



Financial Statements
June 30, 2014 and 2013
Rose State College

Rose State College
Table of Contents
June 30, 2014

Management’s Discussion and Analysis	iii
Independent Auditor’s Report on Financial Statements and Supplementary Information.....	1
Financial Statements	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	6
Statements of Cash Flows.....	8
Notes to Financial Statements	12
Supplementary Information	
Combining Schedules of Net Position	44
Combining Schedules of Revenue, Expenses, and Changes in Net Position	46
Statements of Revenues and Expenses – Student Center System.....	48
Reports Required by <i>Government Auditing Standards</i>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Reports Required by OMB Circular A-133	
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133.....	51
Schedule of Expenditures of Federal Awards.....	53
Notes to Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs.....	56
Summary Schedule of Prior Audit Findings	59

Rose State College
A Component Unit of the State of Oklahoma
Management's Discussion and Analysis
Fiscal Years Ended June 30, 2014 and 2013

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, 2014. 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 current known facts, please read it in conjunction with the College's basic financial statements and the footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

Using This Annual Report

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

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the operations of the College. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The College's net position - the difference between assets, liabilities and deferred inflows and deferred outflows - is one way to measure the College's financial health or financial condition. Over time, increases or decreases in the College's net position are an indicator of whether its financial health is improving or deteriorating. The reader will also need to consider other non-financial factors, such as the quality of applicants, enrollment trends, student retention, accreditation, condition of the buildings 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 Vice President for Administrative Services. The financial statements for the Foundation may be obtained by contacting their Executive Director.

Financial Highlights

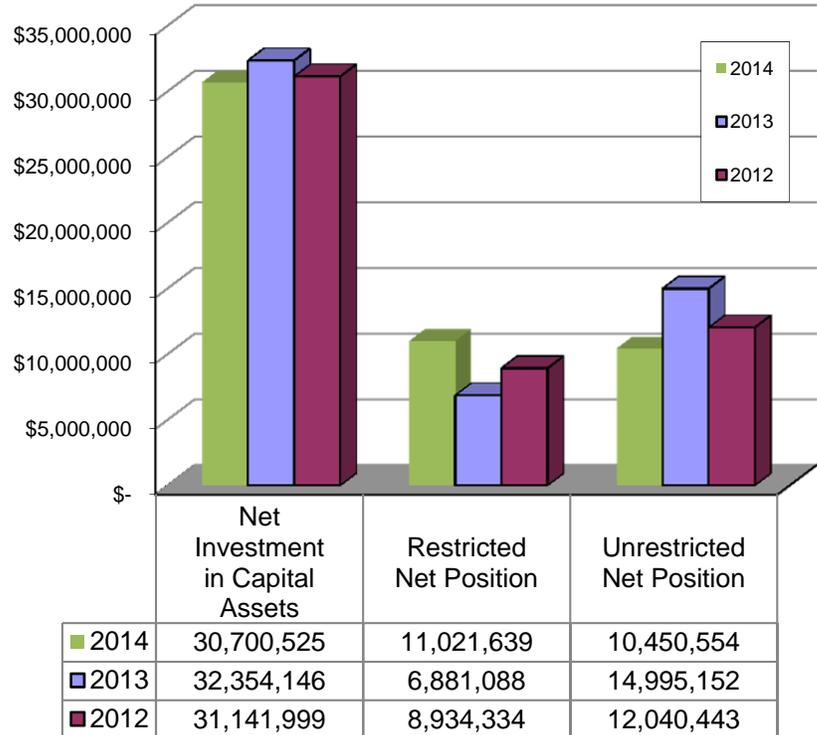
Total Net Position

This chart provides a graphical breakdown of net position by category for the fiscal years ending June 30, 2014, 2013 and 2012.

At June 30, 2014, the College's net position decreased to \$52.2 million from \$54.2 million in fiscal 2013, a decrease of \$2 million or 3.8%. This decrease was focused in the Investment in capital assets category. In preparation for renovations funded by the new Tech District bond issue, spending on building improvements and purchases of other capital assets were greatly restricted during the fiscal period compared to prior years. With fewer asset additions, depreciation on existing assets

became more visible and drove the reduction in Investment in capital asset valuation. The increase in Restricted net position and the decrease in Unrestricted net position reflects the transfer of available reserve funds from the Educational & General Fund (classified as unrestricted) to the Capital Fund (classified as restricted) in an effort to dedicate resources to future capital projects.

As comparison, net position in fiscal year 2013 increased \$2.1 million or 4.1% compared to fiscal year 2012 largely as a result of operations and the increase in Unrestricted net position. The differences in Investment in capital assets and Restricted net position reflects the completion of the PeopleSoft software upgrade (increase in Investment in capital assets) and the use of Restricted net position for payment of the project, compared to fiscal 2012.



Operating Results

Total College revenues for fiscal 2014 fell to \$53.5 million, a decrease of \$2.0 million compared to 2013 revenues of \$55.5 million. This reflects a decrease in Non-Operating Revenue that is associated with Federal financial aid. Financial aid awards have declined comparably with the decline in enrollment in fiscal year 2014 compared to fiscal 2013. Revenues from operations and other sources saw a slight increase during the period compared to the prior period. In fiscal 2013 total revenues declined \$3.8 million or 6.4% compared to fiscal year 2012 and reflected decreases in all revenue categories driven by declining enrollment.

Expenditures for fiscal 2014 increased \$2.2 million or 4.1% compared to fiscal 2013, driven largely by increases in interest expense on capital asset debt. Almost all expense categories saw increases, however. The fiscal 2013 expenditures increased only .5% over fiscal 2012 spending largely because of the decrease in enrollment and the smaller expense for scholarships and student aid.

The following tables and charts provide a presentation of total and operating revenues by category followed by a presentation of total expenses by category for the fiscal years ending June 30, 2014, 2013 and 2012.

Revenue By Category	2014	2013	2012	Change F/13 to 14	Percent Change	Change F/12 to 13	Percent Change
Operating Revenues	\$ 8,945,241	\$ 8,742,833	\$ 9,358,857	\$ 202,408	2.3%	(\$ 616,024)	(6.6%)
Non-Operating Revenues	42,983,437	45,259,819	48,142,018	(2,276,382)	(5.0%)	(2,882,199)	(6.0%)
Other Revenues	1,577,436	1,474,480	1,738,406	102,956	7.0%	(263,926)	(15.2%)
Total Revenues	\$ 53,506,114	\$ 55,477,132	\$ 59,239,281	(\$ 1,971,018)	(3.6%)	(\$3,762,149)	(6.4%)

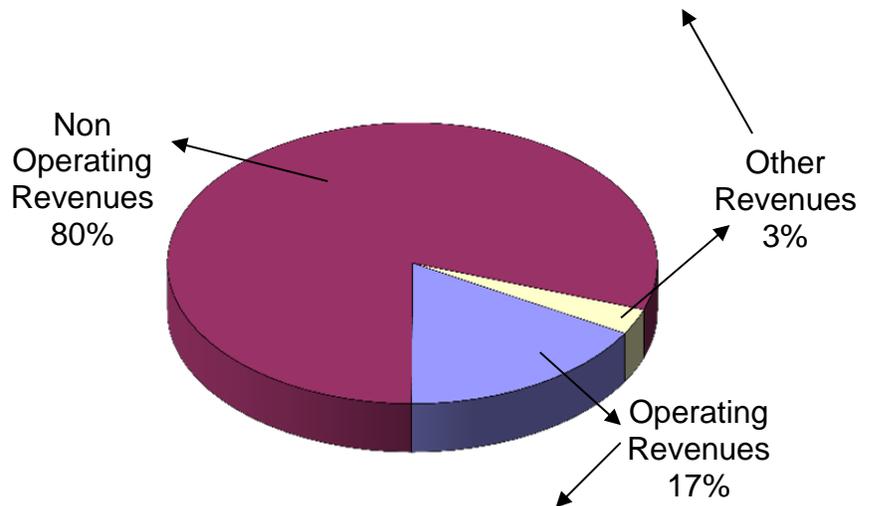
Total Revenues by Category FY14

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

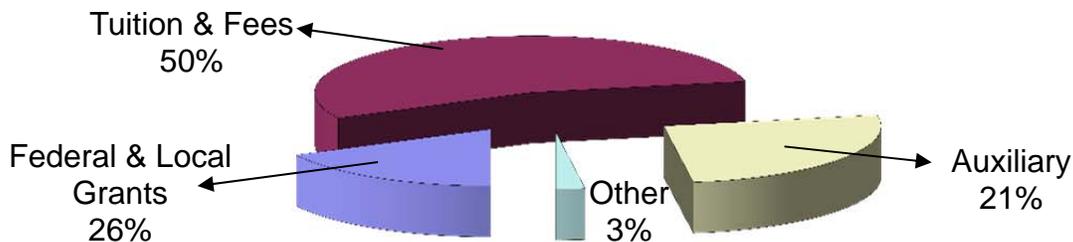
Other Revenues consist of capital appropriations and OCIA debt service totaling \$1.6 million

Non-Operating Revenues

State appropriations	\$ 21,155,784
Federal and state grants	10,515,491
OTRS On-behalf	1,304,000
Ad valorem taxes	9,844,735
Investment income	163,427
Total Non-Operating	\$ 42,983,437



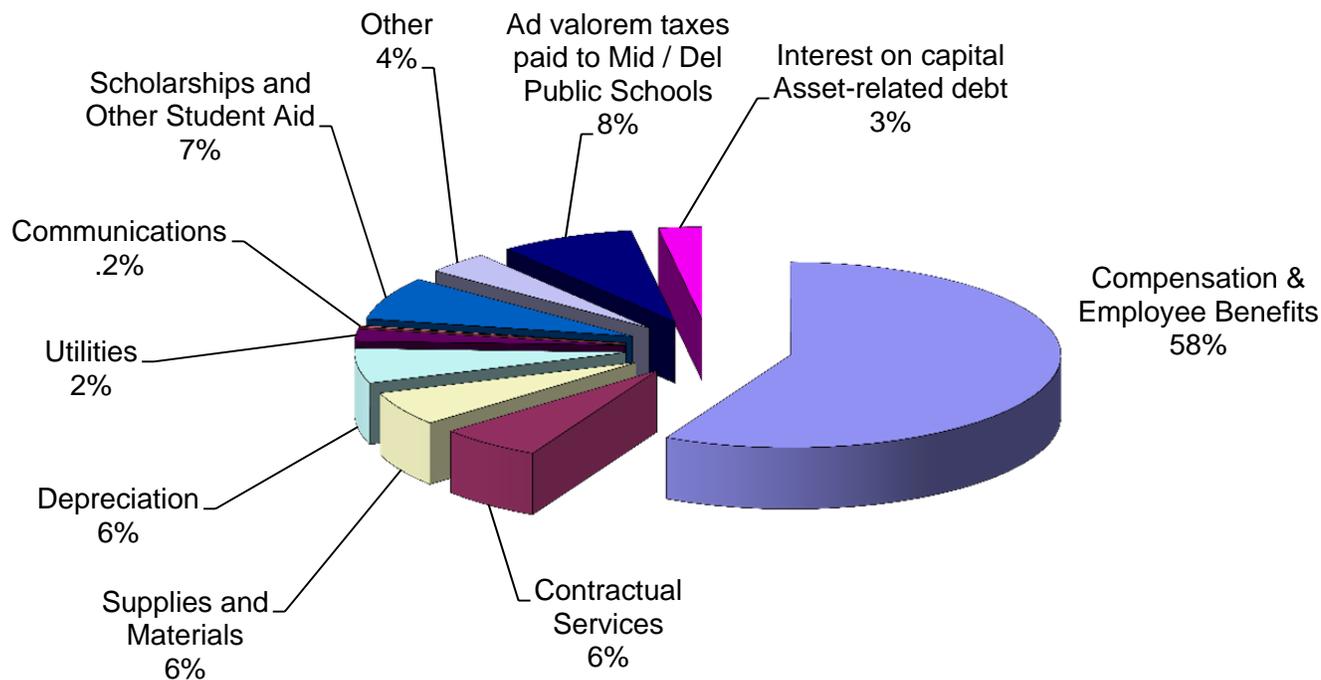
Operating Revenues Graph



Operating Revenue	2014	2013	2012	Change F/13 To 14	Percent Change	Change F/12 to F/13	Percent Change
Federal & Local Grants	\$ 2,352,216	\$ 1,300,028	\$ 1,866,445	\$ 1,052,188	80.9%	\$ (566,417)	(30.4%)
Tuition & Fees	4,424,229	4,907,988	4,876,199	(483,759)	(9.9%)	31,789	.7%
Auxiliary	1,893,678	2,340,082	2,407,525	(446,404)	(19.1%)	(67,443)	(2.8%)
Other	275,118	194,735	208,688	80,383	41.3%	(13,953)	(6.7%)
Total Operating Rev.	\$ 8,945,241	\$ 8,742,833	\$ 9,358,857	\$ 202,408	2.3%	(\$ 616,024)	(6.6%)

Total Expenses by Category

Total expenses of the College for fiscal 2014 were \$55.6 million, an increase of \$2.2 million or 4.1% compared to fiscal 2013 expenses of \$53.4 million. Most of the increase relates to interest expense on asset related debt. In 2013 total expenses increased \$.3 million or .5% compared to 2012 results. Historically, the College's largest expense category has been compensation and employee benefits and for fiscal 2014 this represents 57.6% of total expenses.



