

Rogers State University
Financial Statements
with Independent Auditors' Reports
June 30, 2009 and 2008



Rogers State University
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June 30, 2009 and 2008

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Rogers State University

Management's Discussion and Analysis

For the Year Ended June 30, 2009

Overview

This discussion and analysis of Rogers State University's (RSU's or the University's) financial statements provides an overview of RSU's financial activities as of and for the year ended June 30, 2009. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

RSU's financial statements are presented on an entity-wide basis using the accrual basis of accounting. The entity-wide approach allows the reader to determine whether all available financial resources are adequate to cover the costs of providing the educational programs offered.

For each year presented in the financial statements, the University recorded various transactions relating to internal service charges, inter-fund transfers, and certain property, plant and equipment (PP&E) entries. These transactions and balances were eliminated to present the financial statements on an entity-wide basis.

The Statement of Net Assets

The statement of net assets reports RSU's financial position. Net assets - the difference between assets and liabilities - is one way to measure the University's health, or position. Over time, increases or decreases in the University's net assets are an indicator of whether or not its financial health is improving. Nonfinancial factors, such as student enrollment and condition of campus buildings, are also important to consider.

This statement includes all assets and liabilities using the accrual basis of accounting. The following summarizes the University's assets, liabilities, and net assets as of June 30:

	Net Assets at June 30 (\$ in millions)		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current assets	\$ 14.5	\$ 17.8	\$ 10.8
Noncurrent assets	<u>50.6</u>	<u>47.4</u>	<u>39.4</u>
Total Assets	65.1	65.2	50.2
Current liabilities	3.7	5.0	3.3
Noncurrent liabilities	<u>29.7</u>	<u>30.6</u>	<u>21.4</u>
Total Liabilities	33.4	35.6	24.7
Net assets			
Invested in capital assets, net of related debt	20.2	15.7	16.3
Restricted	3.4	7.2	1.3
Unrestricted	<u>8.1</u>	<u>6.7</u>	<u>7.9</u>
Total Net Assets	\$ <u>31.7</u>	\$ <u>29.6</u>	\$ <u>25.5</u>

Rogers State University
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Account Analysis

The following paragraphs explain the changes in the major categories of the accompanying financial statements for the current and prior year.

Assets

Assets are presented in two major classifications. Current assets represent resources that are available to meet current operational needs. Ninety-three percent of RSU's current assets are cash and cash equivalents. Cash equivalents represent investments with the State Cash Management Program, which is managed by the Oklahoma State Treasurer.

These investments are immediately convertible to cash as the need arises. Accounts receivable represent monies due to the University, which are expected to be collected within a short period of time.

Noncurrent assets represent resources that will not be available to meet current obligations. Cash and cash equivalents, which are designated for construction or other capital expenditures, are classified as noncurrent. During FY's 2007 and 2008, RSU entered into lease agreements with the Oklahoma Capital Improvement Authority (OCIA) and the Oklahoma Development Finance Authority (ODFA) in order to fund a number of capital improvement projects. Total debt issued in association with these leases was approximately \$19,400,000. Each of these lease agreements requires monthly payments over 20 years as debt service on the debt. Of the total proceeds from these agreements, RSU has expended approximately \$2,952,000 toward designated projects during FY 2009. During FY 2008, RSU issued Student Facility Revenue Bonds, Series 2008A and B, for an aggregate amount of \$10,000,000. These bonds were issued to secure funding to complete construction projects on the Claremore campus, including the new Student Services Center and renovation of Baird Hall. Expenditures of these funds totaled approximately \$5,550,000 in FY 2009.

Another major component of non-current assets is the property, plant and equipment (PP&E) account. These assets are made up of the University's land, buildings, equipment, library resources and any related improvements. PP&E is reported net of accumulated depreciation. Capital asset activity is summarized at *Note 4* to the financial statements.

Liabilities

Liabilities are also separated into current and noncurrent classifications. Current liabilities are those obligations that are due immediately and will be paid from current resources. Current liabilities between FY 2007 and 2008 & 2009 increased due to an increase in accounts payable in the Plant Fund, related to construction activity.

Noncurrent liabilities are comprised primarily of long-term debt. The University has issued revenue bonds and entered into capital lease agreements to construct and update several facilities on each of its three campuses. The debt principal to be paid in the next fiscal year is reflected in the current liability section. The remainder of the noncurrent liabilities represent bond premiums for OCIA leases and ODFA master leases. Long-term liability activity is summarized at *Note 5* to the financial statements.

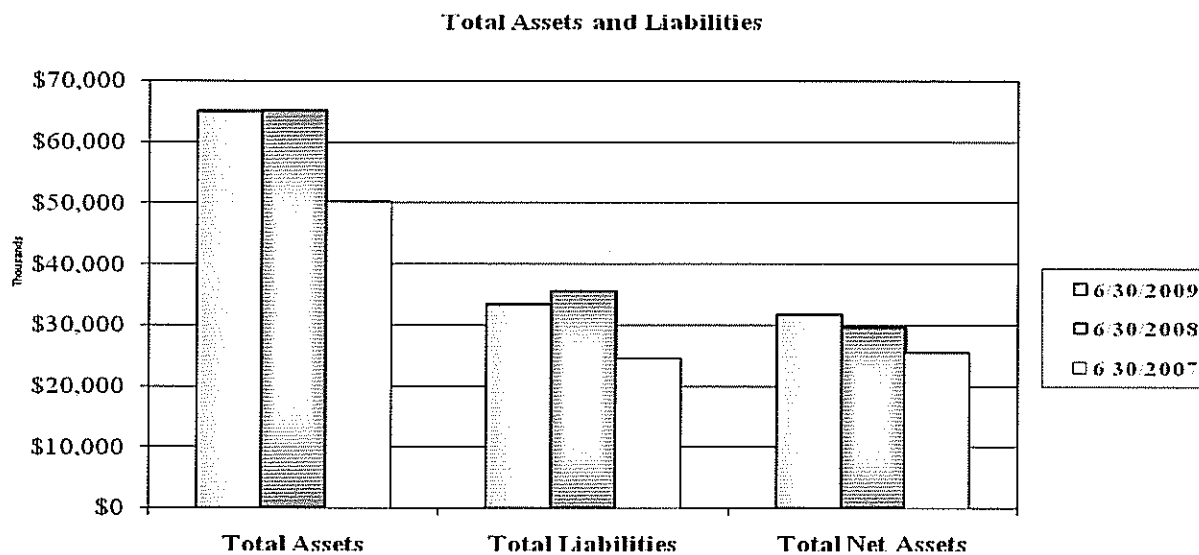
Rogers State University
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Account Analysis (Continued)

Net Assets

State Appropriations for FY 2009 were 1% higher than FY 2008, which provided insufficient revenues to cover increasing operating costs, resulting in the need to increase tuition and fees.

The following is a comparison of assets, liabilities, and net assets as of June 30, 2009, 2008 and 2007:



The Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets reports the results of RSU's activities and their effect on net assets. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following summarizes RSU's revenues, expenses, and changes in net assets for the years ending June 30:

Rogers State University
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The Statement of Revenues, Expenses, and Changes in Net Assets (Continued)

Operating Results for the Years Ended June 30
(in millions)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues			
Tuition and fees, net	\$ 10.1	\$ 8.6	\$ 7.4
Federal and local grants and contracts	4.3	2.7	3.1
Auxiliary	2.2	2.5	2.1
Other	<u>.3</u>	<u>0.3</u>	<u>0.2</u>
Total Operating Revenues	16.9	14.1	12.8
Operating Expenses	<u>(38.0)</u>	<u>(32.8)</u>	<u>(31.9)</u>
Operating Loss	<u>(21.1)</u>	<u>(18.7)</u>	<u>(19.1)</u>
Nonoperating Revenues (Expenses)			
State appropriations, including OTRS	16.0	15.9	14.9
Federal and state grants	6.0	4.9	4.5
Interest expense, net	<u>(0.9)</u>	<u>(0.7)</u>	<u>0.1</u>
Net Nonoperating Revenues	<u>21.1</u>	<u>20.1</u>	<u>19.5</u>
Income before Other Revenues	0.0	1.4	0.4
Other Revenues	<u>2.1</u>	<u>2.7</u>	<u>1.5</u>
Net Increase in Net Assets	2.1	4.1	1.9
Net Assets, Beginning of Year	<u>29.6</u>	<u>25.5</u>	<u>23.6</u>
Net Assets, End of Year	<u>\$ 31.7</u>	<u>\$ 29.6</u>	<u>\$ 25.5</u>

Revenues

Revenues are classified as either operating or nonoperating. Operating revenues for 2009 increased by 19.7% and 32.4% over 2008 and 2007, respectively, while non-operating revenues for 2009 increased by 3.5% and 10.4% over 2008 and 2007, respectively.

