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Rose State College

Financial Statements
with Independent Auditors' Reports

June 30, 2011 and 2010

Rose State College
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June 30, 2011

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report on Financial Statements and Supplementary Information

Board of Regents
Rose State College
Midwest City, Oklahoma

We have audited the accompanying statements of net assets of Rose State College (the College) as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. Rose State College Foundation, Inc. (the Foundation), a not-for-profit Oklahoma corporation organized to support the College, is a component unit of the College as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The financial statements referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately. We also audited the financial statements of the Foundation, and our opinion as it relates to our audit of those financial statements is included in that separate set of financial statements.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statement referred to above presents fairly, in all material respects, the financial position of the College and the separately presented component unit as of June 30, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hinkle & Company, PLLC

Tulsa, Oklahoma
August 25, 2011

Rose State College
A Component Unit of the State of Oklahoma
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

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, 2011. Since the management's discussion and analysis is designed to focus on current activities resulting in change and current known facts, please read it in conjunction with the College's basic financial statements and the footnotes.

Using This Annual Report

The basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. This report is provided to highlight and explain significant changes in financial operations and conditions of the College.

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

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the College's net assets and changes in them. The College's net assets - the difference between assets and liabilities - are one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider many other non-financial factors, such as the trend and quality of applicants, freshman class size, student retention, accreditation, condition of the buildings and the safety of the campus to assess the overall health of the institution.

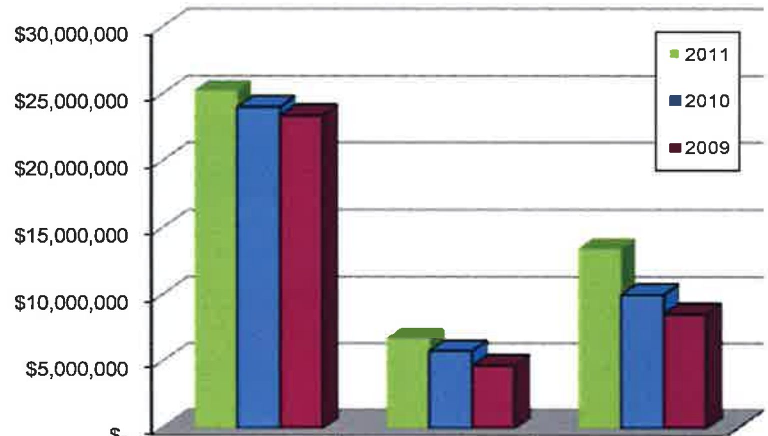
These statements report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The accompanying financial statements of the College include the financial statements of the College's blended component unit, the Rose State College Technical Area Education District. Separate financial statements of the Technical District can be obtained from the College's Vice President for Business Affairs.

Financial Highlights

Total Net Assets

At June 30, 2011, the College's net assets increased to $45.5 million from $39.9 million in 2010, an increase of $5.5 million. Total net assets in 2010 were $2.7 million more than the 2009 valuation of $37.2 million. Between 2011 and 2010, the college experienced increases in all three asset categories with the most significant growth being in Unrestricted assets and Investment in Capital assets. This chart provides a graphical breakdown of net assets by category for the fiscal years ending June 30, 2011, 2010 and 2009.



	Invested in Capital Assets	Restricted	Unrestricted
2011	25,273,068	6,741,298	13,491,380
2010	24,062,460	5,842,549	10,067,671
2009	23,414,334	4,733,249	8,619,762

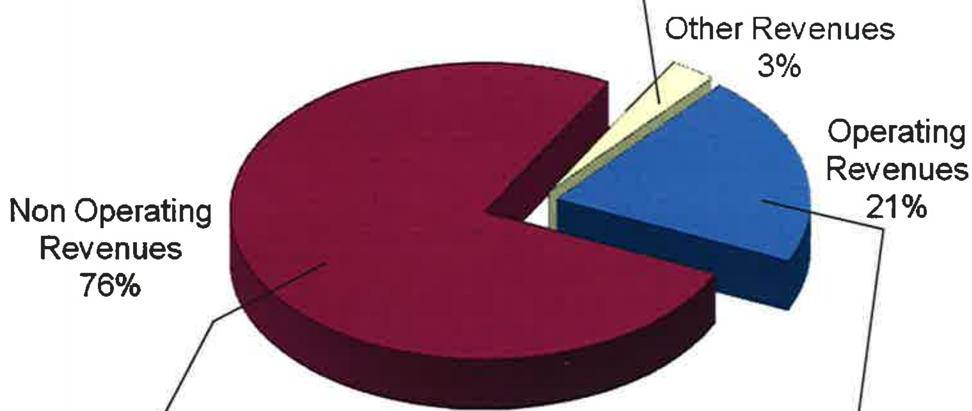
Operating Results

Total College revenues for 2011 were $59.3 million. This is an increase of $2.1 million over 2010 total revenues. In 2010, total revenues increased by $6.3 million over the 2009 amounts. Expenditures for 2011 were $53.8 million compared to $54.6 million in 2010, which represents an decrease of $.8 million. 2010 expenditures exceeded those of 2009 by $4.5 million. For fiscal year 2011, the College's revenues exceeded expenses by approximately $5.5 million resulting in a 13.8% increase in total net assets. The following table and charts provide a presentation of total and operating revenues by category as well as total expenses by category for the fiscal years ending June 30, 2011, 2010 and 2009.

Revenue By Category	2011	2010	2009	Change F/10 to 11	Percent Change	Change F/09 to 10	Percent Change
Operating Revenues	$ 12,260,944	$ 10,307,814	$ 8,960,996	$ 1,953,130	18.95%	$ 1,346,818	15.03%
Non Operating Revenues	45,322,884	45,051,334	40,442,515	271,550	0.60%	4,608,819	11.40%
Other Revenues	1,738,248	1,911,597	1,607,318	(173,349)	(9.07%)	304,279	18.93%
Total Revenues	$ 59,322,076	$ 57,270,745	$ 51,010,829	$ 2,051,331	3.58%	$ 6,259,916	12.27%

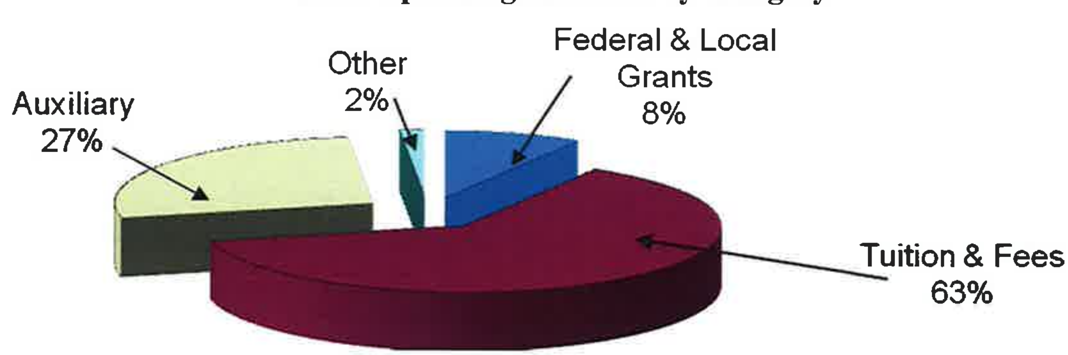
Total Revenues by Category

Other Revenues consist of capital appropriations and OCIA debt service totaling $1.9 million. The categories of non operating revenue and operating revenues are shown in the charts and tables below.



Non Operating Revenues	
State appropriations	$ 17,650,700
State appropriations ARRA	1,470,651
Federal and state grants	15,483,917
OTRS On-behalf	1,138,000
Ad valorem taxes	9,359,847
Investment income	219,769
Other nonoperating	-
Total Non Operating	$ 45,322,884

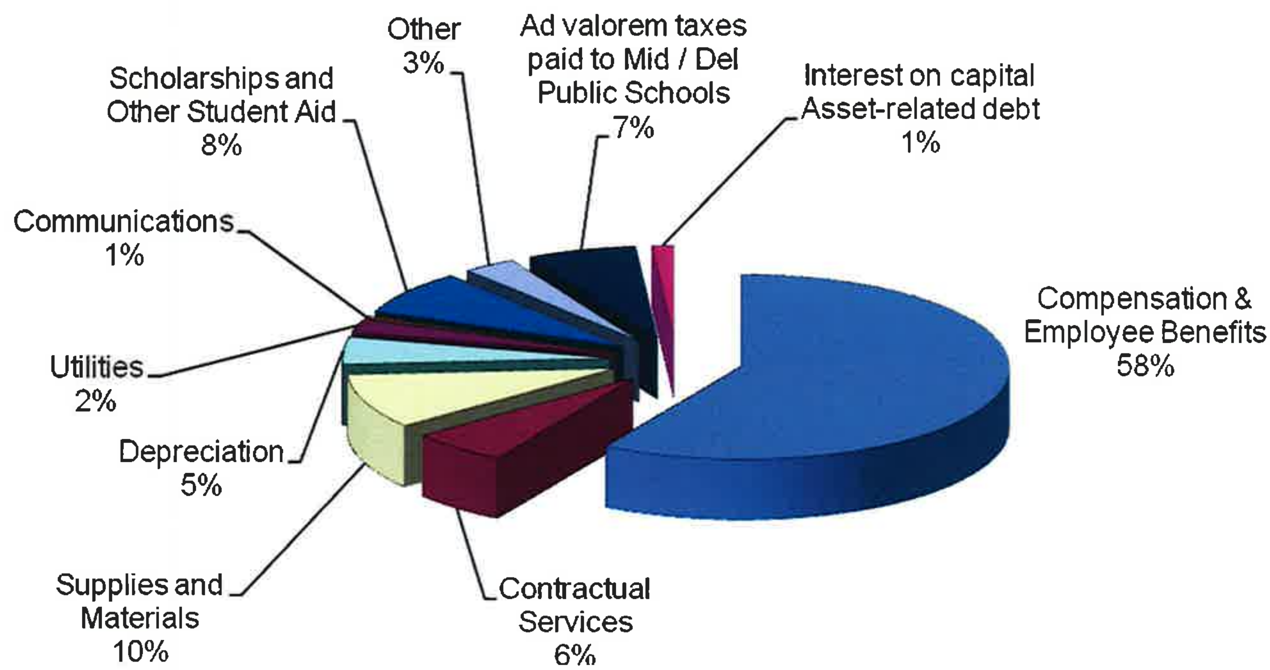
Total Operating Revenues by Category



Operating Revenue	2011	2010	2009	Change F/10 To 11	Percent Change	Change F/09 to 10	Percent Change
Federal & Local Grants	$ 1,046,472	$ 2,038,440	$ 1,709,299	$ (991,968)	(48.66%)	$ 329,141	19.26%
Tuition & Fees	7,696,071	4,920,284	4,483,336	2,775,787	56.42%	436,948	9.75%
Auxiliary	3,328,140	2,893,680	2,515,291	434,460	15.01%	378,389	15.04%
Other	190,261	455,410	253,070	(265,149)	(58.22%)	202,340	79.95%
Total Operating Rev.	$ 12,260,944	$ 10,307,814	$ 8,960,996	$ 1,953,130	18.95%	$ 1,346,818	15.03%