Total Expenses by Category	2014	2013	2012	Increase (Decrease) F/13 to 14	Percent Change	Increase (Decrease) F/12 to 13	Percent Change
Compensation & Employee Benefits	\$31,980,023	\$31,391,649	\$30,570,816	\$ 588,374	1.8%	\$ 820,833	2.7%
Contractual Services	3,421,480	3,202,700	3,205,123	218,780	6.8%	(2,423)	(0.1%)
Supplies and Materials	3,288,693	4,160,806	2,783,369	(872,113)	(21.0%)	1,377,437	49.5%
Depreciation	3,359,449	2,962,553	2,749,912	396,896	13.4%	212,641	7.7%
Utilities	1,177,638	1,172,480	1,337,577	5,158	.4%	(165,097)	(12.3%)
Communications	130,431	119,355	138,845	11,076	9.3%	(19,490)	(14.0%)
Scholarships and Other Student Aid	4,170,603	3,754,290	5,575,215	416,313	11.1%	(1,820,925)	(32.7%)
Other	2,120,778	1,643,580	1,675,863	477,198	29.0%	(32,283)	(1.9%)
Ad valorem paid to Mid/Del Public Schools	4,476,489	4,378,510	4,415,198	97,979	2.2%	(36,688)	(0.8%)
Interest on capital asset-related debt	1,438,198	577,599	649,035	860,599	149.0%	(71,436)	(11.0%)
Total Expenses by Category	\$55,563,782	\$53,363,522	\$53,100,953	\$ 2,200,260	4.1%	\$ 262,569	.5%

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 all assets, liabilities and deferred inflows and outflows of the College. This statement is the result of the implementation of GASB 63 in 2013. The deferred inflow recognized for the bookstore concession arrangement recognizes the present value of future installment payments guaranteed by the management contract. Please see footnote #11 for a more thorough discussion of the concession arrangement. Net position is an indicator of the current financial condition of the College. This table summarizes the College's Statement of Net Position with information as of June 30, 2014, 2013 and 2012.

Balances as of June 30th	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Change F/13 To F/14</u>	<u>Percent Change</u>	<u>Change F/12 To F/13</u>	<u>Percent Change</u>
Current Assets	\$41,754,119	\$24,571,833	\$22,090,954	\$17,182,286	69.9%	\$2,480,879	11.2%
Noncurrent Assets							
Restricted cash and cash equivalents	4,496,757	657,747	2,501,998	3,839,010	583.7%	(1,844,251)	(73.7%)
Accounts receivable, net	241,689	275,810	0	(34,121)	(12.4%)	275,810	100.0%
Unamortized bond issuance costs	0	0	6,463	0	0%	(6,463)	(100.0%)
Deposits held in escrow	1,590,000	0	0	1,590,000	100.0%	0	0%
Capital assets, net of depreciation	<u>42,222,510</u>	<u>43,785,213</u>	<u>43,836,887</u>	<u>(1,562,703)</u>	<u>(3.6%)</u>	<u>(51,674)</u>	<u>(0.1)%</u>
Total assets	90,305,075	69,290,603	68,436,302	21,014,472	30.3%	854,301	1.3%
Current Liabilities	4,869,623	3,262,755	3,559,440	1,606,868	49.3%	(296,685)	(8.3%)
Noncurrent Liabilities	<u>32,986,924</u>	<u>11,487,531</u>	<u>12,760,086</u>	<u>21,499,393</u>	<u>187.2%</u>	<u>(1,272,555)</u>	<u>(10.0%)</u>
Total liabilities	<u>37,856,547</u>	<u>14,750,286</u>	<u>16,319,526</u>	<u>23,106,261</u>	<u>156.7%</u>	<u>(1,569,240)</u>	<u>(9.6%)</u>
Deferred Inflows							
Bookstore service concession arrangement	275,810	309,931	0	(34,121)	(11.0%)	309,931	100.0%
Net Position							
Net investment in capital assets	30,700,525	32,354,146	31,141,999	(1,653,621)	(5.1%)	1,212,147	3.9%
Restricted expendable	11,021,639	6,881,088	8,934,334	4,140,551	60.2%	(2,053,246)	(23.0%)
Unrestricted	<u>10,450,554</u>	<u>14,995,152</u>	<u>12,040,443</u>	<u>(4,544,598)</u>	<u>(30.3%)</u>	<u>2,954,709</u>	<u>24.5%</u>
Total net position	<u>\$52,172,718</u>	<u>\$54,230,386</u>	<u>\$52,116,776</u>	<u>\$2,057,668</u>	<u>(3.8%)</u>	<u>\$ 2,113,610</u>	<u>4.1%</u>

- Current assets in fiscal 2014 grew to \$41.8 million from \$24.6 million in fiscal 2013, an increase of \$17.2 million or 69.9%. This increase results from the sale of General Obligation bonds by the Tech District. These proceeds are held as restricted cash and are dedicated to specific improvement projects which will likely be completed during fiscal 2016. The fiscal 2013 increase of \$2.5 million or 11.2%, compared to fiscal 2012, was largely the result of increased cash holdings.
- Non-current assets saw significant increases in fiscal year 2014 compared to fiscal year 2013 driven primarily by two transactions. First, the administration committed \$5 million to future capital projects by transferring unrestricted cash to a restricted cash fund classified as a non-current asset. Second, of these dedicated funds, \$1.59 million was used to establish an escrow account to be used by developers for a Student Housing project to be completed in calendar year 2015.

- Total liabilities increased by \$23.1 million or 156.7% in fiscal 2014 compared to fiscal 2013. The current liabilities increase is largely from invoices for architects and the construction manager recognized as payable at the end of the fiscal year. The increase in non-current liabilities is from the Tech District bond debt and associated interest payable. In comparison, fiscal year 2013 reflected a \$1.6 million or 9.6% decrease in total liabilities compared to fiscal year 2012 largely from the reduction of debt. See footnote #5 for further discussion of long term liabilities.
- Overall, total net position decreased \$2.1 million or 3.8% compared to fiscal year 2013. Being in the early stages of construction projects, there has not been a recognized increase in capital assets. This will change over the next two fiscal years as bond proceeds are converted to infrastructure and building improvements. Fiscal year 2013 realized an increase in total net position of \$2.1 million or 4.1% compared to fiscal year 2012 balances mostly from an increase in unrestricted assets.

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, 2014, 2013 and 2012 is included below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>F/ 13 To 14</u>	<u>Percent</u> <u>Change</u>	<u>Change</u> <u>F/ 12 To 13</u>	<u>Percent</u> <u>Change</u>
Operating Revenues							
Tuition and fees, net	\$ 4,424,229	\$ 4,907,988	\$ 4,876,199	\$(483,759)	(9.9%)	31,789	0.7%
Federal, state and local grants and contracts	2,352,216	1,300,028	1,866,445	1,052,188	80.9%	(566,417)	(30.4%)
Auxiliary (bookstore and food services), net	1,893,678	2,340,082	2,407,525	(446,404)	(19.1%)	(67,443)	(2.8 %)
Other	<u>275,118</u>	<u>194,735</u>	<u>208,688</u>	<u>80,383</u>	<u>41.3%</u>	<u>(13,953)</u>	<u>(6.7 %)</u>
Total operating revenues	<u>8,945,241</u>	<u>8,742,833</u>	<u>9,358,857</u>	<u>202,408</u>	<u>2.3%</u>	<u>(616,024)</u>	<u>(6.6 %)</u>
Operating Expenses							
Compensation and employee benefits	31,980,023	31,391,649	30,570,816	588,374	1.9%	820,833	2.7 %
Contractual services, supplies and materials	6,710,173	7,363,506	5,988,492	(653,333)	(8.9%)	1,375,014	23.0 %
Depreciation	3,359,449	2,962,553	2,749,912	396,896	13.4%	212,641	7.7 %
Utilities and communications	1,308,069	1,291,835	1,476,422	16,234	1.3%	(184,587)	(12.5 %)
Scholarships and other student aid	4,170,603	3,754,290	5,575,215	416,313	11.1%	(1,820,925)	(32.7 %)
Other	<u>2,120,778</u>	<u>1,643,580</u>	<u>1,675,863</u>	<u>477,198</u>	<u>29.0%</u>	<u>(32,283)</u>	<u>(1.9 %)</u>
Total operating expenses	<u>49,649,095</u>	<u>48,407,413</u>	<u>48,036,720</u>	<u>1,241,682</u>	<u>2.6%</u>	<u>370,693</u>	<u>0.8 %</u>
Operating Loss	<u>(40,703,854)</u>	<u>(39,664,580)</u>	<u>(38,677,863)</u>	<u>(1,039,274)</u>	<u>(2.6%)</u>	<u>(986,717)</u>	<u>(2.6 %)</u>
Non-operating Revenues (Expenses)							
State appropriations	21,155,784	20,864,583	20,599,612	291,201	1.4%	264,971	1.3%
Federal and state grants	10,515,491	13,064,998	16,386,432	(2,549,507)	(19.5%)	(3,321,434)	(20.3%)
OTRS on-behalf contributions	1,304,000	1,295,000	1,225,000	9,000	0.7%	70,000	5.7%
Ad valorem taxes	9,844,735	9,773,961	9,704,447	70,774	0.7%	69,514	0.7 %
Ad valorem taxes remitted to Mid/Del Public Schools	(4,476,489)	(4,378,510)	(4,415,198)	(97,979)	(2.2%)	36,688	0.8 %
Other	<u>(1,274,771)</u>	<u>(316,322)</u>	<u>(422,508)</u>	<u>(958,449)</u>	<u>(303.0%)</u>	<u>106,186</u>	<u>25.1 %</u>
Net Non-operating revenues	<u>37,068,750</u>	<u>40,303,710</u>	<u>43,077,785</u>	<u>(3,234,960)</u>	<u>(8.0%)</u>	<u>(2,774,075)</u>	<u>(6.4 %)</u>
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	<u>(3,635,104)</u>	<u>639,130</u>	<u>4,399,922</u>	<u>(4,274,234)</u>	<u>(668.8%)</u>	<u>(3,760,792)</u>	<u>(85.5%)</u>
Other Revenues, Expenses, Gains and Losses	<u>1,577,436</u>	<u>1,474,480</u>	<u>1,738,406</u>	<u>102,956</u>	<u>7.0%</u>	<u>(263,926)</u>	<u>(15.2 %)</u>
Increase (Decrease) in Net Position	<u>(2,057,668)</u>	<u>2,113,610</u>	<u>6,138,328</u>	<u>(4,171,278)</u>	<u>(197.4%)</u>	<u>(4,024,718)</u>	<u>(65.6%)</u>
Net Position, Beginning of Year	<u>54,230,386</u>	<u>52,116,776</u>	<u>45,978,448</u>	<u>2,113,610</u>	<u>4.1%</u>	<u>6,138,328</u>	<u>13.4 %</u>
Net Position, End of Year	<u>\$ 52,172,718</u>	<u>\$ 54,230,386</u>	<u>\$ 52,116,776</u>	<u>\$(2,057,668)</u>	<u>(3.8%)</u>	<u>\$ 2,113,610</u>	<u>4.1%</u>