The largest source of operating revenue is tuition and fees. Tuition and fee revenue for 2009 was 16.7% and 37.0% greater than 2008 and 2007, respectively, and this growth is attributable to increases in both tuition and fee rates and student enrollment. Federal and local grants and contracts, which represent the second largest source of operating revenues, accounted for 10.4%, 6.9%, and 9.1% of total revenues for 2009, 2008, and 2007, respectively.

Rogers State University
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The Statement of Revenues, Expenses, and Changes in Net Assets (Continued)

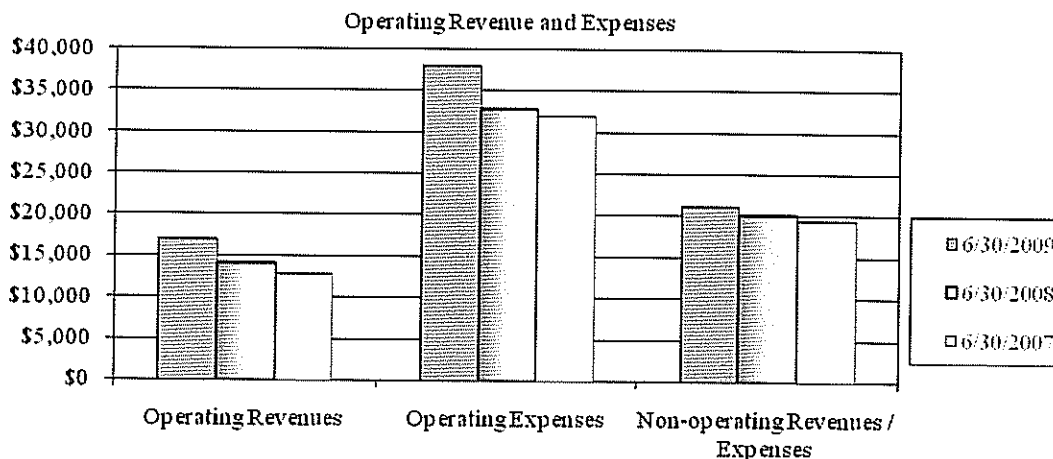
Revenues (Continued)

The primary source of non-operating revenues is state appropriations, which accounts for 42.9%, 47.0%, and 47.5% of all revenues for 2009, 2008, and 2007, respectively. State appropriations for 2009, which is determined by the State Legislature, and OTRS allocations, which is determined by State Statute, increased by approximately \$78,000 and \$1,075,000 from 2008 and 2007, respectively, reflecting a continued shift in funding from state support to tuition and fees.

Expenses

Expenses are classified as either operating or nonoperating. As with most organizations, employee compensation represents the largest category of expense. Total compensation (salaries and benefits) represented 60.9%, 67.2% and 63.1% of total operating expenses for 2009, 2008 and 2007, respectively. Institutional scholarships for students were again increased to minimize the impact of higher tuition and fees. Scholarship expense for 2009, which includes federal financial aid, tuition waivers, and other private aid increased by \$1,145,000 and \$1,958,000, or 30.1% and 65.6%, respectively, over the prior years presented. This increase reflects RSU's continuing effort to provide additional resources to qualifying students who wish to pursue their education.

The following is a comparison of revenues and expenses for the years ended June 30, 2009, 2008 and 2007:



Rogers State University
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The Statement of Cash Flows

The primary purpose of the statement of cash flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement also aids in the assessment of an entity's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

Cash Flows for the Years Ended June 30
(in millions)

	<u>2009</u>	<u>2008</u>
Cash Flows Provided (Used) By:		
Operating activities	\$ (17.9)	\$ (14.8)
Noncapital financing activities	21.0	19.8
Investing activities	0.7	0.6
Capital and related financing activities	<u>(7.3)</u>	<u>1.5</u>
Net increase in cash	(3.5)	7.1
Cash, beginning of year	<u>17.0</u>	<u>9.9</u>
 Cash, end of year	 <u>\$ 13.5</u>	 <u>\$ 17.0</u>

Conclusion

The completion and dedication of the Centennial (Student Services) Center and the Pryor Campus expansion in Spring 2009 has provided new and improved facilities for the fastest growing student population in the State of Oklahoma. Ongoing expansion projects during FY 2010 includes renovation and expansion of Baird Hall and renovations at the Bartlesville campus.

The financial condition of RSU continues to reflect strength and stability, yet remains largely dependent upon funding by State government. The economic outlook for the state of Oklahoma is uncertain in light of national economic trends. We remain optimistic that the State Legislature will continue to provide appropriations increases, reducing the need for significant increases in tuition and fees to students, keeping higher education an affordable and attractive option for our students.



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Independent Auditors' Report

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

We have audited the accompanying statements of net assets of Rogers State University (the University) as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. Rogers State University Foundation (the Foundation), a not-for-profit Oklahoma corporation organized to support the University, is a component unit of the University 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 did not audit the separately presented financial statements of the Foundation, which statements reflect total assets of \$14,106,669 and \$16,290,572 at June 30, 2009 and 2008, respectively. Those statements were audited by other auditors whose report has been included in that separate set of financial statements. Our opinion, insofar as it relates to the amounts included for the separately presented component unit, is based on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits 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 University'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 audits and the report of other auditors provide a reasonable basis for our opinion.

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In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University and the separately presented component unit as of June 30, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2009, on our consideration of the University'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.

Hill & Company

Tulsa, Oklahoma
September 11, 2009



Rogers State University
Statements of Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 11,738,504	\$ 9,953,483
Restricted cash and cash equivalents	1,767,541	6,990,487
Restricted investments	-	145,000
Accounts receivable – net of allowance for doubtful accounts	963,782	741,354
Inventory	24,960	-
Total Current Assets	<u>14,494,787</u>	<u>17,830,324</u>
<i>Noncurrent Assets</i>		
Restricted investments	-	12,500
Capital lease and bond proceeds receivable	2,351,677	5,373,690
Capital assets – net of accumulated depreciation	48,064,609	41,805,662
Other noncurrent assets	160,897	170,527
Total Noncurrent Assets	<u>50,577,183</u>	<u>47,362,379</u>
Total Assets	<u>65,071,970</u>	<u>65,192,703</u>
Liabilities and Net Assets		
Liabilities		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	1,304,958	2,584,279
Accrued compensated absences	407,107	409,740
Deferred revenue	760,218	677,916
Funds held in custody for others	26,270	23,130
Bonds payable – current portion	105,000	225,000
Capital lease payable – current portion	759,735	727,239
Other current liabilities	284,260	313,439
Total Current Liabilities	<u>3,647,548</u>	<u>4,960,743</u>
<i>Noncurrent Liabilities (Net of Current Portion)</i>		
Accrued Expenses	322,514	
Accrued compensated absences	295,232	487,970
Bonds payable – long-term portion	9,815,000	10,070,000
Capital lease payable – long-term portion	19,299,931	20,059,666
Total Noncurrent Liabilities	<u>29,732,677</u>	<u>30,617,636</u>
Total Liabilities	<u>33,380,223</u>	<u>35,578,379</u>
Net Assets		
Invested in capital assets – net of related debt	20,152,360	15,749,514
Restricted for		
Expendable		
Debt service	-	157,500
Capital projects	1,733,171	6,243,762
Grants and other contracts	1,682,101	754,344
Unrestricted	<u>8,124,115</u>	<u>6,709,203</u>
Total Net Assets	<u>\$ 31,691,747</u>	<u>\$ 29,614,323</u>



Rogers State University
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Tuition and fees, net of scholarship discounts and allowances of \$3,691,561 and \$3,634,517 at June 30, 2009 and 2008, respectively (revenues of \$1,183,398 for 2009 and \$1,148,075 for 2008 are used as security for the 1995 Student Facility Revenue Bonds)	\$ 10,076,466	\$ 8,631,049
Federal grants and contracts	2,609,728	2,424,290
State and private grants and contracts	1,689,061	230,216
Auxiliary enterprises	2,265,464	2,510,962
Other	273,510	332,646
Total Operating Revenues	<u>16,914,229</u>	<u>14,129,163</u>
Operating Expenses		
Employee compensation and benefits	23,018,508	22,075,528
Contractual services	1,428,207	799,830
Supplies and materials	3,993,028	2,312,510
Utilities	805,612	774,411
Communications	472,939	293,893
Other operating expenses	1,745,357	1,022,109
Depreciation expense	1,634,844	1,784,650
Scholarships	4,945,289	3,799,959
Total Operating Expenses	<u>38,043,784</u>	<u>32,862,890</u>
Operating Loss	<u>(21,129,555)</u>	<u>(18,733,727)</u>
Nonoperating Revenues (Expenses)		
State appropriations	15,068,801	14,981,413
Federal and state grants	6,016,124	4,857,751
On-behalf payments for OTRS	971,608	980,179
Investment income	412,578	895,258
Interest on capital-related debt	(1,321,168)	(1,622,181)
Net Nonoperating Revenues	<u>21,147,943</u>	<u>20,092,420</u>
Income (Loss) Before Other Revenues, Expenses, Gains, and Losses	18,388	1,358,693
State appropriations restricted for capital purposes	467,266	663,695
Donations, grants, and contracts restricted for capital expenditures	311,400	557,700
On-behalf payments for OCIA capital lease	<u>1,280,370</u>	<u>1,505,086</u>
Increase in Net Assets	2,077,424	4,085,174
Net Assets at Beginning of Year	<u>29,614,323</u>	<u>25,529,149</u>
Net Assets at End of Year	<u>\$ 31,691,747</u>	<u>\$ 29,614,323</u>



