Financial Statements
With Independent Auditors Report
June 30, 2015

Rose State College

Rose State College
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EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Regents
Rose State College
Midwest City, Oklahoma

Report on the Financial Statements
We have audited the accompanying financial statements of Rose State College (the College) and the discretely presented component unit of Rose State College Foundation, Inc. as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material 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, we 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, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 6 to the financial statements, the College has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 December 2, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 2, 2015

Rose State College
A Component Unit of the State of Oklahoma
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

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, 2015. 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 footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

These statements reflect the implementation of GASB statements 68, 69 and 71 all dealing with the accounting and presentation of pension plans. For the College, this required the presentation of the unfunded liability of the Oklahoma Teachers Retirement System (OTRS). Fiscal 2015 financial statement information reflects these implementations, however, the fiscal 2014 information has not been restated to reflect these implementations because the required information was not available from OTRS. In some instances, this will make direct comparison between fiscal 2015 and fiscal 2014 information meaningless. While these implementations have had a heavy impact on the statements, management does not believe that it indicates a true negative impact on the financial condition of the institution.

Using This Annual Report

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

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the operation of the College. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The College's net position - the difference between assets, liabilities and deferred inflows and deferred outflows - is one way to measure the College's financial health or financial condition. As discussed above, the implementation of GASB statements 68, 69 and 71 has impacted the College's fiscal 2015 statements. Information for fiscal 2014 has not been restated to reflect the implementations. The reader will also need to consider other non-financial factors, such as the quality of applicants, enrollment trends, student retention, accreditation status, the condition of buildings, academic programming changes and the safety of the campus in assessing the overall health of the institution.

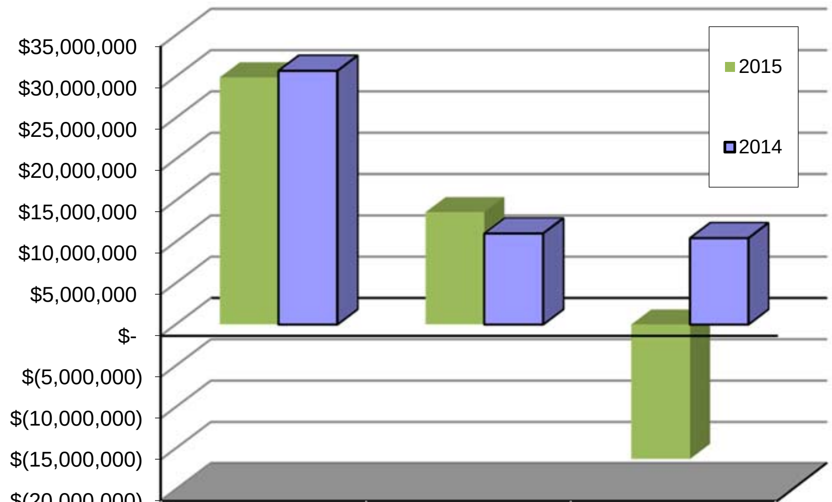
These statements report all assets and liabilities at current values except for capital assets which are reported at historical costs less accumulated depreciation. All of the current year's revenues and expenses are reported using the accrual basis of accounting.

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

Financial Highlights

Total Net Position

This chart provides a graphical breakdown of net position by category for the fiscal years ending June 30, 2015 and 2014.



	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position
2015	$29,905,919	$13,589,798	($16,269,719)
2014	$30,700,525	$11,021,639	$10,450,554

At June 30, 2015, the College's net position decreased to $27.2 million from $52.2 million in fiscal 2014, a decrease of $25.0 million, largely because of the net effect of GASB implementations on the presentation of pension liabilities. Without the GASB implementation, Net Position would have increased by $6.6 million as a result of decreased operating expenses and an increase in ad valorem tax collections dedicated to the sinking fund for upcoming payment of bond interest. The effect of the GASB implementations was a decrease in net position of $31.5 million resulting from the recognition of Net Pension Liabilities of $26.7 million partially offset by the contributions made by the college for its employees during fiscal year 2015 of $3.8 million as a deferred outflow. It is the management's feeling that the GASB implementations and negative unrestricted asset balance are not an indication of declining financial condition of the College.

The net effect of implementation of GASB 68 is shown on the following table:

Effect of GASB 68 Implementation:	FY 2015	FY 2014
Net position, beginning as previously reported	$ 52,172,718	52,172,718
Cumulative effect of GASB 68 implementation	(31,540,564)	-
Net position, beginning (restated)	$ 20,632,154	52,172,718
Change to net position from FY15 activities	6,593,844	-
Net position, ending	$ 27,225,998	$ 52,172,718

Operating Result

Total College revenues for fiscal 2015 increased to $56.4 million, an increase of $2.9 million or 5.5% in aggregate compared to fiscal 2014 revenues of $53.5 million for all categories.

- Operating revenue for fiscal 2015 decreased by $427 thousand as a result of decreased enrollment, decreased grant activities and lower contract training revenue.

- Non-Operating Revenue increased by $4.2 million or 9.8% compared to fiscal 2014. Driving the increase is the ad valorem tax collections increase of $2.0 million in the Tech District's sinking fund which is dedicated to the initial interest payment on the 2013 bond series debt. Also, federal and state grants related to student financial aid increased $1.9 million.

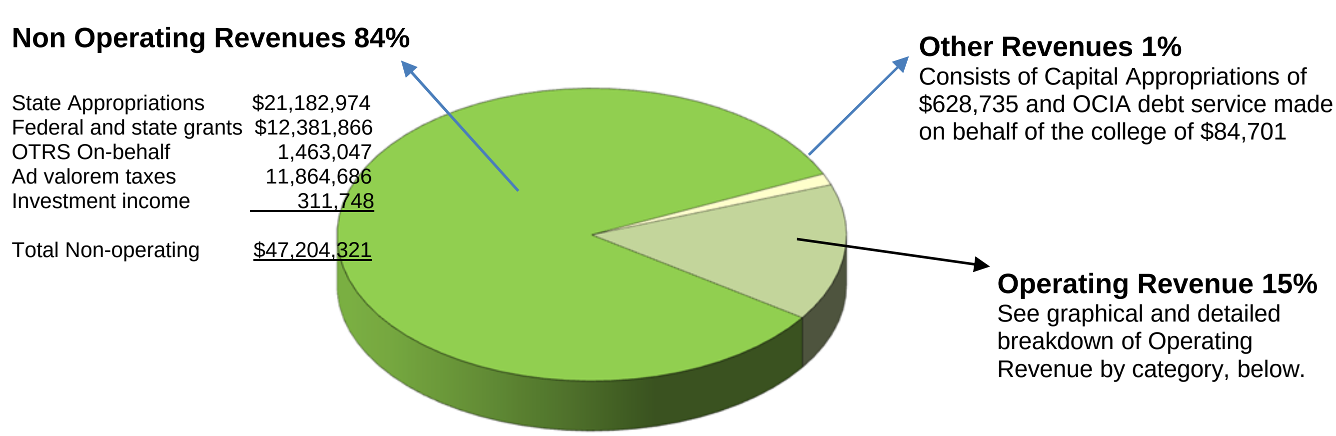
- Other Revenue consists of capital appropriations and Oklahoma Capital Improvement Authority debt service made on behalf of the college for bond proceeds used for capital improvements and the Health Sciences building. These on behalf payments require no cash outlay by the college thus the college recognizes the on behalf payments as revenue. In fiscal 2015 the OCIA bonds were refinanced to take advantage of lower interest rates and extended terms. As a result, in fiscal 2015 only $84 thousand of on behalf payments were recorded as compared to $949 thousand of on behalf payments in fiscal 2014. This resulted in a reduction of recognized revenue of $864 thousand for fiscal 2015.

The following tables and charts present total and operating revenues by category followed by a presentation of total expenses by category for the fiscal years ending June 30, 2015 and 2014.