- Total operating revenues, for fiscal 2014, increased by \$.2 million or 2.3% compared to fiscal 2013. Largely this is the result of increases in grants and contract training. Contributions from tuition and fee revenue decreased \$.5 million or 9.9%, compared to fiscal 2013 results, because of lower credit hour production across all semesters, despite an increase in tuition and fee rates. Auxiliary functions also show declines in revenue from the effect of lower enrollment on bookstore sales commissions and food service sales. Fiscal 2013 operating revenue decreased \$.6 million or 6.6% compared to 2012 because of a similar decrease in tuition and fees revenue associated with declining credit hour production.
- Operating expenses increased \$1.2 million or 2.6% for fiscal 2014 continuing the trend from 2013 results, which increased \$0.4 million or .8% compared to fiscal 2012. The fiscal 2014 increase was driven by these main areas.
 1. Fiscal 2014 compensation and employee benefits increased \$0.6 million or 1.9% compared to fiscal 2013 totals because of across the board pay increases for all regular employees. Decreases in headcount and savings from retirements helped to mitigate the increased expense. By comparison, fiscal 2013 experienced an increase in compensation and benefits of \$0.8 million or 2.7% compared to fiscal 2012 expenditures. Compensation and benefits continues to be the largest operating expenditure for the college.
 2. Contractual services, supplies and materials expenditures decreased \$0.6 million or 8.9% compared to fiscal 2013 and is a return to a more historically normal level of spending. By contrast fiscal 2013 showed an increase of \$1.4 million or 23% compared to fiscal 2012. The fiscal 2013 results were largely from the completion of the PeopleSoft upgrade and increased replacement of furniture and fixtures in campus buildings which are more akin to long term types of expenditures.
 3. Scholarships and other student aid represent financial aid received by the college exceeding the charges owed and thus refunded to the awarded students. Scholarships and other student aid, in fiscal 2014, increased \$0.4 million or 11.1% over fiscal 2013 results which decreased \$1.8 million or 32.7% compared to fiscal 2012.
 4. Other operating expenses increased by \$0.5 million or 29% compared to fiscal 2013. The fiscal 2013 results were down \$33 thousand or 1.9% compared to fiscal 2012. Several different expense types are classified as other operating expenses. For fiscal 2014 the increased spending was focused in these areas:
 - Software licensing fees with approximately \$163 thousand of increased spending over 2013 expenditures. Much of this was associated with new software and should not require fees at this level in coming years.
 - Advertising expenditures for the College increased by approximately \$100 thousand compared to 2013 expenditures.
 - Registration, food and lodging expenditures increased by \$65 thousand compared to the prior year reflecting the increasing cost of conferences and travel and the commitment of faculty and staff to remain current in their areas of expertise.

- Non-operating revenues for 2014 decreased \$3.2 million or 8% when compared to fiscal 2013. When compared to fiscal 2012, the fiscal 2013 results decreased \$2.8 million or 6.4%. In both years, the decreases are driven by reductions in Federal and State grants. In fiscal 2014 other revenues were also down \$1.0 million compared to fiscal 2013. Highlights include:
 1. Federal and state grants, in the non-operating revenue context, are related to financial aid, whether from federal sources or state sources. This aid is applied to the student account to cover the cost of tuition and fees. Largely as a result of declines in enrollment, both fiscal years 2014 and 2013 show declines in financial aid particularly from the Federal government in the form of Pell grants and Student Loan awards. Once enrollment stabilizes, revenue from financial aid will also stabilize. Fiscal 2014's decline was \$2.5 million or 19.5% compared to fiscal 2013's decline of \$3.3 million over fiscal 2012.
 2. Other non-operating revenue (expense) shows a dramatic increase of \$1.0 million or 303% in fiscal 2014 compared to the fiscal 2013 results. This relates to \$0.9 million of interest accrued for the Tech District's new general obligation bond issue during the fiscal period. This interest is not actually payable until fiscal year 2016 but the obligation to pay the interest associated with this fiscal year is being recognized. At the same time, interest received on cash balances declined \$90 thousand, compared to fiscal 2013. In comparison, fiscal 2013 results show an increase in other non-operating revenue of \$0.1 million over the fiscal 2012 net total.
- Other Revenues, Expenses, Gains and Losses reflect restricted funds allocated for capital expenditures from the state and payment of the Oklahoma Capital Improvement Authority (OCIA) lease obligation made on behalf of the College. Since the OCIA payment requires no cash outlay by the College, the payment is recorded as Other Revenue and shown as such on the financial statements. Because of payment timing decisions made at the state level the amount recognized by OCIA fluctuates between years. The OCIA lease obligation results from the building of the Health Sciences building. The state allocation of funds restricted for capital use has remained static over the past three fiscal years and is not likely to be increased in the near future.

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 its obligations as they come due and its needs for external financing.

The College's cash and cash equivalents for fiscal 2014 increased by \$21.4 million or 93.2% compared to fiscal 2013. Fiscal year 2013 ending cash and cash equivalents balances were increased by \$750 thousand versus 2012. The increase realized in 2014 was from the proceeds of the Tech District sale of general obligation bonds in the capital and related financing activities. Operating activities generated a smaller loss than the prior fiscal year and thus consumed approximately \$1.9 million less cash compared to the prior year. The noncapital financing activities, which suffered from the decreased receipt of financial aid funds as discussed in other portions of this MD&A, contributed approximately \$1.8 million less than the previous year. Investing activities also contributed \$0.1 million less in earned interest compared to the prior year but does reflect the impact of bond proceeds. All combined the operating activities, noncapital financing activities and investing activities effectively off set each other, leaving only the Capital and

related financing activities from the sale of the Tech District bonds to effect cash flow results, compared to fiscal 2012.

The following schedule is summarized from the College's Statement of Cash Flows for the year ended June 30, 2014, 2013 and 2012.

Year Ended June 30	2014	2013	2012	Change F/ 13 To 14	Change F/ 12 To 13
Cash Provided by (Used In):					
Operating activities	\$ (33,725,307)	\$(35,663,323)	\$ (34,878,103)	\$ 1,938,016	\$ (785,220)
Noncapital financing activities	36,297,862	38,084,594	39,629,208	(1,786,732)	(1,544,614)
Capital and related financing activities	18,708,252	(1,914,838)	(4,074,543)	20,623,090	2,159,705
Investing activities	<u>164,132</u>	<u>242,802</u>	<u>226,527</u>	<u>(78,668)</u>	<u>16,275</u>
Net increase in cash and cash equivalents	21,444,941	749,235	903,089	20,695,706	(153,854)
Cash and Cash Equivalents, Beginning of Year	<u>22,998,556</u>	<u>22,249,321</u>	<u>21,346,232</u>	<u>749,235</u>	<u>903,089</u>
Cash and Cash equivalents, End of Year	<u>\$ 44,443,497</u>	<u>\$ 22,998,556</u>	<u>\$ 22,249,321</u>	<u>\$21,444,941</u>	<u>\$ 749,235</u>

Capital Assets

At June 30, 2014 the College had approximately \$95.1 million invested in capital assets with accumulated depreciation of \$52.8 million resulting in a capital asset valuation of just over \$42.2 million. This represents a decline of \$1.6 million or 3.6% when compared to fiscal 2013 results. By comparison, fiscal 2013 results showed a decrease of \$0.05 million or 0.1% from fiscal 2012 balances. The 2014 decrease in net valuation is largely because of increased depreciation combined with decreased spending on building and land improvements during the year as compared to fiscal 2013. This was intentional so to facilitate planning of projects for the Tech District bond projects which began in fiscal 2014 and should be completed in fiscal year 2016. See footnote #4 Capital Assets for more detailed information.

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

Capital Assets, Net of Accumulated Depreciation at June 30, 2014, 2013 and 2012

Year Ended June 30	2014	2013	2012	Change F/13 To 14	Percent Change	Change F/12 To 13	Percent Change
Land	\$ 5,614,377	\$ 5,523,477	\$ 5,203,335	\$ 90,900	1.7%	\$ 320,142	6.2%
Building and improvements	30,203,376	31,591,238	33,048,353	(1,387,861)	(4.4%)	(1,457,115)	(4.4%)
Land improvements/ infrastructure	305,355	325,919	346,482	(20,564)	(6.3%)	(20,563)	(5.9%)
Furniture, fixtures and equipment	3,926,000	5,066,763	2,213,051	(1,140,764)	(22.5%)	2,853,712	129.0%
Library materials	1,235,722	1,277,816	1,389,032	(42,095)	(3.3%)	(111,216)	(8.0%)
Construction in Progress	<u>937,680</u>	<u>0</u>	<u>1,636,634</u>	<u>937,680</u>	<u>100.0%</u>	<u>(1,636,634)</u>	<u>(100.0%)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$42,222,510</u>	<u>\$ 43,785,213</u>	<u>\$43,836,887</u>	<u>\$ (1,562,704)</u>	<u>(3.6%)</u>	<u>\$ (51,674)</u>	<u>(0.1%)</u>

Debt

At June 30, 2014, the College had approximately \$32.1 million in debt (bonds and capital lease obligations) outstanding; an increase of \$20.6 million or 180.4% when compared to fiscal 2013 end of year balances. In comparison, fiscal 2013 results show a decrease of \$1.3 million or 10.0% compared the debt valuation for 2012. As discussed, the increase in fiscal 2014 is completely related to the new general obligation bonds issued by the Tech District to fund building and infrastructure improvements. Planning and construction for these projects is underway and should be completed in fiscal year 2016. The reader should also be aware that the college will be completing a \$400,000 lease obligation for the purchase of software through the Oklahoma State Regents for Higher Education's Master Lease Program. This obligation will be reflected in fiscal 2015's financial statements. Other new debt and lease obligations may also be realized in future fiscal years as other capital building projects are funded. See footnote #5 Long Term Liabilities for more detailed information regarding the College's outstanding debt. The table below summarizes the College's debts, by type, for all three historic periods discussed.

Outstanding Debt at June 30, 2014, 2013 and 2012

Balances at June 30th	2014	2013	2012	Change F/13 To 14	Percent Change	Change F/12 To 13	Percent Change
2005 Building Bonds Payable	\$ 850,000	\$1,700,000	\$ 2,550,000	\$ (850,000)	(50.0%)	\$ (850,000)	(33.3%)
2013 Building Bonds Payable	21,980,000	0	0	21,980,000	100.0%	0	0%
1999/2004 OCIA Capital Lease Obligation	159,397	185,994	211,320	(26,597)	(14.3%)	(25,326)	(12.0%)
2006 OCIA Capital Lease Obligation	8,810,055	9,243,375	9,591,915	(433,320)	(4.7%)	(348,540)	(3.6%)
ODFA Bus Master Lease	252,834	300,167	346,333	(47,334)	(15.8%)	(46,166)	(13.3%)
ODFA 2009A Premium	1,279	1,531	1,783	(252)	(16.5%)	(252)	(14.1%)
Total Outstanding Debt	\$32,053,565	\$11,431,067	\$12,701,351	\$20,622,497	180.4%	\$(1,270,284)	(10.0%)

Economic Outlook

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

The strength of the local economy heavily influences the ability and decisions to set tuition and fee rates. In fiscal year 2014 the college increased tuition rates by \$3 (or 3.8%) per credit hour and increased, with the support of the Student Senate, mandatory fees by \$1.50 (or 7.7%) per credit hour. Such decisions must be made after weighing parents' and students' ability to pay higher rates. It must be noted, however, that even with these increases, Rose State College ranked as the fourth least expensive institution of higher education in the state. In terms of cost to attend, the college has maintained a ranking in the bottom tier of state colleges for many years.