Rogers State University
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 9,908,366	\$ 8,708,352
Grants and contracts	4,299,572	2,699,054
Auxiliary enterprises	2,292,655	2,447,393
Other operating receipts	273,510	332,646
Payments made to employees for salaries and benefits	(22,085,764)	(20,696,758)
Payments for scholarships	(4,945,289)	(3,799,959)
Payments made to suppliers	<u>(7,606,102)</u>	<u>(4,522,245)</u>
Net Cash Used in Operating Activities	<u>(17,863,052)</u>	<u>(14,831,517)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	15,068,802	14,981,414
Federal and state grants	6,016,124	4,857,751
FFEL grants received	10,198,504	9,242,796
Payments for FFEL grants	<u>(10,198,504)</u>	<u>(9,242,796)</u>
Net Cash Provided by Noncapital Financing Activities	<u>21,084,926</u>	<u>19,839,165</u>
Cash Flows from Investing Activities		
Interest income received	<u>664,304</u>	<u>574,404</u>
Net Cash Provided by Investing Activities	<u>664,304</u>	<u>574,404</u>
Cash Flows from Capital and Related Financing Activities		
Capital appropriations, gifts, and grants received	467,266	663,695
Purchase of capital assets	(9,546,939)	(12,267,875)
Interest paid on capital debt and leases	(590,466)	(653,284)
Collections on OCIA receivable	2,770,286	4,138,585
Principal paid on capital-related debt	(424,250)	(337,333)
Proceeds from issuance of capital debt & leases	<u>-</u>	<u>9,962,144</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(7,324,103)</u>	<u>1,505,932</u>
Net Increase in Cash and Cash Equivalents	<u>(3,437,925)</u>	<u>7,087,984</u>
Cash and Cash Equivalents at Beginning of Year	<u>16,943,970</u>	<u>9,855,986</u>
Cash and Cash Equivalents at End of Year	<u>\$ 13,506,045</u>	<u>\$ 16,943,970</u>



Rogers State University
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

(Continued)

	<u>2009</u>	<u>2008</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities		
Operating loss	\$ (21,129,555)	\$ (18,733,728)
Adjustments		
On-behalf contributions to OTRS	971,608	980,179
Depreciation	1,634,844	1,784,650
Net loss on disposal of fixed assets	704,020	1,292
Changes in assets and liabilities		
Accounts receivable	(222,428)	27,230
Inventory	(24,960)	—
Deferred revenue	82,302	31,053
Funds held in custody	3,140	1,065
Accounts payable and accrued expenses	108,347	1,187,870
Deferred expenses	<u>9,630</u>	<u>(111,128)</u>
Net Cash Used by Operating Activities	<u>\$ (17,863,052)</u>	<u>\$ (14,831,517)</u>
Noncash Investing, Noncapital Financing, and Related Financing Activities		
Interest on capital debt paid by state agency on behalf of the University	<u>\$ 759,881</u>	<u>\$ 996,972</u>
Principal on capital debt paid by state agency on behalf of the University	<u>\$ 520,489</u>	<u>\$ 508,114</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Current assets		
Cash and cash equivalents	\$ 11,738,504	\$ 16,777,495
Restricted cash and cash equivalents	<u>1,767,541</u>	<u>166,475</u>
	<u>\$ 13,506,045</u>	<u>\$ 16,943,970</u>



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Rogers State University (the University) is a regional university operating under the jurisdiction of the Board of Regents of the University of Oklahoma and the Oklahoma State Regents for Higher Education.

Reporting Entity

For fiscal year 2008, the financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB), requires the inclusion of the Rogers State University Foundation, Inc. (the Foundation) as a component unit of the University. The Foundation is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the University as a whole. Accordingly, because resources received and held by the Foundation are entirely held for the benefit of the University, the financial statements of the Foundation are included herein as a component unit of the University under the definition of GASB Statement No. 39.

The University is a component unit of the state of Oklahoma and is included in the general-purpose financial statements of the state as a part of the higher education component unit.

Financial Statement Presentation

The University's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Under GASB Statements No. 34 and 35, the University is required to present a statement of net assets classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net assets, with separate presentation for operating and nonoperating revenues and expenses; and a statement of cash flows using the direct method.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents

For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and fees for auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of Oklahoma. Accounts receivable also include amounts due from federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Restricted Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the statement of net assets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 30 years for infrastructure, 20 years for land improvements and building renovations, and 5 years for library materials and equipment, or the duration of the lease term for capital leases.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as accrued expenses in the statements of net assets and as a component of employee compensation and benefits expense in the statement of revenues, expenses, and changes in net assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets

The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted Net Assets – Expendable – Restricted expendable net assets include resources in which the University is legally or contractually obligated to utilize in accordance with restrictions imposed by external third parties.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Unrestricted Net Assets – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense against unrestricted resources, and then against restricted resources.

Classification of Revenues

The University 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 discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state, and local grants and contracts.

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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Income Taxes

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



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 1: Summary of Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount 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 operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Note 2: Deposits and Investments

At June 30, 2009 and 2008, the carrying amount of the University's deposits with the State Treasurer and other financial institutions were \$13,506,045 and \$16,943,970, respectively. These amounts consisted of deposits with the State Treasurer (\$13,501,345 and \$16,939,770), U.S. financial institutions (\$500 and \$500), and change funds (\$4,200 and \$3,700), as of June 30, 2009 and 2008, respectively. Included in deposits with the State Treasurer are amounts invested through the State Treasurer's Cash Management Program totaling \$5,881,504 and \$3,213,374, at June 30, 2009 and 2008, respectively.

Oklahoma statutes require the State Treasurer to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. Government obligations. The University's deposits with the State Treasurer are pooled with funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the state's name. The University requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, in the University's name.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 3: Accounts Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying balance sheet. At June 30, 2009 and 2008, accounts receivable consisted of the following:

	<u>2009</u>	<u>2008</u>
Student tuition and fees	\$ 949,082	\$ 585,893
Auxiliary enterprises and other operating activities	158,854	337,201
Federal, state, and private grants and contracts	97,211	11,939
Bond and capital lease receivable	2,351,677	5,339,196
Less allowance for doubtful accounts	<u>(241,365)</u>	<u>(193,679)</u>
Net accounts receivable	<u>\$ 3,315,459</u>	<u>\$ 6,080,550</u>