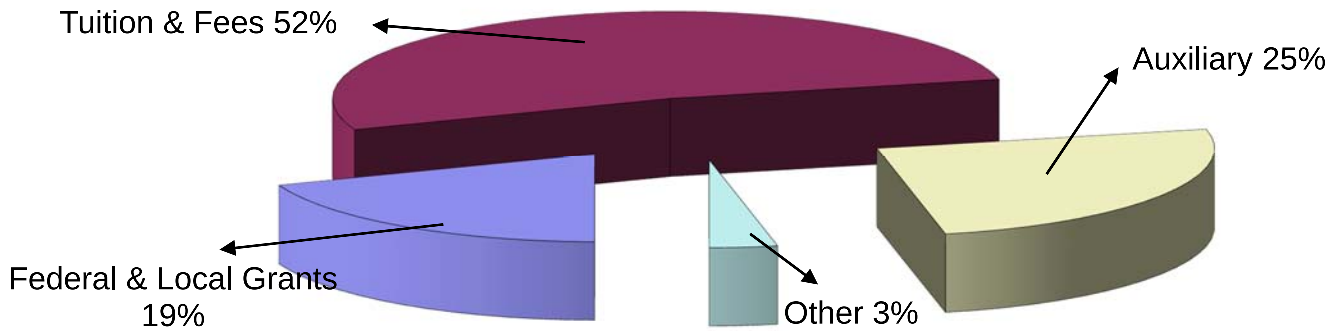
Total Revenues by Category FY15 Detail

Revenue Category	2015	2014	Change F/14 to 15	Percent Change
Operating Revenues	$ 8,518,269	$ 8,945,241	$ (426,972)	(4.8%)
Non-Operating Revenues	47,204,321	42,983,437	4,220,884	9.8%
Other Revenues	713,436	1,577,436	(864,000)	(54.8%)
Total Revenues	$ 56,436,026	$ 53,506,114	$ 2,929,912	5.5%

Total Revenues by Category FY15 Graph



Operating Revenue by Category FY15 -- graph and detail table



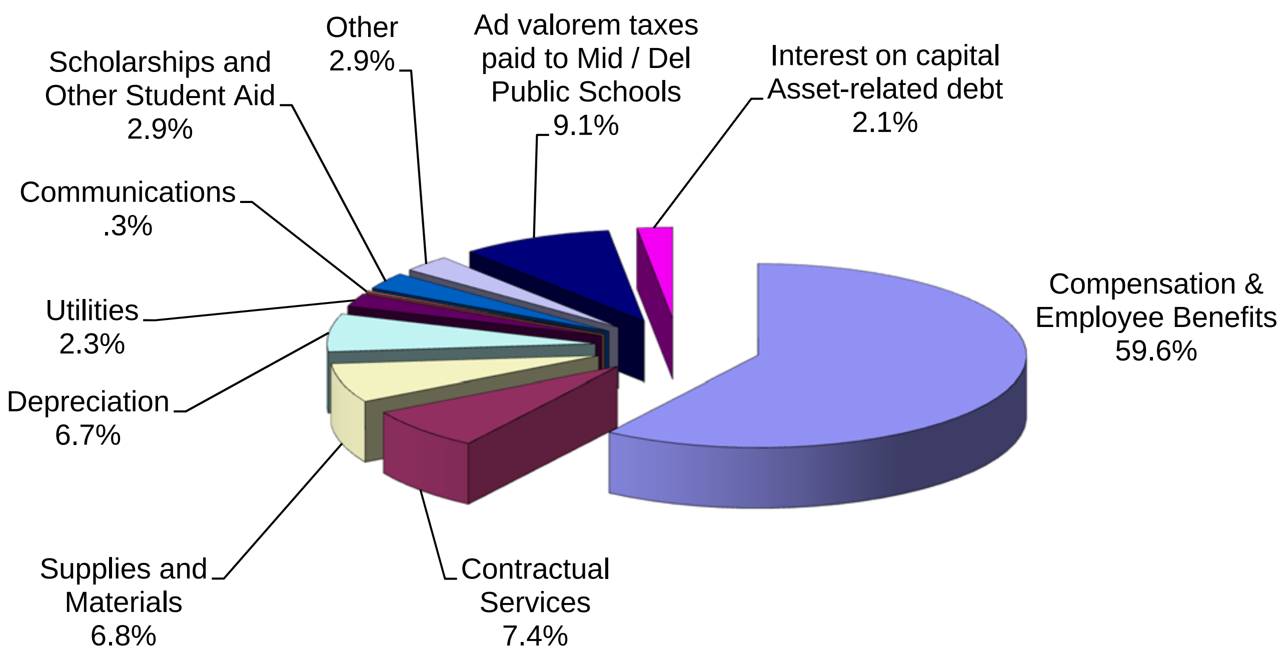
Operating Revenue Category	2015	2014	Change F/14 To F/15	Percent Change
Federal & Local Grants	$ 1,634,839	$ 2,352,216	$ (717,377)	(30.5%)
Tuition & Fees	4,452,612	4,424,229	28,383	0.6%
Auxiliary	2,155,101	1,893,678	261,423	13.8%
Other	275,716	275,118	598	.2%
Total Operating Rev.	$ 8,518,268	$ 8,945,241	$ (426,973)	(4.8%)

Total Expenses by Category

Total recognized expenses of the College for fiscal 2015 were $49.8 million, a decrease of $5.7 million or 10.3% compared to fiscal 2014 expenses of $55.6 million. A direct comparison of fiscal 2015 and fiscal 2014 results is not appropriate because of the effect of GASB implementations. These implementations affect the fiscal 2015 statements but fiscal 2014 information has not been restated. However, the following graph may be useful in understanding the distribution of expenditures by the College. The following table shows changes by category but this should be only be gauged by reading the more detailed Statement of

Revenues, Expenses and Changes in Net Position presentation and discussion below along with the other financial statements and footnotes.

Total Expenses by Category - graph and detail table



Total Expenses by Category	2015	2014	Increase (Decrease) F/14 to F/15	Percent Change
Compensation & Employee Benefits	$29,697,418	$31,980,023	(2,282,605)	(7.1%)
Contractual Services	3,679,655	3,421,480	258,175	7.6%
Supplies and Materials	3,374,483	3,288,693	85,790	2.6%
Depreciation	3,315,188	3,359,449	(44,261)	(1.3%)
Utilities	1,140,910	1,177,638	(36,728)	(3.1%)
Communications	128,820	130,431	(1,611)	(1.2%)
Scholarships and Other Student Aid	1,467,402	4,170,603	(2,703,201)	(64.8%)
Other	1,457,043	2,120,778	(663,735)	(31.3%)
Ad valorem paid to Mid/Del Public Schools	4,526,095	4,476,489	49,606	1.1%
Interest on capital asset-related debt	1,055,167	1,438,198	(383,031)	(26.6%)
Total Expenses by Category	$49,842,181	$55,563,782	(5,721,601)	(10.3%)

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. Net position and the change between fiscal years is one indicator of the current financial condition of the College. The fiscal 2015 information indicates a substantial decline in total net position compared to fiscal 2014. This is largely due to the implementation of GASB 68 and the presentation of pension data from Oklahoma Teachers Retirement System (OTRS) in the fiscal 2015 information. The fiscal 2014 information has not been restated because the actuarial determination for prior fiscal years is not available from OTRS. This makes direct comparison between the two fiscal years inappropriate. The table and narrative below will illustrate some of the highlights where direct comparison between the two fiscal years is possible.

This table summarizes the College's Statement of Net Position with information as of June 30, 2015 and 2014.

Balances as of June 30th	**2015**	**2014**	**Change F/14 to F/15**	**Percent Change**
Current Assets	$42,414,950	$41,754,119	$ 660,831	1.6%
Noncurrent Assets				
Restricted cash and cash equivalents	4,208,282	4,496,757	(288,475)	(6.4%)
Accounts receivable, net	207,568	241,689	(34,121)	(14.1%)
Deposits held in escrow	0	1,590,000	(1,590,000)	(100.0%)
Capital assets, net of depreciation	49,079,112	42,222,510	6,856,602	16.2%
Total assets	95,909,912	90,305,075	5,604,837	6.2%
Deferred Outflows				
Deferred Outflows related to pensions	3,815,539	0	3,815,539	100.0%
Current Liabilities	5,649,355	4,869,623	779,732	16.0%
Noncurrent Liabilities	58,831,944	32,986,924	25,845,020	78.4%
Total liabilities	64,481,299	37,856,547	26,642,752	70.3%
Deferred Inflows				
Bookstore service concession arrangement	241,689	275,810	(34,121)	(12.4%)
Gain on debt refinancing	898,101	0	898,101	100.0%
Deferred inflows related to pensions	6,878,364	0	6,878,364	100.0%
Total Deferred Inflows	8,018,154	275,810	7,742,344	2,807.1%
Net Position				
Net investment in capital assets	29,905,919	30,700,525	(794,606)	(2.6%)
Restricted expendable	13,589,798	11,021,639	2,568,159	23.3%
Unrestricted	(16,269,719)	10,450,554	(26,720,273)	(255.7%)
Total net position	$27,225,998	$52,172,718	$(24,946,720)	(47.8%)

- This table provides an abbreviated illustration of the impact of the implementation of GASB 68 on the total net position of the college:

Effect of GASB 68 Implementation:		FY 2015		FY 2014
Net position, beginning as previously reported	$	52,172,718		52,172,718
Cumulative effect of GASB 68 implementation		(31,540,564)		-
Net position, beginning (restated)	$	20,632,154		52,172,718
Change to net position from FY15 activities		6,593,844		-
Net position, ending	$	27,225,998	$	52,172,718

- Current assets, in fiscal 2015, grew by a modest $.7 million or 1.6% compared to in fiscal 2014. This increase results from a receivable of $178 thousand for bond proceeds from the Oklahoma Development Finance Authority Master Lease Program for the purchase of software. This software will be fully implemented during fiscal 2016 and the College will draw against these funds until the proceeds are fully utilized. There was also an increase of $275 thousand in receivables due from federal and state grants at the end of the fiscal period, the result of the normal timing issues with grant reimbursements and the calculation of allowances.

