

ROGERS STATE UNIVERSITY

June 30, 2011

ROGERS STATE UNIVERSITY

June 30, 2011

AUDITED FINANCIAL STATEMENTS

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DISCRETELY PRESENTED COMPONENT UNIT

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AND OMB CIRCULAR A-133

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Independent Auditors' Report

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

We have audited the accompanying statement of net assets of Rogers State University (the "University"), a component unit of the State of Oklahoma, as of June 30, 2011 and the related statement of revenues, expenses, and change in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the University as of and for the year ended June 30, 2010, before they were restated for the matters discussed in Note A to the financial statements, were audited by other auditors whose report, dated September 17, 2010, expressed an unqualified opinion on those financial statements. We did not audit the financial statements of the University's separately presented component unit, Rogers State University Foundation (the "Foundation"). Those financial statements were audited by another auditor, whose report thereon has been furnished to us, and in our opinion, insofar as they relate to the amounts included for the Foundation, are based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General for the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*. 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 and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Rogers State University and its separately presented component unit, Rogers State University Foundation, as of June 30, 2011, and the respective change in net assets and, where applicable, cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The previously issued financial statements as of and for the year ended June 30, 2010 have been restated. The independent auditors' report issued by predecessor auditors, dated September 17, 2010, should not be relied upon insofar as it relates to the material misstatement, as described in Note A to the financial statements. We have audited the adjustments described in Note A that were applied to restate the 2010 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on 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 and the Schedule of Funding Progress for the Supplemental Retirement Plan and Other Post-Employment Health and Life Insurance Benefits, as listed in the Table of Contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 19, 2011

Rogers State University
Management's Discussion and Analysis
For the Years Ended June 30, 2011, 2010 and 2009

This discussion and analysis of Rogers State University's (the "University") financial statements provides an overview of the University's financial activities as of and for the year ended June 30, 2011, with fiscal years 2010 and 2009 presented for comparative purposes. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis.

For each year presented in the financial statements, the University recorded various transactions relating to internal service charges, inter-fund transfers, and certain capital asset entries. These transactions and balances were eliminated to present the financial statements on an entity-wide basis.

Financial Analysis of the University as a Whole

The basic financial statements of the University are the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Statement of Cash Flows. The Statement of Net Assets presents the financial position of the University at June 30, 2011 and 2010. The Statement of Revenues, Expenses, and Changes in Net Assets summarizes the University's financial activity for the years ended June 30, 2011 and 2010. The Statement of Cash Flows, presented using the direct method, reflects the effects on cash that result from the University's operating activities, investing activities, and capital and non-capital financing activities for the years ended June 30, 2011 and 2010.

The following schedules are prepared from the University's basic financial statements. With the exception of the Statement of Cash Flows, the statements are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred and assets are capitalized and depreciated.

The Statement of Net Assets

This statement is presented with three major categories, namely assets, liabilities, and net assets. The assets are classified between current and noncurrent assets. The current assets include cash and cash equivalents, deferred expenses, accounts receivable, and other assets. The noncurrent assets include cash and cash equivalents restricted for long term purposes, receivables restricted for investment in capital assets, capital assets, and other assets. Capital assets include land, buildings and improvements, infrastructure, equipment, library materials, and construction in progress. Capital assets, with the exception of land and construction in progress, are shown net of depreciation.

Liabilities are also classified between current and noncurrent. Current liabilities include accounts payable, accrued expenses, deferred revenue, and the portion of noncurrent liabilities expected to be paid in the upcoming fiscal year. These liabilities represent obligations due within one year. Noncurrent liabilities include the portion of accrued compensation absences, capital lease obligation, and net pension obligation expected to be paid in fiscal year 2013 or thereafter.

Total net assets increased to \$36.1 million in FY 2011 from \$34.5 million in FY 2010. Total net assets increased to \$34.5 million in FY 2010 from \$32.3 million in FY 2009.

**Rogers State University
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2011, 2010 and 2009**

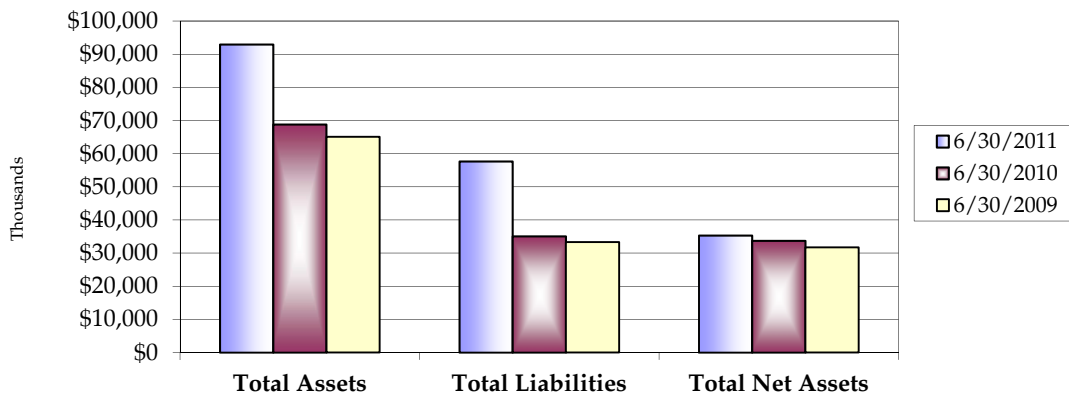
The Statement of Net Assets (Continued)

Following is a summarization of assets, liabilities, and net assets of the University at June 30, 2011, 2010 and 2009:

Net Assets at June 30			
(\$ in millions)			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current assets	\$ 16.0	\$ 13.1	\$ 13.5
Noncurrent assets	77.4	56.6	52.1
TOTAL ASSETS	<u>\$ 93.4</u>	<u>\$ 69.7</u>	<u>\$ 65.6</u>
Current liabilities	\$ 5.3	\$ 5.4	\$ 3.6
Noncurrent liabilities	52.0	29.8	29.7
TOTAL LIABILITIES	<u>\$ 57.3</u>	<u>\$ 35.2</u>	<u>\$ 33.3</u>
Net assets			
Invested in capital assets, net of related debt	\$ 22.5	\$ 24.1	\$ 20.2
Restricted	0.9	2.1	3.4
Unrestricted	12.7	8.3	8.7
TOTAL NET ASSETS	<u>\$ 36.1</u>	<u>\$ 34.5</u>	<u>\$ 32.3</u>

In 2011, the University added \$22.5 million in net capital assets which primarily included the acquisition of student housing from the Rogers State University Foundation, LLC (the "Foundation"), the completion of the expansion and renovation of Baird Hall, and the construction of new student housing. Additional debt incurred, in the form of capital leases through the Oklahoma Development Finance Authority, to finance the acquisition and construction of these facilities totaled approximately \$22.5 million.