Note 4: Capital Assets

	Year Ended June 30, 2009				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 1,505,033	\$ —	\$ —	\$ —	\$ 1,505,033
Construction in progress	<u>12,337,812</u>	<u>7,841,759</u>	<u>(16,560,619)</u>	<u>—</u>	<u>3,618,952</u>
Total not being depreciated	<u>\$13,842,845</u>	<u>\$ 7,841,759</u>	<u>\$(16,560,619)</u>	<u>\$ —</u>	<u>\$ 5,123,985</u>
Other capital assets					
Land improvements	\$ 8,891,657	\$ 0	\$ 342,838	\$ —	\$ 9,234,495
Infrastructure	2,538,589	—	—	—	2,538,589
Buildings	21,868,650	300,000	16,217,781	(160,733)	38,225,698
Furniture, fixtures, and equipment	11,396,826	347,198	—	(6,040,062)	5,703,962
Library materials	<u>2,963,494</u>	<u>108,855</u>	<u>—</u>	<u>(65,343)</u>	<u>3,007,006</u>
Total other capital assets	<u>47,659,216</u>	<u>756,053</u>	<u>16,560,619</u>	<u>(6,266,138)</u>	<u>58,709,750</u>
Less accumulated depreciation for					
Land improvements	(980,538)	(431,703)	—	—	(1,412,241)
Infrastructure	(468,701)	(84,620)	—	—	(553,321)
Buildings	(5,790,549)	(920,045)	—	154,342	(6,556,252)
Furniture, fixtures, and equipment	(9,730,244)	(69,440)	—	5,343,570	(4,456,114)
Library materials	<u>(2,726,367)</u>	<u>(129,037)</u>	<u>—</u>	<u>64,206</u>	<u>(2,791,198)</u>
Total accumulated depreciation	<u>(19,696,399)</u>	<u>(1,634,845)</u>	<u>—</u>	<u>5,562,118</u>	<u>(15,769,126)</u>
Other capital assets, net	<u>\$ 27,962,817</u>	<u>\$ (878,792)</u>	<u>\$ 16,560,619</u>	<u>\$ (704,020)</u>	<u>\$ 42,940,624</u>
Capital asset summary					
Capital assets not being depreciated	\$ 13,842,845	\$ 7,841,759	\$(16,560,619)	\$ —	\$ 5,123,985
Other capital assets, at cost	<u>47,659,216</u>	<u>756,053</u>	<u>16,560,619</u>	<u>(6,266,138)</u>	<u>58,709,750</u>
Total cost of capital assets	61,502,061	8,597,812	—	(6,266,138)	63,833,735
Less accumulated depreciation	<u>(19,696,399)</u>	<u>(1,634,845)</u>	<u>—</u>	<u>5,562,118</u>	<u>(15,769,126)</u>
Capital assets, net	<u>\$ 41,805,662</u>	<u>\$ 6,962,967</u>	<u>\$ —</u>	<u>\$ (704,020)</u>	<u>\$ 48,064,609</u>



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 4: Capital Assets (Continued)

	Year Ended June 30, 2008				Ending Balance
	Beginning Balance	Additions	Transfers	Retirements	
Capital assets not being depreciated					
Land	\$ 842,116	\$ 662,917	\$ —	\$ —	\$ 1,505,033
Construction in progress	<u>3,983,239</u>	<u>10,170,787</u>	<u>(1,816,214)</u>	<u>—</u>	<u>12,337,812</u>
Total not being depreciated	<u>\$ 4,825,355</u>	<u>\$ 10,833,704</u>	<u>\$ (1,816,214)</u>	<u>\$ —</u>	<u>\$ 13,842,845</u>
Other capital assets					
Land improvements	\$ 7,371,704	\$ 1,519,953	\$ —	\$ —	\$ 8,891,657
Infrastructure	1,084,637	—	1,453,952	—	2,538,589
Buildings	21,506,388	—	362,262	—	21,868,650
Furniture, fixtures, and equipment	10,897,049	1,014,659	—	(514,882)	11,396,826
Library materials	<u>2,893,365</u>	<u>82,893</u>	<u>—</u>	<u>(12,764)</u>	<u>2,963,494</u>
Total other capital assets	<u>43,753,143</u>	<u>2,617,505</u>	<u>1,816,214</u>	<u>(527,646)</u>	<u>47,659,216</u>
Less accumulated depreciation for					
Land improvements	(565,977)	(414,561)	—	—	(980,538)
Infrastructure	(384,081)	(84,620)	—	—	(468,701)
Buildings	(5,282,810)	(507,739)	—	—	(5,790,549)
Furniture, fixtures, and equipment	(9,612,331)	(632,795)	—	514,882	(9,730,244)
Library materials	<u>(2,592,904)</u>	<u>(144,935)</u>	<u>—</u>	<u>11,472</u>	<u>(2,726,367)</u>
Total accumulated depreciation	<u>(18,438,103)</u>	<u>(1,784,650)</u>	<u>—</u>	<u>526,354</u>	<u>(19,696,399)</u>
Other capital assets, net	<u>\$ 25,315,040</u>	<u>\$ 832,855</u>	<u>\$ 1,816,214</u>	<u>\$ (1,292)</u>	<u>\$ 27,962,817</u>
Capital asset summary					
Capital assets not being depreciated	\$ 4,825,355	\$ 10,833,704	\$ (1,816,214)	\$ —	\$ 13,842,845
Other capital assets, at cost	<u>43,753,143</u>	<u>2,617,505</u>	<u>1,816,214</u>	<u>(527,646)</u>	<u>47,659,216</u>
Total cost of capital assets	<u>48,578,498</u>	<u>13,451,209</u>	<u>—</u>	<u>(527,646)</u>	<u>61,502,061</u>
Less accumulated depreciation	<u>(18,438,103)</u>	<u>(1,784,650)</u>	<u>—</u>	<u>526,354</u>	<u>(19,696,399)</u>
Capital assets, net	<u>\$ 30,140,395</u>	<u>\$ 11,666,559</u>	<u>\$ —</u>	<u>\$ (1,292)</u>	<u>\$ 41,805,662</u>



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2009 and 2008, respectively:

	June 30, 2009				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes, and capital leases					
Student Facility Series, 1995	\$ 295,000	\$ —	\$ (295,000)	\$ —	\$ —
Student Facility Series, 2007A	7,800,000	—	—	7,800,000	—
Student Facility Series, 2007B	2,200,000	—	(80,000)	2,120,000	105,000
Master lease payable	5,199,834	—	(206,750)	4,993,084	215,583
Capital lease payable	<u>15,587,072</u>	<u>—</u>	<u>(520,489)</u>	<u>15,066,583</u>	<u>544,152</u>
Total bonds and capital lease	31,081,906	—	(1,102,239)	29,979,667	864,735
Other noncurrent liabilities					
Accrued Expense - OPEB	—	322,513	—	322,513	—
Accrued compensated absences	<u>677,409</u>	<u>444,953</u>	<u>(420,023)</u>	<u>702,339</u>	<u>407,107</u>
Total noncurrent liabilities	<u>\$ 31,759,315</u>	<u>\$ 767,466</u>	<u>\$ (1,522,262)</u>	<u>\$ 31,004,519</u>	<u>\$ 1,271,842</u>

	June 30, 2008				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes, and capital leases					
Student Facility Series, 1995	\$ 430,000	\$ —	\$ (135,000)	\$ 295,000	\$ 145,000
Student Facility Series, 2007A	—	7,800,000	—	7,800,000	—
Student Facility Series, 2007B	—	2,200,000	—	2,200,000	80,000
Master lease payable	5,402,167	—	(202,333)	5,199,834	206,750
Capital lease payable	<u>16,095,186</u>	<u>—</u>	<u>(508,114)</u>	<u>15,587,072</u>	<u>520,489</u>
Total bonds and capital lease	21,927,353	10,000,000	(845,447)	31,081,906	952,239
Other noncurrent liabilities					
Accrued compensated absences	<u>669,358</u>	<u>428,459</u>	<u>(420,408)</u>	<u>677,409</u>	<u>409,740</u>
Total noncurrent liabilities	<u>\$ 22,596,711</u>	<u>\$ 10,428,459</u>	<u>\$ (1,265,855)</u>	<u>\$ 31,759,315</u>	<u>\$ 1,361,979</u>

Student Facility Revenue Bonds

In 1995, the Board of Regents of Rogers State College issued Student Facility Revenue Bonds, Series 1995 in the amount of \$1,575,000, for the purpose of renovating and equipping certain student facilities. The bonds payable carry interest at rates ranging from 5.25% to 8.25%. The bonds are secured by annual student facility fees assessed on a credit-hour basis. In 2009, these bonds were paid in full, prior to the scheduled maturity date.

In August 2007, the University issued \$7,800,000 Student Facility Revenue Bonds Series 2007A and \$2,200,000 Federally Taxable Series 2007B. The proceeds received from the sale of these bonds and other funds available to the University will be used to construct, renovate, equip, and furnish various facilities on the Claremore campus, including the Student Services



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Center and other student usage facilities. The bonds are secured by student facility fees assessed on a credit-hour basis.

These fees aggregated \$1,183,398 for the year ended June 30, 2009.

The schedule of maturities of the bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30,			
2010	\$ 255,000	\$ 481,281	\$ 736,281
2011	245,000	461,631	706,631
2012	255,000	446,631	701,631
2013	270,000	430,881	700,881
2014	285,000	414,231	699,231
2015 – 2019	1,665,000	1,795,580	3,460,580
2020 – 2025	2,510,000	1,577,532	4,087,532
2026 – 2030	2,670,000	741,973	3,411,973
2031 – 2033	<u>1,915,000</u>	<u>131,738</u>	<u>2,046,738</u>
	<u>\$ 10,070,000</u>	<u>\$ 6,481,478</u>	<u>\$ 16,551,478</u>

Oklahoma Capital Improvement Authority Leases

In September 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents for Higher Education allocated \$4,000,000 to the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA, which includes the two projects funded by the OCIA bonds.

Through June 30, 2008, the University has drawn its entire allotment for expenditures incurred in connection with the projects. Expenditures have been capitalized as investments in capital assets in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment less repayments made.