Total Expenses by Category

Total expenses of the College for 2011 were $53.7 million, a decrease of $.7 million or 1.4% compared to 2010 expenses of $54.5 million. The 2010 expense total increased $4.5 million or 9% compared to 2009 results. The College's largest expense category continues to be compensation and employee benefits representing 58.4% of total expenses in 2011.



Total Expenses by Category	2011	2010	2009	Increase (Decrease) F/10 to 11	Percent Change	Increase (Decrease) F/09 to 10	Percent Change
Compensation & Employee Benefits	$31,429,787	$31,254,350	$30,873,810	$ 175,437	0.6%	$ 380,540	1.2%
Contractual Services	3,166,778	2,740,510	2,499,505	426,268	15.6%	241,005	9.6%
Supplies and Materials	5,166,489	4,471,912	4,277,290	694,577	15.5%	194,622	4.6%
Depreciation	2,557,611	2,302,808	2,203,890	254,803	11.1%	98,918	4.5%
Utilities	1,211,264	1,166,049	1,275,783	45,215	3.9%	(109,734)	(8.6%)
Communications	157,336	174,953	256,070	(17,617)	(10.1%)	(81,117)	(31.7%)
Scholarships and Other Student Aid	4,135,012	3,934,627	1,850,943	200,385	5.1%	2,083,684	112.6%
Other	1,719,413	3,076,706	2,124,544	(1,357,293)	(44.1%)	952,162	44.8%
Ad valorem paid to Mid/Del Public Schools	3,540,354	4,671,603	3,839,481	(1,131,249)	(24.2%)	832,122	21.7%
Interest on capital asset-related debt	704,966	767,261	821,741	(62,295)	(8.1%)	(54,480)	(6.6%)
Total Expenses by Category	$53,789,010	$54,560,779	$50,023,057	$ (771,769)	(1.4%)	$4,537,722	9.1%

Statement of Net Assets

The statement of net assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities is net assets, which is an indicator of the current financial condition of the College. Assets and liabilities are generally stated using current values. Notable exceptions are capital assets, which are stated at historical cost less an allowance for depreciation and long-term debt, which is stated at its current unpaid borrowed amount. The following table is prepared from the College's Statement of Net Assets. It summarizes the assets, liabilities and net assets as of June 30, 2011, 2010 and 2009.

Balances as of June 30th	2011	2010	2009	Change F/10 To 11	Percent Change	Change F/09 To 10	Percent Change
Current Assets	$22,516,579	$18,885,642	$20,793,716	$3,630,937	19.2%	$(1,908,074)	(9.2%)
Noncurrent Assets							
Restricted cash and cash equivalents	1,224,255	1,213,812	411,430	10,443	0.9%	802,382	195.0%
Unamortized bond issuence costs	7,375	8,287	-	(912)	(11.0%)	8,287	100.0%
Capital assets, net of depreciation	39,192,625	39,272,612	36,536,901	(79,987)	(0.2%)	2,735,711	7.5%
Total assets	62,940,834	59,380,353	57,742,047	3,560,481	6.0%	1,638,306	2.8%
Current Liabilities	3,188,140	3,732,573	3,690,306	(544,433)	(14.6%)	42,267	1.2%
Noncurrent Liabilities	14,246,948	15,675,100	16,789,027	(1,428,152)	(9.1%)	(1,113,927)	(6.6%)
Total liabilities	17,435,088	19,407,673	20,479,333	(1,972,585)	(10.2%)	(1,071,660)	(5.2%)
Net Assets							
Invested in capital assets, net of related debt	25,273,068	24,062,460	23,414,334	1,210,608	5.0%	648,126	2.8%
Restricted expendable	6,741,298	5,842,549	4,733,249	898,749	15.4%	1,109,300	23.4%
Unrestricted	13,491,380	10,067,671	9,115,131	3,423,709	34.0%	952,540	10.5%
Total net assets	$45,505,746	$39,972,680	$37,262,714	$5,533,066	13.8%	$ 2,709,966	7.3%

- Current assets increased $3.6 million in 2011 to $22.5 million or 19.2% from $18.8 million in 2010. This increase is largely due to the increase of cash and reserves reflecting the increase in revenue from increased enrollment, increased tuition rates and the reduction of expenditures overall. College management has made an intentional effort to increase reserves, to be used in near future periods, for upcoming upgrades to the PeopleSoft system and to cushion further decreases in state appropriations and Federal funding. In 2011, the cash and reserves balance was $18.9 million compared to $15.0 million in 2010 and $13.1 million in 2009.

- Total liabilities decreased by $1.9 million or 10.1% in 2011 compared to 2010. This decrease reflects reduced long term debt which totaled $14.1 million at the end of 2011 compared to $15.6 million in 2010 and $16.9 million in 2009. The majority of long term debt is comprised of the Technical District's Building Bond (2005 series) for the construction of the Professional Training

- Center with an outstanding balance of $3.4 million and the OCIA Capital Lease obligation (2006 series) for the Health Sciences building with a balance of $10.1 million at the end of 2011.

- Net Assets, in 2011, increased $5.5 million or 13.8% compared to 2010 balances. In 2010 the total net assets grew by $2.7 million or 7.2% compared to 2009 results. The 2011 increase reflects the purchase of an adjacent property and building from the Mid-Del School District for $1.2 million along with the effort of college management to build reserves for future capital projects and to mitigate further decreases in state and federal funding. These reserves will begin to show declines in FY2012 beginning with the PeopleSoft system upgrade.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the College's results of operations and other non operating activities. A summarized statement of revenues, expenses and changes in net assets is included below:

	2011	2010	2009	Change F/ 10 To 11	Percent Change	Change F/ 09 To 10	Percent Change
Operating Revenues							
Tuition and fees, net	$ 7,696,071	$ 4,920,284	$ 4,483,336	$ 2,775,787	56.4 %	$ 436,948	9.8 %
Federal, state and local grants and contracts	1,046,471	2,038,440	1,709,299	(991,969)	(48.7 %)	329,141	19.3 %
Auxiliary (bookstore and food services), net	3,328,140	2,893,680	2,515,291	434,460	15.0 %	378,389	15.0 %
Other	190,261	455,410	253,070	(265,149)	(58.2 %)	202,340	80.0 %
Total operating revenues	12,260,943	10,307,814	8,960,996	1,953,129	19.0 %	1,346,818	15.0 %
Operating Expenses							
Compensation and employee benefits	31,429,787	31,254,350	30,873,810	175,437	0.6 %	380,540	1.2 %
Contractual services, supplies and materials	8,333,267	7,212,422	6,776,795	1,120,845	15.5 %	435,627	6.4 %
Depreciation	2,557,611	2,302,808	2,203,890	254,803	11.1 %	98,918	4.5 %
Utilities and communications	1,368,600	1,341,002	1,531,853	27,598	2.1 %	(190,851)	(12.5 %)
Scholarships and other student aid	4,135,012	3,934,627	1,850,943	200,385	5.1 %	2,083,684	112.6 %
Other	1,719,413	3,076,706	2,124,544	(1,357,293)	(44.1 %)	952,162	44.8 %
Total operating expenses	49,543,690	49,121,915	45,361,835	421,775	0.9 %	3,760,080	8.3 %
Operating Loss	(37,282,747)	(38,814,101)	(36,400,839)	1,531,354	(4.0 %)	(2,413,262)	6.6 %
Nonoperating Revenues (Expenses)							
State appropriations	17,650,700	20,626,019	22,414,026	(2,975,319)	(14.4 %)	(1,788,007)	(8.0 %)
State appropriations - ARRA	1,470,651	1,653,560	-	(182,909)	(11.1 %)	1,653,560	100.0 %
Federal and state grants	15,483,917	12,295,821	7,733,598	3,188,096	25.9 %	4,562,223	59.0 %
OTRS on-behalf contributions	1,138,000	1,001,000	1,155,000	137,000	13.7 %	(154,000)	(13.3 %)
Ad valorem taxes	9,359,847	9,165,625	8,616,851	194,222	2.1 %	548,774	6.4 %
Ad valorem taxes remitted to Mid/Del Public Schools	(3,540,354)	(4,671,603)	(3,839,481)	1,131,249	(24.2 %)	(832,122)	21.7 %
Other	(485,197)	(457,952)	(298,701)	(27,245)	6.0 %	(159,251)	53.3 %
Net nonoperating revenues	41,077,564	39,612,470	35,781,293	1,465,094	3.7 %	3,831,177	10.7 %
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	3,794,817	798,369	(619,546)	2,996,448	375.3 %	1,417,915	228.9 %
Other Revenues, Expenses, Gains and Losses	1,738,248	1,911,597	1,607,318	(173,349)	(9.1 %)	304,279	18.9 %
Cumulative Effect of Change in Accounting Principle see (Note 11)	-	-	-	-	0.0 %	-	0.0 %
Increase (Decrease) in Net Assets	5,533,065	2,709,966	987,772	2,823,099	104.2 %	1,722,194	174.4 %
Net Assets, Beginning of Year	39,972,680	37,262,714	36,274,942	2,709,966	7.3 %	987,772	2.7 %
Net Assets, End of Year	$ 45,505,745	$ 39,972,680	$ 37,262,714	$ 5,533,065	13.8 %	$ 2,709,966	7.3 %

- Total operating revenues grew by $1.9 million or 19% in 2011 compared to 2010 results. This reflects the increase in enrollment and the increase in tuition and fees experienced throughout the fiscal year. In 2010, operating revenues increased by almost $1.3 million or 15.0% over 2009. In the current fiscal period, fiscal year 2012, the College is experiencing a decrease in enrollment which may negatively impact operating revenue in that fiscal period. At the end of fiscal year 2011, the College outsourced the food services function to a third party contractor. This will also negatively impact operating revenue in future periods. However, a corresponding reduction of operating expenses will be reflected in the Compensation and Benefits and Supplies categories. The expected effect will be improved net operating results. See the Economic Outlook section below for further discussion of these topics.

