<tr>
<td>Capital appropriations – state</td>
<td>516,162</td>
<td>-</td>
</tr>
<tr>
<td>Ad valorem taxes received for debt service</td>
<td>2,569,905</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used in capital and related financing activities</strong></td>
<td>(5,489,191)</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investing Activities</th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>-</td>
<td>(108,897)</td>
</tr>
<tr>
<td>Proceeds from maturities and sales of investments</td>
<td>-</td>
<td>23,661</td>
</tr>
<tr>
<td>Net unrealized and realized loss on investments</td>
<td>-</td>
<td>(4,585)</td>
</tr>
<tr>
<td>Investment income received</td>
<td>275,800</td>
<td>13,482</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>275,800</td>
<td>(76,339)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Decrease in Cash and Cash Equivalents</th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2,666,484)</td>
<td>(725)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents, Beginning of Year</th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32,884,333</td>
<td>440,701</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents, End of Year</th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 30,217,849</td>
<td>$ 439,976</td>
</tr>
</tbody>
</table>

(continued)
Rose State College  
Statement of Cash Flows  
Year Ended June 30, 2017  
(Continued)

<table>
<thead>
<tr>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$21,634,654</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>$3,653,652</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td></td>
</tr>
<tr>
<td>Restricted cash and cash equivalents</td>
<td>$4,929,543</td>
</tr>
<tr>
<td>$30,217,849</td>
<td>$439,976</td>
</tr>
</tbody>
</table>

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

<table>
<thead>
<tr>
<th></th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income (loss)</td>
<td>$ (36,294,261)</td>
<td>$772,039</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>4,411,490</td>
<td>-</td>
</tr>
<tr>
<td>OTRS on-behalf contributions</td>
<td>1,471,250</td>
<td>-</td>
</tr>
<tr>
<td>Donated capital asset</td>
<td>-</td>
<td>(691,400)</td>
</tr>
<tr>
<td>Changes in operating assets, deferred outflows, liabilities, and deferred inflows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables, net</td>
<td>(51,699)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred outflows</td>
<td>(7,961,813)</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(3,735)</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(813,238)</td>
<td>(5,025)</td>
</tr>
<tr>
<td>Accrued compensated absences</td>
<td>(276)</td>
<td>-</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>55,385</td>
<td>-</td>
</tr>
<tr>
<td>Room deposits payable</td>
<td>(5,600)</td>
<td>-</td>
</tr>
<tr>
<td>Net pension obligation</td>
<td>9,569,656</td>
<td>-</td>
</tr>
<tr>
<td>Deferred inflows related to pensions</td>
<td>(633,322)</td>
<td>-</td>
</tr>
<tr>
<td>Net Cash Provided by (Used in) Operating Activities</td>
<td>$ (30,256,163)</td>
<td>$75,614</td>
</tr>
</tbody>
</table>

Noncash Investing, Noncapital Financing and Capital and Related Financing Activities:

<table>
<thead>
<tr>
<th></th>
<th>Rose State College</th>
<th>Rose State College Foundation Inc.</th>
</tr>
</thead>
</table>
| Interest on capital debt paid by state agency on behalf of the College | $324,898 | $-
| Principal on capital debt paid by state agency on behalf of the College | $270,026 | $-

See notes to financial statements.
Rose State College
Statement of Fiduciary Net Position
June 30, 2017

ASSETS
Cash and cash equivalents $ 416,146
Total assets $ 416,146

LIABILITIES
Due to OKHEEI $ 416,146
Total liabilities $ 416,146

See notes to financial statements.
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, 2017, the Foundation provided the College $152,857 in scholarships, awards, and other program support.

The College, District, and Foundation all have a fiscal year end of June 30.
Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017, cash equivalents consisted primarily of pooled funds held by the Oklahoma State Treasurer or Office of Management and Enterprise Services and money market mutual funds on deposit with a trustee.

Restricted Cash and Investments

Cash or cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, to purchase capital or other noncurrent assets, or to provide scholarships or loans are classified as restricted assets in the statements of net position.
Note 1: Summary of Significant Accounting Policies (Continued)

**Investments and Investment Income**

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

Investment income consists of interest income earned from deposits in money market savings 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 be paid in two equal installments (if the first installment is paid prior to January 1, the second installment is not delinquent until April 1). Ad valorem taxes are collected by the county treasurer and are subsequently remitted to the District.

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

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

The College had $157,006 of ad valorem taxes abated under this program for the fiscal year ended June 30, 2017.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. Section 193 that is used to reimburse the College for the loss of revenue. Contributions to this Fund come from a dedicated tax stream comprised of one percent of net state personal and corporate income tax revenues. The College received $20,829 during fiscal year 2017 and has an outstanding, unpaid claim of $9,620 of reimbursement from the State as of June 30, 2017.
Rose State College  
Notes to Financial Statements  
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

**Student Accounts Receivable**

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

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. The College’s capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under 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 that employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

**Unearned Revenue**

Unearned revenue represents unearned student tuition and fees and advances on grants and contract awards for which the College has not met all of the applicable eligibility requirements.
Note 1: Summary of Significant Accounting Policies (Continued)

**Net Position**

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

**Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for third parties and therefore are not available to support College programs. The reporting focus is net position and changes in net position and uses accounting principles similar to proprietary funds.

Agency Funds are used to report resources held by the College in a purely custodial capacity (assets equal liabilities). Agency fund assets and liabilities are recognized using the accrual basis of accounting. The College has one agency fund for the Oklahoma Higher Education Employee Interlocal Group (OKHEEI).

**Deferred Outflows and Deferred Inflows of Resources**

Deferred outflows and deferred inflows are the consumption and the acquisition, respectively, of net position by the College that is applicable to a future reporting period. The College’s deferred outflows of resources were comprised of 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.
Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students’ behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the College’s financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded scholarship discounts and allowances. The scholarship discounts and allowances on tuition and fees for the year ended June 30, 2017 was $9,845,847.

Income Taxes

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

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

Pensions

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 adopted in 2017

GASB Statement No. 77, Tax Abatement Disclosures, 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.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued in June 2015, and replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The statement applies primarily to the general purpose external financial reports of state and local government OPEB plans. For OPEB plans that do not issue separate stand-alone general purpose financial statements, additional disclosures are required by the new standard in the sponsoring government’s financial statements. The standard did not impact the College’s previously reported net position or change in net position.

New Accounting Pronouncements issued not yet adopted

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. 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. This statement is effective for fiscal years beginning after June 15, 2017.

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. This statement is effective for fiscal years beginning after December 15, 2016, and should be applied retroactively.
Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements issued not yet adopted (Continued)

GASB Statement No. 83, Certain Asset Retirement Obligations – GASB 83 was issued in November 2016 and addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for fiscal years beginning after June 15, 2018. The College has not yet determined the impact that implementation of GASB 83 will have on its net position.

GASB Statement No. 84, Fiduciary Activities – GASB 84 was issued in January 2017 and is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2018. The College has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement No. 85, Omnibus 2017 – GASB 85, issued March 2017, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This statement is effective for fiscal years beginning after June 15, 2017. The College has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement No. 86, Certain Debt Extinguishment Issues – GASB 86 was issued May 2017. The primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement is effective for fiscal years beginning after June 15, 2017. The College has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement No. 87, Leases – GASB 87 was issued June 2017. The primary objective of this Statement is to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. This statement is effective for fiscal years beginning after December 15, 2019. The College has not yet determined the impact that implementation of GASB 87 will have on its net position.
Note 2: Deposits, Pooled Funds, Investments, and Investment Income

District's Deposits

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

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

At June 30, 2017, none of the District’s balances of $9,703,441 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.