Total Assets and Liabilities



Rogers State University
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2011, 2010 and 2009

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

The statement of revenues, expenses, and changes in net assets reports the results of the University'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.

Operating revenues include tuition and fees net of scholarship discounts and allowances, grants and contracts, sales and services, auxiliary operations, and other. Operating revenues increased by \$1.3 million in FY 2011, and decreased by \$0.5 million in FY 2010. Tuition and fee revenues increased by \$1.5 million in FY 2011 as a result of rate increases and enrollment growth. Tuition and fee revenues were virtually unchanged in FY 2010 due to the net effect of enrollment growth and an increase in scholarships. Grants and contracts revenue decreased by \$0.7 million in FY 2011 due to budget cuts and grants not being renewed.

The predominant source of non-operating revenues is state appropriations, and federal and state grants for student financial aid. State appropriations, including the allocation of federal stimulus funds, were virtually unchanged in FY 2011, as compared to both 2010 and 2009.

The University's operating expenses are classified by natural classification, including employee compensation, scholarships, contractual services, etc. In FY 2011, operating expenses increased by \$3.3 million from FY 2010 due to a \$0.9 million increase in compensation which relates to the hiring of additional faculty, a \$1.2 million increase in scholarships representing increases in students' federal financial aid and expanded athletics and academic honors programs, and a \$0.2 increase in utilities and a \$0.6 million increase in depreciation, both associated with the addition of new housing and classroom facilities. In FY 2010, operating expenses increased by \$2.7 million from FY 2009 due to a \$0.9 million increase in compensation relating to the hiring of additional faculty, a \$0.5 million increase in supplies and operating costs, a \$1.6 million increase in scholarships reflecting a greater reliance on federal aid by students, a \$0.6 million increase in depreciation, and a decrease of \$1.0 million in other categories representing the change in the capitalization policy of fixed assets which resulted in a \$0.7 million charge in FY 2009.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
OPERATING REVENUES			
Tuition and fees, net	\$ 11.8	\$ 10.3	\$ 10.1
Federal and local grants and contracts	2.9	3.6	4.3
Auxiliary	2.9	2.3	2.3
Other	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>
TOTAL OPERATING REVENUES	17.8	16.5	17.0
Operating expenses	<u>(43.7)</u>	<u>(40.4)</u>	<u>(37.7)</u>
Operating loss	<u>(25.9)</u>	<u>(23.9)</u>	<u>(20.7)</u>

Rogers State University
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2011, 2010 and 2009

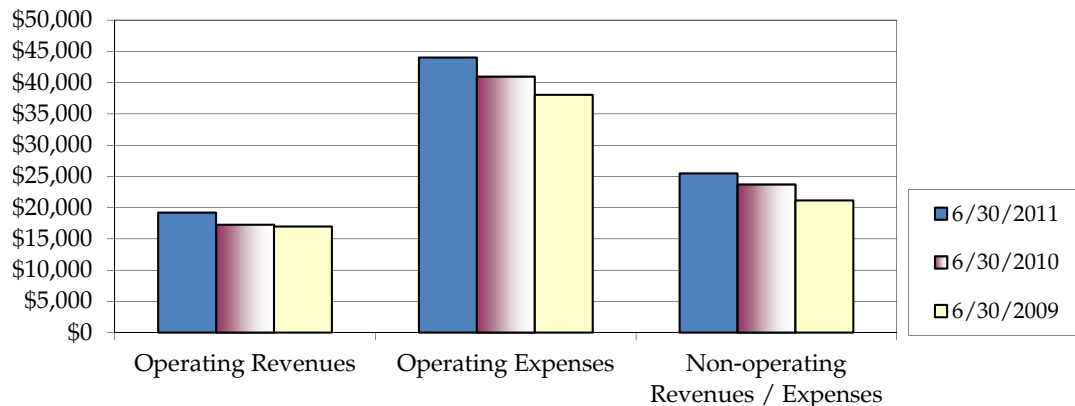
The Statement of Revenues, Expenses, and Changes in Net Assets (Continued)

The following summarizes the University's revenues, expenses, and changes in net assets for the years ending June 30:

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations, including OTRS	15.0	14.7	16.0
Federal stimulus	1.0	1.1	-
Federal and state grants	10.4	9.0	6.0
Investment income	0.1	0.3	0.6
Interest expense	(1.4)	(1.4)	(1.3)
NET NONOPERATING REVENUES	<u>25.1</u>	<u>23.7</u>	<u>21.3</u>
Income before other revenues	(0.8)	(0.2)	0.6
Other revenues	<u>2.4</u>	<u>2.4</u>	<u>2.1</u>
NET INCREASE IN NET ASSETS	1.6	2.2	2.7
NET ASSETS, BEGINNING OF YEAR	<u>34.5</u>	<u>32.3</u>	<u>29.6</u>
NET ASSETS, END OF YEAR	<u>\$ 36.1</u>	<u>\$ 34.5</u>	<u>\$ 32.3</u>

Operating Revenue and Expenses



Rogers State University
Management's Discussion and Analysis (Continued)
For the Years Ended June 30, 2011, 2010 and 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.