- Operating expenses increased by $.4 million or .9% in 2011 compared to 2010. The 2010 results showed an increase of $3.7 million or 8.3% increase verses 2009. The 2011 increase is the net of two main contributing factors.

  - Structural Renovations expense increased by $1.6 million in 2011 compared to 2010 driven largely by the replacement of heat and air conditioning units in the Administration, Humanities and Social Sciences buildings. The new units in each of these buildings replaced the large original single unit which served all three buildings. For many reasons the College expects to see a return on this investment through better control of equipment utilization leading to reduced utility costs and lower maintenance costs on the new units.
  - Other Operating Expenses were reduced across the board through the budget process. This led to reductions in normal operating expenses such as employee and student travel (in total reduced $139 thousand), advertising (in total reduced $49 thousand) and repairs and maintenance expenses paid to vendors (in total reduced by $256 thousand) compared to 2010 expenditures. These expenditures have been strictly controlled to allow the College to build its reserves in preparation of future decreases in state appropriations and the loss of Federal funding from the loss of ARRA funds and decreased grant funding. Please see the Economic Outlook section below for further discussion.

- Net non operating revenues for 2011 increased $1.4 million or 3.7% from 2010. The 2010 non operating revenues increased by $3.8 million or 10.7% versus 2009 results. The net increase for 2011 is the result of the combination of the following factors:

  - State appropriated receipts were down $2.9 million or 14.4% in 2011 compared to 2010. The appropriations received in 2010 were down $1.7 million or 8.0% from 2009. These reductions were partially offset by the receipt of Federal ARRA fund from the Governor's Fiscal Stabilization Fund amounting to $1.4 million in 2011 and $1.6 million in 2010. These ARRA funds will not be available in future periods to help mitigate any further reductions in state appropriations or federal funded revenue sources.
  - Federal and state grants and contracts increased $3.1 million or 25.9% in 2011 versus 2010. The 2010 results show a $4.5 million or 59.0% increase over 2009. These increases reflect the growth in enrollment experienced over the past two fiscal periods and also the raising of Federal financial aid (Pell Grant and student loan) limits on individual's awards. State student aid (OTAG and Oklahoma's Promise) revenue has also grown over the past two years as a result of enrollment growth and increases in tuition and fees.
  - Ad valorem tax revenue for 2011 increased $194 thousand or 2.1% versus 2010. This follows the increase of $548 thousand or 6.4% from the 2010 results.

- Other Non-operating Revenue (Expenses) results from the difference between interest earned on cash balances and interest expense incurred on capital asset related debt. In 2011, the interest expense exceeded interest earned by almost $485 thousand which is an increase of $27 thousand or 6% over 2010. This reflects the increased debt load of the OCIA bonds for the new Health Sciences building and the lease commitment for the new bus purchased through the ODFA Master Lease Program. The interest expense for the new Health Sciences building is paid on behalf of the college and requires no actual cash outlay from the school. This expense for the interest payment partially offsets the OCIA proceeds recognized on the Other Revenue line in the Total Revenue by Category section, above. In 2010, interest expense exceeded interest earned by $458 thousand which was an increase of $159 thousand or 53.3% over 2009. For both 2011 and 2010, interest earned was negatively affected by the continuation of decreased interest rates paid by institutions holding the College's and Technical Districts' cash funds.

- Other Revenues, Expenses, Gains and Losses reflects restricted funds allocated for capital expenditures from the state and payment of 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.

Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. Its 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 helps users assess an entity's ability to generate future net cash flows, meet its obligations as they come due and its needs for external financing.

The College's overall cash and cash equivalents increased in 2011 by $3.8 million versus 2010. The results for 2010 recognized a $2.1 million increase over 2010. The decreased use of cash for operating activities generated a net increase in available cash of $1.3 million versus 2010 results. Noncapital financing activities also generated cash of $1.3 million when compared to 2010. The cash generated were partially offset with reduced capital related financing and investment returns in the form of interest earned which were both less than 2010 levels. These items have been discussed in previous sections of this management discussion and analysis.

The following schedule is summarized from the College's Statement of Cash Flows for the year ended June 30, 2011, 2010 and 2009.

Year Ended June 30	**2011**	**2010**	**2009**	**Change F/ 11 To 10**	**Change F/ 10 To 11**
Cash Provided by (Used In):					
Operating activities	$ (34,104,189)	$(35,481,601)	$(34,594,086)	$ 1,377,412	$ (887,515)
Noncapital financing activities	39,479,278	38,126,698	33,948,469	1,352,580	4,178,229
Capital and related financing activities	(1,733,048)	(839,850)	(1,233,336)	(893,198)	393,486
Investing activities	219,769	309,309	523,040	(89,540)	(213,731)
Net increase (decrease) in cash and cash equivalents	3,861,810	2,114,556	(1,355,913)	1,747,254	3,470,469
Cash and Cash Equivalents, Beginning of Year	17,484,422	15,369,866	16,725,779	2,114,556	(1,355,913)
Cash and Cash equivalents, End of Year	$ 21,346,232	$ 17,484,422	$ 15,369,866	$3,861,810	$ 2,114,556

Capital Assets

At June 30, 2011, the College had approximately $83.5 million invested in capital assets with accumulated depreciation of $44.3 million resulting in a net capital asset value of approximately $39.1 million which is a slight decrease over the 2010 net valuation by approximately $80 thousand or -.2%. For 2010 the total net capital asset value was approximately $39.2 million and reflected completion of the new Health Science building. The decrease in net valuation experienced in 2011 is the combination of two main factors: the addition of $1.2 million from the purchase of the adjacent property and building from Mid-Del Public Schools and the increase in recognized depreciation from recently added capital assets. Fiscal year 2010 net asset value increased by $2.7 million or 7.5% over the 2009 valuation largely from the completion of the new Health Sciences building and the purchase of the new bus. For 2009 the net value of capital assets was approximately $36.5 million. Details of these capital asset investments are shown in the table below.

Capital Assets, Net of Accumulated Depreciation at June 30, 2011, 2010 and 2009

Year Ended June 30	2011	2010	2009	Change F/ 10 To 11	Percent Change	Change F/ 09 To 10	Percent Change
Land	$ 3,205,989	$ 2,000,498	$ 2,000,498	$ 1,205,491	60.3 %	$ -	0.0 %
Building and improvements	32,290,264	33,593,643	21,400,070	(1,303,379)	(3.9 %)	12,193,573	57.0 %
Land improvements/ infrastructure	419,929	427,725	279,420	(7,796)	(1.8 %)	148,305	53.1 %
Furniture, fixtures and equipment	1,972,007	1,948,806	1,410,236	23,201	1.2 %	538,570	38.2 %
Library materials	1,304,436	1,301,939	1,330,231	2,497	0.2 %	(28,292)	(2.1 %)
Construction in Progress	-	-	10,116,445	-	0.0 %	(10,116,445)	100.0 %
Total Capital Assets, net of Accumulated Depreciation	$39,192,625	$ 39,272,611	$36,536,900	$ (79,986)	(0.2 %)	$ 2,735,711	7.5 %

Debt

At June 30, 2011, the College had approximately $14.1 million in debt (bonds and capital lease obligations) outstanding; a 9.2% decrease compared the debt valuation of $15.6 million in 2010. No new debt obligation was realized in 2011. In comparison, 2010 realized a $1.2 million decrease in outstanding debt obligations from 2009 with one new debt obligation for the purchase of a new bus with Oklahoma Development Finance Authority bond proceeds. Also during 2010, the lease obligation for computer hardware and software, which had been accounted for as a capital lease, was paid in full. See *Note 5* for more detailed information regarding the College's outstanding debt. The table below summarizes the College's debts, by type, for all three periods discussed.

Outstanding Debt at June 30, 2011, 2010 and 2009

Balances at June 30th	2011	2010	2009	Change F/10 To 11	Percent Change	Change F/09 To 10	Percent Change
2005 Building Bonds Payable	$ 3,400,000	$ 4,250,000	$ 5,100,000	$ (850,000)	(20.0%)	$ (850,000)	(16.7%)
1999/2004 OCIA Capital Lease Obligation	235,457	258,464	280,378	(23,007)	(8.9%)	(21,914)	(7.8%)
2006 OCIA Capital Lease Obligation	10,157,115	10,665,795	11,304,000	(508,680)	(4.8%)	(638,205)	(5.6%)
ODFA Bus Master Lease	391,500	438,417	-	(46,917)	100.0%	438,417	0.0 %
ODFA 2009A Premium	2,035	2,287	-	(252)	100.0%	2,287	0.0 %
Academic Capital Financing Lease Obligation	-	-	218,215	-	0.0%	(218,215)	(100.0%)
Total Outstanding Debt	$14,186,107	$15,614,963	$16,902,593	$(1,428,856)	(9.2%)	$(1,287,630)	(7.6 %)

Economic Outlook

The economic stability of Rose State College is directly related to the state and local economic environment in which it operates. The College relies heavily on state appropriations to fund the operation of the school. Tuition and fee rate decisions must be weighed carefully and reflect local conditions experienced by students and parents. Financial Aid and Federal Grant funding are also in a state of flux as national priorities are being debated and reconfigured to reflect the macroeconomic condition.