There is $20,924,554 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2017, of which $416,146 represents amounts held in agency funds. Of the $20,924,554 in cash and cash equivalents on deposit with the State Treasurer, $11,627,462 represent the amount held within OK INVEST, an internal investment pool, and $6,000 represents change funds. Agencies and funds that are considered to be part of the State’s reporting entity in the State’s Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State’s daily cash flow requirements. Guidelines in the State Treasurer’s Investment Policy address credit quality requirements, diversification percentages, and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer’s website at http://www.ok.gov/treasurer/. Based on an evaluation of the use and purpose of the Departments participation in the internal investment pool, the amount on deposit with OK INVEST are treated as demand accounts and reported as cash equivalents.
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 statement of net position and statement of fiduciary net position as follows at June 30, 2017:

<table>
<thead>
<tr>
<th>Carrying Value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>$19,000,533</td>
</tr>
<tr>
<td>Invested pooled funds</td>
<td>11,627,462</td>
</tr>
<tr>
<td>Change funds</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>$30,633,995</td>
</tr>
</tbody>
</table>

Investments

The College may legally invest in direct obligations of the U.S. Treasury and the State of Oklahoma.

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

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

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

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

At June 30, 2017, investments consisted of funds received through the OSRHE ODFA Master Lease Program that are restricted for specific capital projects.

The following is a summary of financial assets measured at fair value on a recurring basis as of June, 30, 2017:

<table>
<thead>
<tr>
<th>Types of Investment</th>
<th>Fair Value</th>
<th>Credit Rating</th>
<th>Maturity</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federated Government Obligations Tax Managed Fund</td>
<td>Level 1</td>
<td>AAAm</td>
<td>Less than One</td>
<td>$18,000,000</td>
</tr>
<tr>
<td>Cavanal Hill U.S. Treasury Admin #0002</td>
<td>Level 1</td>
<td>AAAm</td>
<td>Less than One</td>
<td>2,839</td>
</tr>
<tr>
<td>Total investments</td>
<td></td>
<td></td>
<td></td>
<td>$18,002,839</td>
</tr>
</tbody>
</table>

**Investment Income**

Investment income of $277,857 consisted primarily of interest income for the year ended June 30, 2017.

**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. Accounts receivable consisted of the following at June 30, 2017:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student tuition and fees</td>
<td>$4,549,271</td>
</tr>
<tr>
<td>Auxiliary enterprises and other operating activities</td>
<td>77,447</td>
</tr>
<tr>
<td>Total accounts receivable</td>
<td>4,626,718</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(3,022,999)</td>
</tr>
<tr>
<td>Net accounts receivable</td>
<td>$1,603,719</td>
</tr>
</tbody>
</table>
Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2017 was:

<table>
<thead>
<tr>
<th>Capital assets, not being depreciated</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>5,614,377</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,614,377</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>13,658,620</td>
<td>3,251,281</td>
<td>-</td>
<td>(7,143,719)</td>
<td>9,776,182</td>
</tr>
<tr>
<td>Total capital assets, not being depreciated</td>
<td>19,282,997</td>
<td>3,251,281</td>
<td>-</td>
<td>(7,143,719)</td>
<td>15,390,559</td>
</tr>
</tbody>
</table>

| Other capital assets                  |                   |           |           |           |                |
| Building and improvements             | 86,221,520        | 270,145   | 4,192,950 | 6,247,065 | 88,545,780     |
| Land improvements and infrastructure  | 621,032           | 68,595    | -         | -         | 689,627        |
| Furniture, fixtures, and equipment    | 16,230,674        | 1,666,342 | 20,482    | -         | 18,773,188     |
| Library materials                     | 6,232,784         | 243,704   | 43,261    | -         | 6,433,227      |
| Total other capital assets            | 106,306,010       | 2,246,786 | 4,256,693 | 7,143,719 | 114,441,822    |

| Less accumulated depreciation         |                   |           |           |           |                |
| Buildings and improvements             | 41,475,072        | 2,393,719 | 4,135,416 | -         | 39,733,375     |
| Land, improvements, and infrastructure| 161,964           | 31,339    | -         | -         | 193,333        |
| Furniture, fixtures, and equipment     | 12,080,327        | 1,649,448 | 20,482    | -         | 13,519,839     |
| Library materials                      | 6,232,784         | 243,704   | 43,261    | -         | 6,433,227      |
| Total accumulated depreciation         | 58,645,009        | 4,411,490 | 4,199,159 | -         | 58,857,340     |
| Other capital assets, net              | 50,661,001        | (2,162,704)| 57,534    | 7,143,719 | 55,584,482     |

| Total cost of capital assets           | 128,589,007       | 5,500,087 | 4,256,693 | -         | 129,832,381    |

| Less accumulated depreciation         |                   |           |           |           |                |
| Buildings and improvements             | 39,733,375        |           |           |           |                |
| Land, improvements, and infrastructure| 193,333           |           |           |           |                |
| Furniture, fixtures, and equipment     | 13,519,839        |           |           |           |                |
| Library materials                      | 6,433,227         |           |           |           |                |
| Total accumulated depreciation         | 58,857,340        |           |           |           |                |
| Other capital assets, net              | 55,584,482        |           |           |           |                |
| Capital assets, net                    | 86,943,998        | 1,088,577 | 57,534    | -         | 70,975,041     |

At June 30, 2017, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

<table>
<thead>
<tr>
<th>Buildings</th>
<th>Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$ 26,440,554</td>
<td>$ 1,112,571</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(3,088,556)</td>
<td>(549,073)</td>
</tr>
<tr>
<td>$ 23,351,998</td>
<td>$ 563,498</td>
<td>$ 23,915,496</td>
</tr>
</tbody>
</table>
Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

<table>
<thead>
<tr>
<th>Bonds and Capital Leases</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Deductions</th>
<th>Ending Balance</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 Building Bonds Payable</td>
<td>$21,980,000</td>
<td>-</td>
<td>$(1,690,000)</td>
<td>$20,290,000</td>
<td>$1,690,000</td>
</tr>
<tr>
<td>2014B OCIA lease obligation</td>
<td>119,654</td>
<td>-</td>
<td>$(28,403)</td>
<td>91,251</td>
<td>29,232</td>
</tr>
<tr>
<td>2014C OCIA lease obligation</td>
<td>7,714,980</td>
<td>-</td>
<td>$(241,823)</td>
<td>7,473,357</td>
<td>246,333</td>
</tr>
<tr>
<td>ODFA Bus Master Lease</td>
<td>153,333</td>
<td>-</td>
<td>$(52,333)</td>
<td>101,000</td>
<td>49,667</td>
</tr>
<tr>
<td>ODFA 2014C</td>
<td>257,000</td>
<td>-</td>
<td>$(74,000)</td>
<td>183,000</td>
<td>70,500</td>
</tr>
<tr>
<td>ODFA 2015C</td>
<td>210,333</td>
<td>-</td>
<td>$(52,333)</td>
<td>158,000</td>
<td>49,667</td>
</tr>
<tr>
<td>ODFA 2017A</td>
<td>-</td>
<td>17,301,000</td>
<td>-</td>
<td>17,301,000</td>
<td>347,583</td>
</tr>
<tr>
<td>Housing Capital Lease</td>
<td>12,069,820</td>
<td>-</td>
<td>$(170,307)</td>
<td>11,899,513</td>
<td>177,246</td>
</tr>
<tr>
<td>ODFA 2009A Premium</td>
<td>775</td>
<td>-</td>
<td>$(252)</td>
<td>523</td>
<td>252</td>
</tr>
<tr>
<td>ODFA 2014C Premium</td>
<td>20,693</td>
<td>-</td>
<td>$(6,057)</td>
<td>14,636</td>
<td>6,057</td>
</tr>
<tr>
<td>ODFA 2015C Premium</td>
<td>9,661</td>
<td>-</td>
<td>$(2,467)</td>
<td>7,194</td>
<td>2,467</td>
</tr>
<tr>
<td>ODFA 2017A Premium</td>
<td>800,804</td>
<td>-</td>
<td>-</td>
<td>800,804</td>
<td>26,768</td>
</tr>
<tr>
<td>Total Bonds and Capital Leases</td>
<td>42,536,249</td>
<td>18,101,804</td>
<td>$(2,317,775)</td>
<td>58,320,278</td>
<td>2,695,772</td>
</tr>
</tbody>
</table>