- Non-current assets saw a significant total increase of $4.9 million or 10.2% in fiscal year 2015 compared to fiscal year 2014. This was driven by the increase in capital assets of $6.9 million as a result of construction work related to the Tech District bonds and the use of $1.6 million of escrowed funds for the construction of campus housing. Various Tech District bond projects are in differing phases of completion but are expected to be finalized in 2016. The on campus housing units were completed in August 2015. Please see footnote #12 for a further discussion of the on campus housing.

- Total liabilities are difficult to compare between fiscal 2015 and fiscal 2014 because of the impact of GASB 68. Please see footnote #5 for a discussion of long term liabilities and footnote #6 for the impact of the pension information. Non-pension related liability changes in the fiscal 2015 that should be noted includes the final payment of the Tech District 2005 bond series principal and interest. Proceeds of this bond were used to build and furnish the Professional Training building. The fiscal 2015 statements reflect the accrual of approximately $1.8 million of interest payable on the Tech District 2013 series bond which will become paid in August 2015.

- Deferred Inflows reflect a gain of $.9 million in fiscal 2015 for debt refinancing of the Oklahoma Capital Improvement Authority (OCIA) 2004A and 2006D bond series. The refinancing resulting in the reduction of principal and interest that will be amortized over the life of the new refinancing bond series. These represent deferred inflows to the College because OCIA make principal and interest payments on behalf of the College from separately legislated monies. There are no actual cash outlays by the College for these payments but there is a recognition as a deferred inflow because of the lease agreement between the College and OCIA securing the bonds.

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. As discussed above, the implementation of GASB 68 makes a direct comparison between fiscal 2015 and fiscal 2014 difficult. As possible, highlights are discussed below. A summarized statement of revenues, expenses and changes in net position as of June 30, 2015 and 2014 is included below:

	2015	2014	Change F/ 14 To 15	Percent Change
Operating Revenues				
Tuition and fees, net	$ 4,452,612	$ 4,424,229	$ 28,383	0.6%
Federal, state and local grants and contracts	1,634,839	2,352,216	(717,377)	(30.5%)
Auxiliary (bookstore and food services), net	2,155,101	1,893,678	261,423	13.8%
Other	275,716	275,118	598	0.2%
Total operating revenues	8,518,268	8,945,241	(426,973)	(4.8%)
Operating Expenses				
Compensation and employee benefits	29,697,418	31,980,023	(2,282,605)	(7.1%)
Contractual services, supplies and materials	7,054,138	6,710,173	343,965	5.1%
Depreciation	3,315,188	3,359,449	(44,261)	(1.3%)
Utilities and communications	1,269,730	1,308,069	(38,339)	(2.9%)
Scholarships and other student aid	1,467,402	4,170,603	(2,703,201)	(64.8%)
Other	1,457,043	2,120,778	(663,735)	(31.3%)
Total operating expenses	44,260,919	49,649,095	(5,388,176)	(10.9%)
Operating Loss	(35,742,651)	(40,703,854)	4,961,203	(12.2%)
Non-operating Revenues (Expenses)				
State appropriations	21,182,974	21,155,784	27,190	.1%
Federal and state grants	12,381,866	10,515,491	1,866,375	17.8%
OTRS on-behalf contributions	1,463,047	1,304,000	159,047	12.2%
Ad valorem taxes	11,864,686	9,844,735	2,019,951	20.5%
Ad valorem taxes remitted to Mid/Del Public Schools	(4,526,095)	(4,476,489)	(49,606)	(1.1%)
Other	(743,419)	(1,274,771)	531,352	41.7%
Net Non-operating revenues	41,623,059	37,068,750	4,554,309	12.3%
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	5,880,408	(3,635,104)	9,515,512	261.8%
Other Revenues, Expenses, Gains and Losses	713,436	1,577,436	(864,000)	(54.8%)
Increase (Decrease) in Position	6,593,844	(2,057,668)	8,651,512	(420.5%)
Assets, Beginning of Year, as restated 7/1/2014	20,632,154	54,230,386	(33,598,232)	(62.0%)
Assets, End of Year	$ 27,225,998	$ 52,172,718	$ (24,946,720)	(47.8%)

- Total operating revenues, for fiscal 2015, decreased $.4 million or 4.8% compared to fiscal 2014. Largely this is the result of decreases in grants and contract training of $.7 million. This was partially offset by an increase in auxiliary service sales and contributions of $.3 million.

- Operating expenses are difficult to compare between fiscal 2015 and fiscal 2014 because of the implantation of GASB 68, as discussed in prior sections. As possible, differences are explained here:

1. Compensation and employee benefits cannot be directly compared because of the GASB 68 implementation and the change of method in how payments made to the Oklahoma Teachers Retirement System (OTRS) on behalf of the College are presented for fiscal 2015. Results for fiscal 2014 were not restated because the actuarial determinations for prior periods is not available from OTRS. Thus a direct comparison of the two periods is not appropriate. It should be noted that efforts have been taken to decrease headcount and reduce expenses for direct labor in order to control compensation expenditures. Compensation and benefits continues to be the largest operating expenditure for the college.
2. Scholarships and other financial aid operating expenses were decreased by $2.7 million in fiscal 2015 compared to fiscal 2014. This is somewhat offset by the recognition of a $1.9 million increase in Federal and State grants revenue recognized in the Non-Operating Revenue section. The continued decrease in enrollment, timing of the awarding and recognition of financial aid and with the academic calendar all impact this category.
3. Other operating expenses decreased $.7 million in fiscal 2015 compared to fiscal 2014.
    - A large portion of this involves a change in the process of contracting for advertising and marketing for the College. In fiscal 2014 Advertising expenses were paid directly to the radio, TV and periodicals that presented the ads to the public. Advertising expenses are classified as other operating expenses. In fiscal 2015 a marketing company began placing ads in the various local media outlets and the College paid that marketing firm directly for those ads. Marketing is classified as a contractual service type of expense. In fiscal 2015 other operating expenses shows a decrease of $275 thousand for advertising and contractual services, supplies and materials shows an increase of $384 thousand for marketing services related to this change.
    - The remainder of the decrease in operating expenses is related to decreases in spending on property insurance, license fees and other normal operating items.

- Non-operating revenues for 2015 increased $4.5 million or 12.3% when compared to fiscal 2014 as a result of the following highlights:

    1. Federal and state grants, in the non-operating revenue classification, are related to financial aid, whether from various federal and state sources. This aid is applied to the student account to cover the cost of tuition and fees. Fiscal 2015 shows an increase of $1.9 million compared to fiscal 2014 indicating an increase in financial aid awards. As enrollment and retention rates stabilize this revenue category will also become more stable.
    2. Ad Valorem taxes collected in fiscal 2015 increased by $2.0 million compared to fiscal 2014 results. This reflects the strength of the Tech Districts property valuation base and increased collections during fiscal 2015. It also reflects an increase in millage rate assessed for the payment of interest on the Districts 2013 general obligation bond series for construction and improvement of campus infrastructure and buildings. The first payment of interest will be made early in fiscal 2016 with regular payments of both principle and interest in future fiscal periods. Please see footnote #5 for a more detailed explanation of long term debt.

- 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 the refinancing of the 2004 and 2006 bond series, on behalf payments were $864 thousand less in fiscal 2015 compared to the fiscal 2014 payments.

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 need for external financing.

The College's total cash and cash equivalents for fiscal 2015 decreased by $53 thousand compared to fiscal 2014. Operating activities generated a smaller loss than the prior fiscal year and thus contributed approximately $1.3 million to the cash balance compared to fiscal 2014. The noncapital financing activities generated approximately $1.7 million more cash compared to fiscal 2014 largely through the increase in recognition of financial aid. Capital purchases and related financing used significantly more cash in 2015 as compared to 2014. Ongoing construction with the Tech District bond projects and the use of $1.6 million of escrowed funding for the on campus housing construction pushed capital asset purchases to $8.6 million in fiscal 2015 compared to $1.8 million in fiscal 2014. Related financing activities also reflects the increased receipt of $2.8 million of ad valorem taxes in fiscal 2015 which are dedicated to the payment of interest on the Tech District bonds due in early fiscal 2016. In total, capital spending and related financing consumed $5.9 million of cash, in fiscal 2015 compared to a net positive contribution of $18.7 million in fiscal 2014 because of the bond sales proceeds. Investing activities also contributed $0.3 million in earned interest compared $.1 million contributed in the prior year. All combined the operating activities, noncapital financing activities, capital and related financing and investing activities effectively offset each other, resulting in a net decrease in cash and cash equivalents of $53 thousand at the end of the fiscal period.