Fiscal year 2011 brought many challenges for the College and institutions of higher education state wide. The College increased tuition and fees by 5.5% for fiscal year 2011. Even with this increase, the College continues to rank in the lowest tier of tuition and fees charged by public community colleges in Oklahoma. In comparison to tuition and fee increases announced at public institutions in other parts of the nation this would be considered a very modest increase. At the same time, the College continued to experience steady increases in enrollment. Hours produced, during fiscal year 2011, grew by 9,586 credit hours or roughly 6% over fiscal year 2010 enrollment. The combination of increased enrolled hours produced and the increased tuition and fee rates resulted in revenue growth. This growth paired with continued cost control measures resulted in additional available cash and an increase of reserves in 2011.

Beginning in fiscal year 2012, these reserves will allow the College to implement a system wide upgrade of its ERP system, which has been termed end-of-life and will no longer be serviced by the software vendor. The reserves will also allow for a cushion for further appropriation reductions from the State Legislature. Fiscal Stabilization Funds from federal ARRA sources are no longer available to supplement lower appropriations in future fiscal years. The state appropriation for fiscal year 2012 budget was reduced by $1.2 million or 5.8%. Enrollment for the Fall semester 2011 (which falls into fiscal year 2012) has shown a decline in comparison to one year ago levels. Causes for the erosion of enrollment are not yet fully identified but certainly reflect the lower unemployment rates seen throughout the state of Oklahoma. If the enrollment decline continues at the same rate throughout all fiscal year 2012 semesters, revenue will be negatively impacted and the reserve levels will be used to cushion that impact. The College will also experience a decline in Federal grant revenue with the announced loss of the Talent Search grant. This grant has been in place at the College for several years but will be closed, including the loss of employees, early in fiscal year 2012. Other cost cutting measures include the decertification of the Rose State College Police Department and the closure of the auxiliary food service department late in

fiscal year 2011. Both functions have been replaced with contract services provided by private companies and should result in expense savings during fiscal year 2012.

Looking even further into fiscal year 2013, the college anticipates continued limited opportunities for growth of appropriations from the State Legislature. Given the current economic conditions and political climate, tuition and fee increase requests may be limited in scope, at best. Further contraction of Federal funding for grants and contracts will also serve as a challenge as programs are reviewed and debated at the national level. This level of review will also likely impact the availability of Federal Financial Aid to students and will likely including changes in regulations and controls.

The management of the College believes the institution to be in good financial condition and maintains a focus on continuing that position as new challenges and opportunities present themselves.

Contacting the College's Financial Management

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

Rose State College
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,951,315	$ 15,081,043
Restricted:		
Cash and cash equivalents	1,170,662	1,189,567
Accounts receivable, net	1,360,995	1,339,702
Federal and state grants receivable	454,692	493,570
Delinquent ad valorem property taxes receivable	313,000	379,000
Receivables from OCIA	259,792	397,141
Prepaid Expenses	6,123	5,619
Total current assets	22,516,579	18,885,642
Non-current assets:		
Restricted:		
Cash and cash equivalents	1,224,255	1,213,812
Unamortized bond issueance costs	7,375	8,287
Capital Assets, net	39,192,625	39,272,612
Total non-current assets	40,424,255	40,494,711
Total assets	62,940,834	59,380,353
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	1,397,250	2,234,579
Accrued compensated absences	811,439	954,078
Interest payable	617	617
Deferred revenue	553,899	476,873
Current maturities of long-term debt	65,722	66,425
Deposits held in custody for others	359,213	-
Total current liabilities	3,188,140	3,732,572
Non-current liabilities:		
Accrued compensated absences	126,563	126,563
Long-term debt	14,120,385	15,548,538
Total non-current liabilities	14,246,948	15,675,101
Total liabilities	17,435,088	19,407,673
NET ASSETS		
Invested in capital assets, net of related debt	25,273,068	24,062,460
Restricted expendable for:		
Scholarships	4,346,381	3,439,169
Loans	5,091	4,971
Capital projects	1,724,456	1,736,507
Debt service	665,370	661,902
Unrestricted	13,491,380	10,067,671
Total net assets	$ 45,505,746	$ 39,972,680

Rose State College
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Tuition and fees, net	$ 7,696,071	$ 4,920,284
Federal grants and contracts	841,291	1,773,858
State and private grants and contracts	205,181	264,582
Sales and services of auxiliary enterprises, net	3,328,140	2,893,680
Other operating revenues	190,261	455,410
Total operating revenues	12,260,944	10,307,814
Operating Expenses		
Compensation and benefits	31,429,787	31,254,350
Contractual services	3,166,778	2,740,510
Supplies and materials	5,166,489	4,471,912
Scholarships and fellowships	4,135,012	3,934,627
Communications	157,336	174,953
Depreciation	2,557,611	2,302,808
Utilities	1,211,264	1,166,049
Other	1,719,413	3,076,706
Total Operating Expenses	49,543,690	49,121,915
Operating income (loss)	(37,282,746)	(38,814,101)
Non-operating Revenues (Expenses)		
State appropriations	17,650,700	20,626,019
State appropriations - ARRA Funds	1,470,651	1,653,560
Federal grants - non-operating	13,962,818	10,569,927
State grants - non-operating	1,521,099	1,725,894
OTRS on-behalf contributions	1,138,000	1,001,000
Ad valorem taxes	9,359,847	9,165,625
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(3,540,354)	(4,671,603)
Investment revenue	219,769	309,309
Interest on capital asset-related debt	(704,966)	(767,261)
Net non-operating revenue (expenses)	41,077,564	39,612,470
Income (loss) before other revenues, expenses, gains, losses and transfers	3,794,818	798,369
Capital appropriations - state	660,459	672,371
OCIA debt services on-behalf payments	1,077,789	1,239,226
Transfers from (to)	-	-
Increase in Net Assets	5,533,066	2,709,966
Net Assets, Beginning of Year	39,972,680	37,262,714
Net Assets, End of Year	$ 45,505,746	$ 39,972,680

Rose State College
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Tuition and fees	$ 7,706,746	$ 4,933,721
Grants and contracts	1,085,350	1,984,233
Payments to suppliers	(15,974,053)	(15,546,401)
Payments to employees	(30,441,058)	(30,200,644)
Auxiliary enterprises sales and services	3,328,140	2,893,680
Other operating receipts	190,686	453,810
Net cash used in operating activities	(34,104,189)	(35,481,601)
Noncapital Financing Activities		
State appropriations	17,768,336	20,626,019
State appropriations - ARRA Funds		1,653,560
Non-operating grants	16,954,568	12,295,821
Ad valorem taxes received	8,350,955	8,196,011
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(3,594,581)	(4,644,713)
Net cash provided by noncapital financing activities	39,479,278	38,126,698
Capital and Related Financing Activities		
Purchases of capital assets	(2,477,624)	(5,038,519)
Receipts from OCIA & ODFA for capital purchases	137,349	3,857,280
Proceeds from issuance of bonds	-	-
Principal paid on capital leases and bonds	(896,917)	(1,110,798)
Interest paid on capital leases and bonds	(158,204)	(186,932)
Proceeds from disposal of capital assets	-	-
Capital appropriations – state	660,459	672,371
Ad valorem taxes received for debt service	1,001,889	966,748
Net cash provided by (used in) capital and related financing activities	(1,733,048)	(839,850)
Investing Activities		
Purchase of investments		
Proceeds from maturities of investments	-	-
Investment income received	219,769	309,309
Net cash provided by (used in) investing activities	219,769	309,309
Increase in Cash and Cash Equivalents	3,861,810	2,114,556
Cash and Cash Equivalents, Beginning of Year	17,484,422	15,369,866
Cash and Cash Equivalents, End of Year	$ 21,346,232	$ 17,484,422

Rose State College
Statements of Cash Flows
Years Ended June 30, 2011 and 2010
(Continued)

	2011	2010
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Current assets		
Cash and cash equivalents	$ 18,951,315	$ 15,081,043
Restricted cash and cash equivalents	1,170,662	1,189,567
Noncurrent assets		
Restricted cash and cash equivalents	1,224,255	1,213,812
	$ 21,346,232	$ 17,484,422
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	$ (37,282,746)	$ (38,814,101)
Depreciation expense	2,557,611	2,302,808
Net loss on disposal of fixed assets	-	-
OTRS on-behalf contributions	1,138,000	1,001,000
Changes in operating assets and liabilities	-	-
Receivables, net	(27,048)	(38,190)
Inventories	-	-
Prepaid expenses	(504)	(3,945)
Accounts payable and other accrued liabilities	(417,257)	22,301
Accrued payroll and compensated absences	(149,271)	52,706
Deferred revenue	77,026	(4,180)
Net Cash Used in Operating Activities	$ (34,104,189)	$ (35,481,601)

Rose State College
Notes to Financial Statements
June 30, 2011 and 2010

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, Federal Work Study, and Federal Direct Loan programs. Unsecured credit is extended to students.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, 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 years ended June 30, 2011 and 2010, the Foundation provided the College approximately $177,000 and $190,000, respectively, in scholarships, awards, and other program support.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

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

The College prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the College has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

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 assets 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, 2011, 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 assets.

Investments and Investment Income

The College had no investments at June 30, 2011 and 2010.