During the years ended June 30, 2009 and 2008, OCIA made lease principal and interest payments totaling \$318,391 and \$314,168, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the University's statements of revenues, expenses, and changes in net assets.

In November 2005, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents for Higher Education allocated \$13,922,702 to the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA, representing the seven projects being funded by the OCIA bonds.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 5: Long-term Liabilities (Continued)

Through June 30, 2009, the University has drawn \$12,203,254 for expenditures incurred in connection with the projects. Expenditures have been capitalized as investments in capital assets and/or recorded as construction in progress in accordance with University policy. The University has recorded a lease obligation payable to OCIA for the total amount of the allotment less repayments made.

During the year ended June 30, 2009, OCIA made lease principal and interest payments totaling \$961,979 and \$962,114, respectively, on behalf of the University. These on-behalf payments have been recorded as restricted state appropriations in the University's statements of revenues, expenses, and changes in net assets.

Future minimum lease payments under the University's obligations to OCIA are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30,			
2010	\$ 544,152	\$ 736,435	\$ 1,280,587
2011	610,847	712,197	1,323,044
2012	638,283	684,658	1,322,941
2013	666,377	655,681	1,322,058
2014	698,664	623,621	1,322,285
2015 – 2020	4,465,573	2,994,494	7,460,067
2021 – 2025	3,270,532	1,544,372	4,814,904
2026 – 2030	<u>4,172,156</u>	<u>642,617</u>	<u>4,814,773</u>
	<u>\$ 15,066,584</u>	<u>\$ 8,594,075</u>	<u>\$ 23,660,659</u>

Oklahoma Development Finance Authority Master Lease

In March 2005, the University entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (the ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2005A (the Master Lease 2005A). The University received a net amount of \$138,000 of the proceeds for the installation of a geothermal mechanical system. Lease payments made by the University 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 University's future lease payments.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 5: Long-term Liabilities (Continued)

In May 2006, the University entered into a 20-year lease agreement with the Oklahoma Development Finance Authority (the ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2006A (the Master Lease 2006A). The University received a net amount of \$4,414,000 of the proceeds for the installation of a geothermal mechanical system. Lease payments made by the University 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 University's future lease payments.

The ODFA bonds were issued at a premium. The University's pro rata portion of the premium was \$411,339. During 2009 and 2008, the University recognized \$25,136 and \$25,607 of amortization, leaving a balance of the unamortized bond premium of \$328,626 and \$353,761, respectively.

In August 2007, the University entered into a 20-year lease agreement with the Oklahoma Development Finance Authority (the ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2006B (the Master Lease 2006B). The University received a net amount of \$950,000 of proceeds for the installation of a geothermal system, lighting retrofit, HVAC monitoring system, water conservation enhancements, and other energy conservation projects. Lease payments made by the University 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 University's future lease payments.

The schedule of maturities of the bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30,			
2010	\$ 215,583	\$ 215,717	\$ 431,300
2011	222,583	207,271	429,854
2012	229,750	198,507	428,257
2013	239,083	189,414	428,497
2014	251,500	179,789	431,289
2015 – 2020	1,715,083	841,470	2,556,553
2021 – 2025	1,752,833	324,689	2,077,522
2026	<u>366,667</u>	<u>16,436</u>	<u>383,103</u>
	<u>\$ 4,993,082</u>	<u>\$ 2,173,293</u>	<u>\$ 7,166,375</u>



Rogers State University
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June 30, 2009 and 2008

Note 6: Retirement Plans

The University's academic and nonacademic personnel are covered by various retirement plans. The plans available to University personnel include the Oklahoma Teachers' Retirement System, which is a state of Oklahoma public employees retirement system and the Teachers Insurance Annuity Association, which is a defined contribution plan. The University does not maintain the accounting records, hold the investments for, or administer these plans.

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

The University contributes to the Oklahoma Teachers' Retirement System (OTRS), a cost-sharing multiple-employer defined benefit pension plan sponsored by the state of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. OTRS does not provide for a cost-of-living adjustment. Title 70, Sections 17-101 through 17-116-9, of the Oklahoma Statutes defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS.

That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152 or by calling (405) 521-2387.

Funding Policy

The University is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 7.65% for 2009, 7.30% for 2008, and 7.05% for 2007, respectively, is applied to annual compensation and is determined by state statute.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2009 and 2008, respectively. The University makes all contributions on behalf of the employees.

The University's contributions to the OTRS for the years ended June 30, 2009 and 2008, were approximately \$2,330,733 and \$2,122,000, respectively, equal to the required contributions for each year. These contributions included the University's statutory contribution and the employee's contribution paid directly by the University.



Rogers State University
Notes to Financial Statements
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Note 6: Retirement Plans (Continued)

The state of Oklahoma is also required to contribute to the OTRS on behalf of participating employers. For 2009 and 2008, the state of Oklahoma contributed 3.54% of state revenues from sales and use taxes and individual income taxes to the OTRS on behalf of participating employers. The University has estimated the amounts contributed to the OTRS by the state of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2009 and 2008, the total amount contributed to the OTRS by the state of Oklahoma on behalf of the University was approximately \$972,000 and \$980,000, respectively. These on-behalf payments have been recorded as both revenues and expenditures in the statement of revenues, expenses, and changes in net assets.

Teachers Insurance and Annuity Association (TIAA)

For all eligible full-time contract employees enrolled in the OTRS, the University contributes to the Teachers Insurance and Annuity Association (TIAA), a defined contribution pension plan (the Plan) administered by the University's Board of Regents. Pension expense is recorded for the amount of the University's required contributions determined in accordance with the terms of the Plan. Eligible employees are not required to make contributions to the Plan. The Plan provides retirement benefits to eligible 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 University's Board of Regents. The University contributed 15% of the base salary above \$9,000 for certain employees who were employed prior to January 1, 1999. The University contributed 4% of the annual base salary for all other employees in the Plan. Contributions made by the University during 2009 and 2008 were approximately \$757,000 and \$743,000, respectively.

Supplemental Retirement Annuity (SRA)

Plan Description

The University's SRA plan is a single-employer, defined-benefit pension plan administered by the University's Board of Regents. The SRA was established by the University's Board of Regents to provide supplemental retirement and death benefits to certain eligible University employees, or to those eligible employees' beneficiaries. The authority to amend the SRA's benefit provisions rests with the University's Board of Regents. The SRA does not issue a stand-alone financial report nor is it included in the financial report of another entity.

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the SRA rests with the University's Board of Regents. Eligible employees are not required to make contributions to the SRA. The University is required to contribute to the SRA an actuarially determined amount on an annual basis.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 6: Retirement Plans (Continued)

Annual Pension Cost and Net Pension Obligation (Asset)

Annual pension cost and net pension obligation (asset) of the SRA for 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 111,067	\$ 124,454
Interest on net pension obligation		—
Adjustment to annual required contribution	90,406	214,885
Annual pension cost	201,473	339,339
Contributions made	(300,000)	(200,000)
Change in net pension obligation	(98,527)	139,339
Net pension obligation at beginning of year	915,990	776,651
Net pension obligation at end of year	<u>\$ 817,463</u>	<u>\$ 915,990</u>

The annual required contributions for 2009 and 2008 were determined as part of an actuarial valuation on June 30, 2009 and 2008, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a discount rate of 6% per year to determine the present value of future benefit payments; (b) retirement at age 62; (c) a 6% rate of return on investments; and (d) projected salary increases of 2% per year. The value of the SRA assets is based on the TIAA-CREF group annuity account asset value.

The unfunded actuarial accrued liability being amortized over ten years as a level-dollar amount of a closed basis.

Trend Information

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 201,473	148.9%	\$ 817,463
2008	\$ 339,339	58.9%	\$ 915,990
2007	\$ 48,697	205.0%	\$ 776,551



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 7: Post-Employment Health and Life Insurance Benefits

Rogers State University provides post-employment benefits to retirees under two post-employment benefit (OPEB) plans:

1. OSEEGIB OPEB Plan – a single employer defined benefit healthcare, life and disability care plan
2. Rogers State University OPEB Plan – a single employer defined benefit healthcare and long-term care plan

OSEEGIB OPEB Plan

A. General Description of the Other Postemployment Benefit Plan

Rogers State University provides postemployment healthcare benefits to its retirees through a single-employer defined benefit other postemployment benefit (OPEB) plan administered by the Oklahoma State and Education Employee Group Insurance Board (OSEEGIB). OSEEGIB is an instrumentality of the State of Oklahoma created to administer group health, dental, life and disability insurance for active employees and retirees of State agencies, school districts and other governmental units. The plan provides coverage for retiree dependents when so elected. OSEEGIB was established under State statute Title 74, sections 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.

The OSEEGIB board has the authority to amend the plan structure and set premium or contribution rates each year. 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.