| Other noncurrent liabilities                  | 1,038,715         | 917,015   | $(912,152)     | 1,043,578      | 917,015         |

Total noncurrent liabilities                  | $43,574,964       | $19,018,819| $(3,229,927)   | $59,363,856    | $3,612,787      |

2013 Building Bonds Payable

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

Debt service requirements as of June 30, 2017, on the 2013 Building Bonds are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$2,472,475</td>
</tr>
<tr>
<td>2019</td>
<td>2,354,175</td>
</tr>
<tr>
<td>2020</td>
<td>2,235,875</td>
</tr>
<tr>
<td>2021</td>
<td>2,126,025</td>
</tr>
<tr>
<td>2022</td>
<td>2,049,975</td>
</tr>
<tr>
<td>2023-2027</td>
<td>9,356,288</td>
</tr>
<tr>
<td>2028-2029</td>
<td>3,399,725</td>
</tr>
</tbody>
</table>

Total to be Paid | $23,994,538
Note 5: Long-term Liabilities (Continued)

1999/2004/2014B OCIA Lease Payable

The lease payable consists of bonds issued by the Oklahoma Capitol 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, 2017, amounted to $32,171. 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, 2017 the unamortized gain totaled $5,905.

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 scheduled principal and interest payments related to the 2014B OCIA lease at June 30, 2017, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$29,232</td>
<td>$3,049</td>
<td>$32,281</td>
</tr>
<tr>
<td>2019</td>
<td>30,406</td>
<td>2,077</td>
<td>32,483</td>
</tr>
<tr>
<td>2020</td>
<td>31,613</td>
<td>731</td>
<td>32,344</td>
</tr>
<tr>
<td></td>
<td>$91,251</td>
<td>$5,857</td>
<td>$97,108</td>
</tr>
</tbody>
</table>

2006D/2014C OCIA Lease Payable

The lease payable consists of bonds issued by the OCIA to build, improve, and remodel facilities at various higher education and other institutions in Oklahoma. Funds are received from OCIA as needed to fund construction projects. The College’s pro rata share of bonds has been recorded as a lease payable. In addition, a corresponding receivable from OCIA has been recorded to reflect the amount available to the College from the bond proceeds.
Note 5: Long-term Liabilities (Continued)

2006D/2014C OCIA Lease Payable (Continued)

The College’s lease agreement with OCIA provides for specified monthly payments to OCIA for 30 years through August 31, 2035, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the year ended June 30, 2017 amounted to $562,753.

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, 2017, the unamortized gain totaled $792,997. 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, 2017, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$246,333</td>
<td>$315,018</td>
<td>$561,351</td>
</tr>
<tr>
<td>2019</td>
<td>253,869</td>
<td>306,246</td>
<td>560,115</td>
</tr>
<tr>
<td>2020</td>
<td>307,092</td>
<td>293,491</td>
<td>600,583</td>
</tr>
<tr>
<td>2021</td>
<td>322,635</td>
<td>277,748</td>
<td>600,383</td>
</tr>
<tr>
<td>2022</td>
<td>338,649</td>
<td>261,433</td>
<td>600,082</td>
</tr>
<tr>
<td>2023-2027</td>
<td>1,929,687</td>
<td>1,068,687</td>
<td>2,998,374</td>
</tr>
<tr>
<td>2028-2032</td>
<td>2,379,022</td>
<td>612,998</td>
<td>2,992,020</td>
</tr>
<tr>
<td>2033-2035</td>
<td>1,696,070</td>
<td>95,826</td>
<td>1,791,896</td>
</tr>
<tr>
<td></td>
<td><strong>$7,473,357</strong></td>
<td><strong>$3,231,447</strong></td>
<td><strong>$10,704,804</strong></td>
</tr>
</tbody>
</table>
Note 5: Long-term Liabilities (Continued)

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 ODFA 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 scheduled principal and interest payments related to the 2009 ODFA lease at June 30, 2017, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$49,667</td>
<td>$3,797</td>
<td>$53,464</td>
</tr>
<tr>
<td>2019</td>
<td>$51,333</td>
<td>$2,053</td>
<td>$53,386</td>
</tr>
<tr>
<td></td>
<td>$101,000</td>
<td>$5,850</td>
<td>$106,850</td>
</tr>
</tbody>
</table>

2014C ODFA Lease Payable

In December 2014, the College entered into a 5 year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the ODFA 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.
Note 5: Long-term Liabilities (Continued)

2014C ODFA Lease Payable (Continued)

The scheduled principal and interest payments related to the 2014C ODFA lease at June 30, 2017, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$70,500</td>
<td>$6,839</td>
<td>$77,339</td>
</tr>
<tr>
<td>2019</td>
<td>79,167</td>
<td>4,638</td>
<td>83,805</td>
</tr>
<tr>
<td>2020</td>
<td>33,333</td>
<td>1,416</td>
<td>34,749</td>
</tr>
<tr>
<td></td>
<td>$183,000</td>
<td>$12,893</td>
<td>$195,893</td>
</tr>
</tbody>
</table>

2015C ODFA Lease Payable

In December 2015, the College entered into a 5 year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the ODFA 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 scheduled principal and interest payments related to the 2015C ODFA lease at June 30, 2017, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$49,667</td>
<td>$4,458</td>
<td>$54,125</td>
</tr>
<tr>
<td>2019</td>
<td>56,083</td>
<td>3,250</td>
<td>59,333</td>
</tr>
<tr>
<td>2020</td>
<td>52,250</td>
<td>1,568</td>
<td>53,818</td>
</tr>
<tr>
<td></td>
<td>$158,000</td>
<td>$9,276</td>
<td>$167,276</td>
</tr>
</tbody>
</table>
Note 5: Long-term Liabilities (Continued)

2017A ODFA Lease Payable

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

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

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$347,583</td>
<td>$638,441</td>
<td>$986,024</td>
</tr>
<tr>
<td>2019</td>
<td>343,250</td>
<td>619,367</td>
<td>962,617</td>
</tr>
<tr>
<td>2020</td>
<td>347,250</td>
<td>612,214</td>
<td>959,464</td>
</tr>
<tr>
<td>2021</td>
<td>361,667</td>
<td>601,796</td>
<td>963,463</td>
</tr>
<tr>
<td>2022</td>
<td>370,333</td>
<td>590,639</td>
<td>960,972</td>
</tr>
<tr>
<td>2023-2027</td>
<td>2,088,667</td>
<td>2,718,564</td>
<td>4,807,231</td>
</tr>
<tr>
<td>2028-2032</td>
<td>2,530,750</td>
<td>2,266,897</td>
<td>4,797,647</td>
</tr>
<tr>
<td>2033-2037</td>
<td>3,064,083</td>
<td>1,745,392</td>
<td>4,809,475</td>
</tr>
<tr>
<td>2038-2042</td>
<td>3,623,667</td>
<td>1,182,798</td>
<td>4,806,465</td>
</tr>
<tr>
<td>2043-2047</td>
<td>4,223,750</td>
<td>498,482</td>
<td>4,722,232</td>
</tr>
</tbody>
</table>

$17,301,000 $11,474,590 $28,775,590
Note 5: Long-term Liabilities (Continued)

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.