The Technical Area Education District's investment income consists of interest income earned from deposits in money market savings funds 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 August 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. A variety of collection efforts are utilized for any tuition and fees not collected after the end of the semester. These efforts may include inability to re-enroll for classes, use of state sponsored programs to intercept income tax refunds and/or assignment to third party collection agencies. Delinquent receivables are written off, in the financial statements, once they become approximately a year-and-one-half-old.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Land improvements and infrastructure	20 – 30 years
Buildings and improvements	20 – 40 years
Furniture, fixtures, and equipment	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 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 assets date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Revenue

Deferred 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 Assets

Net assets of the College are classified in three components. Net assets invested in capital assets, net of related debt, consist 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 assets are 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 assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Foundation, such as permanent endowments. Unrestricted net assets are 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)

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 and (2) sales and services of auxiliary enterprises.

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 assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30, 2011 and 2010, were approximately $10,867,753 and $9,261,826, respectively.

Income Taxes

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

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

Subsequent Events

Subsequent events have been evaluated through August 25, 2011 which is the date the financial statements were issued.

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

District's Deposits

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

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

At June 30, 2011 and 2010, respectively, $0 of the District's bank balances of $3,889,613 and $3,470,200 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, 2011 and 2010, the College had the following invested pooled funds and maturities:

	June 30, 2011		June 30, 2010	
Type	**Fair Value**	**Maturing in Less Than One Year**	**Fair Value**	**Maturing in Less Than One Year**
Pooled funds held by state treasurer or OSF	$ 3,414,638	$ 3,414,638	$ 5,069,456	$ 5,069,456
Money market mutual funds	0	0	0	0
	$ 3,414,638	$ 3,414,638	$ 5,069,456	$ 5,069,456

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, 2011 and 2010, the College's invested funds were rated as follows:

	Standard & Poor's	
	2011	2010
Pooled funds held by state treasurer or OSF	Not rated	Not rated

Summary of Carry Values

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

	2011	2010
Carrying Value		
Deposits	$ 17,925,594	$ 12,408,966
Invested pooled funds	3,414,638	5,069,456
Money market mutual funds	—	—
Change funds	6,000	6,000
	$ 21,346,232	$ 17,484,422

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

Investment Income

Investment income consisted primarily of interest income of $219,769 and $309,309 for the years ended June 30, 2011 and 2010, respectively.

Note 3: Accounts Receivable

The College's accounts receivable relate primarily to tuition and enrollment fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Total accounts receivable is shown on the accompanying statements of net assets, net of related allowances for doubtful accounts approximately $2,147,000 and $2,095,000 at June 30, 2011 and 2010, respectively.

Note 4: Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010, were:

	FY2011			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 2,000,498	$ 1,205,491	$ -	$ 3,205,989
Building and improvements	63,994,395	296,641	-	64,291,036
Land improvements and infrastructure	872,347	14,270	-	886,617
Furniture fixtures and equipment	8,844,814	577,234	235,339	9,186,709
Library materials	5,600,577	383,988	50,056	5,934,509
Construction In prorgress	-	-	-	-
	81,312,631	2,477,624	285,395	83,504,860
Less accumulated depreciation				
Buildings and improvements	30,400,751	1,600,021	-	32,000,772
Land improvements and infrastructure	444,623	22,065	-	466,688
Furniture fixtures and equipment	6,896,008	554,033	235,339	7,214,702
Library materials	4,298,637	381,492	50,056	4,630,073
	42,040,019	2,557,611	285,395	44,312,235
Net Capital Assets	**$ 39,272,612**	**$ (79,987)**	**$ -**	**$ 39,192,625**

Note 4: Capital Assets (Continued)

	FY2010			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 2,000,498	$ -	$ -	$ 2,000,498
Building	50,411,918	13,582,477	-	63,994,395
Land improvements and infrastructure	705,115	167,232	-	872,347
Furniture fixtures and equipment	7,820,665	1,040,549	16,400	8,844,814
Library materials	5,282,472	364,706	46,601	5,600,577
Construction In prorgress	10,116,445	3,301,516	13,417,961	-
	76,337,113	18,456,480	13,480,962	81,312,631
Less accumulated depreciation				
Buildings and improvements	29,011,848	1,388,903	-	30,400,751
Land improvements and infrastructure	425,695	18,928	-	444,623
Furniture fixtures and equipment	6,410,429	501,979	16,400	6,896,008
Library materials	3,952,240	392,998	46,601	4,298,637
	39,800,212	2,302,808	63,001	42,040,019
Net Capital Assets	$36,536,901	$16,153,672	$13,417,961	$39,272,612

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the College for the years ended June 30, 2011 and 2010:

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and Capital Leases					
2005 Building Bonds Payable	$ 4,250,000	$ -	$ (850,000)	$ 3,400,000	$ -
1999/2004 OCIA lease obligation	258,464	-	(23,007)	235,457	24,137
2006 OCIA lease obligation	10,665,795	-	(508,680)	10,157,115	-
ODFA Bus Master Lease	438,417	-	(46,917)	391,500	41,333
ODFA 2009A Premium	2,287	-	(252)	2,035	252
Total Bonds and Capital Leases	15,614,963	-	(1,428,856)	14,186,107	65,722
Other noncurrent liabilities					
Accrued compensated absences	1,080,641	811,439	(954,078)	938,002	811,439
Total noncurrent liabilities	$ 16,695,604	$ 811,439	$ (2,382,934)	$ 15,124,109	$ 877,161

Note 5: Long-term Liabilities (Continued)

	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and Capital Leases					
2005 Building Bonds Payable	$ 5,100,000	$ -	$ (850,000)	$ 4,250,000	$ -
1999/2004 OCIA lease obligation	280,378	-	(21,914)	258,464	23,007
2006 OCIA lease obligation	11,304,000	-	(638,205)	10,665,795	-
Capital lease obligation	218,215	-	(218,215)	-	-
ODFA Bus Master Lease	-	481,000	(42,583)	438,417	43,167
ODFA 2009A Premium	-	2,518	(231)	2,287	252
Total Bonds and Capital Leases	16,902,593	483,518	(1,771,148)	15,614,963	66,425
Other noncurrent liabilities					
Accrued compensated absences	1,021,303	954,078	(894,740)	1,080,641	954,078
Total noncurrent liabilities	$ 17,923,896	$ 1,437,596	$ (2,665,888)	$ 16,695,604	$ 1,020,503

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.

Debt service requirements as of June 30, 2011, on the 2005 Building Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2012	$ —	$ 57,588	$ 57,588
2013	850,000	101,363	951,363
2014	850,000	73,313	923,313
2015	850,000	44,413	894,413
2016	850,000	14,874	864,874
	$ 3,400,000	$ 291,551	$ 3,691,551

Note 5: Long-term Liabilities (Continued)

1999 OCIA Lease Payable

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

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 20 years through August 31, 2019, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the years ended June 30, 2011 and 2010, amounted to $35,819 and $35,821, respectively. In 2004, the OCIA issued Bond Series 2004A that refunded a significant portion of the 1999A Bonds. Consequently, the amortization of the 1999A bond issue will end in 2010. The lease agreement will no longer secure the 1999A Bond Issue but will now act as security for the 2004A Bond Issue over the term of the lease through the year 2020. As a result, there are two amortization schedules, which have been combined, related to this one lease agreement.

The schedule principal and interest payments related to the 1999 OCIA lease at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2012	$ 24,137	$ 11,661	$ 35,798
2013	25,326	10,454	35,780
2014	26,597	9,188	35,785
2015	27,882	7,858	35,740
2016	29,222	6,519	35,741
2017 – 2020	102,293	10,809	113,102
	$ 235,457	$ 56,489	$ 291,946

2006 OCIA Lease Payable

The lease payable consists of bonds issued by the Oklahoma Capital Improvement Authority (OCIA) to build, improve, and remodel facilities at various higher education and other institutions in Oklahoma. Funds are received from OCIA as needed to fund construction projects. The College's pro rata share of bonds has been recorded as a lease payable. In addition, a corresponding receivable from OCIA has been recorded to reflect the amount available to the College from the bond proceeds. At June 30, 2011 and 2010, the amount of the receivable from OCIA that had not been drawn down by the College was $259,792 and $397,141, respectively.

Note 5: Long-term Liabilities (Continued)

2006 OCIA Lease Payable (Continued)

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 30 years through August 31, 2035, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the years ended June 30, 2011 and 2010, amounted to $1,041,970 and $1,203,405, respectively.

The scheduled principal and interest payments related to the 2006 OCIA lease at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2012	$ —	$ 508,673	$ 508,673
2013	—	507,038	507,038
2014	—	507,856	507,856
2015	—	507,856	507,856
2016	—	508,673	508,673
2017 – 2021	—	2,538,461	2,538,461
2022 – 2026	—	2,539,279	2,539,279
2027 – 2031	2,826,000	2,539,279	5,365,279
2032 – 2035	7,331,115	675,995	8,007,110
	$ 10,157,115	$ 10,833,110	$ 20,990,225

Capital Lease Obligation

The College was obligated under a lease for computer equipment and software that was accounted for as a capital lease. This capital lease was paid in full during the year ended June 30, 2010.

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 $46,917 in principal and $15,829 in related interest on these bonds during 2011.

Note 5: Long-term Liabilities (Continued)

2009 ODFA Lease Payable (Continued)

The scheduled principal and interest payments related to the 2009 ODFA lease at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2012	$ 41,333	$ 12,281	$ 53,614
2013	46,083	12,065	58,148
2014	47,167	10,782	57,949
2015	49,083	9,309	58,392
2016	50,167	7,764	57,931
2017 – 2019	157,667	12,272	169,939
	$ 391,500	$ 64,473	$ 455,973

Note 6: Retirement Plans

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

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

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

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

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Funding Policy

The authority to define or amend employer contribution rates is given to the OTRS Board of Trustees by Oklahoma Statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma State Legislature. For each of the years ended June 30, 2011, 2010, and 2009, OTRS members were required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active OTRS members. The employer contribution rate was 9.50% for 2011 and 2010, and 9.00% for 2009. The College's contributions to OTRS for the years ended June 30, 2011, 2010, and 2009, were approximately $3,683,000, $3,627,000, and $3,473,000, respectively, which equaled to required contributions for the years.