The following schedule is summarized from the College's Statement of Cash Flows for the year ended June 30, 2015 and 2014.

Year Ended June 30	**2015**	**2014**	**Change F/ 14 To 15**	**Percent Change**
Cash Provided by (Used In):				
Operating activities	$(32,430,777)	$(33,725,307)	$ 1,294,530	(3.8%)
Noncapital financing activities	37,990,067	36,297,862	1,692,205	4.7%
Capital and related financing activities	(5,924,003)	18,708,252	(24,622,255)	(131.7%)
Investing activities	311,511	164,132	147,379	89.8%
Net increase (decrease) in cash and cash equivalents	(53,202)	21,444,939	(21,498,141)	(100.3%)
Cash and Cash Equivalents, Beginning of Year	44,443,497	22,998,556	21,444,941	93.2%
Cash and Cash equivalents, End of Year	$ 44,390,295	$ 44,443,497	$ (53,200)	.1%

Capital Assets

At June 30, 2015 the College had approximately $103.8 million invested in capital assets with accumulated depreciation of $54.7 million resulting in a net capital asset valuation of just approximately $49.1 million. This represents an increase of $6.9 million or 16.2% when compared to fiscal 2014 results. The 2015 increase in net valuation reflects the ongoing construction projects with the Tech District bond proceeds and the construction of on-campus housing. Because they are not yet completed, as of June 30, these projects are reflected in the $9.0 million increase in the 2015 construction in progress category compared to the fiscal 2014 results. Several of the Tech District bond projects will be completed in fiscal 2016 and will be reflected as building improvements in those statements rather than construction in progress. Details of these capital asset investments are shown in the table below.

Capital Assets, Net of Accumulated Depreciation at June 30, 2015 and 2014

Year Ended June 30	2015	2014	Change F/14 To 15	Percent Change
Land	$ 5,614,377	$ 5,614,377	$ 0	0.0%
Building and improvements	28,757,177	30,203,377	(1,446,200)	(4.8%)
Land improvements/ infrastructure	476,786	305,355	171,431	56.1%
Furniture, fixtures and equipment	3,002,861	3,925,999	(923,138)	(23.5%)
Library materials	1,284,951	1,235,721	49,230	4.0%
Construction in Progress	9,942,960	937,680	9,005,280	960.4%
Total Capital Assets, net of Accumulated Depreciation	$ 49,079,112	$ 42,222,510	$ 6,856,603	16.2%

Debt

At June 30, 2015, the College had approximately $30.6 million in debt (bonds and capital lease obligations) outstanding; a decrease of $1.5 million or 4.6% when compared to fiscal 2014 end of year balances. The fiscal 2015 results reflect the completion of payments on the Tech District's 2005 building bond series and the refinancing of the 2004 and 2006 OCIA capital lease obligations. The refinancing activities were done by the Oklahoma Capital Improvement Authority and resulted in principal and interest savings of approximately $936 thousand. The College also completed a new $400,000 lease obligation for the purchase of software through the Oklahoma Development Finance Authority (ODFA) Master Lease Program. At the end of fiscal 2015, $357 thousand of principal and premium remained outstanding. The reader should also be aware that the College is applying for $477 thousand of financing from the ODFA Master Lease program to be used for the purchase of certain equipment, vehicles and software. This new obligation, if completed, will be reflected on the fiscal 2016 statements. Other new debt and lease obligations may also be realized in future fiscal periods as other capital building projects or equipment purchases are funded. See footnote #5 Long Term Liabilities for more detailed information regarding the College's outstanding debt. The table below summarizes the College's debts, by type, for the most recent fiscal periods.

Outstanding Debt at June 30, 2015 and 2014

Balances at June 30th	2015	2014	Change F/14 To 15	Percent Change
2005 Building Bonds Payable	$ 0	$ 850,000	$ (850,000)	(100.0%)
2013 Building Bonds Payable	21,980,000	21,980,000	0	0.0%
1999/2004 OCIA Capital Lease Obligation	0	159,397	(159,397)	(100.0%)
2006 OCIA Capital Lease Obligation	0	8,810,055	(8,810,055)	(100.0%)
2014B OCIA Capital Lease Obligation	145,126	0	145,126	100.0%
2014C OCIA Capital Lease Obligation	7,888,779	0	7,888,779	100.0%
ODFA 2009A Master Lease (Bus)	203,666	252,834	(49,167)	(19.5%)
ODFA 2009A Premium	1,027	1,279	(252)	(19.7%)
ODFA 2014C Master Lease (Software)	330,091	0	330,091	100.0%
ODFA 2014C Premium	26,750	0	26,750	100.0%
Total Outstanding Debt	$30,575,439	$ 32,053,565	$ (1,478,125)	(4.6%)

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 decision to set tuition and fee rates. In fiscal year 2015 the college increased tuition rates by $5 (or 4.6%) per credit hour. No other mandatory fees were increased. Such decisions must be made after weighing parents' and students' ability to pay higher rates. It must be noted, however, that even with this increase, Rose State College continues to be ranked as the fourth least expensive alternative for higher education institutions in the state system and has maintained cost control as a guiding principle for many years.

The condition of the state-wide and local economy also directly impacts college enrollment 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. Property values continue to be strong and growing, providing a stable revenue stream from the Tech District's ad valorem tax base. The state-wide economy has softened considerably with the weakening of energy sector employment. However, employment opportunities in the local aerospace industry associated with Tinker Air Force Base continue to grow, stabilizing the Oklahoma City area's economic outlook, in general.

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 thus feeding fewer local students to the College. In fiscal year 2015 the College produced 3% fewer credit hours than fiscal year 2014. That represents a direct loss of tuition and fee revenue and continues a downward trend that began with fiscal year 2012. Addressing the enrollment issue requires emphasis on recruitment of students from both the local area and the surrounding areas. The construction of student housing through a public/private partnership with a local developer, and completed in August 2015, gives the College the distinction of being the first urban community college in the state to offer an on campus living option. The success of the athletic teams give students and the local fans opportunities for identifying with the College and enhancing the College experience. The construction and remodeling efforts from the Tech District's general obligation bond issue will improve buildings and infrastructure on the campus while adding learning and socialization areas. These projects will be completed during 2016 or early 2017. A Campus Master

Plan with multiple prioritized phases has been created to guide in various aesthetic improvements to the campus and buildings. Identified priorities will be scheduled on an as funded bases in future fiscal periods. For students, these efforts distinguish Rose State College from other regional community college options.

The College is also heavily impacted by the state's legislative environment especially through a heavy reliance on appropriations to fund the overall operations of the school. For fiscal period 2016, revenue collections have been lower than projected for the state's budgeted allocations. The possibility of a mid-year reduction of the college's state appropriation exists in fiscal 2016. A very large projected deficit in revenue collections for the fiscal 2017 periods will require further budgetary consideration and constriction.

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

Rose State College
Statements of Net Position
June 30, 2015

	Rose State College	Rose State College Foundation Inc.
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,029,788	$ 293,711
Restricted:		
Cash and cash equivalents	19,152,225	64,542
Investments	-	1,067,724
Accounts receivable, net	1,145,444	-
Federal and state grants receivable	580,137	-
Delinquent ad valorem property taxes receivable	310,000	-
Receivable from ODFA	178,340	-
Accrued interest receivable	12,355	-
Prepaid expenses	6,661	-
Total current assets	42,414,950	1,425,977
Non-current assets:		
Restricted:		
Cash and cash equivalents	4,208,282	-
Accounts receivable	207,568	-
Capital assets, net	49,079,112	2,257,000
Total non-current assets	53,494,962	2,257,000
Total assets	95,909,912	3,682,977
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	3,815,539	-
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	3,700,447	127,081
Accrued compensated absences	897,670	-
Unearned revenue	475,538	-
Room deposits payable	16,000	-
Current maturities of long-term debt	318,671	-
Deposits held in custody for others	241,029	-
Total current liabilities	5,649,355	127,081
Non-current liabilities:		
Interest payable	1,839,856	-
Accrued compensated absences	126,563	-
Net pension obligation	26,608,757	-
Long-term debt	30,256,768	-
Total non-current liabilities	58,831,944	-
Total liabilities	64,481,299	127,081
DEFERRED INFLOWS		
Bookstore service concession arrangement	241,689	-
Gain on debt refinancing	898,101	-
Deferred inflows related to pensions	6,878,364	-
Total deferred inflows	8,018,154	-
NET POSITION		
Net investment in capital assets	29,905,919	-
Restricted nonexpendable - endowment	-	2,806,164
Restricted expendable for:		
Scholarships	6,362,948	819,436
Loans	5,614	-
Capital projects	4,781,352	-
Debt service	2,439,884	-
Unrestricted (deficit)	(16,269,719)	(69,704)
Total net position	$ 27,225,998	$ 3,555,896