OSEEGIB accounts for its activities similar to an insurance enterprise for "all" statutory benefits (both to current employees and retirees). Therefore, the assets and liabilities related to retirees are not segregated from the remaining assets and liabilities of the various insurance plans. As such, OSEEGIB does not consider itself an OPEB plan pursuant to the definitions of GASB-43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

B. Funding Policy

The OSEEGIB is a government instrumentality that operates essentially as an insurance company. The OSEEGIB board has the authority to amend the plan structure and set premium or contribution rates each year. The board utilizes an outside consultant to analyze actual claims experience and establish contribution or premium rates on a calendar year basis. The plan is also an access provider to other health and dental plans, primarily board approved health maintenance organizations (HMOs) and dental maintenance organizations (DMOs). All eligible insurance plans are added to the pool of benefits from which a participant may select.

For participating current active employees, the University pays the full premium for employee only coverage, while the employee pays any additional premium for family coverage elected. For retirees electing to be covered by the defined benefit plan upon retirement, the retiree premiums are paid directly to OSEEGIB through a combination of contributions made directly by the Teachers Retirement System and deductions from retiree retirement checks on a monthly basis. These contributions account for 100% of the OSEEGIB required premiums and Rogers State University does not incur any additional pay-as-you-go cost in regards to these retiree benefits. For the calendar year ended December 31, 2008, the OSEEGIB required premiums for employee only health coverage ranged from \$318 to \$364 for active employees and retirees under age 65, and \$197 to \$246 for retirees age 65 and over.

C. Funded Status and Funding Progress

While active employees and retirees pay a series of blended premiums as established by OSEEGIB, based on OSEEGIB estimates of the amount of an implicit rate subsidy per employee, the University 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 Rogers State University as employer for this OPEB plan.

Rogers State University OPEB Plan Description

The University pays a share of the group health and all of the life insurance premiums for eligible retired employees until reaching Medicare age. A retiring employee must have been employed full-time in the Oklahoma State System of Higher Education or not less than ten years immediately preceding the date of retirement, been a member of the OTRS during that time, and elected to receive a vested benefit under the provisions of the OTRS.

Funding Policy

Contribution requirements of participating employees and the University are established by University policy. The University funds these benefits on a pay-as-you-go basis and currently provides \$259 to \$264 per month for employees receiving health benefits and \$14 to \$108 per month for employees receiving life insurance benefits. Contributions are subject to change based on the rates assessed by the respective insurance benefit provider.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Annual OPEB Cost and Net OPEB Obligation

The University's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligations:

Annual required contribution	\$ 259,302
Interest on net OPEB obligation	14,262
Adjustment to annual required contribution	<u>(32,335)</u>
Annual OPEB cost (expense)	241,229
Contributions made	<u>139,016</u>
Increase (decrease) in net OPEB obligation	102,213
Net OPEB obligation – beginning of year	<u>220,300</u>
Net OPEB obligation – end of year	<u>\$ 322,513</u>



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 7: Post-Employment Health and Life Insurance Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Schedule of Funding Progress

<u>FY Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
2009	\$100,000	\$1,712,128	\$1,712,128	5.8%	\$13,120,359	13%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive benefits, as understood by the University and its employees, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the employee and the employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009, actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions include a 0% investment rate of return and an annual health care cost trend rate of 8.5%.

Note 8: Funds Held in Trust by Others

Oklahoma State Regents Endowment Trust Fund

In connection with the Oklahoma State Regents' Endowment Program (the Endowment Program), the state of Oklahoma has received contributions under the Endowment Program. The University is to receive an annual distribution of earnings on these funds, however, since legal title of these endowment funds is retained by the Oklahoma State Regents, such funds have not been reflected in the accompanying financial statements. The total market value of the endowment funds on deposit with the Oklahoma State Regents at June 30, 2009 and 2008, was approximately \$1,205,000 and \$1,626,000, respectively.



Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 9: Related Party Transactions

The University is the beneficiary of a foundation that provides support for the University by way of scholarships and other direct resources. The University contracts with the RSU Foundation to provide limited services and office space in exchange for the support the University receives. Scholarships awarded by the RSU Foundation are remitted to the University after the University pays the award recipient. Such amounts were approximately \$252,000 and \$309,000 during the years ended June 30, 2009 and 2008, respectively.

The University manages a 67-unit student housing facility owned by the RSU Foundation and located at Rogers State University. The University is entitled to be reimbursed for costs incurred to manage the property, and at June 30, 2009 and 2008, is owed \$84,000 and \$141,000 by the RSU Foundation, respectively. For the year ended June 30, 2009 and 2008, the University owed the RSU Foundation approximately \$134,000 and \$18,000 for receipts collected from students living at the housing facility, respectively.

Note 10: Commitments and Contingencies

The University conducts certain programs pursuant to various grants and contracts, which 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 University.

The University participates in the Federal Family Education Loan Program (the FFEL Program). The FFEL Program does not require the University to draw down cash; however, the University is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies. For the years ended June 30, 2009 and 2008, respectively, approximately \$10,198,504 and \$9,243,000 of FFEL Program loans were provided to University students.

During the ordinary course of business, the University may be subjected to various lawsuits and civil action claims. Management believes that resolution of any such matters pending at June 30, 2009, will not have a material adverse impact to the University.



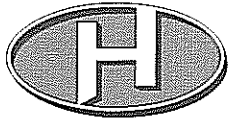
Rogers State University
Notes to Financial Statements
June 30, 2009 and 2008

Note 11: Risk Management

The University is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The University, along with other state agencies and political subdivisions, participates in the State of Oklahoma Risk Management Program and CompSource Oklahoma (formerly, the State Insurance Fund), public entity risk pools currently operating as a common risk management and insurance program for its members. The University pays annual premiums to the pools for its tort, property, and liability insurance coverage. The pool's governing agreement specifies that the pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.





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**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**

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

We have audited the financial statements of Rogers State University (the University) as of June 30, 2009 and 2008, and have issued our report thereon dated September 11, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the College's internal control.

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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Regents of the University of Oklahoma
Rogers State University

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.

File & Compt. file

Tulsa, Oklahoma
September 11, 2009



Exhibit



**ROGERS STATE UNIVERSITY FOUNDATION
REPORT ON EXAMINATION OF CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**



Conklin, Gilpin & Associates, P.C.

Certified Public Accountants
2738 East 51st Street • Suite 370
Tulsa, Oklahoma 74105-6285
Phone (918) 749-0921 • Fax (918) 744-8609

W. Jeffrey Conklin, C.P.A.
Neil D. Gilpin, C.P.A.

Kim M. Walton, C.P.A.
Melissa A. Graham, C.P.A.

Board of Directors
Rogers State University Foundation
Claremore, Oklahoma

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statement of assets, liabilities and net assets - cash basis of Rogers State University Foundation, as of June 30, 2009, and the related consolidated statement of support, revenue, and expenses - cash basis 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 audit.

We conducted our audit 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.

As described in Note 1, these financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated assets, liabilities and net assets - cash basis of Rogers State University Foundation as of June 30, 2009, and its consolidated support, revenue, and expenses - cash basis for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of revenues and expenses - cash basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the same auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Conklin, Gilpin & Associates, P.C.
CONKLIN, GILPIN & ASSOCIATES, P.C.
Certified Public Accountants

September 9, 2009

Members, American Institute of Certified Public Accountants

Rogers State University Foundation
Consolidated Statement of Assets, Liabilities and Net Assets - Cash Basis
June 30, 2009
With Comparative Totals for June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	(Note 1) 2008
ASSETS:					
Cash and cash equivalents	\$ 860,393	\$ 862,820	\$ 243,823	\$ 1,967,036	\$ 2,559,550
Investments (Note 2)	338,748	813,963	5,083,053	6,235,764	7,447,148
Cash surrender value - life insurance	-	-	41,492	41,492	39,408
Land, building & equipment, net (Note 3)	532,950	4,912,211	-	5,445,161	5,810,561
Bond issuance costs, net (Note 1)	-	417,216	-	417,216	433,905
Due from/(to) other funds	(1,036,927)	991,250	45,677	-	-
TOTAL ASSETS	\$ 695,164	\$ 7,997,460	\$ 5,414,045	\$ 14,106,669	\$ 16,290,572
LIABILITIES:					
Security deposits & other liabilities (Note 7)	\$ -	\$ 126,598	\$ -	\$ 126,598	\$ 190,965
Bonds payable (Note 5)	-	7,711,283	-	7,711,283	7,917,277
TOTAL LIABILITIES	-	7,837,881	-	7,837,881	8,108,242
NET ASSETS:					
Unrestricted	695,164	-	-	695,164	904,710
Temporarily restricted	-	159,579	-	159,579	1,025,227
Permanently restricted	-	-	5,414,045	5,414,045	6,252,393
TOTAL NET ASSETS	695,164	159,579	5,414,045	6,268,788	8,182,330
TOTAL LIABILITIES AND NET ASSETS	\$ 695,164	\$ 7,997,460	\$ 5,414,045	\$ 14,106,669	\$ 16,290,572

See accompanying Notes to Consolidated Financial Statements.