Following is a comparison of cash flows for the years ended June 30, 2011, 2010 and 2009:

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
CASH FLOWS PROVIDED BY (USED IN):			
Operating activities	\$ (22.7)	\$ (20.6)	\$ (17.9)
Noncapital financing activities	25.5	24.0	21.0
Investing activities	0.2	0.3	0.7
Capital and related financing activities	<u>0.1</u>	<u>(4.1)</u>	<u>(7.3)</u>
NET INCREASE IN CASH	3.1	(0.4)	(3.5)
CASH, BEGINNING OF YEAR	<u>13.1</u>	<u>13.5</u>	<u>17.0</u>
CASH, END OF YEAR	<u><u>\$ 16.2</u></u>	<u><u>\$ 13.1</u></u>	<u><u>\$ 13.5</u></u>

Conclusion

The University continues to experience significant growth in enrollment and ensuring adequate classroom space is available remains a high priority. The completion of the Baird Hall classroom expansion and renovation and the additional student housing project nearing completion at year end highlighted a year of growth and expansion of campus facilities. Completion of the student housing project and the expansion of athletic facilities in FY 2012 reflect the continuing trend toward modernization of Oklahoma's fastest growing institution of higher learning.

Much of our continued success, however, remains dependent on state support. The economic outlook for the state of Oklahoma appears to be showing signs of steady improvement, and we remain optimistic that the State Legislature will support increased funding for higher education so that the need for increases in tuition and fees to students and their families will be minimized, keeping higher education an affordable and attractive option for our students.

STATEMENTS OF NET ASSETS

ROGERS STATE UNIVERSITY

	June 30	
	<u>2011</u>	<u>2010</u> (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,619,862	\$ 10,298,284
Restricted cash and cash equivalents	1,281,102	952,617
Accounts receivable, net	1,771,541	1,531,901
Inventory	-	34,801
Receivable from OSRHE	258,093	258,161
Other current assets	<u>34,027</u>	<u>-</u>
TOTAL CURRENT ASSETS	15,964,625	13,075,764
NONCURRENT ASSETS		
Restricted cash and cash equivalents	2,337,782	1,812,036
Capital lease and bond receivables	2,701,429	1,007,902
Deferred charges on debt restructure	751,854	-
Net pension asset	417,651	389,674
Other non-current assets	769,001	233,519
Capital assets, net	<u>70,475,646</u>	<u>53,137,424</u>
TOTAL NONCURRENT ASSETS	77,453,363	56,580,555
TOTAL ASSETS	<u>93,417,988</u>	<u>69,656,319</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,454,395	\$ 3,027,782
Accrued compensated absences	416,634	394,169
Deferred revenue	881,153	710,901
Funds held in custody for others	123,555	38,474
Bonds payable - current portion	255,000	245,000
Capital lease obligations - current portion	<u>1,159,233</u>	<u>967,597</u>
TOTAL CURRENT LIABILITIES	5,289,970	5,383,923
NONCURRENT LIABILITIES, net of current portion		
Accrued expenses - OPEB	938,701	685,672
Accrued compensated absences	287,187	305,309
Bonds payable	9,315,000	9,570,000
Capital lease obligations	41,404,068	18,878,168
Premium on bonds	<u>51,478</u>	<u>359,548</u>
TOTAL NONCURRENT LIABILITIES	51,996,434	29,798,697
TOTAL LIABILITIES	<u>57,286,404</u>	<u>35,182,620</u>
NET ASSETS		
Invested in capital assets, net of related debt	22,547,178	24,138,207
Restricted for:		
Expendable:		
Capital projects	14,604	559,960
Grants and other contracts	908,203	1,510,810
Unrestricted	<u>12,661,599</u>	<u>8,264,722</u>
TOTAL NET ASSETS	<u>\$ 36,131,584</u>	<u>\$ 34,473,699</u>

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

ROGERS STATE UNIVERSITY

	For the Year Ended June 30	
	2011	2010 (Restated)
OPERATING REVENUES		
Tuition and fees, net of scholarship discounts and allowances of \$6,331,051 and \$5,515,587 at June 30, 2011 and 2010, respectively (revenues of \$1,423,745 for 2011 and \$1,353,155 for 2010 are used as security for the 2007A & B Student Facility Revenue Bonds)	\$ 11,789,147	\$ 10,338,024
Federal grants and contracts	1,893,049	2,150,442
State and private grants and contracts	983,626	1,443,642
Auxiliary enterprises	2,857,394	2,267,517
Other	238,645	276,694
TOTAL OPERATING REVENUES	<u>17,761,861</u>	<u>16,476,319</u>
OPERATING EXPENSES		
Employee compensation	24,643,325	23,687,976
Contractual services	1,414,130	1,371,819
Supplies and other operating expenses	4,551,956	4,445,107
Utilities	979,758	796,066
Communications	376,620	327,235
Other operating expenses	1,206,929	1,009,546
Depreciation expense	2,778,222	2,205,291
Scholarships	7,743,801	6,568,149
TOTAL OPERATING EXPENSES	<u>43,694,741</u>	<u>40,411,189</u>
Operating loss	(25,932,880)	(23,934,870)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	14,032,807	13,910,698
State appropriations - ARRA	981,294	1,128,952
OTRS on-behalf contributions	1,002,935	847,137
Federal and state grants	10,448,045	8,966,737
Investment income	160,693	249,303
OSRHE Endowment Income	(68)	19,852
Interest expense	(1,412,468)	(1,396,865)
NET NONOPERATING REVENUES	<u>25,213,238</u>	<u>23,725,814</u>
Loss before other revenues, expenses, gains, and losses	(719,642)	(209,056)
State appropriations restricted for capital purposes	458,988	467,266
Donations and other additions to capital assets	1,446,477	664,605
On-behalf payments for OCIA capital leases	472,062	1,280,586
NET INCREASE IN NET ASSETS	1,657,885	2,203,401
NET ASSETS, BEGINNING OF YEAR	<u>34,473,699</u>	<u>32,270,298</u>
NET ASSETS, END OF YEAR	<u>\$ 36,131,584</u>	<u>\$ 34,473,699</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS

ROGERS STATE UNIVERSITY

	For the Year Ended	
	June 30	
	2011	2010
		(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	11,667,642	9,931,897
Grants and contracts	2,821,817	3,326,048
Auxiliary enterprises	2,964,369	2,290,700
Other operating receipts	238,645	276,694
Payments to employees for salaries and benefits	(23,351,915)	(23,138,592)
Payments to suppliers	(17,018,333)	(13,344,225)
NET CASH USED IN OPERATING ACTIVITIES	<u>(22,677,775)</u>	<u>(20,657,478)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	14,032,807	13,910,698
State appropriations - ARRA	981,294	1,128,952
Federal and state grants	10,448,045	8,966,737
Direct Loans and Federal Family Education Loans received	13,674,275	11,742,653
Direct Loans and Federal Family Education Loans disbursed	(13,674,275)	(11,742,653)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>25,462,146</u>	<u>24,006,387</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	458,988	467,266
Purchase of capital assets	(19,883,890)	(6,077,759)
Interest paid on capital debt and leases	(1,827,621)	(688,619)
Proceeds from capital lease	387,518	1,895,032
Principal paid on capital-related debt	(551,750)	(328,588)
Donations, grants and contracts for capital projects	1,446,477	664,605
Proceeds from master lease	20,158,638	-
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>188,360</u>	<u>(4,068,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	203,078	276,046
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>203,078</u>	<u>276,046</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,175,809	(443,108)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>13,062,937</u>	<u>13,506,045</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,238,746</u>	<u>\$ 13,062,937</u>

STATEMENTS OF CASH FLOWS--Continued

ROGERS STATE UNIVERSITY

	For the Year Ended June 30	
	<u>2011</u>	<u>2010</u> (Restated)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (25,932,880)	\$ (23,934,870)
Adjustments to reconcile operating loss to net cash used in operating activities:		
OTRS on-behalf contributions	1,002,935	847,137
Depreciation expense	2,778,222	2,205,291
Net loss on disposal of capital assets	5,169	3,277
Changes in assets and liabilities:		
Accounts receivable	(239,640)	(343,712)
Inventory	34,801	(9,841)
Net pension asset	(27,977)	(114,199)
Deferred revenue	170,252	15,451
Accounts payable and accrued expenses	(811,110)	412,216
Funds held in custody	85,081	12,204
Accrued expenses - OPEB	253,029	252,429
Accrued compensated absences	4,343	(2,861)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (22,677,775)</u>	<u>\$ (20,657,478)</u>
NONCASH CAPITAL AND RELATED FINANCING ITEMS		
Principal and interest paid by OCIA and ODFA	<u>\$ 472,062</u>	<u>\$ 1,280,586</u>
Amortization of bond issuance cost	<u>\$ 23,933</u>	<u>\$ 24,532</u>
Deferred cost on OCIA lease restructure	<u>\$ 1,284,522</u>	<u>\$ -</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET ASSETS		
Current assets:		
Current cash and cash equivalents	\$ 12,619,862	\$ 10,298,284
Restricted cash and cash equivalents	1,281,102	952,617
Noncurrent assets:		
Restricted cash and cash equivalents	<u>2,337,782</u>	<u>1,812,036</u>
	<u>\$ 16,238,746</u>	<u>\$ 13,062,937</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE A--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: The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The accompanying financial statements include the accounts and funds of the University. The University is governed by the Board of Regents and is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education. The University is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the state as part of the higher education component unit.

Rogers State University Foundation, Inc. (the "Foundation"), is a legally separate, tax-exempt component unit of the University. The Foundation is organized for the purpose of receiving and administering gifts intended for the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its financial statements are separately presented in the University's financial statements.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Financial Statement Presentation: The University's financial statements are presented in accordance with the requirements of GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation--Continued: Under GASB Statement No. 34 and GASB Statement No. 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.

The University has the option to apply all 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 statements 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 Agency Cash Management investment policy are considered cash equivalents.

Deposits and 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 statements of revenues, expenses, and changes in net assets. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures and Amendment of GASB Statement No. 3*, the University has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and 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 the 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. The University determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the University's previous loss history, and the condition of the general economy and the industry as a whole. The University writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Noncurrent Cash and Investments: Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, make long-term student loans, or to purchase capital or other noncurrent assets, are classified as noncurrent assets in the statements 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. The University's capitalization policy for furniture, fixtures, and equipment include 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.

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.

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 compensation and benefit expense in the statements 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, (2) pension liabilities that will not be paid within the next fiscal year, and (3) estimated amounts for accrued compensated absences 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 spend said resources in accordance with restrictions imposed by external third parties.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets--Continued:

Restricted Net Assets – Nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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 towards restricted resources, and then towards unrestricted 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 educational departments and of auxiliary enterprises, and (3) most federal, state, and nongovernmental 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 No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the 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.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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).

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts in the 2010 financial statements have been reclassified to conform to the current year presentation.

New Pronouncements: In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*. GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Pronouncements--Continued: The University is currently evaluating the effects that the above GASB Statements will have on its financial statements.