The scheduled principal and interest payments related to the Housing Capital lease at June 30, 2017, are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total to be Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$177,246</td>
<td>$472,754</td>
<td>$650,000</td>
</tr>
<tr>
<td>2019</td>
<td>184,467</td>
<td>465,533</td>
<td>650,000</td>
</tr>
<tr>
<td>2020</td>
<td>191,982</td>
<td>458,018</td>
<td>650,000</td>
</tr>
<tr>
<td>2021</td>
<td>199,804</td>
<td>450,196</td>
<td>650,000</td>
</tr>
<tr>
<td>2022</td>
<td>207,944</td>
<td>442,056</td>
<td>650,000</td>
</tr>
<tr>
<td>2023-2027</td>
<td>1,173,919</td>
<td>2,076,081</td>
<td>3,250,000</td>
</tr>
<tr>
<td>2028-2032</td>
<td>1,433,351</td>
<td>1,816,649</td>
<td>3,250,000</td>
</tr>
<tr>
<td>2033-2037</td>
<td>1,750,116</td>
<td>1,499,884</td>
<td>3,250,000</td>
</tr>
<tr>
<td>2038-2042</td>
<td>2,136,886</td>
<td>1,113,114</td>
<td>3,250,000</td>
</tr>
<tr>
<td>2043-2047</td>
<td>2,609,131</td>
<td>640,869</td>
<td>3,250,000</td>
</tr>
<tr>
<td>2048-2050</td>
<td>1,834,667</td>
<td>115,334</td>
<td>1,950,001</td>
</tr>
<tr>
<td></td>
<td>$11,899,513</td>
<td>$9,550,488</td>
<td>$21,450,001</td>
</tr>
</tbody>
</table>
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 (OTRS) (the “System”), which is a state of Oklahoma public employees’ retirement system, and an annuity plan, which is a privately administered plan. The College does not maintain the accounting records, hold the investments for, or administer these plans.

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

**Plan Description**

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

**Benefits Provided**

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

Benefit provisions include:

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

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member’s election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member’s final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member’s total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
Note 6: Retirement Plans (Continued)

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

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

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

- Upon separation from the System, members’ contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (IRC).

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

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 Interlocal Group (“OKHEEI”), depending on the members’ years of service during 2016.

**Contributions**

The contribution requirements of the Plan are at an established rate determined by Oklahoma Statute, as amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 8.55% 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 $2,156,215. The State of Oklahoma also made on-behalf contributions to OTRS, of which $1,471,250 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, 2017, the College reported a liability of $42,356,149 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The College’s proportion of the net pension liability was based on the College’s contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2016. Based upon this information, the College’s proportion was 0.5075%.
Rose State College  
Notes to Financial Statements  
June 30, 2017

Note 6:  Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

For the year ended June 30, 2017, the College recognized pension expense of $4,584,784 in compensation and benefits expense. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Differences between expected and actual experience | $- | $983,334 |
| Changes of assumptions | 5,100,277 | - |
| Net difference between projected and actual earnings on pension plan investments | 4,944,493 | - |
| Changes in proportion and differences between College contributions and proportionate share of contributions | 2,080,674 | 1,708,679 |
| Contributions during measurement date | 11,746 | 12,488 |
| College contributions subsequent to the measurement date | 2,139,013 | - |
| Total | $14,276,203 | $2,704,501 |

The $2,139,013 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Year ended June 30:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$1,584,541</td>
</tr>
<tr>
<td>2019</td>
<td>1,584,541</td>
</tr>
<tr>
<td>2020</td>
<td>3,236,573</td>
</tr>
<tr>
<td>2021</td>
<td>2,577,790</td>
</tr>
<tr>
<td>2022</td>
<td>449,244</td>
</tr>
<tr>
<td>Total</td>
<td>$9,432,689</td>
</tr>
</tbody>
</table>
Note 6: Retirement Plans (Continued)

Oklahoma Teachers’ Retirement System (OTRS) (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of June 30, 2016 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 2.50%
- Salary Increases - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0% to 8% based on years of service.
- Investment Rate of Return - 7.50%
- 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%.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Asset Allocation</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic All Cap Equity*</td>
<td>7.0%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Domestic Large Cap Equity</td>
<td>10.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Domestic Mid Cap Equity</td>
<td>13.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Domestic Small Cap Equity</td>
<td>10.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>International Large Cap Equity</td>
<td>11.5%</td>
<td>6.6%</td>
</tr>
<tr>
<td>International Small Cap Equity</td>
<td>6.0%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Core Plus Fixed Income</td>
<td>17.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>High-yield Fixed Income</td>
<td>6.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>5.0%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Real Estate**</td>
<td>7.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Master Limited Partnerships</td>
<td>7.0%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
<td></td>
</tr>
</tbody>
</table>

* 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)
Note 6: Retirement Plans (Continued)

Oklahoma Teachers’ Retirement System (OTRS) (Continued)

Discount Rate

A single discount rate of 7.5% was used to measure the total pension liability as of June 30, 2016 which was reduced from the discount rate used at June 30, 2015 of 8%. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.5%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease</th>
<th>Current Discount</th>
<th>1% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.5%</td>
<td>7.5%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Employers' net pension liability</td>
<td>$55,450,861</td>
<td>$42,356,149</td>
<td>$31,396,120</td>
</tr>
</tbody>
</table>

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](http://www.ok.gov/OTRS).
Note 6: Retirement Plans (Continued)

Annuity Plan

All eligible employees of the College can elect to participate in a tax-deferred annuity plan (the “Plan”), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College’s required contributions determined in accordance with the terms of the Plan. Contributions made by the College are subject to annual discretion by the Board of Regents. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College’s Board of Regents. The College’s contribution rate for the year ended June 30, 2017, was 2.5% of an eligible employee’s annual base salary (as defined in the plan document). Contributions made by the College during 2017 totaled approximately $364,000.

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 2017 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, 2017, the District incurred $4,690,169 of non-operating expense related to the support of Mid-Del. At June 30, 2017, the District owed to Mid-Del $310,430, 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, 2017, $7,181,058 of Program loans were provided to the College’s students.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. Management believes that resolution of such matters pending at June 30, 2017, 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 carries insurance with the State Insurance Fund for other risks of loss, including workers’ compensation and employee accident and health insurance.

The College participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool (“OKHEEI”). College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2017 additional assessments did not occur.