The state of the local economy also directly impacts the enrollment of the college as high school seniors and adult workers decide whether to pursue higher education or participate in the workforce. Currently, the local economy continues to strengthen and provide ample opportunities to find jobs locally or within other areas of the state. The college is also affected by changes in the local economic demographic makeup. As the local area ages, graduating classes from high schools in the general service area are becoming smaller and smaller and thus feeding fewer local students to the college. In fiscal year 2014 the

college produced 9% fewer credit hours than fiscal year 2013. That represents a direct loss of tuition and fee revenue and continues a downward trend that began in fiscal year 2012. Several projects are underway to attract students and improve retention of students by enhancing the college experience at Rose State College. These efforts include the construction of student housing through a public/private partnership with a local developer which will be completed in August 2015. Men's and women's soccer teams have been added to the college's athletic offerings giving students the local fans new opportunities for identifying with the college. These new teams join the college's successful baseball and softball tradition. A new focus on advertising and results driven marketing is being implemented to enhance the perception of the college for perspective students. The local community continues to strongly show support for the college as the local electorate voted to pass a \$22 million general obligation bond issue to support renovation to buildings and infrastructure on the campus while adding enhanced learning and socialization areas. The sale of the bonds was completed in fiscal year 2014 and planning and construction continues to progress. Two projects have been completed including a complete remodel of the Aquatics Center. Other projects will be completed during fiscal year 2015 and 2016. For students, all of these efforts distinguish Rose State College from other local and regional community college choices.

The College is also heavily impacted by the state's political environment especially through a heavy reliance on appropriations to support operations of the school. Appropriations have remained fairly stagnant over the past few fiscal periods and are not expected to grow in the near future. A smaller portion of the college's operational costs are being underwritten by state appropriations but are, instead, being funded by student's tuition and fee burden and Federal and local grants.

Given student's reliance on Federal financial aid and the school's opportunities for Federal grants, 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 grant programs could have a material economic effect on the school. The full effect of these discussions and debates cannot be projected yet but are a focus of attention for the College administration.

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

Contacting the College's Financial Management

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



Independent Auditor's Report

The Board of Regents
Rose State College
Midwest City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Rose State College (the College) and the discretely presented component unit of Rose State College Foundation, Inc. as of and for the years ended June 30, 2014 and 2013, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General 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 misstatements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the discretely presented component unit as of June 30, 2014 and 2013, and the respective changes in its financial position and its cash flows for the years 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The information shown in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the college. The schedule of expenditures of federal awards, the combining schedules, and the statement of revenues and expenses for the student center system are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
December 8, 2014

Rose State College
Statements of Net Position
June 30, 2014

	<u>Rose State College</u>	<u>Rose State College Foundation Inc.</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,307,682	\$ 184,078
Restricted:		
Cash and cash equivalents	22,639,058	-
Investments	-	1,049,878
Accounts receivable, net	1,187,959	-
Federal and state grants receivable	305,086	-
Delinquent ad valorem property taxes receivable	296,000	-
Accrued interest receivable	12,118	-
Prepaid expenses	6,216	-
Total current assets	<u>41,754,119</u>	<u>1,233,956</u>
Non-current assets:		
Restricted:		
Cash and cash equivalents	4,496,757	-
Accounts receivable	241,689	-
Deposits held in escrow	1,590,000	-
Capital assets, net	<u>42,222,510</u>	<u>2,257,000</u>
Total non-current assets	<u>48,550,956</u>	<u>2,257,000</u>
 Total assets	 <u>90,305,075</u>	 <u>3,490,956</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	3,077,653	78,745
Accrued compensated absences	908,036	-
Unavailable revenue	587,789	-
Current maturities of long-term debt	73,134	-
Deposits held in custody for others	223,011	-
Total current liabilities	<u>4,869,623</u>	<u>78,745</u>
Non-current liabilities:		
Interest payable	879,931	-
Accrued compensated absences	126,563	-
Long-term debt	<u>31,980,430</u>	<u>-</u>
Total non-current liabilities	<u>32,986,924</u>	<u>-</u>
 Total liabilities	 <u>37,856,547</u>	 <u>78,745</u>
DEFERRED INFLOWS		
Bookstore service concession arrangement	<u>275,810</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	30,700,525	-
Restricted nonexpendable - endowment	-	2,741,622
Restricted expendable for:		
Scholarships	5,297,334	869,694
Loans	5,482	-
Capital projects	5,137,829	-
Debt service	580,994	-
Unrestricted (deficit)	<u>10,450,554</u>	<u>(199,105)</u>
 Total net position	 <u>\$ 52,172,718</u>	 <u>\$ 3,412,211</u>

Rose State College
Statements of Net Position
June 30, 2013

	Rose State College	Rose State College Foundation Inc.
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,867,472	\$ 129,604
Restricted:		
Cash and cash equivalents	1,473,337	-
Investments	-	812,057
Accounts receivable, net	1,210,995	-
Federal and state grants receivable	700,207	-
Delinquent ad valorem property taxes receivable	301,000	-
Accrued interest receivable	12,825	-
Prepaid expenses	5,997	2,452
Total current assets	24,571,833	944,113
Non-current assets:		
Restricted:		
Cash and cash equivalents	657,747	-
Accounts receivable	275,810	-
Capital assets, net	43,785,213	2,257,000
Total non-current assets	44,718,770	2,257,000
Total assets	69,290,603	3,201,113
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	1,260,700	34,000
Accrued compensated absences	832,285	-
Unearned revenue	415,617	-
Deposits held pending bond issuance	439,600	-
Current maturities of long-term debt	70,099	-
Deposits held in custody for others	244,454	-
Total current liabilities	3,262,755	34,000
Non-current liabilities:		
Accrued compensated absences	126,563	-
Long-term debt	11,360,968	-
Total non-current liabilities	11,487,531	-
Total liabilities	14,750,286	34,000
DEFERRED INFLOWS		
Bookstore service concession arrangement	309,931	-
NET POSITION		
Net investment in capital assets	32,354,146	-
Restricted nonexpendable - endowment	-	2,710,625
Restricted expendable for:		
Scholarships	5,189,604	631,621
Loans	5,351	-
Capital projects	1,095,662	-
Debt service	590,471	-
Unrestricted (deficit)	14,995,152	(175,133)
Total net position	\$ 54,230,386	\$ 3,167,113

Rose State College
Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

	Rose State College	Rose State College Foundation Inc.
Operating Revenues		
Tuition and fees, net	\$ 4,424,229	\$ -
Federal grants and contracts	2,141,477	-
State and private grants and contracts	210,739	-
Sales and services of auxiliary enterprises, net	1,893,678	-
Contributions and other revenue	-	391,397
Other operating revenues	275,118	-
Total operating revenues	8,945,241	391,397
Operating Expenses		
Compensation and benefits	31,980,023	-
Contractual services	3,421,480	-
Supplies and materials	3,288,693	-
Scholarships and fellowships	4,170,603	200,311
Communications	130,431	-
Depreciation	3,359,449	-
Utilities	1,177,638	-
Other	2,120,778	133,275
Total Operating Expenses	49,649,095	333,586
Operating income (loss)	(40,703,854)	57,811
Non-operating Revenues (Expenses)		
State appropriations	21,155,784	-
Federal grants	9,227,595	-
State grants	1,287,896	-
OTRS on-behalf contributions	1,304,000	-
Ad valorem taxes	9,844,735	-
Ad valorem taxes remitted to Midwest City/Del		
City Public Schools	(4,476,489)	-
Net investment return	-	187,287
Investment revenue	163,427	-
Interest on capital asset-related debt	(1,438,198)	-
Net non-operating revenue	37,068,750	187,287
Income (loss) before other revenues, expenses, gains, losses and transfers	(3,635,104)	245,098
Capital appropriations - state	628,735	-
OCIA debt services on-behalf payments	948,701	-
Increase (Decrease) in Net Position	(2,057,668)	245,098
Net Position, Beginning of Year	54,230,386	3,167,113
Net Position, End of Year	\$ 52,172,718	\$ 3,412,211

Rose State College
Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2013

	<u>Rose State College</u>	<u>Rose State College Foundation Inc.</u>
Operating Revenues		
Tuition and fees, net	\$ 4,907,988	\$ -
Federal grants and contracts	1,112,939	-
State and private grants and contracts	187,089	-
Sales and services of auxiliary enterprises, net	2,340,082	-
Contributions and other revenue	-	381,524
Other operating revenues	194,735	-
Total operating revenues	<u>8,742,833</u>	<u>381,524</u>
Operating Expenses		
Compensation and benefits	31,391,649	-
Contractual services	3,202,700	-
Supplies and materials	4,160,806	-
Scholarships and fellowships	3,754,290	134,123
Communications	119,355	-
Depreciation	2,962,553	-
Utilities	1,172,480	-
Other	1,643,580	213,314
Total Operating Expenses	<u>48,407,413</u>	<u>347,437</u>
Operating income (loss)	<u>(39,664,580)</u>	<u>34,087</u>
Non-operating Revenues (Expenses)		
State appropriations	20,864,583	-
Federal grants	11,725,693	-
State grants	1,339,305	-
OTRS on-behalf contributions	1,295,000	-
Ad valorem taxes	9,773,961	-
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,378,510)	-
Net investment return	-	133,887
Miscellaneous revenue	5,650	-
Investment revenue	255,627	-
Interest on capital asset-related debt	(577,599)	-
Net non-operating revenue	<u>40,303,710</u>	<u>133,887</u>
Income before other revenues, expenses, gains, losses and transfers	639,130	167,974
Capital appropriations - state	628,735	-
OCIA debt services on-behalf payments	845,745	-
Increase in Net Position	<u>2,113,610</u>	<u>167,974</u>
Net Position, Beginning of Year	<u>52,116,776</u>	<u>2,999,139</u>
Net Position, End of Year	<u>\$ 54,230,386</u>	<u>\$ 3,167,113</u>

Rose State College
Statements of Cash Flows
Year Ended June 30, 2014

	<u>Rose State College</u>	<u>Rose State College Foundation Inc.</u>
Operating Activities		
Tuition and fees	\$ 4,592,242	\$ -
Grants and contracts	2,747,337	-
Payments to suppliers	(12,636,345)	(38,168)
Payments to employees	(30,605,758)	-
Foundation contributions	-	229,617
Scholarships	-	(86,441)
Auxiliary enterprises sales and services	1,893,678	-
Other operating receipts	283,539	-
Net cash provided by (used in) operating activities	<u>(33,725,307)</u>	<u>105,008</u>
Noncapital Financing Activities		
State appropriations	21,155,784	-
Non-operating grants	10,515,491	-
Ad valorem taxes received	8,969,864	-
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,343,277)	-
Transfer to Rose State College	162,444	-
Transfer from Tech Distict	(162,444)	-
Net cash provided by noncapital financing activities	<u>36,297,862</u>	<u>-</u>
Capital and Related Financing Activities		
Purchases of capital assets	(1,802,459)	-
Proceeds from issuance of bonds	21,540,400	-
Deposits held in escrow	(1,590,000)	-
Principal paid on capital leases and bonds	(897,333)	-
Interest paid on capital leases and bonds	(69,736)	-
Capital appropriations – state	628,735	-
Ad valorem taxes received for debt service	898,645	-
Net cash provided by capital and related financing activities	<u>18,708,252</u>	<u>-</u>
Investing Activities		
Purchase of investments	-	(109,802)
Payment of investment fees	-	(3,616)
Proceeds from maturities of investments	-	46,446
Investment income received	164,134	16,438
Net cash provided by (used in) investing activities	<u>164,134</u>	<u>(50,534)</u>
Increase in Cash and Cash Equivalents	21,444,941	54,474
Cash and Cash Equivalents, Beginning of Year	<u>22,998,556</u>	<u>129,604</u>
Cash and Cash Equivalents, End of Year	<u>\$ 44,443,497</u>	<u>\$ 184,078</u>

Rose State College
Statements of Cash Flows
Year Ended June 30, 2014
(Continued)

	Rose State College	Rose State College Foundation Inc.
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current assets		
Cash and cash equivalents	\$ 17,307,682	\$ 184,078
Restricted cash and cash equivalents	22,639,058	-
Noncurrent assets		
Restricted cash and cash equivalents	4,496,757	-
	\$ 44,443,497	\$ 184,078
 Reconciliation of Operating (Loss) Income to Net Cash Provided By (Used in) Operating Activities		
Operating income (loss)	\$ (40,703,854)	\$ 57,811
Depreciation expense	3,359,449	-
Net loss on disposal of fixed assets	5,713	-
OTRS on-behalf contributions	1,304,000	-
Changes in operating assets and liabilities		
Receivables, net	399,383	-
Prepaid expenses	(219)	2,452
Accounts payable and other accrued liabilities	1,667,784	44,745
Accrued payroll and compensated absences	70,265	-
Unearned revenue	172,172	-
Net Cash Provided by (Used in) Operating Activities	\$ (33,725,307)	\$ 105,008