Oklahoma statutes require the state of Oklahoma to contribute to OTRS a defined percentage of the natural and casinghead gas tax (the dedicated tax) collected each year. The dedicated tax contribution to OTRS is used toward the College's required fixed percentage contribution. The College recognizes these on-behalf payments made to OTRS by the state of Oklahoma under the provisions of GASB Statement No. 24. These on-behalf payments do not represent a direct or indirect obligation of the College. For the years ended June 30, 2011 and 2010, the total amount contributed to OTRS by the state of Oklahoma on behalf of the College was approximately $1,138,000 and $1,001,000, respectively. The on-behalf payment has been recorded as both a nonoperating state appropriation revenue and compensation expense.

Annuity Plan

All eligible employees of the College can elect to participate in a tax-deferred annuity plan (the Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the Plan. Contributions made by the College are subject to annual discretion by the Board of Regents. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College's Board of Regents. The College's maximum contribution rate for each of the years ended June 30, 2011 and 2010 was 2.5% of an eligible employee's annual base salary (as defined in the plan document). Contributions made by the College during 2011 and 2010 totaled approximately $379,000 and $390,000 respectively.

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 2011 and 2010 to Mid-Del for the cost of providing various technical area educational programs. Such payment from the proceeds of the ad valorem tax levies (*Note 1*) is to be made at an amount which is the lesser of (a) 60% of the net collections from the Mid-Del net valuation for the respective fiscal year or (b) 50% of total collections for the respective fiscal year. For the years ended June 30, 2011 and 2010, the District incurred $3,540,354 and $4,671,603, respectively, of non-operating expense related to the support of Mid-Del. At June 30, 2011 and 2010, the District owed to Mid-Del $619,796 and $674,023, respectively, which is included in accounts payable.

Note 8: Commitments and Contingencies

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

The College participates in the Federal Direct 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, 2011 and 2010, approximately $12,996,000 and $11,298,000, respectively, of Program loans were provided to the College's students.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. Management believes that resolution of such matters pending at June 30, 2011, 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 full member, participates in the Oklahoma Higher Education Employee Insurance Group (OKHEEI Group), a consortium of higher education institutions that administers employee and retiree insurance programs. The College also carries insurance with CompSource Oklahoma, a non-profit, self sustaining insurance company, for workers' compensation coverage for all employees. Other independent non-state sponsored insurance vendors are utilized to mitigate risk for student athletes medical injuries and Health Science student liability.

Note 10: Recently Issued Accounting Pronouncements

In September 2007, GASB issued additional guidance to GASB 34 concerning nonexchange transactions. The guidance states that public institutions should record Pell grant receipts as nonoperating revenue in the financial statements. Management has determined that this guidance should also be applied to other federal financial aid programs as well as certain state programs; therefore, receipts associated with the programs are recorded as nonoperating revenues in the statement of revenues, expenses, and changes in fund balance.

In 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB No. 54 addresses how this information is reported by state and local governments. A key provision in the Statement is to improve the usefulness of the amount reported in the fund balance by providing more structured classification along with clarifying the definition of existing governmental fund types and the constraints placed on fund balances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has not yet determined the effect this Statement will have on the College's financial condition or results of operations.

Note 11: Post-Employment Benefit Plans

For the months of July through December of fiscal year 2011, Rose State College provided post-employment benefits to retirees under benefit plans administered by the Oklahoma State and Educational Employee Group Insurance Board (OSEEGIB). This group insurance board was statutorily created as an instrumentality of the State of Oklahoma under State statute Title 74, § 1301 et seq. as amended, and has an eight member board that administers the benefits and is charged with the fiduciary responsibility of managing the funds and investing the assets contributed by participating employers and employees. OSEEGIB issues separate annual financial statements with accompanying independent audit report that may be obtained from the Oklahoma State and Education Employees Group Insurance Board, 3545 NW 58th, Suite 1000, Oklahoma City, OK 73112-4725.

In January, 2011, the College ended its association with OSEEGIB for employee and retiree benefit administration and joined the Oklahoma Higher Education Employee Insurance Group (OKHEEI Group) a consortium of higher education institutions for administration of benefits to these groups.

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.

Note 11: Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan

A. *General Description of the Other Postemployment Benefit Plan*

Rose State College provides postemployment healthcare benefits to its retirees through a single-employer defined benefit other postemployment benefit (OPEB) plan administered by 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 the annual approval, by vote 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 the 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 a 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*.

Note 11: Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

For participating current active employees, the College pays the full premium for employee only coverage, while the employee pays any additional premium for elected dependant coverage through a payroll deduction. For retirees electing to be covered by the defined benefit

B. Funding Policy (Continued)

plan upon retirement, the retiree premiums are paid directly to a third party processor, HealthSmart, through a combination of contributions made by the Teachers Retirement System and personal check or electronic payments made to HealthSmart, by retirees, on a monthly basis. These contributions account for 100% of the OKHEEI Group required premiums and Rose State College does not incur any additional pay-as-you-go cost in regards to these retiree benefits. For the calendar year ended December 31, 2011, the OKHEEI Group required premiums for employee only coverage, consisting of health, dental and vision insurance, ranged from $399 to $515 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 premiums ranging from $199.20 to $1,074 depending on elected options and dependant coverage with no funding provided by the College.

B. 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 Presidents' 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 and active College Presidents. These benefits are provided through a single-employer defined benefit plan arrangement defined in the College Presidents' employment contracts and are approved by the College's Board of Regents. The plan does not issue separate financial statements. The 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 participants: two retired former Presidents and the current active College President.

Note 11: Post-Employment Benefit Plans (Continued)

<u>College Presidents' OPEB Plan</u> (Continued)

B. Funding Policy and Actuarial Methods and Assumptions

Rose State College has not established a formal trust to advance fund these accrued benefits and 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: 2009 $47,130.00, 2010 $45,330.00 and 2011 $49,130.00.

C. Funded Status and Funding Progress

Actuarial information for this plan as of June 30, 2011, indicates that the present value of future projected benefits under this plan amounts to $511,744 using an 8% discount rate and 1983 Group Annuity 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.

Supplementary Information

Rose State College
Combining Schedule of Net Assets
June 30, 2011

	College	District	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 16,232,365	$ 2,718,950	$ 18,951,315
Restricted:			
Cash and cash equivalents	-	1,170,662	1,170,662
Accounts receivable, net	1,273,607	87,388	1,360,995
Federal and state grants receivable	454,692	-	454,692
Delinquent ad valorem property taxes receivable	-	313,000	313,000
Receivables from OCIA	259,792	-	259,792
Prepaid Expenses	-	6,123	6,123
Total current assets	18,220,456	4,296,123	22,516,579
Non-current assets:			
Restricted:			
Cash and cash equivalents	1,224,255	-	1,224,255
Unamortized bond issueance costs	7,375	-	7,375
Capital Assets, net	22,084,104	17,108,521	39,192,625
Total non-current assets	23,315,734	17,108,521	40,424,255
Total assets	41,536,190	21,404,644	62,940,834
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	476,962	920,288	1,397,250
Accrued compensated absences	811,439	-	811,439
Interest payable	617	-	617
Deferred revenue	553,899	-	553,899
Current maturities of long-term debt	65,722	-	65,722
Deposits held in custody for others	359,213	-	359,213
Total current liabilities	2,267,852	920,288	3,188,140
Non-current liabilities:			
Accrued compensated absences	126,563	-	126,563
Long-term debt	10,720,385	3,400,000	14,120,385
Total non-current liabilities	10,846,948	3,400,000	14,246,948
Total liabilities	13,114,800	4,320,288	17,435,088
NET ASSETS			
Invested in capital assets, net of related debt	11,564,547	13,708,521	25,273,068
Restricted expendable for:			
Scholarships	4,346,381	-	4,346,381
Loans	5,091	-	5,091
Capital projects	599,889	1,124,567	1,724,456
Debt service	619,275	46,095	665,370
Unrestricted	11,286,207	2,205,173	13,491,380
Total net assets	$ 28,421,390	$ 17,084,356	$ 45,505,746

Rose State College
Combining Schedule of Net Assets
June 30, 2010

	College	District	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 12,800,410	$ 2,280,633	$ 15,081,043
Restricted:			
Cash and cash equivalents	-	1,189,567	1,189,567
Accounts receivable, net	1,325,317	14,385	1,339,702
Federal and state grants receivable	493,570	-	493,570
Delinquent ad valorem property taxes receivable	-	379,000	379,000
Receivables from OCIA	397,141	-	397,141
Prepaid Expenses	-	5,619	5,619
Total current assets	15,016,438	3,869,204	18,885,642
Non-current assets:			
Restricted:			
Cash and cash equivalents	1,213,812	-	1,213,812
Unamortized bond issueance costs	8,287	-	8,287
Capital Assets, net	22,704,355	16,568,257	39,272,612
Total non-current assets	23,926,454	16,568,257	40,494,711
Total assets	38,942,892	20,437,461	59,380,353
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	618,311	1,616,268	2,234,579
Accrued compensated absences	954,078	-	954,078
Interest payable	617	-	617
Deferred revenue	476,873	-	476,873
Current maturities of long-term debt	66,426	-	66,426
Deposits held in custody for others	-	-	-
Total current liabilities	2,116,305	1,616,268	3,732,573
Non-current liabilities:			
Accrued compensated absences	126,563	-	126,563
Long-term debt	11,298,537	4,250,000	15,548,537
Total non-current liabilities	11,425,100	4,250,000	15,675,100
Total liabilities	13,541,405	5,866,268	19,407,673
NET ASSETS			
Invested in capital assets, net of related debt	11,744,203	12,318,257	24,062,460
Restricted expendable for:			
Scholarships	3,439,169	-	3,439,169
Loans	4,971	-	4,971
Capital projects	583,111	1,153,396	1,736,507
Debt service	625,731	36,171	661,902
Unrestricted	9,004,302	1,063,369	10,067,671
Total net assets	$ 25,401,487	$ 14,571,193	$ 39,972,680