Note 10 – Post-Employment Benefit Plans

Since January 2011, the College has been a member of OKHEEI, 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 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
Note 10 – Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan

A. General Description of the Other Postemployment Benefit Plan

Rose State College provides postemployment healthcare benefits to its retirees through a single-employer, defined benefit, other postemployment benefit (OPEB) plan administered by OKHEEI. OKHEEI membership is comprised of Oklahoma colleges, universities, or auxiliary institutions bound together by interlocal agreement, complying with the Interlocal Cooperation Act as provided by 74 O.S. 2001, § 1004 (f), with the purpose of more effectively and economically securing employee benefits for members’ employees. Members of OKHEEI 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 OKHEEI. The interlocal agreement creating OKHEEI, 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. OKHEEI administers group health, dental and vision insurance for active employees and retirees of group members. OKHEEI provides coverage for retiree dependents when so elected.

OKHEEI is governed by a Board of Trustees comprised of one representative from each member institution. The OKHEEI 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.

OKHEEI 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.
Note 10 – Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

B. Funding Policy

For participating current active employees, the College pays the full premium for employee only coverage, while the employee pays any additional premium for elected dependent coverage through a payroll deduction. For retirees electing to be covered by the defined benefit plan upon retirement, the retiree premiums are paid directly to a third party processor, HealthSmart, through a combination of contributions made by the Teachers Retirement System and personal check or electronic payments made to HealthSmart, by retirees, on a monthly basis. These contributions account for 100% of the OKHEEI 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, 2017, the OKHEEI required premiums for employee only coverage, consisting of health, dental, and vision insurance, ranged from $501 to $666 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 $194 to $1,670 depending on elected options and dependent coverage with no funding provided by the College.

C. Funded Status and Funding Progress

While active employees and retirees pay a series of blended premiums as established by OKHEEI, 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 OPEB Plan previously discussed as it applies to retirees.
Note 10 – Post-Employment Benefit Plans

College President’s OPEB Plan

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: 2015 $54,989, 2016 $56,407, and 2017 $62,408.

C. Funded Status and Funding Progress

Actuarial information for this plan as of June 30, 2017, indicates that the present value of future projected benefits under this plan amounts to $810,442 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, 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% of the first $3 million of annual revenues, 14.5% of annual revenues between $3-4 million, and 15% of annual revenues over $4 million that it earns from the operation of the bookstore. Follett is required to operate and maintain the bookstore in accordance with the contract. The College reports a receivable and deferred inflow of resources in the amount of $173,447 at June 30, 2017, 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.
### CONDENSED STATEMENT OF NET POSITION

**ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$35,462,321</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$33,156,660</td>
</tr>
<tr>
<td>Other assets</td>
<td>$5,068,869</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$73,687,850</td>
</tr>
</tbody>
</table>

**DEFERRED OUTFLOWS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$14,276,203</td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>$3,333,953</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>$79,507,218</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$82,841,171</td>
</tr>
</tbody>
</table>

**DEFERRED INFLOWS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,676,850</td>
</tr>
</tbody>
</table>

**NET POSITION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>$12,330,319</td>
</tr>
<tr>
<td>Restricted</td>
<td>$12,517,945</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$(23,402,232)</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td>$(1,446,032)</td>
</tr>
</tbody>
</table>

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$10,565,664</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$(2,560,507)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>$(40,305,933)</td>
</tr>
<tr>
<td>Operating loss</td>
<td>$(32,300,776)</td>
</tr>
<tr>
<td>Non-operating Revenues (Expenses)</td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td>$17,325,064</td>
</tr>
<tr>
<td>Federal grants</td>
<td>$9,445,661</td>
</tr>
<tr>
<td>State grants</td>
<td>$1,472,013</td>
</tr>
<tr>
<td>OTRS on-behalf contributions</td>
<td>$1,471,250</td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>$(11,949,400)</td>
</tr>
<tr>
<td>Ad valorem taxes remitted to Midwest City/Del City Public Schools</td>
<td>$(4,690,169)</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>$255,853</td>
</tr>
<tr>
<td>Interest on capital asset-related debt</td>
<td>$(870,323)</td>
</tr>
<tr>
<td>Capital appropriations - state</td>
<td>$516,162</td>
</tr>
<tr>
<td>OCIA debt services on-behalf payments</td>
<td>$594,924</td>
</tr>
<tr>
<td>Transfers from (to)</td>
<td>$1,595,003</td>
</tr>
<tr>
<td>Change in net position</td>
<td>$(495,169)</td>
</tr>
<tr>
<td>Beginning net position</td>
<td>$1,941,201</td>
</tr>
<tr>
<td>Ending net position</td>
<td>$1,446,032</td>
</tr>
</tbody>
</table>

**CONDENSED STATEMENT OF CASH FLOWS**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td>$(27,119,228)</td>
</tr>
<tr>
<td>Noncapital financing activities</td>
<td>$29,837,741</td>
</tr>
<tr>
<td>Capital and related financing activities</td>
<td>$(1,040,981)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>$253,796</td>
</tr>
<tr>
<td>Net increase (decrease)</td>
<td>$1,931,328</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, Beginning of Year</td>
<td>$18,583,080</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, End of Year</td>
<td>$20,514,408</td>
</tr>
</tbody>
</table>

**Notes to Financial Statements**

June 30, 2017

**Note 12 – Illustrative Disclosure of Segment Information** (Continued)
Note 13 – Rose State College Foundation, Inc.

Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Foundation is a nonprofit organization whose mission and principal activities are to promote the educational and cultural interest of the College, a public institution of higher education. The Foundation's revenues and other support are derived principally from contributions and its activities are conducted in the Midwest City, Oklahoma, area. Members of the College's Board of Regents are associate members of the Board of Trustees and are 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 revenues, expenses, and changes in net position and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.
Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Investments and Investment Return (Continued)

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

Collections

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

Income Taxes

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

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation 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.

Investment Return

Total investment return is comprised of the following for the year ended June 30, 2017:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$13,482</td>
</tr>
<tr>
<td>Net realized and unrealized loss</td>
<td>$178,141</td>
</tr>
<tr>
<td>Less investment management and custodial fees</td>
<td>$(4,585)</td>
</tr>
<tr>
<td></td>
<td>$187,038</td>
</tr>
</tbody>
</table>
Note 13 – Rose State College Foundation, Inc. (Continued)

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.

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

Fair Value Measurements and Disclosures (Continued)

The following table presents the Foundation’s assets measured at fair value on a recurring basis, at June 30, 2017:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Quoted Prices in Active Markets for Identical Assets</th>
<th>Significant Other Observable Inputs</th>
<th>Significant Unobservable Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>(Level 1)</td>
<td>(Level 2)</td>
<td>(Level 3)</td>
</tr>
<tr>
<td>Investment:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commonfund securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>$ 90,652</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Equity</td>
<td>1,245,133</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,335,785</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

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, 2017:

<table>
<thead>
<tr>
<th>Multi-Strategy Bond Fund</th>
<th>Multi-Strategy Equity Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 30, 2016</td>
<td>$ 89,219</td>
</tr>
<tr>
<td>Net realized and unrealized gain (loss)</td>
<td>(1,092)</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>2,794</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(269)</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
</tr>
<tr>
<td>Distributions</td>
<td>-</td>
</tr>
<tr>
<td>Balance at June 30, 2017</td>
<td>$ 90,652</td>
</tr>
</tbody>
</table>

Unrealized gain (loss) included in net investment return (loss) in the statement of activities relating to assets still held at June 30, 2017:

<table>
<thead>
<tr>
<th></th>
<th>Multi-Strategy Bond Fund</th>
<th>Multi-Strategy Equity Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gain (loss)</td>
<td>$ (1,092)</td>
<td>$ 179,233</td>
</tr>
</tbody>
</table>
Note 13 – Rose State College Foundation, Inc. (Continued)

Capital Assets

Capital Assets consist of the following at June 30, 2017:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical Properties:</td>
<td></td>
</tr>
<tr>
<td>Atkinson Historical Center</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Atkinson Land</td>
<td>850,000</td>
</tr>
<tr>
<td>Atkinson Pony Barn</td>
<td>613,000</td>
</tr>
<tr>
<td>Artwork- Sculpture</td>
<td>7,000</td>
</tr>
<tr>
<td>Total Historical Properties</td>
<td>$2,870,000</td>
</tr>
<tr>
<td>Land</td>
<td>78,400</td>
</tr>
<tr>
<td>Total Capital Assets</td>
<td>$2,948,400</td>
</tr>
</tbody>
</table>

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

Restricted Net Position

Restricted Expendable

Restricted expendable net position at June 30, 2017, consists of funds restricted by donors for scholarships in the amounts of $965,161.