Prior Period Adjustments: The University has restated its 2010 financial statements to correct several errors that were identified in the current year as follows:

<u>Effect on Beginning Net Assets</u>	
Net assets as of July 1, 2009, as originally reported	\$ 31,756,514
Adjustments to correct beginning net assets for FY 2010:	
Prepaid pension asset	275,475
Endowment distributions receivable	<u>238,309</u>
Net assets as of July 1, 2009, as restated	<u>\$ 32,270,298</u>
<u>Effect on Changes in Net Assets for the Year Ended June 30, 2010</u>	
Changes in net assets in FY 2010, as originally reported	\$ 802,597
Adjustments to changes in net assets for FY 2010:	
Unrecorded capital asset additions	1,124,356
Accounts receivable	57,302
Accounts payable and accrued expenses	(68,015)
Deferred revenue	153,110
Changes in prepaid pension asset	114,199
Changes in endowment distribution	<u>19,852</u>
Changes in net assets for FY 2010, as restated	<u>\$ 2,203,401</u>

NOTE B--DEPOSITS AND INVESTMENTS

At June 30, 2011 and 2010, the carrying amount of the University's deposits with the State Treasurer and other financial institutions were \$16,238,746 and \$13,062,937 respectively. These amounts consisted of deposits with the State Treasurer (\$16,234,230 and \$13,057,737), U.S. financial institutions (\$500 and \$500), and change funds (\$4,016 and \$4,700), as of June 30, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* total \$6,749,686 at June 30, 2011 and \$5,030,036 at June 30, 2010.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents. At June 30, the distribution of deposits in *OK INVEST* are as follows:

OK INVEST Portfolio	2011		2010	
	Cost	Market Value	Cost	Market Value
U.S. Agency securities	\$ 2,465,221	\$ 2,484,986	\$ 1,934,969	\$ 1,967,457
Certificates of deposit	318,701	318,701	287,238	287,238
Money market mutual funds	742,091	742,091	422,034	422,034
Tri-party repurchase agreements	455,476	455,476	323,865	323,865
Mortgage backed agency securities	2,448,454	2,556,590	1,786,595	1,864,222
Municipal bonds	134,535	145,688	108,809	116,667
Foreign bonds	25,095	25,095	20,242	20,015
Commercial paper	62,731	62,737	-	-
U.S. Treasury Obligations	97,382	115,386	146,284	154,841
TOTAL	\$ 6,749,686	\$ 6,906,750	\$ 5,030,036	\$ 5,156,339

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

NOTE C--ACCOUNTS RECEIVABLE

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying balance sheet. Accounts receivable consisted of the following at June 30:

	2011	2010
Student tuition and fees	\$ 1,571,815	\$ 1,280,058
Auxiliary enterprise and other operating activities	314,864	347,022
Federal, state and private grants and contracts	218,686	163,828
	2,105,365	1,790,908
Less allowance for doubtful accounts	(333,824)	(259,007)
Net accounts receivable	<u>\$ 1,771,541</u>	<u>\$ 1,531,901</u>

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE D--CAPITAL ASSETS, NET

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 1,505,033	\$ -	\$ -	\$ -	\$ 1,505,033
Construction in progress	<u>9,656,296</u>	<u>12,410,477</u>	<u>(10,750,298)</u>	<u>-</u>	<u>11,316,475</u>
Total not being depreciated	<u>\$ 11,161,329</u>	<u>\$ 12,410,477</u>	<u>\$ (10,750,298)</u>	<u>\$ -</u>	<u>\$ 12,821,508</u>
Other capital assets:					
Land improvements	\$ 9,272,141	\$ -	\$ 995,544	\$ -	\$ 10,267,685
Infrastructure	2,538,589	-	-	-	2,538,589
Buildings	38,487,429	6,894,565	9,754,754	(32,048)	55,104,700
Furniture, fixtures, and equipment	6,536,169	724,938	-	(400,005)	6,861,102
Library materials	<u>2,991,309</u>	<u>91,633</u>	<u>-</u>	<u>(56,202)</u>	<u>3,026,740</u>
Total other capital assets	<u>59,825,637</u>	<u>7,711,136</u>	<u>10,750,298</u>	<u>(488,255)</u>	<u>77,798,816</u>
Less accumulated depreciation for:					
Land improvements	(1,845,826)	(483,363)	-	-	(2,329,189)
Infrastructure	(637,940)	(84,619)	-	-	(722,559)
Buildings	(7,484,153)	(1,342,821)	-	32,048	(8,794,926)
Furniture, fixtures, and equipment	(5,106,281)	(764,991)	-	396,693	(5,474,579)
Library materials	<u>(2,775,342)</u>	<u>(102,428)</u>	<u>-</u>	<u>54,345</u>	<u>(2,823,425)</u>
Total accumulated depreciation	<u>(17,849,542)</u>	<u>(2,778,222)</u>	<u>-</u>	<u>483,086</u>	<u>(20,144,678)</u>
Other capital assets, net	<u>\$ 41,976,095</u>	<u>\$ 4,932,914</u>	<u>\$ 10,750,298</u>	<u>\$ (5,169)</u>	<u>\$ 57,654,138</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 11,161,329	\$ 12,410,477	\$ (10,750,298)	\$ -	\$ 12,821,508
Other capital assets, at cost	<u>59,825,637</u>	<u>7,711,136</u>	<u>10,750,298</u>	<u>(488,255)</u>	<u>77,798,816</u>
Total cost of capital assets	70,986,966	20,121,613	-	(488,255)	90,620,324
Less accumulated depreciation	<u>(17,849,542)</u>	<u>(2,778,222)</u>	<u>-</u>	<u>483,086</u>	<u>(20,144,678)</u>
Capital assets, net	<u>\$ 53,137,424</u>	<u>\$ 17,343,391</u>	<u>\$ -</u>	<u>\$ (5,169)</u>	<u>\$ 70,475,646</u>

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE D--CAPITAL ASSETS, NET--Continued