Rose State College
Statements of Cash Flows
Year Ended June 30, 2013

	<u>Rose State College</u>	<u>Rose State College Foundation Inc.</u>
Operating Activities		
Tuition and fees	\$ 4,846,394	\$ -
Grants and contracts	1,503,817	-
Payments to suppliers	(14,441,612)	(42,437)
Payments to employees	(30,104,641)	-
Foundation contributions	-	210,566
Scholarships	-	(134,123)
Auxiliary enterprises sales and services	2,340,082	-
Other operating receipts	192,637	-
Net cash provided by (used in) operating activities	<u>(35,663,323)</u>	<u>34,006</u>
Noncapital Financing Activities		
State appropriations	20,864,583	-
Non-operating grants	13,064,998	-
Ad valorem taxes received	8,756,193	-
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,601,180)	-
Transfer to Rose State College	1,358,126	-
Transfer from Tech District	(1,358,126)	-
Net cash provided by noncapital financing activities	<u>38,084,594</u>	<u>-</u>
Capital and Related Financing Activities		
Purchases of capital assets	(2,910,880)	-
Deposits held pending bond issuance	439,600	-
Principal paid on capital leases and bonds	(896,166)	-
Interest paid on capital leases and bonds	(99,508)	-
Capital appropriations – state	628,735	-
Ad valorem taxes received for debt service	923,381	-
Net cash used in capital and related financing activities	<u>(1,914,838)</u>	<u>-</u>
Investing Activities		
Purchase of investments	-	(13,690)
Payments of investment fees	-	(2,998)
Proceeds from maturities of investments	-	93,562
Investment income received	242,802	13,136
Net cash provided by investing activities	<u>242,802</u>	<u>90,010</u>
Increase in Cash and Cash Equivalents	749,235	124,016
Cash and Cash Equivalents, Beginning of Year	<u>22,249,321</u>	<u>5,588</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,998,556</u>	<u>\$ 129,604</u>

Rose State College
Statements of Cash Flows
Year Ended June 30, 2013
(Continued)

	<u>Rose State College</u>	<u>Rose State College Foundation Inc.</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current assets		
Cash and cash equivalents	\$ 20,867,472	\$ 129,604
Restricted cash and cash equivalents	1,473,337	-
Noncurrent assets		
Restricted cash and cash equivalents	<u>657,747</u>	<u>-</u>
	<u>\$ 22,998,556</u>	<u>\$ 129,604</u>
 Reconciliation of Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities		
Operating income (loss)	\$ (39,664,580)	\$ 34,087
Depreciation expense	2,962,553	-
OTRS on-behalf contributions	1,295,000	-
Changes in operating assets and liabilities		
Receivables, net	261,346	-
Prepaid expenses	(1,756)	(81)
Accounts payable and other accrued liabilities	(386,645)	-
Accrued payroll and compensated absences	(7,992)	-
Unearned revenue	<u>(121,249)</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (35,663,323)</u>	<u>\$ 34,006</u>

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

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 Vice President of Business Affairs.

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

The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. During the years ended June 30, 2014 and 2013, the Foundation provided the College approximately \$200,000 and \$134,000, respectively, in scholarships, awards, and other program support.

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2014 and 2013 cash equivalents consisted primarily of pooled funds held by the Oklahoma State Treasurer or Office of State Finance and money market mutual funds on deposit with a trustee.

Restricted Cash

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

The College and the District had no investments at June 30, 2014 and 2013.

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

Ad Valorem Property Taxes

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

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

Student Accounts Receivable

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The College and the District follow the practice of capitalizing items over \$5,000 with a useful life of more than one year. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful life.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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	5-7 years
Library materials	7 years

Compensated Absences

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

Unavailable Revenue

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

Net Position

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

Deferred inflows are the acquisition of net position by the College that is applicable to a future reporting period. The College's deferred inflows of resources were comprised of revenues from the bookstore contract service concession arrangement that are applicable to future reporting periods.

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30, 2014 and 2013, were \$9,359,632 and \$10,164,515, respectively.

Income Taxes

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

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the current year presentation.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of the Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented in fiscal year 2013.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the College has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in 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, 2014 and 2013, none of the District's bank balances of \$30,078,052 and \$5,772,191, respectively, were exposed to custodial credit risk as a result of being uninsured and uncollateralized. The deposits were held in the District's name.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

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

College's Pooled Funds

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

At June 30, 2014 and 2013, the College had the following invested pooled funds:

OK INVEST Portfolio	2014		2013	
	Cost	Market Value	Cost	Market Value
U.S. Agency securities	\$ 3,683,717	\$ 3,676,555	\$ 2,939,866	\$ 2,927,437
Money market mutual funds	387,653	387,653	701,805	701,805
End of the day commercial paper sweep	168,962	168,962	157,195	157,195
Certificates of deposit	208,420	208,420	191,055	191,055
Mortgage backed agency securities	3,298,376	3,366,436	3,213,752	3,229,529
Municipal bonds	123,178	136,418	125,997	139,469
Foreign bonds	63,075	63,075	59,075	59,040
U.S. Treasury Obligations	95,589	118,332	90,251	110,137
TOTAL	<u>\$ 8,028,970</u>	<u>\$ 8,125,851</u>	<u>\$ 7,478,996</u>	<u>\$ 7,515,667</u>

District's Investments

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

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. At June 30, 2014 and 2013, the College's invested funds were rated as follows:

	Standard & Poor's	
	2014	2013
Pooled funds held by state treasurer or OSF	Not rated	Not rated

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

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

Summary of Carry Values

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

	2013	2013
Carrying Value		
Deposits	\$ 36,311,646	\$ 15,476,889
Invested pooled funds	8,125,851	7,515,667
Change funds	6,000	6,000
	\$ 44,443,497	\$ 22,998,556

Investment Income

Investment income consisted primarily of interest income of \$163,427 and \$255,627 for the years ended June 30, 2014 and 2013, respectively.

Note 3: Accounts Receivable

The College's accounts receivable relate primarily to tuition and enrollment fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Total accounts receivable is shown on the accompanying statements of net position, net of related allowances for doubtful accounts of approximately \$2,070,000 and \$2,164,000 at June 30, 2014 and 2013, respectively.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013, were:

	FY2014				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 5,523,477	\$ 90,900	\$ -	\$ -	\$ 5,614,377
Construction In progress	-	937,680	-	-	937,680
Total capital assets, not being depreciated	<u>5,523,477</u>	<u>1,028,580</u>	<u>-</u>	<u>-</u>	<u>6,552,057</u>
Other capital assets					
Building and improvements	67,564,575	194,624	-	154,080	67,913,279
Land improvements and infrastructure	411,242	-	-	-	411,242
Furniture fixtures and equipment	13,347,275	215,213	73,078	(154,080)	13,335,330
Library materials	6,680,529	364,041	197,275	-	6,847,295
Total other capital assets	<u>88,003,621</u>	<u>773,878</u>	<u>270,353</u>	<u>-</u>	<u>88,507,146</u>
Less accumulated depreciation					
Buildings and improvements	35,973,337	1,663,384	-	73,182	37,709,903
Land improvements and infrastructure	85,323	20,564	-	-	105,887
Furniture fixtures and equipment	8,280,511	1,269,366	67,365	(73,182)	9,409,331
Library materials	5,402,713	406,135	197,275	-	5,611,573
Total accumulated depreciation	<u>49,741,884</u>	<u>3,359,449</u>	<u>264,640</u>	<u>-</u>	<u>52,836,694</u>
Other capital assets, net	<u>38,261,737</u>	<u>(2,585,571)</u>	<u>5,713</u>	<u>-</u>	<u>35,670,452</u>
Total cost of capital assets	93,527,098	1,802,458	270,353	-	95,059,203
Less accumulated depreciation	49,741,884	3,359,449	264,640	-	52,836,693
Capital assets, net	<u>\$ 43,785,214</u>	<u>\$ (1,556,991)</u>	<u>\$ 5,713</u>	<u>\$ -</u>	<u>\$ 42,222,510</u>

	FY2013				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 5,203,335	\$ 320,142	\$ -	\$ -	\$ 5,523,477
Construction In progress	1,636,634	1,765,929	3,402,563	-	-
Total capital assets, not being depreciated	<u>6,839,969</u>	<u>2,086,071</u>	<u>3,402,563</u>	<u>-</u>	<u>5,523,477</u>
Other capital assets					
Building and improvements	67,308,957	255,618	-	-	67,564,575
Land improvements and infrastructure	411,242	-	-	-	411,242
Furniture fixtures and equipment	9,726,734	3,697,195	76,654	-	13,347,275
Library materials	6,480,376	274,559	74,406	-	6,680,529
Total other capital assets	<u>83,927,309</u>	<u>4,227,372</u>	<u>151,060</u>	<u>-</u>	<u>88,003,621</u>
Less accumulated depreciation					
Buildings and improvements	34,260,605	1,712,732	-	-	35,973,337
Land improvements and infrastructure	64,760	20,563	-	-	85,323
Furniture fixtures and equipment	7,513,683	843,483	76,654	-	8,280,512
Library materials	5,091,344	385,775	74,406	-	5,402,713
Total accumulated depreciation	<u>46,930,392</u>	<u>2,962,553</u>	<u>151,060</u>	<u>-</u>	<u>49,741,885</u>
Other capital assets, net	<u>36,996,917</u>	<u>1,264,819</u>	<u>-</u>	<u>-</u>	<u>38,261,736</u>
Total cost of capital assets	90,767,278	6,313,443	3,553,623	-	93,527,098
Less accumulated depreciation	46,930,392	2,962,553	151,060	-	49,741,885
Capital assets, net	<u>\$ 43,836,886</u>	<u>\$ 3,350,890</u>	<u>\$ 3,402,563</u>	<u>\$ -</u>	<u>\$ 43,785,213</u>

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 5: Long-term Liabilities (Continued)

2005 Building Bonds Payable (Continued)

Debt service requirements as of June 30, 2014, on the 2005 Building Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2015	\$ -	\$ 14,875	\$ 14,875
2016	850,000	14,875	864,875
	<u>\$ 850,000</u>	<u>\$ 29,750</u>	<u>\$ 879,750</u>

2013 Building Bonds Payable

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

Debt service requirements as of June 30, 2014, on the 2013 Building Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2015	\$ -	\$ -	\$ -
2016	-	2,399,812	2,399,812
2017	1,690,000	900,775	2,590,775
2018	1,690,000	782,475	2,472,475
2019	1,690,000	664,175	2,354,175
2020-2024	8,450,000	1,894,938	10,344,938
2025-2029	8,460,000	362,950	8,822,950
	<u>\$ 21,980,000</u>	<u>\$ 7,005,125</u>	<u>\$ 28,985,125</u>

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 5: Long-term Liabilities (Continued)

1999/2004 OCIA Lease Payable

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

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 20 years through August 31, 2019, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the years ended June 30, 2014 and 2013, amounted to \$35,785 and \$35,780, respectively. In 2004, the OCIA issued Bond Series 2004A that refunded a significant portion of the 1999A Bonds. Consequently, the amortization of the 1999A bond issue 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.

The schedule principal and interest payments related to the 1999/2004 OCIA lease at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2015	\$ 27,882	\$ 7,858	\$ 35,740
2016	29,222	6,519	35,741
2017	30,657	5,069	35,726
2018	32,192	3,536	35,728
2019	33,771	1,927	35,698
2020	5,673	276	5,949
	<u>\$ 159,397</u>	<u>\$ 25,185</u>	<u>\$ 184,582</u>

2006 OCIA Lease Payable

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 5: Long-term Liabilities (Continued)

2006 OCIA Lease Payable (Continued)

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 30 years through August 31, 2035, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the years ended June 30, 2014 and 2013, amounted to \$912,916 and \$809,965, respectively.