Rose State College
Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2011

	College	District	Total
Operating Revenues			
Tuition and fees, net	$ 7,696,071	$ -	$ 7,696,071
Federal grants and contracts	841,291	-	841,291
State and private grants and contracts	205,181	-	205,181
Sales and services of auxiliary enterprises, net	3,328,140	-	3,328,140
Other operating revenues	190,261		190,261
Total operating revenues	12,260,944	-	12,260,944
Operating Expenses			
Compensation and benefits	31,429,787	-	31,429,787
Contractual services	2,867,856	298,922	3,166,778
Supplies and materials	4,873,114	293,375	5,166,489
Scholarships and fellowships	4,135,012	-	4,135,012
Communications	157,336	-	157,336
Depreciation	1,605,531	952,080	2,557,611
Utilities	566,506	644,758	1,211,264
Other	797,380	922,033	1,719,413
Total Operating Expenses	46,432,522	3,111,168	49,543,690
Operating income (loss)	(34,171,578)	(3,111,168)	(37,282,746)
Non-operating Revenues (Expenses)			
State appropriations	17,650,700	-	17,650,700
State appropriations - ARRA Funds	1,470,651	-	1,470,651
Federal grants - non-operating	13,962,818	-	13,962,818
State grants - non-operating	1,521,099	-	1,521,099
OTRS on-behalf contributions	1,138,000	-	1,138,000
Ad valorem taxes	-	9,359,847	9,359,847
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(3,540,354)	(3,540,354)
Investment revenue	209,810	9,959	219,769
Interest on capital asset-related debt	(562,591)	(142,375)	(704,966)
Net non-operating revenue (expenses)	35,390,487	5,687,077	41,077,564
Income (loss) before other revenues, expenses, gains, losses and transfers	1,218,909	2,575,909	3,794,818
Capital appropriations - state	660,459	-	660,459
OCIA debt services on-behalf payments	1,077,789	-	1,077,789
Transfers from (to)	62,746	(62,746)	-
Increase in Net Assets	3,019,903	2,513,163	5,533,066
Net Assets, Beginning of Year	25,401,487	14,571,193	39,972,680
Net Assets, End of Year	$ 28,421,390	$ 17,084,356	$ 45,505,746

Rose State College
Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2010

	College	District	Total
Operating Revenues			
Tuition and fees, net	$ 4,920,284	$ -	$ 4,920,284
Federal grants and contracts	1,773,858	-	1,773,858
State and private grants and contracts	264,582	-	264,582
Sales and services of auxiliary enterprises, net	2,893,680	-	2,893,680
Other operating revenues	455,410		455,410
Total operating revenues	10,307,814	-	10,307,814
Operating Expenses			
Compensation and benefits	31,254,350	-	31,254,350
Contractual services	2,539,511	200,999	2,740,510
Supplies and materials	4,246,276	225,636	4,471,912
Scholarships and fellowships	3,934,627	-	3,934,627
Communications	174,953	-	174,953
Depreciation	1,465,455	837,353	2,302,808
Utilities	571,777	594,272	1,166,049
Other	1,845,479	1,231,227	3,076,706
Total Operating Expenses	46,032,428	3,089,487	49,121,915
Operating income (loss)	(35,724,614)	(3,089,487)	(38,814,101)
Non-operating Revenues (Expenses)			
State appropriations	20,626,019	-	20,626,019
State appropriations - ARRA Funds	1,653,560	-	1,653,560
Federal grants - non-operating	10,569,927	-	10,569,927
State grants - non-operating	1,725,894	-	1,725,894
OTRS on-behalf contributions	1,001,000	-	1,001,000
Ad valorem taxes	-	9,165,625	9,165,625
Ad valorem taxes remitted to Midwest City/Del City Public Schools	-	(4,671,603)	(4,671,603)
Investment revenue	296,235	13,074	309,309
Interest on capital asset-related debt	(598,536)	(168,725)	(767,261)
Net non-operating revenue (expenses)	35,274,099	4,338,371	39,612,470
Income (loss) before other revenues, expenses, gains, losses and transfers	(450,515)	1,248,884	798,369
Capital appropriations - state	672,371	-	672,371
OCIA debt services on-behalf payments	1,239,226	-	1,239,226
Transfers from (to)	1,308,466	(1,308,466)	-
Increase in Net Assets	2,769,548	(59,582)	2,709,966
Net Assets, Beginning of Year	22,631,939	14,630,775	37,262,714
Net Assets, End of Year	$ 25,401,487	$ 14,571,193	$ 39,972,680

Rose State College
Statements of Revenues and Expenses – Student Center System
Years Ended June 30, 2011 and 2010

	2011	2010
Revenues		
Campus Store	$ 57,196	$ 66,912
Follett Earned Commissions	369,216	353,922
Follett Book & Supply Charge Reimbursement	1,746,598	1,494,911
Bookstore Rent (from Follett)	-	-
Student Center Fee	520,175	499,467
Food service -Banquet and Food Court	304,974	332,978
Food Service - Rose Café	160,173	163,939
Auxiliary Services	45,516	48,510
Total Revenues	3,203,848	2,960,639
Expenses		
Cost of Sales	760,141	656,859
Follett Book & Supply Charges	1,608,279	1,650,141
Salaries and Benefits	518,835	481,377
General, Administrative and Other	386,947	283,759
Depreciation	160,567	154,644
Interest	-	-
Total Expenses	3,434,769	3,226,780
Expenses in Excess of Revenues	$ (230,921)	$ (266,141)

HINKLE & COMPANY PC
Strategic Business Advisors

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

Board of Regents
Rose State College
Midwest City, Oklahoma

We have audited the financial statements of Rose State College (the College) as of June 30, 2011 and 2010, and have issued our report thereon dated August 25, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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Board of Regents
Rose State College
Page 2

Compliance and Other Matters

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

This report is intended for the information of the audit committee, management, and federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Hinkle & Company, PC

Tulsa, Oklahoma
August 25, 2011

Exhibit

H

Rose State College Foundation, Inc.

Financial Statements
with Independent Auditors' Report

June 30, 2011 and 2010

Rose State College Foundation, Inc.
Table of Contents
June 30, 2011 and 2010

HINKLE &
COMPANY PC
Strategic
Business Advisors

Independent Auditors' Report
on Financial Statements

Board of Trustees
Rose State College Foundation, Inc.
Midwest City, Oklahoma

We have audited the accompanying statements of financial position of Rose State College Foundation, Inc. (the Foundation), a component unit of Rose State College, as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hinkle & Company, PC

Tulsa, Oklahoma
October 24, 2011

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Rose State College Foundation, Inc.
Statements of Financial Position
June 30, 2011 and 2010

ASSETS

	2011	2010
Cash and Cash Equivalents	$ 54,853	$ 89,562
Investments		
Certificates of deposit	18,662	18,426
Funds held by State Regents' Endowment Trust	962,256	943,425
Common funds of equity and debt securities	782,327	714,703
Equity securities	32,324	29,409
Land held for sale	—	—
Accrued interest receivable	565	565
	1,796,134	1,706,528
Other Assets		
Atkinson Historical Center property	2,250,000	2,250,000
Artwork collection	7,000	7,000
Prepaid assets	2,372	2,372
Computer equipment and software, at cost, net of accumulated depreciation	—	—
	2,259,372	2,259,372
Total Assets	$ 4,110,359	$ 4,055,462
Liabilities		
Accounts payable	$ —	$ —
Scholarships payable	74,257	84,135
Total Liabilities	74,257	84,135
Net Assets		
Unrestricted	(1,011,108)	(817,396)
Temporarily restricted	1,517,682	1,261,195
Permanently restricted	3,529,528	3,527,528
Total Net Assets	4,036,102	3,971,327
Total Liabilities and Net Assets	$ 4,110,359	$ 4,055,462

Rose State College Foundation, Inc.
Statements of Activities
Years Ended June 30, 2011 and 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Fund-raising	—	—	$ —	—
In-kind contributions	78,000	—	—	78,000
Contributions	24,792	165,272	2,000	192,064
Investment return	87,777	—	—	87,777
Unrealized gains on State Regents' Endowment Trust Funds	—	18,656	—	18,656
Net assets released from restrictions	(72,559)	72,559	—	—
Total Revenues, Gains, and Other Support	118,010	256,487	2,000	376,497
Expenses				
Programs				
Scholarships, awards, and programs	196,800	—	—	196,800
Supporting services				
Management and general	114,805	—	—	114,803
Fund-raising	119	—	—	119
Total Expenses	311,724		—	311,722
Change in Net Assets	(193,712)	256,487	2,000	64,775
Net Assets, Beginning of Year	(817,396)	1,261,195	3,527,528	3,971,327
Net Assets, End of Year	$ (1,011,108)	$ 1,517,682	$ 3,529,528	$ 4,036,102

See Notes to Financial Statements

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
—	—	$ —	—
78,000		—	78,000
36,392	240,921	4,520	281,833
115,343	—	—	115,343
—	9,410	—	9,410
(68,994)	68,994	—	—
160,741	319,325	4,520	484,586
318,280	—	—	318,280
133,141	—	—	133,141
1,926	—	—	1,926
453,347	—	—	453,347
(292,606)	319,325	4,520	31,239
(524,790)	941,870	3,523,008	3,940,088
$ (817,396)	$ 1,261,195	$ 3,527,528	$ 3,971,327

Rose State College Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Change in net assets	$ 64,775	$ 31,239
Items not requiring (providing) operating activities cash flows		
Depreciation	—	—
Unrealized gains on State Regents' Endowment Trust Funds	(18,656)	(9,410)
Unrealized gains (loss) on other investments	(70,541)	(9,411)
Contributions of Atkinson Historical Center property	—	—
Change in		
Accounts and scholarships payable	(9,878)	67,994
Net Cash Used in (Provided by) Operating Activities	(34,300)	80,412
Investing Activities		
Purchase of investments	—	—
Proceeds from disposition of investments	(409)	(93,058)
Net Cash Provided by (Used in) Investing Activities	(409)	(93,058)
Decrease in Cash and Cash Equivalents	(34,709)	(12,646)
Cash and Cash Equivalents, Beginning of Year	89,562	102,208
Cash and Cash Equivalents, End of Year	$ 54,853	$ 89,562

Rose State College Foundation, Inc.
Notes to Financial Statements
Year Ended June 30, 2011

Note 1: 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 assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, cash equivalents consisted primarily of money market funds with a broker.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment in the common funds is valued at fair value based upon the underlying fair values of the funds' equity and debt securities. Investment in the pooled funds held by the State Regents' Endowment Trust is valued at fair value based upon the fair value of the securities in the pooled investment funds. Other investments are valued at the lower of cost or fair value at the time of donation, if acquired by contribution. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments and Investment Return (Continued)

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. 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.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Foundation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts of noncash items (land, buildings, equity, or debt securities) are recorded at fair value at the date of the gift. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Collections

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

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset.