Following are the changes in capital assets for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Transfers	Retirements	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 1,505,033	\$ -	\$ -	\$ -	\$ 1,505,033
Construction in progress	<u>3,618,952</u>	<u>6,074,990</u>	<u>(37,646)</u>	<u>-</u>	<u>9,656,296</u>
Total not being depreciated	<u>\$ 5,123,985</u>	<u>\$ 6,074,990</u>	<u>\$ (37,646)</u>	<u>\$ -</u>	<u>\$ 11,161,329</u>
Other capital assets:					
Land improvements	\$ 9,234,495	\$ -	\$ 37,646	\$ -	\$ 9,272,141
Infrastructure	2,538,589	-	-	-	2,538,589
Buildings	38,225,698	261,731	-	-	38,487,429
Furniture, fixtures, and equipment	5,703,962	832,207	-	-	6,536,169
Library materials	<u>3,007,006</u>	<u>112,455</u>	<u>-</u>	<u>(128,152)</u>	<u>2,991,309</u>
Total other capital assets	<u>58,709,750</u>	<u>1,206,393</u>	<u>37,646</u>	<u>(128,152)</u>	<u>59,825,637</u>
Less accumulated depreciation for:					
Land improvements	(1,412,241)	(433,585)	-	-	(1,845,826)
Infrastructure	(553,321)	(84,619)	-	-	(637,940)
Buildings	(6,556,252)	(927,901)	-	-	(7,484,153)
Furniture, fixtures, and equipment	(4,456,114)	(650,167)	-	-	(5,106,281)
Library materials	<u>(2,791,198)</u>	<u>(109,019)</u>	<u>-</u>	<u>124,875</u>	<u>(2,775,342)</u>
Total accumulated depreciation	<u>(15,769,126)</u>	<u>(2,205,291)</u>	<u>-</u>	<u>124,875</u>	<u>(17,849,542)</u>
Other capital assets, net	<u>\$ 42,940,624</u>	<u>\$ (998,898)</u>	<u>\$ 37,646</u>	<u>\$ (3,277)</u>	<u>\$ 41,976,095</u>
Capital asset summary:					
Capital assets not being depreciated	\$ 5,123,985	\$ 6,074,990	\$ (37,646)	\$ -	\$ 11,161,329
Other capital assets, at cost	<u>58,709,750</u>	<u>1,206,393</u>	<u>37,646</u>	<u>(128,152)</u>	<u>59,825,637</u>
Total cost of capital assets	63,833,735	7,281,383	-	(128,152)	70,986,966
Less accumulated depreciation	<u>(15,769,126)</u>	<u>(2,205,291)</u>	<u>-</u>	<u>124,875</u>	<u>(17,849,542)</u>
Capital assets, net	<u>\$ 48,064,609</u>	<u>\$ 5,076,092</u>	<u>\$ -</u>	<u>\$ (3,277)</u>	<u>\$ 53,137,424</u>

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE E--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds, notes, and capital leases					
Student Facility Series, 2007A	\$ 7,800,000	\$ -	\$ -	\$ 7,800,000	\$ -
Student Facility Series, 2007B	2,015,000	-	(245,000)	1,770,000	255,000
ODFA Master lease payable	5,323,334	22,486,000	(848,477)	26,960,857	944,689
OCIA Capital lease payable	<u>14,522,431</u>	<u>4,752,437</u>	<u>(3,672,424)</u>	<u>15,602,444</u>	<u>214,544</u>
Total bonds and capital lease	<u>29,660,765</u>	<u>27,238,437</u>	<u>(4,765,901)</u>	<u>52,133,301</u>	<u>1,414,233</u>
Other noncurrent liabilities					
Accrued Expense - OPEB	685,672	253,029	-	938,701	-
Accrued compensated absences	<u>699,478</u>	<u>703,821</u>	<u>(699,478)</u>	<u>703,821</u>	<u>416,634</u>
Total noncurrent liabilities	<u>\$31,045,915</u>	<u>\$28,195,287</u>	<u>\$ (5,465,379)</u>	<u>\$53,775,823</u>	<u>\$ 1,830,867</u>

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
Bonds, notes, and capital leases					
Student Facility Series, 2007A	\$ 7,800,000	\$ -	\$ -	\$ 7,800,000	\$ -
Student Facility Series, 2007B	2,120,000	-	(105,000)	2,015,000	245,000
ODFA Master lease payable	4,993,084	557,000	(226,750)	5,323,334	356,750
OCIA Capital lease payable	<u>15,066,583</u>	<u>-</u>	<u>(544,152)</u>	<u>14,522,431</u>	<u>610,847</u>
Total bonds and capital lease	<u>29,979,667</u>	<u>557,000</u>	<u>(875,902)</u>	<u>29,660,765</u>	<u>1,212,597</u>
Other noncurrent liabilities					
Accrued Expense - OPEB	322,513	363,159	-	685,672	-
Accrued compensated absences	<u>702,339</u>	<u>699,478</u>	<u>(702,339)</u>	<u>699,478</u>	<u>394,169</u>
Total noncurrent liabilities	<u>\$31,004,519</u>	<u>\$ 1,619,637</u>	<u>\$ (1,578,241)</u>	<u>\$31,045,915</u>	<u>\$ 1,606,766</u>

Student Facility Revenue Bonds

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 were used to construct, renovate, equip, and furnish various facilities on the Claremore campus, including the Student Services Center and other student usage facilities. The bonds are secured by student facility fees assessed on a credit-hour basis. These fees aggregated \$2,337,782 and \$1,353,155 for the years ended June 30, 2011 and 2010, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE E--LONG-TERM LIABILITIES--Continued

Student Facility Revenue Bonds--Continued

The 2007A Student Facility Revenue bonds were issued at a discount of \$92,178. During 2011 and 2010, the University recognized \$4,974 each year of amortization, leaving a balance of the unamortized bond discount of \$74,340. The 2007B Student Facility Revenue bonds were issued at a premium of \$54,323. During 2011 and 2010, the University recognized \$7,900 and 8,631 of amortization, leaving a balance of the unamortized bond premium of \$23,391 and \$31,292, respectively.

The schedule of maturities of the bonds is as follows:

Years Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 255,000	\$ 446,631	\$ 701,631
2013	270,000	430,881	700,881
2014	285,000	414,231	699,231
2015	300,000	396,681	696,681
2016	320,000	378,081	698,081
2017 - 2021	1,810,000	1,618,740	3,428,740
2022 - 2027	2,740,000	1,347,744	4,087,744
2028 - 2033	<u>3,590,000</u>	<u>505,577</u>	<u>4,095,577</u>
	<u>\$ 9,570,000</u>	<u>\$ 5,538,566</u>	<u>\$ 15,108,566</u>

Oklahoma Capital Improvement Authority Lease Obligations

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 (State Regents) allocated \$4,000,000 to the University. Concurrent with the allocation, the University entered into a lease agreement with OCIA, representing the two projects funded by the OCIA bonds.