The scheduled principal and interest payments related to the 2006 OCIA lease at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2015	\$ -	\$ 479,596	\$ 479,596
2016	-	480,368	480,368
2017	-	478,324	478,324
2018	-	479,596	479,596
2019	-	479,596	479,596
2020-2024	-	2,398,751	2,398,751
2025-2029	-	2,397,207	2,397,207
2030-2034	8,810,055	1,433,127	10,243,182
	<u>\$ 8,810,055</u>	<u>\$ 8,626,565</u>	<u>\$ 17,436,620</u>

2009 ODFA Lease Payable

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

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid \$57,994 and \$58,126 in principal and interest on these bonds during 2014 and 2013, respectively.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 5: Long-term Liabilities (Continued)

2009 ODFA Lease Payable (Continued)

The scheduled principal and interest payments related to the 2009 ODFA lease at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2015	\$ 45,000	\$ 8,522	\$ 53,522
2016	50,166	7,764	57,930
2017	52,167	6,060	58,227
2018	54,167	4,158	58,325
2019	51,333	2,053	53,386
	<u>\$ 252,833</u>	<u>\$ 28,557</u>	<u>\$ 281,390</u>

Note 6: Retirement Plans

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

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 6: Retirement Plans (Continued)

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

Funding Policy

The authority to define or amend employer contribution rates is given to the OTRS Board of Trustees by Oklahoma Statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma State Legislature. For each of the years ended June 30, 2014, 2013, and 2012, OTRS members were required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active OTRS members. The employer contribution rate was 9.50% for 2014, 2013, and 2012. The College's contributions to OTRS for the years ended June 30, 2014, 2013, and 2012, were approximately \$3,810,000, \$3,698,000, and \$3,621,000, respectively, which equaled to required contributions for the years.

Oklahoma statutes require the state of Oklahoma to contribute to OTRS a defined percentage of the natural and casing head gas tax (the dedicated tax) collected each year. The dedicated tax contribution to OTRS is used toward the College's required fixed percentage contribution. The College recognizes these on-behalf payments made to OTRS by the state of Oklahoma under the provisions of GASB Statement No. 24. These on-behalf payments do not represent a direct or indirect obligation of the College. For the years ended June 30, 2014 and 2013, the total amount contributed to OTRS by the state of Oklahoma on behalf of the College was approximately \$1,304,000 and \$1,295,000, respectively. The on-behalf payment has been recorded as both a nonoperating state appropriation revenue and compensation expense.

Annuity Plan

All eligible employees of the College can elect to participate in a tax-deferred annuity plan (the Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the Plan. Contributions made by the College are subject to annual discretion by the Board of Regents. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for each of the years ended June 30, 2014 and 2013, was 2.5% of an eligible employee's annual base salary (as defined in the plan document). Contributions made by the College during 2014 and 2013 totaled approximately \$393,000 and \$451,000, respectively.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

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 2014 and 2013 to Mid-Del for the cost of providing various technical area educational programs. Such payment from the proceeds of the ad valorem tax levies (*Note 1*) is to be made at an amount which is the lesser of (a) 60% of the net collections from the Mid-Del net valuation for the respective fiscal year or (b) 50% of total collections for the respective fiscal year. For the years ended June 30, 2014 and 2013, the District incurred \$4,476,489 and \$4,378,510, respectively, of non-operating expense related to the support of Mid-Del. At June 30, 2014 and 2013, the District owed to Mid-Del \$710,195 and \$576,983, respectively, which is included in accounts payable.

Note 8: Commitments and Contingencies

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

The College participates in the Direct Student Loan Program (the Program). The Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2014 and 2013, approximately \$8,757,000 and \$11,586,000, respectively, of Program loans were provided to the College's students.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. Management believes that resolution of such matters pending at June 30, 2014, will not have a material adverse impact on the College's financial position.

Note 9: Risk Management

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 10 – Post-Employment Benefit Plans

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

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

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

OKHEEI Group OPEB Plan

A. General Description of the Other Postemployment Benefit Plan

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

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 10 – Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

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

B. Funding Policy

For participating current active employees, the College pays the full premium for employee only coverage, while the employee pays any additional premium for elected dependent coverage through a payroll deduction. For retirees electing to be covered by the defined benefit plan upon retirement, the retiree premiums are paid directly to a third party processor, HealthSmart, through a combination of contributions made by the Teachers Retirement System and personal check or electronic payments made to HealthSmart, by retirees, on a monthly basis. These contributions account for 100% of the OKHEEI Group required premiums and Rose State College does not incur any additional pay-as-you-go cost in regards to these retiree benefits. For the calendar year ending December 31, 2014, the OKHEEI Group required premiums for employee only coverage, consisting of health, dental and vision insurance, ranged from \$449 to \$579 for active employees. Retirees under age 65 pay the same premium for coverage but no funding is provided by the College. For retirees age 65 and over, supplemental Medicare policies are available with monthly premiums ranging from \$224 to \$1,743 depending on elected options and dependant coverage with no funding provided by the College.

C. Funded Status and Funding Progress

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 10 – Post-Employment Benefit Plans (Continued)

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 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 OPEB benefits exist beyond the period of employment other than the OKHEEI Group OPEB Plan, previously discussed, which applies to retirees.

B. Funding Policy and Actuarial Methods and Assumptions

Rose State College has not established a formal trust to advance fund these accrued benefits but funds these OPEB costs on a pay-as-you-go basis. Amounts paid by Rose State College for these post-employment benefits for the last three fiscal years are as follows: 2012 \$49,337, 2013 \$49,024 and 2014 \$51,313.

C. Funded Status and Funding Progress

Actuarial information for this plan as of June 30, 2014, indicates that the present value of future projected benefits under this plan amounts to \$679,116 using a 6.5% discount rate and RP 2000 projected 2020 Table. Because the College has not established a trust or trust equivalent to advance fund these benefits and no plan assets have been irrevocably set aside to pay them, the College continues to fund and report these benefits on a pay-as-you-go basis. The College has determined that the difference between these pay-as-you go costs and the OPEB annual cost and any OPEB obligation as defined by GASB Statement 45 are immaterial; therefore no net OPEB obligation is reported nor is any funding status and funding progress information reported by the College in regards to this plan.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 11 – Service Concession Arrangement

On August 1, 2012, the College entered into an agreement with Follett Higher Education Group (Follett), under which Follett will operate the bookstore for the next 10 years. Follett will pay the College installment payments of \$40,000 per year over the course of the arrangement; the present value of these installment payments is estimated to be \$341,000 as of August 1, 2012. Follett will also pay the College 14 percent of the first \$3 million of annual revenues, 14.5 percent of annual revenues between \$3-4 million, and 15 percent of annual revenues over \$4 million that it earns from the operation of the bookstore. Follett is required to operate and maintain the bookstore in accordance with the contract. The College reports a receivable and deferred inflow of resources in the amount of approximately \$276,000 and \$310,000 at June 30, 2014 and 2013, respectively, pursuant to the service concession arrangement.

Note 12 – Housing Lease and Purchase Agreement

On June 2, 2014, the College entered into an agreement with BCP Commons I, LLC (BCP), under which BCP will build 3 residential apartment buildings and one clubhouse on College property and then lease them to the College. The lease will commence on the later of August 15, 2015 or the date a City of Midwest City occupancy permit is received by BCP for the leased premises. The lease term shall begin on the commencement date and continue through the 2049-2050 fiscal year, subject to annual mutual ratifications by the College and BCP. Base lease payments made by the College to BCP will be \$650,000 annually. In June, the College also made an initial investment in the property by depositing \$1,590,000 into an escrow account.

Note 13 – 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 on the next page.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

As of and for year ended June 30, 2014

	<u>College</u>	<u>District</u>	<u>Total</u>
CONDENSED STATEMENT OF NET POSITION			
ASSETS			
Current assets	\$ 12,538,135	\$ 29,215,984	\$ 41,754,119
Capital assets, net	23,109,228	19,113,282	42,222,510
Other assets	6,328,446	-	6,328,446
Total assets	<u>41,975,809</u>	<u>48,329,266</u>	<u>90,305,075</u>
LIABILITIES			
Current liabilities	3,207,516	1,662,107	4,869,623
Non-current liabilities	9,276,993	23,709,931	32,986,924
Total liabilities	<u>12,484,509</u>	<u>25,372,038</u>	<u>37,856,547</u>
DEFERRED INFLOW	<u>275,810</u>	<u>-</u>	<u>275,810</u>
NET POSITION			
Net investment in capital assets	13,885,664	16,814,861	30,700,525
Restricted	9,794,091	1,227,548	11,021,639
Unrestricted	<u>5,535,735</u>	<u>4,914,819</u>	<u>10,450,554</u>
Total net position	<u>\$ 29,215,490</u>	<u>\$ 22,957,228</u>	<u>\$ 52,172,718</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	\$ 8,945,241	\$ -	\$ 8,945,241
Depreciation	(2,300,753)	(1,058,696)	(3,359,449)
Other operating expenses	(44,007,765)	(2,281,881)	(46,289,646)
Operating loss	<u>(37,363,277)</u>	<u>(3,340,577)</u>	<u>(40,703,854)</u>
Non-operating Revenues (Expenses)			
State appropriations	21,155,784	-	21,155,784
Federal grants	9,227,595	-	9,227,595
State grants	1,287,896	-	1,287,896
OTRS on-behalf contributions	1,304,000	-	1,304,000
Ad valorem taxes	-	9,844,735	9,844,735
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,476,489)	(4,476,489)
Investment revenue	139,877	23,550	163,427
Interest on capital asset-related debt	(499,192)	(939,006)	(1,438,198)
Capital appropriations - state	628,735	-	628,735
OCIA debt services on-behalf payments	948,701	-	948,701
Transfers from (to)	162,444	(162,444)	-
Change in net position	<u>(3,007,437)</u>	<u>949,769</u>	<u>(2,057,668)</u>
Beginning net position	32,222,927	22,007,459	54,230,386
Ending net position	<u>\$ 29,215,490</u>	<u>\$ 22,957,228</u>	<u>\$ 52,172,718</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ (32,036,389)	\$ (1,688,918)	\$ (33,725,307)
Noncapital financing activities	31,833,719	4,464,143	36,297,862
Capital and related financing activities	(1,614,291)	20,322,543	18,708,252
Investing activities	<u>140,584</u>	<u>23,550</u>	<u>164,134</u>
Net increase (decrease)	<u>(1,676,377)</u>	<u>23,121,318</u>	<u>21,444,941</u>
Cash and Cash Equivalents, Beginning of Year	17,230,472	5,768,084	22,998,556
Cash and Cash Equivalents, End of Year	<u>\$ 15,554,095</u>	<u>\$ 28,889,402</u>	<u>\$ 44,443,497</u>

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

As of and for year ended June 30, 2013

	<u>College</u>	<u>District</u>	<u>Total</u>
CONDENSED STATEMENT OF NET POSITION			
ASSETS			
Current assets	\$ 18,453,612	\$ 6,118,221	\$ 24,571,833
Capital assets, net	24,820,662	18,964,551	43,785,213
Other assets	933,557	-	933,557
Total assets	<u>44,207,831</u>	<u>25,082,772</u>	<u>69,290,603</u>
LIABILITIES			
Current liabilities	1,887,442	1,375,313	3,262,755
Non-current liabilities	9,787,531	1,700,000	11,487,531
Total liabilities	<u>11,674,973</u>	<u>3,075,313</u>	<u>14,750,286</u>
DEFERRED INFLOW	<u>309,931</u>	-	<u>309,931</u>
NET POSITION			
Net investment in capital assets	15,089,595	17,264,551	32,354,146
Restricted	5,847,351	1,033,737	6,881,088
Unrestricted	<u>11,285,981</u>	<u>3,709,171</u>	<u>14,995,152</u>
Total net position	<u>\$ 32,222,927</u>	<u>\$ 22,007,459</u>	<u>\$ 54,230,386</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating Revenues	\$ 8,742,833	\$ -	\$ 8,742,833
Depreciation	(1,907,794)	(1,054,759)	(2,962,553)
Other operating expenses	(43,310,304)	(2,134,556)	(45,444,860)
Operating loss	<u>(36,475,265)</u>	<u>(3,189,315)</u>	<u>(39,664,580)</u>
Non-operating Revenues (Expenses)			
State appropriations	20,864,583	-	20,864,583
Federal grants	11,725,693	-	11,725,693
State grants	1,339,305	-	1,339,305
OTRS on-behalf contributions	1,295,000	-	1,295,000
Ad valorem taxes	-	9,773,961	9,773,961
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,378,510)	(4,378,510)
Miscellaneous revenue	-	5,650	5,650
Investment revenue	246,152	9,475	255,627
Interest on capital asset-related debt	(490,049)	(87,550)	(577,599)
Capital appropriations - state	628,735	-	628,735
OCIA debt services on-behalf payments	845,745	-	845,745
Transfers from (to)	<u>1,358,126</u>	<u>(1,358,126)</u>	<u>-</u>
Change in net position	1,338,025	775,585	2,113,610
Beginning net position	<u>30,884,902</u>	<u>21,231,874</u>	<u>52,116,776</u>
Ending net position	<u>\$ 32,222,927</u>	<u>\$ 22,007,459</u>	<u>\$ 54,230,386</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ (33,494,638)	\$ (2,168,685)	\$ (35,663,323)
Noncapital financing activities	35,287,707	2,796,887	38,084,594
Capital and related financing activities	(1,664,690)	(250,148)	(1,914,838)
Investing activities	<u>233,327</u>	<u>9,475</u>	<u>242,802</u>
Net increase	361,706	387,529	749,235
Cash and Cash Equivalents, Beginning of Year	16,868,766	5,380,555	22,249,321
Cash and Cash Equivalents, End of Year	<u>\$ 17,230,472</u>	<u>\$ 5,768,084</u>	<u>\$ 22,998,556</u>

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc.