Rose State College
Statements of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

	Rose State College	Rose State College Foundation Inc.
Operating Revenues		
Tuition and fees, net	$ 4,452,612	$ -
Federal grants and contracts	1,489,254	-
State and private grants and contracts	145,585	-
Sales and services of auxiliary enterprises, net	2,155,101	-
Contributions and other revenue	-	354,493
Other operating revenues	275,716	-
Total operating revenues	8,518,268	354,493
Operating Expenses		
Compensation and benefits	29,697,418	-
Contractual services	3,679,655	-
Supplies and materials	3,374,483	-
Scholarships and fellowships	1,467,402	128,428
Communications	128,820	-
Depreciation	3,315,188	-
Utilities	1,140,910	-
Other	1,457,043	134,078
Total Operating Expenses	44,260,919	262,506
Operating income (loss)	(35,742,651)	91,987
Non-operating Revenues (Expenses)		
State appropriations	21,182,974	-
Federal grants	10,960,670	-
State grants	1,421,196	-
OTRS on-behalf contributions	1,463,047	-
Ad valorem taxes	11,864,686	-
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,526,095)	-
Net unrealized and realized gain on investments	-	51,698
Investment revenue	311,748	-
Interest on capital asset-related debt	(1,055,167)	-
Net non-operating revenue (expenses)	41,623,059	51,698
Income before other revenues, expenses, gains, losses and transfers	5,880,408	143,685
Capital appropriations - state	628,735	-
OCIA debt services on-behalf payments	84,701	-
Increase in Net Position	6,593,844	143,685
Net Position, Beginning of Year (restated) *	20,632,154	3,412,211
Net Position, End of Year	$ 27,225,998	$ 3,555,896

* Note: Beginning net position for FY15 was reduced by approximately $31,541,000 due to the implementation of GASB 68, Pension Liability Reporting, as explained in Note 1.

Rose State College
Statements of Cash Flows
Year Ended June 30, 2015

Operating Activities		
Tuition and fees	$ 4,407,957	$ -
Grants and contracts	1,359,788	-
Payments to suppliers	(10,516,507)	(50,140)
Payments to employees	(30,124,570)	-
Foundation contributions	-	270,310
Scholarships	-	(79,847)
Auxiliary enterprises sales and services	2,171,101	-
Other operating receipts	271,454	-
Net cash provided by (used in) operating activities	(32,430,777)	140,323
Noncapital Financing Activities		
State appropriations	21,182,974	-
Non-operating grants	12,381,866	-
Ad valorem taxes received	9,031,911	-
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,606,684)	-
Transfer to Rose State College	1,568,110	-
Transfer from Tech Distict	(1,568,110)	-
Net cash provided by noncapital financing activities	37,990,067	-
Capital and Related Financing Activities		
Purchases of capital assets	(8,581,790)	-
Proceeds from capital debt	225,438	-
Principal paid on capital leases and bonds	(943,076)	-
Interest paid on capital leases and bonds	(51,267)	-
Capital appropriations – state	628,735	-
Ad valorem taxes received for debt service	2,797,957	-
Net cash used in capital and related financing activities	(5,924,003)	-
Investing Activities		
Purchase of investments	-	(10,802)
Proceeds from maturities and sales of investments	-	33,852
Payment of investment fees	-	(4,211)
Investment income received	311,511	15,013
Net cash provided by investing activities	311,511	33,852
Increase (Decrease) in Cash and Cash Equivalents	(53,202)	174,175
Cash and Cash Equivalents, Beginning of Year	44,443,497	184,078
Cash and Cash Equivalents, End of Year	$ 44,390,295	$ 358,253

Rose State College
Statements of Cash Flows
Year Ended June 30, 2015
(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	$	21,029,788	$	293,711
Restricted cash and cash equivalents		19,152,225		64,542
Noncurrent assets				
Restricted cash and cash equivalents		4,208,282		-
	$	44,390,295	$	358,253
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities				
Operating income (loss)	$	(35,742,651)	$	91,987
Depreciation expense		3,315,188		-
OTRS on-behalf contributions		1,463,047		-
Changes in operating assets and liabilities				
Receivables, net		(211,718)		-
Deferred outflows		44,203		-
Prepaid expenses		(445)		-
Accounts payable and other accrued liabilities		732,251		48,336
Accrued payroll and compensated absences		(21,216)		-
Unearned revenue		(112,251)		-
Room deposits payable		16,000		-
Net pension obligation		(8,791,549)		-
Deferred inflows related to pensions		6,878,364		-
Net Cash (Used in) Provided by Operating Activities	$	(32,430,777)	$	140,323

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. The Foundation's mission and principal activities are to promote the educational and cultural interest of the College and to enhance higher education in eastern Oklahoma County, Oklahoma. The Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Separate financial statements of the Foundation are prepared and may be obtained by contacting the Foundation's Executive Director.

The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. During the year ended June 30, 2015, the Foundation provided the College approximately $128,000 in scholarships, awards, and other program support.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place while those from government-mandated nonexchange transactions 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 restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

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

Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015, 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

The College and the District had no investments at June 30, 2015.

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

Ad Valorem Property Taxes

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

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

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. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful life. The following estimated useful lives are being used by the College and the District:

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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.

Unearned Revenue

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

Net Position

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

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows/Outflows 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, gains on debt refinancing and changes in net pension obligation related to experience and investments that are applicable to future reporting periods.

Deferred outflows represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The College's deferred outflows of resources were comprised of statutorily required pension contributions that are applicable to future reporting periods.

Classification of Revenues

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the year ended June 30, 2015 was $9,290,853.

Income Taxes

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

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (continued)

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

Pensions

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

New Accounting Pronouncements

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. The College implemented GASB No. 68 during FY15 and it resulted in the following restatement of beginning net position:

Prior Period Adjustments
Beginning net position was restated as of July 1, 2014 as follows:

Beginning net position, as previously reported	$	52,172,718
Implementation of GASB Statements 68 &71		
Net pension obligation		(35,400,306)
Deferred outflows of resources - contributions subsequent to measurement date		3,859,742
		(31,540,564)
Beginning net position, restated	$	20,632,154

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

Provisions of GASB Statements 67 and 68, issued June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2016 — except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the College beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued in June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2017. The Statement replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued in June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

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

District's Deposits

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

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

District's Deposits (Continued)

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

At June 30, 2015, none of the District's bank balances of $25,822,983 were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

College's Pooled Funds

The College maintains its cash in pooled funds held by the Oklahoma State Treasurer or Office of 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, 2015, the College had the following invested pooled funds:

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	$ 3,405,238	$ 3,401,557
Money market mutual funds	1,064,793	1,064,794
End of the day commercial paper sweep	171,602	171,602
Certificates of deposit	231,584	231,584
Mortgage backed agency securities	3,327,405	3,369,933
Municipal bonds	117,602	127,521
Foreign bonds	65,308	65,308
U.S. Treasury Obligations	98,171	117,846
TOTAL	$ 8,481,703	$ 8,550,145

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

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, 2015, the College's invested funds were rated as follows:

	Standard & Poor's
Pooled funds held by state treasurer or OMES	Not rated

Summary of Carry Values

The carrying values of deposits and invested funds shown above are included in the statements of net position as follows at June 30, 2015:

Carrying Value	
Deposits	$ 35,902,592
Invested pooled funds	8,481,703
Change funds	6,000
	$ 44,390,295

Investment Income

Investment income consisted primarily of interest income of $311,748 for the year ended June 30, 2015.

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 $2,112,000 at June 30, 2015.