Through June 30, 2008, the University had 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.

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 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.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Capital Improvement Authority Lease Obligations--Continued

Through June 30, 2010, the University had drawn its entire allotment 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.

In 2011, the OCIA Series 2005F lease agreement was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The University has recorded a charge of \$1,284,522 on restructuring as a deferred cost that will be amortized over a period of six years. As of June 30, 2011, the unamortized cost totaled \$1,032,015. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of \$445,026 which also approximates the economic cost of the lease restructuring. Even though this restructuring resulted in a cost to the University, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

During the years ended June 30, 2011 and 2010, OCIA made lease principal and interest payments totaling \$472,062 and \$1,280,586, 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			
2012	\$ 214,544	\$ 283,484	\$ 498,028
2013	666,377	735,705	1,402,082
2014	1,451,906	703,174	2,155,080
2015	1,501,540	655,216	2,156,756
2016	1,446,669	571,696	2,018,365
2017 - 2021	3,470,603	1,985,388	5,455,991
2022 - 2026	3,433,980	1,380,907	4,814,887
2027 - 2031	3,416,826	435,022	3,851,848
	<u>\$ 15,602,445</u>	<u>\$ 6,750,592</u>	<u>\$ 22,353,037</u>

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease Program

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 ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 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.

In May 2006, the University entered into a 20-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 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.

In August 2007, the University entered into a 20-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 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.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease Program--Continued

In May 2010, the University entered into a 4 year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University has recorded a receivable from the ODFA on its statements of net assets. The net proceeds of \$578,000 will be used for the purchase of equipment. 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.

In September 2010, the University entered into a 15 year Master Lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University received a net amount of \$3,500,000 of the proceeds for the completion of the Baird Hall expansion project. 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.

In September 2010, the University entered into a 30 year Master Lease agreement with the Oklahoma Development Finance Authority and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010A. The University received a net amount of \$10,500,000 of the proceeds for the construction of student apartments. Through June 30, 2011, the University has drawn down \$9,380,802 for expenditures incurred, leaving remaining proceeds of \$1,119,198, which are a receivable to the University. 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.

In November 2010, the University entered into a 24 year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010C. The University received a net amount of \$6,989,212 of the proceeds for the purchase of student apartments from the Foundation. 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.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE E--LONG-TERM LIABILITIES--Continued

Oklahoma Development Finance Authority Master Lease Program--Continued

In December 2010, the University entered into a 15 year Master lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenue Bonds, Series 2010B. The University received a net amount of \$720,000 of the proceeds for the installation of a geothermal mechanical system. Through June 30, 2011, the University has drawn down \$648,000 for expenditures incurred, leaving remaining proceeds of \$72,000, which are a receivable to the University. 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 obligations under the ODFA Master Lease Program are as follows:

Years Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 944,689	\$ 1,007,417	\$ 1,952,106
2013	1,081,667	981,199	2,062,866
2014	1,107,000	944,882	2,051,882
2015	1,004,167	908,152	1,912,319
2016 - 2020	5,479,250	4,069,279	9,548,529
2021 - 2025	6,412,833	3,055,144	9,467,977
2026 - 2030	4,069,666	1,943,534	6,013,200
2031 - 2035	4,003,000	1,099,669	5,102,669
2036 - 2040	2,858,585	370,136	3,228,721
	<u>\$ 26,960,857</u>	<u>\$ 14,379,412</u>	<u>\$ 41,340,269</u>

NOTE F--RETIREMENT PROGRAMS

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.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE F--RETIREMENT PROGRAMS--Continued

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 8.55% is applied to annual compensation and is determined by state statute. The contribution rate was 8.55% for 2010 and 7.65% for 2009.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2011, 2010 and 2009. The University makes all contributions on behalf of the employees.

The University's contributions to the OTRS for the years ended June 30, 2011, 2010, and 2009 were approximately \$2,555,000, \$2,501,000, and \$2,331,000, 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.

The state of Oklahoma is also required to contribute to the OTRS on behalf of participating employers. For 2011 and 2010, the state of Oklahoma contributed 5% 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, 2011 and 2010, the total amount contributed to the OTRS by the state of Oklahoma on behalf of the University was approximately \$1,003,000 and \$847,000, respectively. These on-behalf payments have been recorded as nonoperating revenues and operating expenses in the statements of revenues, expenses, and changes in net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE F--RETIREMENT PROGRAMS--Continued

Teachers Insurance and Annuity Association (TIAA)

For all eligible full-time employees, 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 or 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 2011 and 2010 were approximately \$731,000 and \$766,000, 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: Eligible employees are not required to make contributions to the SRA. The University may contribute to the SRA an actuarially determined amount on an annual basis.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE F--RETIREMENT PROGRAMS--Continued

Supplemental Retirement Annuity (SRA)--Continued

Annual Pension Cost and Net Pension Obligation (Asset): Components of the University's annual pension cost, contributions, and net pension obligation under the Plan for the year ended June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 45,456	\$ 67,020
Interest on net pension obligation	(23,380)	(16,529)
Adjustment to annual required contribution	<u>49,947</u>	<u>35,310</u>
Annual pension cost	72,023	85,801
Contributions made	<u>(100,000)</u>	<u>(200,000)</u>
Increase (decrease) in net pension obligation	(27,977)	(114,199)
Net pension obligation (asset) at beginning of year	<u>(389,674)</u>	<u>(275,475)</u>
Net pension obligation (asset) at end of year	<u>\$ (417,651)</u>	<u>\$ (389,674)</u>

The net pension obligation at the beginning of the year has been restated due to an error in the calculation of the Annual Required Contribution. The annual required contributions for 2011 was determined as part of an actuarial valuation as of June 30, 2011 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 unfunded actuarial accrued liability is being amortized over ten years as a level-dollar amount on a closed basis.