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

Nature of Operations

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

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

Funds Held by Oklahoma State Regents' Endowment Trust

The Foundation has invested through the Oklahoma State Regents' Endowment Trust various funds donated or raised for specific temporarily or permanently restricted donor-imposed purposes or internally designated unrestricted purposes. The State Regents maintain the Foundation's invested funds in pooled investments and may, at its discretion, provide matching funds to be invested. The Foundation has access to its invested funds and related earnings thereon, but does not have access to the State Regents' matched funds and thus, the matched funds are not reflected on the Foundation's financial statements. At June 30, 2014 and 2013, matching funds held by the State Regents were approximately \$1,934,000 and \$1,827,000. The earnings from the Foundation's invested funds and any State Regents' matching funds are available for annual distribution to the College for the specified restricted purposes. During 2014 and 2013, the College received approximately \$0 and \$88,000, respectively in distributions from the earnings on these funds.

Investments and Investment Return

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

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

Collections

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

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

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 organizations described in Section 501(c)(3), qualify 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

Note B – Investment Return

Total investment return is comprised of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividends	\$ 16,438	\$ 13,136
Net realized and unrealized gain	174,465	124,314
Less investment management and custodial fees	(3,616)	(3,563)
	\$ 187,287	\$ 133,887

Note C – Fair Value Measurements and Disclosures

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

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

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

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

Note C – Fair Value Measurements and Disclosures (Continued)

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.

A portion of the Foundation's investment assets are classified within Level 1 because they are comprised of equity securities and mutual funds with readily determinable fair values based on closing market prices and daily redemption values. The Foundation also invests in Commonfund, a fund traded in the financial markets. That fund is valued by the custodian of the fund using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and is classified within Level 2. There are no investments considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis, at June 30, 2014 and 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2014</u>				
<u>Assets</u>				
<u>Investments:</u>				
Commonfund securities				
Fixed income	\$ 84,416	\$ -	\$ 84,416	\$ -
Equity	965,462	-	965,462	-
	<u>\$ 1,049,878</u>	<u>\$ -</u>	<u>\$ 1,049,878</u>	<u>\$ -</u>
<u>June 30, 2013</u>				
<u>Assets</u>				
<u>Investments:</u>				
Commonfund securities				
Fixed income	\$ 79,553	\$ -	\$ 79,553	\$ -
Equity	713,842	-	713,842	-
	<u>\$ 793,395</u>	<u>\$ -</u>	<u>\$ 793,395</u>	<u>\$ -</u>

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

Note D – Historical Properties

Historical properties consists of the following at June 30, 2014 and 2013:

	2014	2013
Atkinson Historical Center	\$ 1,400,000	\$ 1,400,000
Atkinson Land	850,000	850,000
Artwork - Sculpture	7,000	7,000
	\$ 2,257,000	\$ 2,257,000

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

Note E – Restricted Net Assets/Position

Temporarily Restricted

Temporarily restricted net assets at June 30, 2014 and 2013, consist of funds restricted by donors for scholarships in the amounts of \$820,193 and \$631,621, respectively.

Net assets released from restrictions related to scholarships were \$64,181 and \$54,011 in 2014 and 2013, respectively.

Permanently Restricted

Permanently restricted net assets consist of endowment funds restricted by donors, the Atkinson Heritage Center property of \$2.25 million, and artwork of \$7,000. Earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Foundation. The permanently restricted net asset balances, classified by restriction on the use of earnings, are investments in perpetuity, the income of which is expendable to support scholarships and are approximately \$485,000 and \$453,000 as of June 30, 2014 and 2013, respectively.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

Note F - Functionalized Expenses

Total expenses by function were as follows for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Scholarships and awards	\$ 200,311	\$ 134,123
Total program expenses	<u>\$ 200,311</u>	<u>\$ 134,123</u>
Management and general (includes investment management fees of \$3,616 and \$3,563 in 2014 and 2013, respectively)	\$ 130,539	\$ 193,215
Fundraising and development (includes cost of direct benefits to donors of \$6,352 and \$18,202 in 2014 and 2013, respectively)	<u>6,352</u>	<u>23,660</u>
Total functionalized expenses	<u>\$ 337,202</u>	<u>\$ 350,998</u>

Note G – Related Party Transactions

The Foundation and the College are related parties that are not financially interrelated organizations. The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. The Foundation's contributions to the College during the year ended June 30, 2014 and 2013 are reported in the Foundation's financial statements as scholarships, awards, and programs of \$200,311 and \$134,123, respectively. At June 30, 2014 and 2013, the Foundation had scholarship, awards and programs payable to the College of \$78,500 and \$34,000.

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 2014 and 2013, 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 2014 and 2013, approximately \$81,000 and \$153,000, respectively, 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.

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

Note G – Related Party Transactions (Continued)

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

Note H – Endowments

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

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

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

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

Note H – Endowments (Continued)

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

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

Rose State College
Notes to Financial Statements
June 30, 2014 and 2013

Note 14 – Rose State College Foundation, Inc. (Continued)

Note H – Endowments (Continued)

Changes in Endowment Net Position for the year ending June 30, 2014 and 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2014</u>				
Endowment net assets, beginning of year	\$ (147,459)	\$ -	\$ 453,625	\$ 306,166
Investment earnings (losses)				
Investment income, net of fees	-	5,199	-	5,199
Net realized and unrealized gain	-	63,774	-	63,774
	<u>-</u>	<u>68,973</u>	<u>-</u>	<u>68,973</u>
Contributions	-	-	30,997	30,997
Recovery of deficiency in original fair value of permanently restricted funds below fair value	<u>138,105</u>	<u>(68,973)</u>	<u>-</u>	<u>69,132</u>
Endowment net assets, end of year	<u>\$ (9,354)</u>	<u>\$ -</u>	<u>\$ 484,622</u>	<u>\$ 475,268</u>
<u>June 30, 2013</u>				
Endowment net assets, beginning of year	\$ (164,249)	\$ -	\$ 452,077	\$ 287,828
Investment earnings (losses)				
Investment income, net of fees	-	4,744	-	4,744
Net realized and unrealized gain	-	38,594	-	38,594
	<u>-</u>	<u>43,338</u>	<u>-</u>	<u>43,338</u>
Contributions	-	-	1,548	1,548
Distribution of endowment earnings	(26,548)	-	-	(26,548)
Recovery of deficiency in original fair value of permanently restricted funds below fair value	<u>43,338</u>	<u>(43,338)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (147,459)</u>	<u>\$ -</u>	<u>\$ 453,625</u>	<u>\$ 306,166</u>

Supplementary Information

Rose State College
Combining Schedule of Net Position
June 30, 2014

	<u>College</u>	<u>District</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,057,338	\$ 6,250,344	\$ 17,307,682
Restricted:			
Cash and cash equivalents	-	22,639,058	22,639,058
Accounts receivable, net	1,163,593	24,366	1,187,959
Federal and state grants receivable	305,086	-	305,086
Delinquent ad valorem property taxes receivable	-	296,000	296,000
Accrued interest receivable	12,118	-	12,118
Prepaid expenses	-	6,216	6,216
Total current assets	<u>12,538,135</u>	<u>29,215,984</u>	<u>41,754,119</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	4,496,757	-	4,496,757
Accounts receivable	241,689	-	241,689
Deposits held in escrow	1,590,000	-	1,590,000
Capital assets, net	<u>23,109,228</u>	<u>19,113,282</u>	<u>42,222,510</u>
Total non-current assets	<u>29,437,674</u>	<u>19,113,282</u>	<u>48,550,956</u>
Total assets	<u>41,975,809</u>	<u>48,329,266</u>	<u>90,305,075</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	1,415,546	1,662,107	3,077,653
Accrued compensated absences	908,036	-	908,036
Unearned revenue	587,789	-	587,789
Current maturities of long-term debt	73,134	-	73,134
Deposits held in custody for others	223,011	-	223,011
Total current liabilities	<u>3,207,516</u>	<u>1,662,107</u>	<u>4,869,623</u>
Non-current liabilities:			
Interest payable	-	879,931	879,931
Accrued compensated absences	126,563	-	126,563
Long-term debt	<u>9,150,430</u>	<u>22,830,000</u>	<u>31,980,430</u>
Total non-current liabilities	<u>9,276,993</u>	<u>23,709,931</u>	<u>32,986,924</u>
Total liabilities	<u>12,484,509</u>	<u>25,372,038</u>	<u>37,856,547</u>
DEFERRED INFLOWS			
Bookstore service concession arrangement	<u>275,810</u>	<u>-</u>	<u>275,810</u>
NET POSITION			
Net investment in capital assets	13,885,664	16,814,861	30,700,525
Restricted expendable for:			
Scholarships	5,297,334	-	5,297,334
Loans	5,482	-	5,482
Capital projects	3,951,081	1,186,748	5,137,829
Debt service	540,194	40,800	580,994
Unrestricted	<u>5,535,735</u>	<u>4,914,819</u>	<u>10,450,554</u>
Total net position	<u>\$ 29,215,490</u>	<u>\$ 22,957,228</u>	<u>\$ 52,172,718</u>

Rose State College
Combining Schedule of Net Position
June 30, 2013

	<u>College</u>	<u>District</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,572,725	\$ 4,294,747	\$ 20,867,472
Restricted:			
Cash and cash equivalents	-	1,473,337	1,473,337
Accounts receivable, net	1,167,855	43,140	1,210,995
Federal and state grants receivable	700,207	-	700,207
Delinquent ad valorem property taxes receivable	-	301,000	301,000
Accrued interest receivable	12,825	-	12,825
Prepaid expenses	-	5,997	5,997
Total current assets	<u>18,453,612</u>	<u>6,118,221</u>	<u>24,571,833</u>
Non-current assets:			
Restricted:			
Cash and cash equivalents	657,747	-	657,747
Accounts receivable	275,810	-	275,810
Capital assets, net	24,820,662	18,964,551	43,785,213
Total non-current assets	<u>25,754,219</u>	<u>18,964,551</u>	<u>44,718,770</u>
Total assets	<u>44,207,831</u>	<u>25,082,772</u>	<u>69,290,603</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	324,987	935,713	1,260,700
Accrued compensated absences	832,285	-	832,285
Unearned revenue	415,617	-	415,617
Current maturities of long-term debt	70,099	-	70,099
Deposits held pending bond issuance	-	439,600	439,600
Deposits held in custody for others	244,454	-	244,454
Total current liabilities	<u>1,887,442</u>	<u>1,375,313</u>	<u>3,262,755</u>
Non-current liabilities:			
Accrued compensated absences	126,563	-	126,563
Long-term debt	9,660,968	1,700,000	11,360,968
Total non-current liabilities	<u>9,787,531</u>	<u>1,700,000</u>	<u>11,487,531</u>
Total liabilities	<u>11,674,973</u>	<u>3,075,313</u>	<u>14,750,286</u>
DEFERRED INFLOWS			
Bookstore service concession arrangement	<u>309,931</u>	-	<u>309,931</u>
NET POSITION			
Net investment in capital assets	15,089,595	17,264,551	32,354,146
Restricted expendable for:			
Scholarships	5,189,604	-	5,189,604
Loans	5,351	-	5,351
Capital projects	113,411	982,251	1,095,662
Debt service	538,985	51,486	590,471
Unrestricted	<u>11,285,981</u>	<u>3,709,171</u>	<u>14,995,152</u>
Total net position	<u>\$ 32,222,927</u>	<u>\$ 22,007,459</u>	<u>\$ 54,230,386</u>