Restricted Nonexpendable

Restricted nonexpendable net position consists of endowment funds restricted by donors, the Atkinson Heritage Center property of $2,863,000, 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 restricted nonexpendable net position balances, classified by restriction on the use of earnings, are investments in perpetuity, the income of which is expendable to support scholarships and are $691,985 as of June 30, 2017.
Note 13 – Rose State College Foundation, Inc. (Continued)

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, 2017 is reported in the Foundation’s financial statements as scholarships, awards, and programs of $152,857. At June 30, 2017, the Foundation had scholarship, awards, and programs payable to the College of $46,500.

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 2017, 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 2017, approximately $96,000, 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.
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 restricted nonexpendable 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.
Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year the equivalent of 4\% percent of its endowment fund's fair value as of the immediately preceding July 1. In establishing this policy, the Foundation considered the long-term expected return on its endowment. 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.

Changes in Endowment Net Position for the year ending June 30, 2017 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Expendable</th>
<th>Nonexpendable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net position, beginning of year</td>
<td>$ - $</td>
<td>1,287</td>
<td>$ 643,239</td>
<td>$ 644,526</td>
</tr>
<tr>
<td>Investment earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income, net of fees</td>
<td>-</td>
<td>5,651</td>
<td>-</td>
<td>5,651</td>
</tr>
<tr>
<td>Net realized and unrealized gain</td>
<td>-</td>
<td>83,852</td>
<td>-</td>
<td>83,852</td>
</tr>
<tr>
<td></td>
<td></td>
<td>89,503</td>
<td></td>
<td>89,503</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>-</td>
<td>37,605</td>
<td>37,605</td>
</tr>
<tr>
<td>Reclassification - donor directed</td>
<td>-</td>
<td>(11,141)</td>
<td>11,141</td>
<td>-</td>
</tr>
<tr>
<td>Endowment net position, end of year</td>
<td>$ - $</td>
<td>79,649</td>
<td>$ 654,380</td>
<td>$ 734,029</td>
</tr>
</tbody>
</table>
Required Supplementary Information
<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>College's proportion of the net pension liability</td>
<td>0.4946%</td>
<td>0.5399%</td>
<td>0.5075%</td>
</tr>
<tr>
<td>College's proportionate share of the net pension liability</td>
<td>$ 26,608,757</td>
<td>$ 32,786,493</td>
<td>$ 42,356,149</td>
</tr>
<tr>
<td>College's covered-employee payroll</td>
<td>$ 22,925,808</td>
<td>$ 22,192,483</td>
<td>$ 21,302,035</td>
</tr>
<tr>
<td>College's proportionate share of the net pension liability as a percentage of its covered-employee payroll</td>
<td>116%</td>
<td>148%</td>
<td>199%</td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage of the total pension liability</td>
<td>72.43%</td>
<td>70.31%</td>
<td>62.24%</td>
</tr>
</tbody>
</table>

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

**Notes to Schedule:**

Only three fiscal years are presented because 10-year data is not yet available.
## SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
### OKLAHOMA TEACHERS RETIREMENT SYSTEM
### Last 10 Fiscal Years

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractually required contribution</td>
<td>$ 2,269,655</td>
<td>$ 2,156,215</td>
<td>$ 2,139,013</td>
</tr>
<tr>
<td>Contributions in relation to the contractually required contribution</td>
<td>$ 2,269,655</td>
<td>$ 2,156,215</td>
<td>$ 2,139,013</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>College's covered-employee payroll</td>
<td>$ 22,192,483</td>
<td>$ 21,302,035</td>
<td>$ 21,101,444</td>
</tr>
<tr>
<td>Contributions as a percentage of covered-employee payroll</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Notes to Schedule:

Only three years are presented because 10-year data is not yet available.
Supplementary Information
# Rose State College
## Combining Schedule of Net Position
### June 30, 2017

### ASSETS

<table>
<thead>
<tr>
<th>Current assets:</th>
<th>College</th>
<th>District</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$15,584,865</td>
<td>$6,049,789</td>
<td>$21,634,654</td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>3,653,652</td>
<td>3,653,652</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,567,700</td>
<td>36,019</td>
<td>1,603,719</td>
</tr>
<tr>
<td>Federal and state grants receivable</td>
<td>290,223</td>
<td>-</td>
<td>290,223</td>
</tr>
<tr>
<td>Delinquent ad valorem property taxes receivable</td>
<td>-</td>
<td>314,000</td>
<td>314,000</td>
</tr>
<tr>
<td>Receivable from ODFA</td>
<td>18,002,839</td>
<td>-</td>
<td>18,002,839</td>
</tr>
<tr>
<td>Accrued interest receivable</td>
<td>16,694</td>
<td>-</td>
<td>16,694</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>-</td>
<td>12,064</td>
<td>12,064</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$35,462,321</td>
<td>$10,065,524</td>
<td>$45,527,845</td>
</tr>
</tbody>
</table>

| Noncurrent assets: | | | |
| Restricted: | | | |
| Cash and cash equivalents | 4,929,543 | - | 4,929,543 |
| Accounts receivable | 139,326 | - | 139,326 |
| Capital assets, net | 33,156,660 | 37,818,381 | 70,975,041 |
| **Total noncurrent assets** | $38,225,529 | $37,818,381 | $76,043,910 |

**Total assets** | $73,687,850 | $47,883,905 | $121,571,755 |

### DEFERRED OUTFLOWS

- Related to pensions | 14,276,203 | - | 14,276,203 |

### LIABILITIES

- Current Liabilities:
  - Accounts payable and accrued liabilities | 582,178 | 1,119,868 | 1,702,046 |
  - Accrued compensated absences | 917,015 | - | 917,015 |
  - Interest payable | - | 350,677 | 350,677 |
  - Unearned revenue | 572,780 | - | 572,780 |
  - Current maturities of long-term debt | 1,005,772 | 1,690,000 | 2,695,772 |
  - Room deposits payable | 26,400 | - | 26,400 |
  - Deposits held in custody for others | 229,808 | - | 229,808 |
  - **Total current liabilities** | $3,333,953 | $3,160,545 | $6,494,498 |

- Noncurrent liabilities:
  - Accrued compensated absences | 126,563 | - | 126,563 |
  - Net pension liability | 42,356,149 | - | 42,356,149 |
  - Long-term debt | 37,024,506 | 18,600,000 | 55,624,506 |
  - **Total noncurrent liabilities** | $79,507,218 | $18,600,000 | $98,107,218 |