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2015 were:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	$ 5,614,377	$ -	$ -	$ -	$ 5,614,377
Construction In progress	937,680	9,259,550	-	(254,270)	9,942,960
Total capital assets, not being depreciated	6,552,057	9,259,550	-	(254,270)	15,557,337
Other capital assets					
Building and improvements	67,913,280	225,894	-	-	68,139,174
Land improvements and infrastructure	411,242	69,665	-	126,875	607,782
Furniture fixtures and equipment	13,335,330	197,891	46,451	127,395	13,614,165
Library materials	6,847,295	418,789	1,399,129	-	5,866,955
Total other capital assets	88,507,147	912,239	1,445,580	254,270	88,228,076
Less accumulated depreciation					
Buildings and improvements	37,709,903	1,672,093	-	-	39,381,996
Land improvements and infrastructure	105,887	25,109	-	-	130,996
Furniture fixtures and equipment	9,409,331	1,248,423	46,451	-	10,611,303
Library materials	5,611,573	369,562	1,399,129	-	4,582,006
Total accumulated depreciation	52,836,694	3,315,187	1,445,580	-	54,706,301
Other capital assets, net	35,670,453	(2,402,948)	-	254,270	33,521,775
Total cost of capital assets	95,059,204	10,171,789	1,445,580	-	103,785,413
Less accumulated depreciation	52,836,694	3,315,187	1,445,580	-	54,706,301
Capital assets, net	$ 42,222,510	$ 6,856,602	$ -	$ -	$ 49,079,112

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the College for the year ended June 30, 2015:

	2015				
	Beginning Balance	**Additions**	**Deductions**	**Ending Balance**	**Current Portion**
Bonds and Capital Leases					
2005 Building Bonds Payable	$ 850,000	$ -	$ (850,000)	$ -	$ -
2013 Building Bonds Payable	21,980,000	-	-	21,980,000	-
1999/2004 OCIA lease obligation	159,397	-	(159,397)	-	-
2006 OCIA lease obligation	8,810,055	-	(8,810,055)	-	-
2014B OCIA lease obligation	-	145,126	-	145,126	25,472
2014C OCIA lease obligation	-	7,888,779	-	7,888,779	173,799
ODFA Bus Master Lease	252,834	-	(49,168)	203,666	46,000
ODFA 2014C	-	374,000	(43,909)	330,091	67,091
ODFA 2009A Premium	1,279	-	(252)	1,027	252
ODFA 2014C Premium	-	29,778	(3,028)	26,750	6,057
Total Bonds and Capital Leases	32,053,565	8,437,683	(9,915,809)	30,575,439	318,671
Other noncurrent liabilities					
Accrued compensated absences	1,034,599	897,670	(908,036)	1,024,233	897,670
Total noncurrent liabilities	$ 33,088,164	$ 9,335,353	$ (10,823,845)	$ 31,599,672	$ 1,216,341

Note 5: Long-term Liabilities (Continued)

2005 Building Bonds Payable

The District's Building Bonds of 2005, which were issued in July 2005, 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 semiannually on July 1 and January 1 at rates between 3.0% and 4.125%. Principal is due annually on July 1 through July 1, 2015. 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 therein is restricted for this purpose. The 2005 Building Bonds were paid in full as of June 30, 2015.

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, 2015, on the 2013 Building Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2016	$ -	$ 2,399,813	$ 2,399,813
2017	1,690,000	900,775	2,590,775
2018	1,690,000	782,475	2,472,475
2019	1,690,000	664,175	2,354,175
2020	1,690,000	545,875	2,235,875
2021-2025	8,450,000	1,531,588	9,981,588
2026-2029	6,770,000	180,425	6,950,425
	$ 21,980,000	$ 7,005,126	$ 28,985,126

1999/2004/2014B OCIA Lease Payable

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

Note 5: Long-term Liabilities (Continued)

1999/2004/2014B OCIA Lease Payable (Continued)

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 20 years through August 31, 2019, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the year ended June 30, 2015, amounted to $2,037. In 2004, the OCIA issued Bond Series 2004A that refunded a significant portion of the 1999A Bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The lease agreement no longer secures the 1999A Bond Issue but now acts as security for the 2004A Bond Issue over the term of the lease through the year 2020. As a result, there are two amortization schedules, which have been combined, related to this one lease agreement. In 2015, the OCIA issued Bond Series 2014B that refunded the 2004A Bonds. The lease agreement no longer secures the 2004A Bond Issue but now acts as security for the 2014B Bond Issue over the term of the lease through the year 2020. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $14,271 on restructuring as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2015 the unamortized gain totaled $11,810. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $23,406, which approximates the economic savings of the transaction.

The schedule principal and interest payments related to the 2014B OCIA lease at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2016	$ 25,472	$ 4,387	$ 29,859
2017	28,403	3,768	32,171
2018	29,232	3,049	32,281
2019	30,406	2,077	32,483
2020	31,613	731	32,344
	$ 145,126	$ 14,012	$ 159,138

Note 5: Long-term Liabilities (Continued)

2006D/2014C OCIA Lease Payable

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

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 30 years through August 31, 2035, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the year ended June 30, 2015, amounted to $82,664.

In 2015, the OCIA issued Bond Series 2014C that refunded the 2006D Bonds. The lease agreement no longer secures the 2006D Bond Issue but now acts as security for the 2014C Bond Issue over the term of the lease through the year 2035. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $921,276 on restructuring as a deferred inflow of resources that will be amortized over a period of twenty years. As of June 30, 2015 the unamortized gain totaled $886,291. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $5,587,315, which approximates the economic savings of the transaction.

The scheduled principal and interest payments related to the 2014C OCIA lease at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2016	$ 173,799	$ 325,284	$ 499,083
2017	241,623	321,130	562,753
2018	246,333	315,018	561,351
2019	253,869	306,246	560,115
2020	307,092	293,491	600,583
2021-2025	1,768,134	1,233,958	3,002,092
2026-2030	2,194,389	802,482	2,996,871
2031-2035	2,703,540	280,252	2,983,792
	$ 7,888,779	$ 3,877,861	$ 11,766,640

Note 5: Long-term Liabilities (Continued)

2009 ODFA Lease Payable

In July 2009, the College entered into a 10 year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the 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 $58,348 in principal and interest on these bonds during 2015.

The scheduled principal and interest payments related to the 2009 ODFA lease at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2016	$ 46,000	$ 7,106	$ 53,106
2017	52,167	6,060	58,227
2018	54,167	4,158	58,325
2019	51,333	2,053	53,386
	$ 203,667	$ 19,377	$ 223,044

2014C ODFA Lease Payable

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

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. The College paid $52,157 in principal and interest on these bonds during 2015.

Note 5: Long-term Liabilities (Continued)

2014C ODFA Lease Payable (Continued)

The scheduled principal and interest payments related to the 2014C ODFA lease at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2016	$ 67,091	$ 11,029	$ 78,120
2017	73,750	10,270	84,020
2018	76,750	7,620	84,370
2019	79,167	4,638	83,805
2020	33,333	1,416	34,749
	$ 330,091	$ 34,973	$ 365,064

Note 6: Retirement Plans

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

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

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

Benefits Provided

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

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

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

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

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

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

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2014.

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Contributions

The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were $3,815,539; which includes the employer "pick-up" of employee contributions. The State of Oklahoma also made on-behalf contributions to OTRS, of which $1,463,047 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2015, the College reported a liability of $26,608,757 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the College's proportion was 0.4946%.

For the year ended June 30, 2015, the College recognized pension expense of $1,558,095 in compensation and benefits expense. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 438,591
Net difference between projected and actual earnings on pension plan investments	-	6,439,773
College contributions subsequent to the measurement date	3,815,539	-
Total	$ 3,815,539	$ 6,878,364

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

The $3,815,539 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	$	(1,692,385)
2017		(1,692,385)
2018		(1,692,385)
2019		(1,692,385)
2020		(82,443)
Thereafter		(26,381)
	$	(6,878,364)

Actuarial Assumptions

The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as if June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality - RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.7%
Domestic Large Cap Equity	10.0%	6.2%
Domestic Mid Cap Equity	13.0%	6.9%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	7.0%
Internationa Small Cap Equity	6.0%	7.0%
Core Plus Fixed Income	17.5%	2.1%
High-yield Fixed Income	6.0%	4.5%
Private Equity	5.0%	7.9%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.9%
Total	100.00%	

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

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

Discount Rate

A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2013 and June 30, 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

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

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

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
Employers' net pension liability	$ 37,381,814	$ 26,608,757	$ 17,515,929

Pension plan fiduciary net position

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

Annuity Plan

All eligible employees of the College can elect to participate in a tax-deferred annuity plan (the Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the Plan. Contributions made by the College are subject to annual discretion by the Board of Regents. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for the year ended June 30, 2015, was 2.5% of an eligible employee's annual base salary (as defined in the plan document). Contributions made by the College during 2015 totaled approximately $387,000.

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

The Governing Board of the District has authorized the payment of monies in fiscal year 2015 to Mid-Del for the cost of providing various technical area educational programs. Such payment from the proceeds of the ad valorem tax levies (*Note 1*) is to be made at an amount which is the lesser of (a) 60% of the net collections from the Mid-Del net valuation for the respective fiscal year or (b) 50% of total collections for the respective fiscal year. For the year ended June 30, 2015, the District incurred $4,526,095 of non-operating expense related to the support of Mid-Del. At June 30, 2015, the District owed to Mid-Del $629,606, 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, 2015, approximately $7,840,000, 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, 2015, 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.

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

<u>OKHEEI Group OPEB Plan</u>

A. General Description of the Other Postemployment Benefit Plan

Note 10 – Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

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.

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

Note 10 – Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

benefits. For the calendar year ending December 31, 2015, the OKHEEI Group required premiums for employee only coverage, consisting of health, dental and vision insurance, ranged from $447 to $578 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 $229 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.