Rose State College
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

	<u>College</u>	<u>District</u>	<u>Total</u>
Operating Revenues			
Tuition and fees, net	\$ 4,424,229	\$ -	\$ 4,424,229
Federal grants and contracts	2,141,477	-	2,141,477
State and private grants and contracts	210,739	-	210,739
Sales and services of auxiliary enterprises, net	1,893,678	-	1,893,678
Other operating revenues	275,118	-	275,118
Total operating revenues	<u>8,945,241</u>	<u>-</u>	<u>8,945,241</u>
Operating Expenses			
Compensation and benefits	31,980,023	-	31,980,023
Contractual services	2,795,842	625,638	3,421,480
Supplies and materials	3,090,520	198,173	3,288,693
Scholarships and fellowships	4,170,603	-	4,170,603
Communications	130,431	-	130,431
Depreciation	2,300,753	1,058,696	3,359,449
Utilities	560,340	617,298	1,177,638
Other	1,280,006	840,772	2,120,778
Total Operating Expenses	<u>46,308,518</u>	<u>3,340,577</u>	<u>49,649,095</u>
Operating loss	<u>(37,363,277)</u>	<u>(3,340,577)</u>	<u>(40,703,854)</u>
Non-operating Revenues (Expenses)			
State appropriations	21,155,784	-	21,155,784
Federal grants	9,227,595	-	9,227,595
State grants	1,287,896	-	1,287,896
OTRS on-behalf contributions	1,304,000	-	1,304,000
Ad valorem taxes	-	9,844,735	9,844,735
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,476,489)	(4,476,489)
Investment revenue	139,877	23,550	163,427
Interest on capital asset-related debt	(499,192)	(939,006)	(1,438,198)
Net non-operating revenue	<u>32,615,960</u>	<u>4,452,790</u>	<u>37,068,750</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	<u>(4,747,317)</u>	<u>1,112,213</u>	<u>(3,635,104)</u>
Capital appropriations - state	628,735	-	628,735
OCIA debt services on-behalf payments	948,701	-	948,701
Transfers from (to)	162,444	(162,444)	-
Increase (decrease) in Net Position	<u>(3,007,437)</u>	<u>949,769</u>	<u>(2,057,668)</u>
Net Position, Beginning of Year	<u>32,222,927</u>	<u>22,007,459</u>	<u>54,230,386</u>
Net Position, End of Year	<u>\$ 29,215,490</u>	<u>\$ 22,957,228</u>	<u>\$ 52,172,718</u>

Rose State College
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2013

	<u>College</u>	<u>District</u>	<u>Total</u>
Operating Revenues			
Tuition and fees, net	\$ 4,907,988	\$ -	\$ 4,907,988
Federal grants and contracts	1,112,939	-	1,112,939
State and private grants and contracts	187,089	-	187,089
Sales and services of auxiliary enterprises, net	2,340,082	-	2,340,082
Other operating revenues	194,735	-	194,735
Total operating revenues	<u>8,742,833</u>	<u>-</u>	<u>8,742,833</u>
Operating Expenses			
Compensation and benefits	31,391,649	-	31,391,649
Contractual services	2,791,116	411,584	3,202,700
Supplies and materials	3,855,975	304,831	4,160,806
Scholarships and fellowships	3,754,290	-	3,754,290
Communications	119,355	-	119,355
Depreciation	1,907,794	1,054,759	2,962,553
Utilities	521,969	650,511	1,172,480
Other	875,950	767,630	1,643,580
Total Operating Expenses	<u>45,218,098</u>	<u>3,189,315</u>	<u>48,407,413</u>
Operating loss	<u>(36,475,265)</u>	<u>(3,189,315)</u>	<u>(39,664,580)</u>
Non-operating Revenues (Expenses)			
State appropriations	20,864,583	-	20,864,583
Federal grants	11,725,693	-	11,725,693
State grants	1,339,305	-	1,339,305
OTRS on-behalf contributions	1,295,000	-	1,295,000
Ad valorem taxes	-	9,773,961	9,773,961
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,378,510)	(4,378,510)
Miscellaneous revenue	-	5,650	5,650
Investment revenue	246,152	9,475	255,627
Interest on capital asset-related debt	(490,049)	(87,550)	(577,599)
Net non-operating revenue	<u>34,980,684</u>	<u>5,323,026</u>	<u>40,303,710</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(1,494,581)	2,133,711	639,130
Capital appropriations - state	628,735	-	628,735
OCIA debt services on-behalf payments	845,745	-	845,745
Transfers from (to)	1,358,126	(1,358,126)	-
Increase in Net Position	1,338,025	775,585	2,113,610
Net Position, Beginning of Year	<u>30,884,902</u>	<u>21,231,874</u>	<u>52,116,776</u>
Net Position, End of Year	<u>\$ 32,222,927</u>	<u>\$ 22,007,459</u>	<u>\$ 54,230,386</u>

Rose State College
Statements of Revenues and Expenses – Student Center System
Years Ended June 30, 2014 and 2013

	2014	2013
Revenues		
Follett Earned Commissions	\$ 330,209	\$ 366,740
Follett Book & Supply Charge Reimbursement	1,159,812	1,437,810
Student Center Fee	425,547	462,245
Auxiliary Services	80,648	89,039
Total Revenues	1,996,216	2,355,834
 Expenses		
Follett Book & Supply Charges	1,113,639	1,398,066
Salaries and Benefits	187,660	189,298
General, Administrative and Other	405,122	449,684
Depreciation	50,301	116,818
Total Expenses	1,756,722	2,153,866
 Revenues in Excess of Expenses	 \$ 239,494	 \$ 201,968



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

The Board of Regents
Rose State College
Midwest City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rose State College (the College) and the discretely presented component unit of Rose State College Foundation, Inc., as of and for the year ended June 30, 2014, and the related notes to the financial statements for the year then ended, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
December 8, 2014



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

The Board of Regents
Rose State College
Midwest City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Rose State College's (the College) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on Rose State College's major federal program for the year ended June 30, 2014. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the College's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on its 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 its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Oklahoma City, Oklahoma
December 8, 2014

Rose State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Project Number</u>	<u>Federal Grant Expenditures</u>
U.S. Department of Education			
Direct Programs			
Student Financial Aid Cluster:			
Pell Grant Program	84.063 *	N/A	\$ 9,904,559
Federal Work-Study Program	84.033 *	N/A	164,211
Direct Loan Program	84.268 *	N/A	8,756,823
Supplemental Education Opportunity Grants Program	84.007 *	N/A	193,300
Total Student Financial Aid Cluster			<u>19,018,893</u>
TRIO - Student Support Services	84.042A	N/A	<u>199,588</u>
Passed Through Oklahoma State Department of Technology			
Carl Perkins	84.048	(1)	<u>118,793</u>
Passed Through Oklahoma State Regents for Higher Education			
College Access Challenge Grant	84.378	(1)	27,425
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	(1)	<u>51,579</u>
			<u>79,004</u>
Total U.S. Department of Education			<u>19,416,278</u>
U.S. Department of Health and Human Services			
Passed Through Oklahoma State Regents for Higher Education			
Scholars for Excellence in Child Care	93.575	(1)	83,948
Temporary Assistance for Needy Families (TANF)	93.558	(1)	<u>237,094</u>
			<u>321,042</u>
Passed Through East Central University			
Bridges to the Baccalaureate Degree	93.859	(1)	<u>4,661</u>
Passed Through Oklahoma Department of Human Services			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	<u>199,176</u>
Total U.S. Department of Health and Human Services			<u>524,879</u>
U.S. Department of Labor			
Passed Through Oklahoma City Community College			
TAACCCT Oklahoma Works	17.282	(1)	<u>50,560</u>
Total U.S. Department of Labor			<u>50,560</u>

Rose State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Project Number</u>	<u>Federal Grant Expenditures</u>
National Science Foundation			
Direct Programs			
Cyber Security Education Consortium OCIAFE	47.076	N/A	<u>103,457</u>
Passed Through Tulsa University			
Cyber Security Education Consortium OCIAFE	47.076	(1)	<u>4,287</u>
Total National Science Foundation			<u>107,744</u>
Institute of Museums and Libraries			
Direct Programs			
Information Matrix Camp	45.313	N/A	<u>16,912</u>
Total Institute of Museums and Libraries			<u>16,912</u>
U.S. Small Business Administration			
Passed Through Southeastern Oklahoma State University			
Oklahoma Small Business Development Centers	59.037	(1)	<u>61,568</u>
Total U.S. Small Business Administration			<u>61,568</u>
U.S. Environmental Protection Agency			
Direct Program			
Environmental Workforce Development and Job Training	66.815	(1)	<u>37,494</u>
Total U.S. Environmental Protection Agency			<u>37,494</u>
U.S. Department of Transportation			
Direct Programs			
National Summer Transportation Institute	20.215	N/A	<u>25,543</u>
Total U.S. Department of Transportation			<u>25,543</u>
Total Federal Awards			<u>\$ 20,240,978</u>

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

* Denotes major program cluster

Rose State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1: Summary of Significant Accounting Policies

This schedule includes the federal awards activity of Rose State College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Subrecipients

Rose State College provided no federal awards to subrecipients.

Rose State College
Schedule of Findings and Questioned Costs
June 30, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

<u>Name of Federal Program or Cluster</u>	<u>CFDA number</u>
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Student Financial Aid Cluster	84.063, 84.007, 84.033, 84.268
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Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
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Auditee qualified as low-risk auditee	No
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Rose State College
Schedule of Findings and Questioned Costs
June 30, 2014

Section II – Findings Relating to the Financial Statements

None.

Section III – Findings and Questioned Costs for Major Federal Awards

2014-001 Direct Program from U.S. Department of Education
Student Financial Aid Cluster (CFDA #'s 84.007, 84.033, 84.268, 84.063)

Criteria: The institution must notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to ED; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement.

The notification requirement for loan funds applies only if the funds are disbursed by EFT payment or master check (34 CFR section 668.165).

Institutions that implement an affirmative confirmation process (as described in 34 CFR section 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan, FPL funds, or TEACH Grants. Institutions that do not implement an affirmative confirmation process must notify a student no earlier than 30 days before, but no later than 7 days after, crediting the student's account and must give the student 30 days (instead of 14) to cancel all or part of the loan.

Condition: Current procedures do not allow for a written communication at the time the loan is disbursed of the student's or parent's right to cancel all or a portion of the related loans and the related times and procedures to cancel those loans. It should be noted that communication of such rights does occur prior to loan disbursements.

Questioned costs:
None

Effect: Without proper notification of rights to cancellation and related deadlines and procedures of those cancellations, students and/or parents may not be aware of such rights and how to proceed with those rights that they are entitled to.

Rose State College
Schedule of Findings and Questioned Costs
June 30, 2014
(continued)

Cause: Current procedures are not designed to communicate rights to cancel loans and the procedures and required timelines if students and/or parents chose to cancel loans.

Context: 23 items in our sample of 40 students did not have this communication occur at the time required by federal regulations.

Recommendation:
We recommend that procedures be designed so that the proper and timely communications to students regarding loan cancellation processes.

Management's Response:
Management concurs with the finding. The Financial Aid Office, in the past, has provided notification and information, required by regulation, to students and parents prior to disbursement of the loan rather than at the time of the loan disbursement.

The Financial Aid Office has modified the process of providing notification to borrowers, in full compliance with federal regulations, and will have the modification fully implemented and in use beginning with the Spring 2015 semester.

Rose State College
Summary Schedule of Prior Audit Findings
June 30, 2013

No compliance findings in FY2013 audit.