**Total liabilities** | $82,841,171 | $21,760,545 | $104,601,716 |

### DEFERRED INFLOWS

- Bookstore service concession arrangement | 173,447 | - | 173,447 |
- Gain on debt refinancing | 798,902 | - | 798,902 |
- Related to pensions | 2,704,501 | - | 2,704,501 |
- **Total deferred inflows** | $3,676,850 | - | $3,676,850 |

### NET POSITION

Net investment in capital assets | 12,330,319 | 17,152,588 | 29,482,907 |

Restricted expendable for:
- Scholarships | 7,588,403 | - | 7,588,403 |
- Loans | 5,952 | - | 5,952 |
- Capital projects | 3,965,999 | 1,407,222 | 5,373,221 |
- Debt service | 957,591 | 2,170,792 | 3,128,383 |
- Unrestricted | (23,402,232) | 5,392,758 | (18,009,474) |

**Total net position** | $1,446,032 | $26,123,360 | $27,569,392
**Rose State College**  
**Combining Schedule of Revenues, Expenses, and Changes in Net Position**  
**Year Ended June 30, 2017**

<table>
<thead>
<tr>
<th></th>
<th>College</th>
<th>District</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and fees, net</td>
<td>$5,648,795</td>
<td>$</td>
<td>$5,648,795</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>1,655,599</td>
<td>-</td>
<td>1,655,599</td>
</tr>
<tr>
<td>State and private grants and contracts</td>
<td>97,494</td>
<td>-</td>
<td>97,494</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises, net</td>
<td>2,887,256</td>
<td>-</td>
<td>2,887,256</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>276,520</td>
<td>-</td>
<td>276,520</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>10,565,664</td>
<td>-</td>
<td>10,565,664</td>
</tr>
</tbody>
</table>

| **Operating Expenses** |               |              |               |
| Compensation and benefits | 30,571,260 | -            | 30,571,260    |
| Contractual services     | 2,744,302    | 581,004      | 3,325,306     |
| Supplies and materials   | 2,853,900    | 123,251      | 2,977,151     |
| Scholarships and fellowships | 2,352,074 | -            | 2,352,074     |
| Communications           | 129,573      | -            | 129,573       |
| Depreciation             | 2,560,507    | 1,850,983    | 4,411,490     |
| Utilities                | 692,243      | 559,667      | 1,251,910     |
| Other                    | 962,581      | 878,580      | 1,841,161     |
| **Total Operating Expenses** | 42,866,440 | 3,993,485    | 46,859,925    |

| **Operating (loss)** | (32,300,776) | (3,993,485) | (36,294,261) |

| **Non-operating Revenues (Expenses)** |               |              |               |
| State appropriations           | 17,325,064    | -            | 17,325,064    |
| Federal grants                 | 9,445,661     | -            | 9,445,661     |
| State grants                   | 1,472,013     | -            | 1,472,013     |
| OTRS on-behalf contributions   | 1,471,250     | -            | 1,471,250     |
| Ad valorem taxes               | -             | 11,949,400   | 11,949,400    |
| Ad valorem taxes remitted to Midwest City/Del School | - | (4,690,169) | (4,690,169) |
| City Public Schools            | -             | (4,690,169)  | (4,690,169)   |
| Investment revenue            | 255,853       | 22,004       | 277,857       |
| Interest on capital asset-related debt | (870,323) | (851,484)   | (1,721,807)   |
| **Net non-operating revenue (expenses)** | 29,099,518 | 6,429,751 | 35,529,269 |

| **Income before other revenues, expenses, gains, losses, and transfers** | (3,201,258) | 2,436,266 | (764,992) |
| Capital appropriations - state | 516,162     | -          | 516,162     |
| OCIA debt services on-behalf payments | 594,924   | -          | 594,924     |
| Transfers from (to) | 1,595,003   | (1,595,003) | - |

| **Increase in Net Position** | (495,169) | 841,263 | 346,094 |

| **Net Position, Beginning of Year** | 1,941,201 | 25,282,097 | 27,223,298 |

| **Net Position, End of Year** | $1,446,032 | $26,123,360 | $27,569,392 |
Reports Required by Governmental Auditing Standards and Uniform Guidance
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 its discretely presented component unit, that comprise the statement of net position, as of June 30, 2017, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements and have issued our report thereon dated October 30, 2017. The financial statements of Rose State College Foundation, Inc. (the “Foundation”), were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 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 College’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 College’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 30, 2017
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Rose State College
Midwest City, Oklahoma

Report on Compliance for Each Major Federal Program

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 each of the College’s major federal programs for the year ended June 30, 2017. The College’s major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the College’s major federal programs 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 types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each 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, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.
Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The College’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003, that we consider to be significant deficiencies.

The College’s responses 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 responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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.
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements. We issued our report thereon dated October 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

October 30, 2017
### Rose State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Grantors's Project Number</th>
<th>Federal Grant Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct Programs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Financial Assistance Cluster:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Pell Grant Program</td>
<td>84.063</td>
<td>N/A</td>
<td>$9,370,461</td>
</tr>
<tr>
<td>Federal Supplemental Educational Opportunity Grants</td>
<td>84.007</td>
<td>N/A</td>
<td>154,768</td>
</tr>
<tr>
<td>Federal Work-Study Program</td>
<td>84.033</td>
<td>N/A</td>
<td>215,615</td>
</tr>
<tr>
<td>Federal Direct Student Loans</td>
<td>84.268</td>
<td>N/A</td>
<td>7,181,058</td>
</tr>
<tr>
<td><strong>Total Student Financial Assistance Cluster</strong></td>
<td></td>
<td></td>
<td>16,921,902</td>
</tr>
<tr>
<td>TRIO Cluster</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRIO--Student Support Services</td>
<td>84.042</td>
<td>N/A</td>
<td>219,146</td>
</tr>
<tr>
<td>TRIO--Talent Search</td>
<td>84.044</td>
<td>N/A</td>
<td>152,480</td>
</tr>
<tr>
<td><strong>Total TRIO Cluster</strong></td>
<td></td>
<td></td>
<td>371,626</td>
</tr>
<tr>
<td>Passed Through Oklahoma State Department of Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career and Technical Education - Basic Grants to States - Carl Perkins</td>
<td>84.048</td>
<td>Not Available</td>
<td>126,492</td>
</tr>
<tr>
<td>Passed Through Oklahoma State Regents for Higher Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gaining Early Access and Readiness for Undergraduate Programs (GEAR UP)</td>
<td>84.334</td>
<td>Not Available</td>
<td>59,655</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Education</strong></td>
<td></td>
<td></td>
<td>17,479,675</td>
</tr>
<tr>
<td><strong>U.S. Department of Commerce - National Institute of Standards and Technology</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Oklahoma Manufacturing Alliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing Extension Partnership</td>
<td>11.611</td>
<td>Not Available</td>
<td>93,077</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Commerce</strong></td>
<td></td>
<td></td>
<td>93,077</td>
</tr>
<tr>
<td><strong>U.S. Department of Defense - National Security Agency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GenCyber Grants Program</td>
<td>12.903</td>
<td>N/A</td>
<td>49,519</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Defense</strong></td>
<td></td>
<td></td>
<td>49,519</td>
</tr>
<tr>
<td><strong>U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Oklahoma State Regents for Higher Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Care and Development Block Grant</td>
<td>93.575</td>
<td>Not Available</td>
<td>83,283</td>
</tr>
<tr>
<td>Temporary Assistance for Needy Families (TANF)</td>
<td>93.558</td>
<td>Not Available</td>
<td>183,090</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td>266,373</td>
</tr>
<tr>
<td>Passed Through Oklahoma Department of Human Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary Assistance for Needy Families (TANF)</td>
<td>93.558</td>
<td>Not Available</td>
<td>135,355</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td>401,728</td>
</tr>
</tbody>
</table>