Rogers State University Foundation
Consolidated Statement of Support, Revenue and Expenses - Cash Basis
Year Ended June 30, 2009
With Comparative Totals for the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009	(Note 1) 2008
SUPPORT, REVENUE AND OTHER GAINS:					
Contributions and grants	\$ 109,208	\$ 806,585	\$ 227,501	\$ 1,143,294	\$ 1,179,644
Investment return (Note 2)	19,480	48,257	(966,815)	(899,078)	(13,070)
Rentals	1,650	1,038,882	-	1,040,532	1,177,765
Other	6,309	183,319	2,084	191,712	182,588
Net assets released from restrictions:					
Satisfaction of purpose restrictions	1,737,077	(1,737,077)	-	-	-
TOTAL SUPPORT, REVENUES AND OTHER GAINS	1,873,724	339,966	(737,230)	1,476,460	2,526,927
EXPENSES AND LOSSES:					
College program support	1,726,583	-	-	1,726,583	354,738
Scholarships	267,315	-	-	267,315	236,894
Management and general	136,619	1,175,777	64	1,312,460	1,214,676
Fundraising	83,646	-	-	83,646	54,313
TOTAL EXPENSES AND LOSSES	2,214,163	1,175,777	64	3,390,004	1,860,621
Change in net assets	(340,439)	(835,811)	(737,294)	(1,913,544)	666,306
Interfund transfers	130,892	(29,838)	(101,054)	-	-
Adjustment of prior years'	-	-	-	-	(1,712,453)
NET ASSETS AT BEGINNING OF YEAR	904,711	1,025,228	6,252,393	8,182,332	9,228,477
NET ASSETS AT END OF YEAR	\$ 695,164	\$ 159,579	\$ 5,414,045	\$ 6,268,788	\$ 8,182,330

See accompanying Notes to Consolidated Financial Statements.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities and Organization - The Rogers State University Foundation (the Foundation) supports the academic, staff and alumni programs of Rogers State University (the University). The University in turn pays for a substantial portion of the operating expenses of the Foundation, including all salaries and related expenses. The Foundation and the University have certain management and board members in common.

The RSU Foundation, LLC, a wholly owned subsidiary of the Foundation, is the owner of a student housing facility located on land owned by the University. Upon the expiration of the ground lease with the University, the ownership of the student housing facility reverts to the University.

The RSU Foundation Broadcasting Towers, LLC, a wholly owned subsidiary of the Foundation, is the owner of two broadcasting towers used primarily by the University (see Note 6).

Principles of Consolidation - The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

Accounting Method - The financial statements have been prepared on the modified cash basis of accounting in conformity with accounting principles generally accepted in the United States of America. Consequently, certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Investments - Investments in marketable securities with readily determinable fair values are reported at their fair market value in the statement of assets, liabilities and net assets - cash basis. Unrealized gains and losses are included in the statement of support, revenues and expenses - cash basis.

Restricted Support - The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a 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 support, revenue and expenses - cash basis as net assets released from restrictions.

Temporarily restricted funds are restricted primarily for specific academic and alumni programs of the University; permanently restricted funds are restricted primarily for endowment of the University to be held indefinitely, the income from which is expended, to fund student scholarships.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

Recognition of Public Support – Pledges are recorded in the accounts when received and accounted for as deferred pledge support. They are recognized as current support only when realized in cash. Contributions of donated noncash assets are recorded as a contribution when received at fair value.

Cash and Cash Equivalents – The Foundation considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Property, Plant and Equipment - The Foundation capitalizes major expenditures for property, plant and equipment at cost. Donated property and equipment are recorded as contributions at their estimated fair value.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

Leased land	50 years
Foundation/Alumni Center	40 years
Radio tower and building	40 years
KRSC TV-35 tower and building	40 years
Student housing building	33 years
Student housing equipment & furnishings	5-10 years
Presidents House Renovation	10 years

The Foundation policy is to capitalize property and equipment over \$500, lesser amounts are expensed currently.

Bond issuance costs – Costs incurred in connection with the issuance of the bonds payable (see Note 5) are being amortized over the life of the issue on a straight-line basis.

Contributed services – During the year ended June 30, 2009 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosure of contingent assets and liabilities in the accompanying notes. Accordingly, actual results could differ from those estimates.

Income Taxes - The Foundation is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd):

Comparative Totals - Totals at June 30, 2008 are shown in the financial statements for memorandum purposes only.

NOTE 2: INVESTMENTS:

Investment advisors manage certain funds of the Foundation. Investments are stated at fair value, based on quoted market prices, and consist of the following at June 30, 2009:

Cash and Money Market Funds	\$ 520,365
Corporate Bonds	2,082,830
US Government Securities	131,250
Common Stock	945,832
Equity Mutual Funds	<u>2,555,487</u>
 Total	 <u>\$ 6,235,764</u>

The cash and cash equivalents and the investments presented as temporarily restricted assets, in the amount of \$1,676,783, are restricted to the student housing project and the satisfaction of the related debt service on the student housing bonds (see Note 5).

The following summarizes the investment return and its classification in the statement of support, revenue and expenses – cash basis for the year ended June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Interest and dividend income	\$ 19,480	\$ 48,257	\$ 179,365
Realized and unrealized gains/(losses)	<u>-</u>	<u>-</u>	<u>(1,146,180)</u>
 Total	 <u>\$ 19,480</u>	 <u>\$ 48,257</u>	 <u>\$ (966,815)</u>

The total investment return is net of stated advisory fees in the amount of \$15,280 for the year ended June 30, 2009.

The policy of the Foundation is to accumulate a portion of the endowment earnings in a stabilization fund; classified as a permanently restricted fund. Amounts, if available, are annually transferred from the stabilization fund to the unrestricted fund in order to support operations of the Foundation and provide funding for program support to the University.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 3: PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following at June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Land	\$ 49,000	\$ -
Foundation/Alumni center	125,856	-
Equestrian residence	-	-
Presidents's residence renovation	116,271	-
Radio tower and building	17,000	-
Television tower and building	258,820	-
Student housing building and equipment	-	6,620,865
Mineral interest	3,000	-
Collectibles (non-depreciable)	<u>183,295</u>	<u>-</u>
	753,242	6,620,865
Less accumulated depreciation	<u>(220,292)</u>	<u>(1,708,654)</u>
 Total	 <u>\$ 532,950</u>	 <u>\$ 4,912,211</u>

The Equestrian residence was transferred to the University on November 25, 2008.

The President's residence renovation was completed January 31, 2009. The building is an asset of the University. The renovation and upgrade costs incurred were paid by the Foundation.

The collectibles amount above does not meet the definition of a collection as defined under FASB Statement of Financial Accounting Standards No. 116.

Depreciation expense for the year ended June 30, 2009 was \$230,971.

NOTE 4: PERMANENTLY RESTRICTED NET ASSETS:

Net assets were permanently restricted for the following purposes at June 30, 2009:

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 4: PERMANENTLY RESTRICTED NET ASSETS (cont'd):

Scholarship endowments	\$ 4,152,140
Faculty & staff award endowments	51,256
Lectureship endowments	84,672
Endowed chairs	1,279,155
Other endowments	237,623
Unrestricted endowments	93,678
Life insurance endowments	41,492
Stabilization fund	<u>(525,971)</u>
 Total	 <u>\$ 5,414,045</u>

The unrestricted endowment decreased by \$195,224 during the fiscal year. The monies were transferred to a temporary restricted fund (Reserve fund) per approval of the RSU Foundation Board of Directors.

NOTE 5: BONDS PAYABLE:

Bonds payable consist of the following:

	<u>Current</u>	<u>Long-term</u>
Bonds payable, trust authority, annual maturities beginning in 2005 with final annual payment due in 2034, plus interest payable semi-annually at rates ranging from 5.00% to 5.75%, secured by building.	\$ 105,000	\$ 7,500,000
 Bonds payable, trust authority, annual maturities beginning in 2005 with final annual payment due in 2011, plus interest payable semi-annually at 9.00%, secured by building.	 65,000	 155,000
 Less unamortized bond discount	 <u>(4,242)</u>	 <u>(109,475)</u>
 Total	 <u>\$ 165,758</u>	 <u>\$ 7,545,525</u>

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 5: BONDS PAYABLE (Cont'd):

The future maturities and sinking fund requirements of debt obligations are as follows:

	<u>Debt</u>	<u>Sinking Fund</u>
Year ending June 30:		
2010	\$ 170,000	\$ 621,903
2011	195,000	635,593
2012	205,000	632,543
2013	155,000	568,718
2014	170,000	575,425

The interest expense paid for the year ended June 30, 2009 was \$459,303, of which none was capitalized.