Note 1: Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Income Taxes

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.

Note 2: Investment Return

Total investment return is comprised of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Interest and dividend income, net of investment expenses	$ 17,238	$ 105,932
Unrealized gains (loss) on common funds	67,624	9,428
Unrealized gains on equity securities	2,915	(17)
	$ 87,777	$ 115,343

Note 3: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010, are available for the following purposes:

	2011	2010
Scholarships	$ 592,542	$ 441,979
Frances Hugh Trust	547,254	547,254
Other purposes	377,886	271,962
	$ 1,517,682	$ 1,261,195

Note 3: Net Assets (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2011 and 2010, are restricted to:

	2011	2010
Investment in perpetuity, the income of which is expendable to support scholarships		
Union Ladies Aid Society of Sooner Scholarship	$ 62,500	$ 62,500
Alice Cannon McWaters Scholarship	10,000	10,000
Charles and Lola Howard Scholarship	10,000	10,000
LaFern Barnes Scholarship	10,000	10,000
Janet R. Burnham Dental Hygiene Scholarship	10,000	10,000
Elizabeth DeCarlo Memorial Scholarship	10,000	10,000
Business Division Facility and Staff Scholarship	20,000	20,000
Erma Jean Newman Nursing Scholarship	10,000	10,000
Parker, Tucker-Wells, Hughes Scholarship	10,000	10,000
Professional and Administrative Staff Association Scholarship	20,000	20,000
Faculty Memorial Scholarship	15,000	15,000
Teddy Roosevelt "Bully" Arts Scholarship	10,000	10,000
Katherine Joan Hardin Memorial Scholarship	23,800	23,800
Stacy Messinger Memorial Scholarship	15,000	15,000
April Primo Scholarship	15,000	15,000
Estes and Frances Walker Child Development Award	15,000	15,000
Susan Loveless Scholarship	13,450	13,450
Jordan Scholarship	20,000	20,000
David and Jo Anne Fox Scholarship	15,000	15,000
Mt. Vernon Butler Scholarship	10,081	10,081
Various others	42,697	40,697
	367,528	365,528
Investment in perpetuity, the income of which is expendable for the Business Division of Rose State College		
Henry Croak Endowment	130,000	130,000
Investment in perpetuity, the income of which is expendable for small business development at Rose State College		
Ray M. Hardin/Kelly and Kevin Miller Endowment	125,000	125,000
Investment in perpetuity, the income of which is expendable for lectureship programs at Rose State College		
Don S. Reynolds Lectureship	25,000	25,000
James F. Howell "Country Lawyer"	25,000	25,000
	50,000	50,000

Note 3: Net Assets (Continued)

Permanently Restricted Net Assets (Continued)

	2011	2010
Investment in perpetuity, the income of which is expendable for at-risk program in student services at Rose State College Hudiburg Student Services Endowment	$ 125,000	$ 125,000
Investment in perpetuity, the income of which is expendable for maintenance of the Atkinson Heritage Center	350,000	350,000
Investment in perpetuity, the income of which is expendable for faculty development at Rose State College	125,000	125,000
Artwork – sculpture	7,000	7,000
Atkinson Historical Center	2,250,000	2,250,000
	$ 3,529,528	$ 3,523,008

Net Assets Released from Restrictions

During the years ended June 30, 2011 and 2010, net assets of $72,559 and $68,994, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, primarily scholarships, and maintenance on the Atkinson Historical Center property.

Note 4: 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 years ended June 30, 2011 and 2010, are reported in the Foundation's financial statements as scholarships, awards, and programs of $182,000 and $318,280, respectively. At June 30, 2011 and 2010, the Foundation had scholarships, awards, and programs payable to the College of $74,257 and $84,135, respectively.

The Foundation receives various administrative services and office space from the College at no cost. In addition, 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.

Note 4: Related Party Transactions (Continued)

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

Note 5: Funds Held by Oklahoma State Regents' Endowment Trust

The Foundation has invested through the Oklahoma State Regents' Endowment Trust various funds donated, or raised for specific temporarily or permanently restricted donor-imposed purposes or internally designated unrestricted purposes. The State Regents maintain the Foundation's invested funds in pooled investments and may, at its discretion, provide matching funds to be invested. The Foundation has access to its invested funds and related earnings thereon but does not have access to the State Regents' matched funds and thus, the matched funds are not reflected on the Foundation's financial statements. At June 30, 2011 and 2010, matching funds held by the State Regents were approximately $962,256 and $943,425, respectively. The earnings from the Foundation's invested funds and any State Regents' matching funds are available for annual distribution to the College for the specified restricted purposes. During the years ended June 30, 2011 and 2010, the College received $83,000 and $89,200, respectively, in distributions from the earnings on these funds.

Note 6: Endowments

The Foundation endowments consist of approximately 140 individual funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: In accordance with the requirements of FAS 117-1, and the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as permanently restricted (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) all realized and unrealized gains and losses of the endowment, and (4) less any income distribution in accordance with the spending policy which will be classified as temporarily restricted. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 6: Endowments (Continued)

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

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

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

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ —	$ 1,517,682	$ 3,529,528
Board-designated endowment funds	—	—	—
Total endowment funds	$ —	$ 1,517,682	$ 3,529,528

Note 6: Endowments (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	$ —	$ 1,261,195	$ 3,527,528
Board-designated endowment funds	—	—	—
Total endowment funds	$ —	$ 1,261,195	$ 3,527,528

Changes in Endowment Net Assets for the year ending June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets - beginning	$ —	$ 1,261,195	$ 3,527,528
Investment return	—	87,777	—
Contributions	—	183,419	2,000
Appropriations for expenditure	—	(14,709)	—
Transfers	—	—	—
Total endowment funds	$ —	$ 1,517,682	$ 3,529,528

Changes in Endowment Net Assets for the year ending June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets - beginning	$ —	$ 941,870	$ 3,523,008
Investment return	—	115,063	—
Contributions	—	210,578	4,520
Appropriations for expenditure	—	(6,316)	—
Transfers	—	—	—
Total endowment funds	$ —	$ 1,261,195	$ 3,527,528

The historical dollar value of the permanently restricted endowments is $4,048,427 and $4,046,427 as compared to the fair value of $3,529,528 and $3,527,528 as of June 30, 2011 and 2010, respectively. The difference between the historical dollar value and fair value is a deficit of $518,899 and $518,899, which is reflected in permanently restricted funds.

HINKLE & COMPANY PC
Strategic Business Advisors

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

Board of Regents
Rose State College
Midwest City, Oklahoma

Compliance

We have audited the compliance of Rose State College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011 and 2010. The College's major federal programs are identified in the Summary of Auditors' Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of the College based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, 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. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Rose State College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

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Board of Regents
Rose State College
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Internal Control over Compliance

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

A control 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 non-compliance 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 more than a reasonable possibility that non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Rose State College as of and for the year ended June 30, 2011, and have issued our report thereon dated August 25, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the use of the Board of Regents, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Hinkle & Company, PLLC

Tulsa, Oklahoma
August 25, 2011

Rose State College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Amount Expended
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant	84.063	$ 13,273,778
Federal Supplemental Education Opportunity Grant	84.007	162,919
Federal Work Study	84.033	153,819
Direct Student Loans	84.032	12,995,552
Academic Competitiveness Grant	84.375	75,992
Carl Perkins	84.048	129,235
GEAR UP	84.334	77,427
Total Student Financial Aid Cluster		26,868,722
TRIO Cluster		
TRIO-Talent Search	84.044	388,552
Student Support Services	84.042A	138,581
Total TRIO Cluster		527,134
Other Programs		
State Fiscal Stabilization Fund - Education Grants, Recovery Funds	84.394 ARRA	1,470,651
U.S. Department of Health and Human Services		
Scholarships for Disadvantaged Health Professionals	93.925	18,325
Scholars for Excellance in Child Development Program	93.575	128,323
Temporary Assistance for Needy Families (Empower)	93.558	249,185
U.S. Small Business Administration/Southeastern Oklahoma State University		
Oklahoma Small Business Development Centers	59.037	38,516
National Science Foundation - Pass-through Tulsa University		
N.S.F. - OCIAFE	47.076	66,807
National Science Foundation		
N.S.F. - Cyber Security Scholarship Program	47.076	77,509
Total Other Federal Programs		2,049,316
Total Federal Awards		$ 29,445,171

Rose State College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

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
Year Ended June 30, 2011

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

7. The College's major program was:

Program/Cluster	CFDA Number
Student Financial Aid Cluster	84.063, 84.007, 84.32, 84.033,84.038, and 84.375
Trio Cluster	84.042A, 84.044

8. A threshold of $300,000 was used to distinguish between Type A and Type B programs as those terms defined by OMB Circular A-133.

9. The College qualifies as a low-risk auditee as defined by OMB Circular A-133.

Findings Required to be Reported by Government Auditing Standards

No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

No matters are reportable.

Rose State College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

No matters were reportable for the year ended June 30, 2011.