(continued)
### Schedule of Expenditures of Federal Awards

**Year Ended June 30, 2017**

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-Through Grantor's Project Number</th>
<th>Federal Grant Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Environmental Protection Agency</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Workforce Development and Job Training</td>
<td>66.815</td>
<td>N/A</td>
<td>76,178</td>
</tr>
<tr>
<td>Cooperative Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Environmental Protection Agency</strong></td>
<td></td>
<td></td>
<td>76,178</td>
</tr>
<tr>
<td><strong>U.S. Small Business Administration</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Southeastern Oklahoma State University</td>
<td>59.037</td>
<td>Not Available</td>
<td>61,763</td>
</tr>
<tr>
<td>Small Business Development Centers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total U.S. Small Business Administration</strong></td>
<td></td>
<td></td>
<td>61,763</td>
</tr>
<tr>
<td><strong>U.S. National Aeronautics and Space Administration</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through Langston University</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>43.008</td>
<td>Not Available</td>
<td>10,377</td>
</tr>
<tr>
<td><strong>Total U.S. National Aeronautics and Space Administration</strong></td>
<td></td>
<td></td>
<td>10,377</td>
</tr>
<tr>
<td><strong>National Science Foundation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and Human Resources</td>
<td>47.076</td>
<td>N/A</td>
<td>60,691</td>
</tr>
<tr>
<td>Passed Through Tulsa University</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education and Human Resources</td>
<td>47.076</td>
<td>Not Available</td>
<td>140,332</td>
</tr>
<tr>
<td><strong>Total National Science Foundation</strong></td>
<td></td>
<td></td>
<td>201,023</td>
</tr>
<tr>
<td><strong>Total Expenditures of Federal Awards</strong></td>
<td></td>
<td></td>
<td><strong>$18,373,340</strong></td>
</tr>
</tbody>
</table>

*See notes to schedule of expenditures of federal awards.*
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROSE STATE COLLEGE

Year Ended June 30, 2017

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Rose State College (the “College”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C--FEDERAL DIRECT STUDENT LOAN PROGRAM

The College participates in the Federal Direct Loan Program (the Program), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the College to draw down cash; and the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. The College is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

NOTE D--SUBRECIPIENTS

During the year ended June 30, 2017, the College did not provide any federal awards to subrecipients.
Section I--Summary of Auditor’s Results

Financial statements

Type of auditor’s report issued on whether the financial statements were in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X no
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes no

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>CFDA Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Financial Assistance Cluster</td>
<td>*</td>
</tr>
</tbody>
</table>

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? X yes no
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

ROSE STATE COLLEGE

Year Ended June 30, 2017

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

None to report for the June 30, 2017 period.

Section III—Findings Required to be Reported in Accordance with the Uniform Guidance:

Findings 2017-001, 2017-002, and 2017-003 are described on the following pages.
Repeat Finding

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Assistance Cluster

Criteria: The College must complete the Enrollment Reporting roster file that is placed in their Student Aid Internet Gateway (SAIG) and return the file to the U.S. Department of Education (DOE) within 15 days. At a minimum, the College must receive the file every 60 days, update the file for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date and submit the changes back to DOE either electronically through the batch method or through the NSLDS website. (FPL, 34 CFR § 674.19; Pell, 34 CFR §690.83(b)(2); FFEL, 34 CFR § 682.610; and Direct Loan 34 CFR § 685.309).

Condition: In our withdrawal testing, in a sampling population of twenty-five students, we noted two withdrawn students did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NCS) within sixty days. In our graduate testing, in a sampling of five students, we noted one student did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NCS) within sixty days.

Questioned Costs: None

Cause and Effect: The Registrar and Financial Aid Office are responsible for reporting all students’ enrollment status. The reporting errors were caused by improper scheduling and execution of NCS transmissions for enrollment reporting. As the institution utilizes the NCS for reporting, consideration must be taken for time delays from original NSC transmission to successful receipt by the NSLDS. Additionally, care must be taken to ensure the enrollment transmissions submitted are accurate and complete. 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.

Recommendation: We recommend the institution prepare a schedule for transmissions that will include enrollment changes, including withdrawals, changes in enrollment status and graduation, for proper reporting to the NSLDS within the appropriate time frame of sixty days from the date the institution determined the status change. It is recommended the College consider increasing the number of NSC transmissions annually and adjusting the scheduled NSC transmission for each term.

Management’s response: Management concurs with the finding.
Finding 2017-002: Student Financial Assistance – Federal Work Study (FWS)

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Aid Cluster

Criteria: The 2016-2017 Federal Student Aid Handbook (Handbook), Chapter 2, page 6-43, states, “In general, students are not permitted to work in FWS positions during scheduled class times.” The Handbook also states that exceptions are permitted if an individual class is cancelled, if the instructor has excused the student or if the student is receiving class credit for an internship, etc., where any such exception must be documented.

Condition: In our Student Financial Aid testing in a sampling of 40 students, we noted one student in the Federal Work Study program working during their scheduled class time.

Questioned Costs: None

Cause and Effect: The College’s internal controls for the Student Financial Assistance Cluster requirements regarding Federal Work Study students not working during scheduled class times were not affective, allowing the student to work when the student was not permitted to do so.

Recommendation: We recommend the College review its internal controls within the FWS program. Specifically, procedures should be reviewed to ensure that all FWS supervisors and students are cooperatively monitoring students’ work time according to the College’s FWS policies and procedures to ensure that FWS employment does not conflict with student class schedules. These procedures should include the monitoring of timesheets and students’ work time by FWS supervisors to ensure that scheduling conflicts do not exist.

Management’s Response: Management concurs with the finding and will improve internal controls to ensure that Federal Work Study students are not working during their class times.
Finding 2017-003: Student Financial Assistance – Return of Title IV Funds

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033 – Student Financial Aid Cluster

Criteria: The total number of calendar days in a payment or enrollment period includes all days within the period except for institutionally scheduled breaks of at least five consecutive calendar days including days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment. (34 CFR Section 668.22(f)). The Federal Student Aid Handbook (Handbook) provides an example of how the enrollment period is calculated. The Handbook states, “…the break is calculated using the first day after the last day of class scheduled and the last day of the scheduled break is the day before the next class held.” (2017 Federal Student Aid Handbook, Volume 5).

Condition: In our withdrawal testing, in a sampling population of 25 students, all of the students had the total number of calendar days calculated incorrectly.

Questioned Costs: None

Cause and Effect: The College did not include scheduled breaks, including weekends, to determine the total number of calendar days. Therefore, the amount returned to the Title IV programs was calculated incorrectly.

Recommendation: We recommend the College correct this software calculation to include the scheduled breaks to included weekends to correctly account for the total number of calendar days per semester.

Management’s Response: Management concurs with the finding and will work to correct the calculation of amounts returned to Title IV programs.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

ROSE STATE COLLEGE

Year Ended June 30, 2017

2016-001 Special Tests and Provisions – Enrollment Reporting

Federal Program: CFDA # 84.007, 84.033, 84.268, 84.063

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.

Current year status: This finding will be repeated as finding 2017-001.