The bonds payable have certain covenants in the debt agreements containing provisions regarding the maintenance of certain revenues, the maintenance of its tax-exempt status, as well as other reserve requirements.

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value of financial assets at June 30, 2009 is as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Unrestricted	\$ 338,748	\$ 338,748
Temporarily Restricted	813,963	813,963
Permanently Restricted	<u>5,083,053</u>	<u>5,083,053</u>
Investments	<u>\$ 6,235,764</u>	<u>\$ 6,235,764</u>

Level 1 Inputs - Fair values for investments are determined by reference to quoted market prices in active markets for which the Foundation is invested.

NOTE 7: ENDOWMENTS

The Foundation endowments consist of approximately 150 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 on the existence or absence of donor-imposed restrictions.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 7: ENDOWMENTS (Cont'd):

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:

- (1) The duration and preservation of the fund;
- (2) The purposes 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 8 percent 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.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 7: ENDOWMENTS (Cont'd):

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 four percent of its endowment fund's fair value as of the immediately preceding January 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 four percent 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, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$ -	\$ 5,414,045
Board-designated endowment funds	-	195,224	-
Total endowment funds	<u>\$ -</u>	<u>\$ 195,224</u>	<u>\$ 5,414,045</u>

Changes in Endowment Net Assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets - beginning	\$ -	\$ -	\$ 6,252,393
Investment return	-	-	(964,795)
Contributions	-	-	227,501
Appropriation for expenditure	-	-	-
Transfers - board designated	<u>-</u>	<u>195,224</u>	<u>(101,054)</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 195,224</u>	<u>\$ 5,414,045</u>

The historical dollar value of the permanently restricted endowments, excluding the cash value of life insurance, is \$5,555,891 as compared to the fair value of \$5,372,553 at June 30, 2009. The difference between the historical dollar value and fair value is a deficit of \$183,338, which is reflected in permanently restricted funds.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2009

NOTE 8: LEASES:

The RSU Foundation Broadcasting Towers, LLC (the LLC) leases space on the radio tower under certain operating lease agreements. The LLC also provides tower space for broadcasting equipment used by the University's television and radio stations.

NOTE 9: RELATED PARTY TRANSACTIONS:

The University manages the student housing facility owned by the RSU Foundation, LLC and located at Rogers State University. The University is entitled to be reimbursed for operational expenditures incurred to manage the property, and at June 30, 2009 was owed \$79,798 by the RSU Foundation, LLC. This amount is reflected in other liabilities at June 30, 2009.

NOTE 10: OFF-BALANCE SHEET RISK AND CONCENTRATIONS:

The Foundation has a potential concentration of credit risk in that it periodically maintains deposits with financial institutions in excess of amounts insured by the FDIC. At June 30, 2009, the Foundation did not have any cash in excess of funds insured by the FDIC (based on a \$250,000 limit). However, the Foundation had cash held in repurchase agreement accounts totaling \$362,837 at June 30, 2009.

Rogers State University Foundation
Supplementary Schedule of Revenue and Expenses - Cash Basis
Year Ended June 30, 2009

	Foundation			LLC	
	Unrestricted (General Fund)	Unrestricted (Plant Fund)	Temporarily Restricted (RSU Support)	Permanently Restricted (Endowment)	Temporarily Restricted (Student Hsing)
Totals					
REVENUE AND OTHER GAINS:					
Contributions and grants	\$ 109,208	\$ -	\$ 806,585	\$ 227,501	\$ -
Investment return (Note 2)	19,480	-	-	(966,815)	48,257
Rentals	1,650	-	-	-	1,038,882
Other	6,309	-	183,319	2,084	-
Net assets released from restrictions:					
Satisfaction of purpose restrictions	1,737,077	-	(1,737,077)	-	-
TOTAL REVENUES AND OTHER GAINS	1,873,724	-	(747,173)	(737,230)	1,087,139
					1,476,460
EXPENSES AND LOSSES:					
College program support	1,726,583	-	-	-	-
Scholarships	267,315	-	-	-	-
Management and general	117,274	19,345	-	64	1,175,777
Fundraising	83,646	-	-	-	-
TOTAL EXPENSES AND LOSSES	2,194,818	19,345	-	64	1,175,777
					3,390,004
Change in net assets	(321,094)	(19,345)	(747,173)	(737,294)	(88,638)
Interfund transfers	317,323	(186,431)	(29,838)	(101,054)	-
Adjustment of Prior Years'	-	-	-	-	-
NET ASSETS AT BEGINNING OF YEAR	349,280	555,431	1,768,261	6,252,393	(743,033)
					8,182,332
NET ASSETS AT END OF YEAR	\$ 345,509	\$ 349,655	\$ 991,250	\$ 5,414,045	\$ (831,671)
					\$ 6,268,788



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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133
and the Schedule of Expenditures of Federal Awards**

Regents of the University of Oklahoma
Rogers State University
Norman, Oklahoma

Compliance

We have audited the compliance of Rogers State University (the University) 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, 2009. The University'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 University's management. Our responsibility is to express an opinion on the compliance of the University 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 University'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 University's compliance with those requirements.

In our opinion, the University 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, 2009.

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Internal Control over Compliance

The management of the University 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 University'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 in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 2009, and have issued our report thereon dated September 11, 2009. 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.

Hilsh & Company, P.C.

Tulsa, Oklahoma
September 11, 2009



Rogers State University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Student Financial Assistance		
Federal Pell Grant	84.063	\$ 4,639,026
Federal Supplemental Education Opportunity Grant	84.007	102,891
Federal Family Education Loans	84.032	10,409,550
ACG (Academic Competitiveness Grant)	84.375	89,400
SMG (Science & Math Grant [SMART])	84.376	72,000
Federal Work Study	84.033	132,371
Total Student Financial Aid Cluster		<u>15,445,238</u>
TRIO Program Cluster		
Upward Bound	84.047A	479,621
Student Support Services	84.042A	324,818
Talent Search Grant	84.044A	310,587
Education Opportunity Centers	84.066A	544,095
Total TRIO Program Cluster		<u>1,659,121</u>
Other Programs		
Passed through Oklahoma Department of Vocational Technical Education		
Carl Perkins Vocational and Applied Technology	84.048	124,813
Passed through State of Oklahoma Department of Education		
Recreational Therapy/Bit-by-Bit Horseback Riding Program	84.027	50,000
Total Other Programs		<u>174,813</u>
Total U.S. Department of Education		<u>17,279,172</u>
U.S. Department of Commerce		
National Telecommunication and Information Admin Public Telecommunication Facilities Program (PTFP)		
Board of Regents of Oklahoma University/Rogers State University (for KRSC-TV digital conversion)	11.550	3,945
Total U.S. Department of Commerce		<u>3,945</u>
U.S. Department of Agriculture		
Passed through Oklahoma Department of Education		
Child and Adult Care Food Program	10.558	7,469
Rural Development		
Biofuels Assistance Center	10.769	1,971
Total U.S. Department of Agriculture		<u>9,440</u>
U.S. Fish and Wildlife Service, Region #2		
Passed through the OK Dept of Wildlife Conservation		
Mgmt & Cave Protection-ID E-22-15	15.615	12,428
Private Stewardship – Award #201817G912	15.633	5,461
Total U.S. Fish and Wildlife Service, Region #2		<u>17,889</u>
Total Expenditures of Federal Awards		<u>\$ 17,310,445</u>



Rogers State University
Notes to Schedule of Expenditures of Federal Awards
June 30, 2009

Note 1: Summary of Significant Accounting Policies

The schedule of expenditures of federal awards includes the federal awards activity of Rogers State University (the University) 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 State and Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented, in or used in the preparation of, the basic financial statements.

Note 2: Federal Family Education Loan Program

The University participates in the Federal Family Education Loan Program, CFDA Number 84.032 (the FFEL Program), which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate students. The FFEL Program does not require the University to draw down cash; however, the University is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the University to reimburse the loan guarantee agencies.

Note 3: Subrecipients

During the year ended June 30, 2009, the University did not provide any federal awards to subrecipients.



Rogers State University
Schedule of Findings and Questioned Costs
June 30, 2009

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:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	84.063, 84.007, 84.032, 84.375, 84.376, and 84.033

8. A threshold of \$519,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.
9. The University 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.



Rogers State University
Summary Schedule of Prior Audit Findings
June 30, 2009

No matters were reportable in fiscal year 2009.