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 as it applies to retirees.

B. Funding Policy and Actuarial Methods and Assumptions

Rose State College has not established a formal trust to advance fund these accrued benefits but funds these OPEB costs on a pay-as-you-go basis. Amounts paid by Rose State College for these post-employment benefits for the last three fiscal years are as follows: 2013 $49,024, 2014 $51,313 and 2015 $54,989.

Note 10 – Post-Employment Benefit Plans (Continued)

College President's OPEB Plan (Continued)

C. Funded Status and Funding Progress

Actuarial information for this plan as of June 30, 2015, indicates that the present value of future projected benefits under this plan amounts to $841,814 using a 3.4% discount rate and RP 2000 projected 2020 Table. Because the College has not established a trust or trust equivalent to advance fund these benefits and no plan assets have been irrevocably set aside to pay them, the College continues to fund and report these benefits on a pay-as-you-go basis. The College has determined that the difference between these pay-as-you go costs and the OPEB annual cost and any OPEB obligation as defined by GASB Statement 45 are immaterial; therefore no net OPEB obligation is reported nor is any funding status and funding progress information reported by the College in regards to this plan.

Note 11 – Service Concession Arrangement

On August 1, 2012, the College entered into 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 $242,000 at June 30, 2015, pursuant to the service concession arrangement.

Note 12 – Housing Lease and Purchase Agreement

On June 2, 2015, 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 2014, the College also made an initial investment in the property by depositing $1,590,000 into an escrow account. In August 2015, the College took over control of the housing complex known as "The Village at Rose State" and began leasing units to current students.

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 below.

As of and for year ended June 30, 2015

	College	District	Total
CONDENSED STATEMENT OF NET POSITION			
ASSETS			
Current assets	$ 16,238,860	$ 26,176,090	$ 42,414,950
Capital assets, net	23,908,363	25,170,749	49,079,112
Other assets	4,415,850	-	4,415,850
Total assets	44,563,073	51,346,839	95,909,912
DEFERRED OUTFLOW	3,815,539	-	3,815,539
LIABILITIES			
Current liabilities	2,489,573	3,159,782	5,649,355
Non-current liabilities	35,012,088	23,819,856	58,831,944
Total liabilities	37,501,661	26,979,638	64,481,299
DEFERRED INFLOW	8,018,154	-	8,018,154
NET POSITION			
Net investment in capital assets	14,593,162	15,312,757	29,905,919
Restricted	10,571,230	3,018,568	13,589,798
Unrestricted	(22,305,595)	6,035,876	(16,269,719)
Total net position	$ 2,858,797	$ 24,367,201	$ 27,225,998
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	$ 8,518,268	$ -	$ 8,518,268
Depreciation	(2,256,636)	(1,058,552)	(3,315,188)
Other operating expenses	(38,622,930)	(2,322,801)	(40,945,731)
Operating loss	(32,361,298)	(3,381,353)	(35,742,651)
Non-operating Revenues (Expenses)			
State appropriations	21,182,974	-	21,182,974
Federal grants	10,960,670	-	10,960,670
State grants	1,421,196	-	1,421,196
OTRS on-behalf contributions	1,463,047	-	1,463,047
Ad valorem taxes	-	11,864,686	11,864,686
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,526,095)	(4,526,095)
Investment revenue	301,228	10,520	311,748
Interest on capital asset-related debt	(65,492)	(989,675)	(1,055,167)
Capital appropriations - state	628,735	-	628,735
OCIA debt services on-behalf payments	84,701	-	84,701
Transfers from (to)	1,568,110	(1,568,110)	-
Change in net position	5,183,871	1,409,973	6,593,844
Beginning net position (restated)	(2,325,074)	22,957,228	20,632,154
Ending net position	$ 2,858,797	$ 24,367,201	$ 27,225,998
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$ (31,685,795)	$ (744,982)	$ (32,430,777)
Noncapital financing activities	35,132,950	2,857,117	37,990,067
Capital and related financing activities	(726,191)	(5,197,812)	(5,924,003)
Investing activities	300,991	10,520	311,511
Net increase (decrease)	3,021,955	(3,075,157)	(53,202)
Cash and Cash Equivalents, Beginning of Year	15,554,095	28,889,402	44,443,497
Cash and Cash Equivalents, End of Year	$ 18,576,050	$ 25,814,245	$ 44,390,295

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.

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

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

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.

Income Taxes

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

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

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

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

Financial Instruments and Credit Risk

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

Note B – Investment Return

Total investment return is comprised of the following for the year ended June 30, 2015:

Interest and dividends	$	16,216
Net realized and unrealized gain		39,693
Less investment management and custodial fees		(4,211)
	$	51,698

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 on next page.

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

Note C – Fair Value Measurements and Disclosures (Continued)

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

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

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

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

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

The following table presents assets measured at fair value on a recurring basis, at June 30, 2015:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment:				
Commonfund securities				
Fixed income	$ 85,441	$ -	$ -	$ 85,441
Equity	982,283	-	-	982,283
	$ 1,067,724	$ -	$ -	$ 1,067,724

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

Note C – Fair Value Measurements and Disclosures (Continued)

Below is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and 2014:

	Fair Value Measurement at Report Date Using Significant Unobservable Inputs (Level 3)	
	Multi-Strategy Bond Fund	Multi-Strategy Equity Fund
Balance at June 30, 2014	$ 84,416	$ 965,462
Net realized and unrealized gain (loss)	(1,651)	41,933
Interest and dividends	2,933	12,080
Investment management fees	(257)	(3,954)
Distribution	-	(33,238)
Balance at June 30, 2015	$ 85,441	$ 982,283
Unrealized gain included in net investment return in the statement of activities relating to assets still held at June 30, 2015	$ 1,025	$ 50,059

Note D – Historical Properties

Historical properties consists of the following at June 30, 2015:

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

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

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

Note E – Restricted Net Assets/Position

Temporarily Restricted

Temporarily restricted net assets at June 30, 2015, consist of funds restricted by donors for scholarships in the amounts of $819,436.

Net assets released from restrictions related to scholarships were $79,835 in 2015.

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 $549,000 as of June 30, 2015.

Note F - Functionalized Expenses

Total expenses by function were as follows for the year ended June 30, 2015:

Scholarships and awards	$ 128,428
Total program expenses	$ 128,428
Management and general (includes investment management fees of $4,211	$ 104,491
Fundraising and development (includes cost of direct benefits to donors of $33,978	33,798
Total functionalized expenses	$ 266,717

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, 2015 is reported in the Foundation’s financial statements as scholarships, awards, and programs of $128,428. At June 30, 2015, the Foundation had scholarship, awards and programs payable to the College of $127,081.

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

Note G – Related Party Transactions (Continued)

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 2015, 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 2015, approximately $66,000, was recorded as contributed services, which represent the Foundation's portion of the staff's salaries. These amounts are recorded as in-kind contributions on the accompanying statements of activities.

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

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

Note 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.

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

Note H – Endowments (Continued)

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

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

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

Changes in Endowment Net Position for the year ending June 30, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (9,354)	$ -	$ 484,622	$ 475,268
Investment earnings				
Investment income, net of fees	2,622	3,383	-	6,005
Net realized and unrealized gain	6,732	8,100	-	14,832
	9,354	11,483	-	20,837
Contributions	-	-	64,542	64,542
Endowment net assets, end of year	$ -	$ 11,483	$ 549,164	$ 560,647

Required Supplementary Information

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years* (Dollar amounts in thousands)

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

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

Notes to Schedule:

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

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years (Dollar amounts in thousands)

	2015
Contractually required contribution	$ 3,815,539
Contributions in relation to the contractually required contribution	3,815,539
Contribution deficiency (excess)	$ -
College's covered-employee payroll	$ 17,567,469
Contribuions as a percentage of coverd-employee payroll	22%

Notes to Schedule:

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

Supplementary Information

Rose State College
Combining Schedule of Net Position
June 30, 2015

	College	District	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 14,367,768	$ 6,662,020	$ 21,029,788
Restricted:			
Cash and cash equivalents	-	19,152,225	19,152,225
Accounts receivable, net	1,100,260	45,184	1,145,444
Federal and state grants receivable	580,137	-	580,137
Delinquent ad valorem property taxes receivable	-	310,000	310,000
Receivable from ODFA	178,340	-	178,340
Accrued interest receivable	12,355	-	12,355
Prepaid expenses	-	6,661	6,661
Total current assets	16,238,860	26,176,090	42,414,950
Non-current assets:			
Restricted:			
Cash and cash equivalents	4,208,282	-	4,208,282
Accounts receivable	207,568	-	207,568
Capital assets, net	23,908,363	25,170,749	49,079,112
Total non-current assets	28,324,213	25,170,749	53,494,962
Total assets	44,563,073	51,346,839	95,909,912
DEFERRED OUTFLOWS			
Deferred outflows related to pensions	3,815,539	-	3,815,539
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	540,665	3,159,782	3,700,447
Accrued compensated absences	897,670	-	897,670
Unearned revenue	475,538	-	475,538
Current maturities of long-term debt	318,671	-	318,671
Room deposits payable	16,000	-	16,000
Deposits held in custody for others	241,029	-	241,029
Total current liabilities	2,489,573	3,159,782	5,649,355
Non-current liabilities:			
Interest payable	-	1,839,856	1,839,856
Accrued compensated absences	126,563	-	126,563
Net pension liability	26,608,757	-	26,608,757
Long-term debt	8,276,768	21,980,000	30,256,768
Total non-current liabilities	35,012,088	23,819,856	58,831,944
Total liabilities	37,501,661	26,979,638	64,481,299
DEFERRED INFLOWS			
Bookstore service concession arrangement	241,689	-	241,689
Gain on debt refinancing	898,101	-	898,101
Deferred inflows related to pensions	6,878,364	-	6,878,364
Total deferred inflows	8,018,154	-	8,018,154
NET POSITION			
Net investment in capital assets	14,593,162	15,312,757	29,905,919
Restricted expendable for:			
Scholarships	6,362,948	-	6,362,948
Loans	5,614	-	5,614
Capital projects	3,721,562	1,059,790	4,781,352
Debt service	481,106	1,958,778	2,439,884
Unrestricted	(22,305,595)	6,035,876	(16,269,719)
Total net position	$ 2,858,797	$ 24,367,201	$ 27,225,998

Rose State College
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

	College	District	Total
Operating revenues			
Tuition and fees, net	$ 4,452,612	$ -	$ 4,452,612
Federal grants and contracts	1,489,254	-	1,489,254
State and private grants and contracts	145,585	-	145,585
Sales and services of auxiliary enterprises, net	2,155,101	-	2,155,101
Other operating revenues	275,716	-	275,716
Total operating revenues	8,518,268	-	8,518,268
Operating Expenses			
Compensation and benefits	29,697,418	-	29,697,418
Contractual services	2,720,877	958,778	3,679,655
Supplies and materials	3,330,115	44,368	3,374,483
Scholarships and fellowships	1,467,402	-	1,467,402
Communications	128,820	-	128,820
Depreciation	2,256,636	1,058,552	3,315,188
Utilities	471,857	669,053	1,140,910
Other	806,441	650,602	1,457,043
Total Operating Expenses	40,879,566	3,381,353	44,260,919
Operating (loss)	(32,361,298)	(3,381,353)	(35,742,651)
Non-operating Revenues (Expenses)			
State appropriations	21,182,974	-	21,182,974
Federal grants	10,960,670	-	10,960,670
State grants	1,421,196	-	1,421,196
OTRS on-behalf contributions	1,463,047	-	1,463,047
Ad valorem taxes	-	11,864,686	11,864,686
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,526,095)	(4,526,095)
Investment revenue	301,228	10,520	311,748
Interest on capital asset-related debt	(65,492)	(989,675)	(1,055,167)
Net non-operating revenue (expenses)	35,263,623	6,359,436	41,623,059
Income before other revenues, expenses, gains, losses and transfers	2,902,325	2,978,083	5,880,408
Capital appropriations - state	628,735	-	628,735
OCIA debt services on-behalf payments	84,701	-	84,701
Transfers from (to)	1,568,110	(1,568,110)	-
Increase in Net Position	5,183,871	1,409,973	6,593,844
Net Position, Beginning of Year (restated) *	(2,325,074)	22,957,228	20,632,154
Net Position, End of Year	$ 2,858,797	$ 24,367,201	$ 27,225,998

* Note: Beginning net position for FY15 was reduced by approximately $31,541,000 due to the implementation of GASB 68, Pension Liability Reporting, as explained in Note 1.

Rose State College
Statements of Revenues and Expenses – Student Center System
Year Ended June 30, 2015

Revenues		
Follett Earned Commissions	$	323,664
Follett Book & Supply Charge Reimbursement		1,181,502
Student Center Fee		411,921
Auxiliary Services		79,744
Total Revenues		1,996,831
Expenses		
Follett Book & Supply Charges		1,239,079
Salaries and Benefits		118,712
General, Administrative and Other		366,789
Depreciation		44,016
Total Expenses		1,768,596
Revenues in Excess of Expenses	$	228,235

CPAs & BUSINESS ADVISORS

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, 2015, 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 December 2, 2015.

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

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

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

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

Purpose of this Report

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

Eide Bailly LLP

Oklahoma City, Oklahoma
December 2, 2015

CPAs & BUSINESS ADVISORS

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, 2015. 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, 2015.

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 2015-001 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.

Eide Bailly LLP

Oklahoma City, Oklahoma
December 2, 2015

Rose State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Federal Grant Expenditures
U.S. Department of Education			
Direct Programs			
Student Financial Aid Cluster:			
Pell Grant Program	84.063	N/A	$ 9,829,297
Federal Work-Study Program	84.033	N/A	168,786
Direct Loan Program	84.268	N/A	7,839,641
Supplemental Education Opportunity Grants Program	84.007	N/A	206,849
Total Student Financial Aid Cluster			18,044,573
TRIO - Student Support Services	84.042A	N/A	224,822
Passed Through Oklahoma State Department of Technology			
Carl Perkins	84.048	(1)	90,921
Passed Through Oklahoma State Regents for Higher Education			
College Access Challenge Grant	84.378	(1)	25,407
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334	(1)	56,663
			82,070
Total U.S. Department of Education			18,442,386
U.S. Department of Health and Human Services			
Passed Through Oklahoma State Regents for Higher Education			
Scholars for Excellence in Child Care	93.575	(1)	84,832
Temporary Assistance for Needy Families (TANF)	93.558	(1)	229,155
			313,987
Passed Through Oklahoma Department of Human Services			
Temporary Assistance for Needy Families (TANF)	93.558	(1)	197,410
Total U.S. Department of Health and Human Services			511,397
Passed Through Oklahoma City Community College			
TAACCCT Oklahoma Works	17.282	(1)	45,662
Total U.S. Department of Labor			45,662

Rose State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Federal Grant Expenditures
National Science Foundation			
Direct Programs			
Cyber Securtiy Education Consortium OCIAFE	47.076	N/A	59,619
Passed Through Tulsa University			
Cyber Securtiy Education Consortium OCIAFE	47.076	(1)	9,227
Total National Science Foundation			68,846
U.S. Small Business Administration			
Passed Through Southeastern Oklahoma State University			
Oklahoma Small Business Development Centers	59.037	(1)	55,982
Total U.S. Small Business Administration			55,982
U.S. Environmental Protection Agency			
Direct Program			
Environmental Workforce Development and Job Training	66.815	(1)	127,863
Total U.S. Department of Homeland Security			127,863
U.S. Department of Transportation			
Direct Programs			
National Summer Transportation Institute	20.215	N/A	28,160
Total U.S. Department of Transportation			28,160
Total Federal Awards			**$ 19,280,296**

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

Rose State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

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, 2015

Section I – Summary of Auditor's Results

<u>Financial Statements</u>	
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
<u>Federal Awards</u>	
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>
Student Financial Aid Cluster	84.063, 84.007, 84.033, 84.268
Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as low-risk auditee	No

Rose State College
Schedule of Findings and Questioned Costs
June 30, 2015

Section II – Findings Relating to the Financial Statements

None.

Section III – Findings and Questioned Costs for Major Federal Awards

2015-001 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: Fall 2014 procedures did not allow for a written communication at the time the loan is disbursed of the student's or parent's right to cancel all or a portion of the related loans and the related times and procedures to cancel those loans within the time guidelines established. It should be noted that communication of such rights did occur prior to loan disbursements. Corrective actions were implemented in Spring 2015 to enable timely notifications.

Questioned costs: None

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

Cause: Fall 2014 procedures were not designed to communicate rights to cancel loans and the procedures and required timelines if students and/or parents chose to cancel loans. Corrective action was implemented in Spring 2015.

Context: 18 items in our sample of 22 students that received direct loans did not have this communication occur at the time required by federal regulations. All cases noted were from Fall 2014 and not Spring 2015.

Recommendation:

We recommend that Spring 2015 procedures continue as designed so that the proper and timely communications to students regarding loan cancellation processes.

Management's Response:

The Financial Aid Office has modified the process of providing notification to borrowers, in full compliance with federal regulations, and had the modification fully implemented and in use beginning with the Spring 2015 semester as noted in the audit procedures above. Further action at this time is not considered necessary.

Rose State College
Summary Schedule of Prior Audit Findings
June 30, 2014

Finding 2014-001 was repeated in the current year, see finding 2015-001.