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 1,206,205
Actuarial value of plan assets	<u>920,825</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 285,380</u>
Funded ratio (actuarial value of plan assets/AAL)	76.34%
Annual covered payroll (active plan members)	\$ -
UAAL as a percentage of annual covered payroll	0.00%

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE F--RETIREMENT PROGRAMS--Continued

Supplemental Retirement Annuity (SRA)--Continued

Trend Information: Three-year trend information on the percentage of the annual pension cost funded through contributions and the change in the net pension obligation (asset) is as follows:

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2011	\$ 72,073	138.7%	\$ (417,651)
2010	\$ 85,801	233.1%	\$ (389,674)
2009	\$ 115,804	259.1%	\$ (246,634)

NOTE G--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS

The Rogers State University Postemployment Benefit (OPEB) Plan provides post-employment benefits to retirees under single employer, defined benefit healthcare and long-term care plan.

Plan Description: For employees hired before July 1, 2009, 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 at the University for 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 \$369 to \$373 per month for employees receiving health benefits and \$17 to \$96 per month for employees receiving life insurance benefits. Contributions are subject to change based on the rates assessed by the respective insurance provider.

The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 thirty years. For the year ended June 30, 2010, the ARC is \$311,920 and represents 0% (percent) of covered payroll.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan are required on a biennial basis and 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.

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE G--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS--
Continued

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 actuarial valuations 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%.

Annual OPEB Cost and Net OPEB Obligation (Asset)

Annual OPEB cost and net OPEB obligation (asset) for 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 311,920	\$ 311,920
Interest on OPEB obligation (asset)	-	-
Adjustment to annual required contribution	<u>(14,441)</u>	<u>(14,441)</u>
Annual OPEB cost	297,479	297,479
Contributions made	<u>(44,450)</u>	<u>(45,050)</u>
Increase (decrease) in net OPEB obligation	253,029	252,429
OPEB obligation at beginning of year	<u>685,672</u>	<u>433,243</u>
OPEB obligation at end of year	<u>\$ 938,701</u>	<u>\$ 685,672</u>

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 2,142,292
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,142,292</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	\$ 13,013,546
UAAL as a percentage of annual covered payroll	16.46%

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE G--OTHER POST-EMPLOYMENT HEALTH AND LIFE INSURANCE BENEFITS--
Continued

Trend Information: Three-year trend information on the percentage of the annual OPEB cost funded through contributions and the change in the net OPEB obligation (asset) is as follows:

Year Ended June 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2011	\$ 297,479	14.9%	\$ 938,701
2010	\$ 297,479	15.1%	\$ 685,701
2009	\$ 251,959	55.2%	\$ 433,243

NOTE H--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 matched contributions received under the Endowment Program. The state match amounts, plus retained accumulated earnings, totaled approximately \$1,624,000 and \$1,376,000 at June 30, 2011 and 2010, respectively, and is invested by the Oklahoma State Regents for Higher Education on behalf of the University. The University is entitled to receive an annual distribution of earnings of 4.5% of the market value at year end on these funds. Legal title of these endowment funds is retained by the Oklahoma State Regents of Higher Education; only the funds available for distribution, or approximately \$258,000 at June 30, 2011 and 2010, have been reflected as assets in the statements of net assets.

NOTE I--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 Foundation to provide limited services and office space in exchange for the support the University receives. Scholarships awarded by the Foundation are remitted to the University after the University pays the award recipient. Such amounts were approximately \$231,000 and \$220,000 during the years ended June 30, 2011 and 2010, respectively.

Net assets available for the benefit of the University:

	2011	2010
Unrestricted	\$ 512,157	\$ 623,663
Temporarily restricted	1,087,407	414,661
Permanently restricted	7,291,001	6,442,392
	<u>\$ 8,890,565</u>	<u>\$ 7,480,716</u>

NOTES TO FINANCIAL STATEMENTS--Continued

ROGERS STATE UNIVERSITY

June 30, 2011 and 2010

NOTE J--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.

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, 2010, will not have a material adverse impact to the University.

NOTE K--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.

NOTE L--SUBSEQUENT EVENT

In July 2011, the University entered into a 25 year Master Lease agreement with the ODFA and the Oklahoma State Regents for Higher Education as a beneficiary of a portion of the proceeds from the ODFA Oklahoma State Regents for Higher Education Master Lease Revenue Bonds, Series 2011A. The net proceeds of \$4,000,000 will be used for the construction of athletic facilities.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

ROGERS STATE UNIVERSITY

June 30, 2011

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2007	288,099	1,174,076	885,977	24.54%	-	0.00%
6/30/2008	387,528	1,204,991	817,463	32.16%	-	0.00%
6/30/2009	733,040	1,226,309	493,269	59.78%	-	0.00%
6/30/2010	875,021	1,209,585	334,564	72.34%	-	0.00%
6/30/2011	920,825	1,206,205	285,380	76.34%	-	0.00%

The actuarial accrued liability is based on the projected unit credit method.

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT
HEALTH AND LIFE INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Accrued of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2008	-	1,712,128	1,712,128	0.00%	13,120,359	13.05%
6/30/2010	-	2,142,292	2,142,292	0.00%	13,013,456	16.46%

The actuarial liability is based on the projected unit credit cost method.

The University obtains an actuarial evaluation every other year.

DISCRETELY PRESENTED COMPONENT UNIT
ROGERS STATE UNIVERSITY FOUNDATION

**ROGERS STATE UNIVERSITY FOUNDATION
REPORT ON EXAMINATION OF CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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, 2011, 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, 2011, 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 & WERTZ, P.L.L.C.
Certified Public Accountants

October 4, 2011

Rogers State University Foundation
Consolidated Statement of Assets, Liabilities and Net Assets - Cash Basis
June 30, 2011
With Comparative Totals for June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>	<u>(Note 1) 2010</u>
ASSETS:					
Cash and cash equivalents	\$ 881,826	\$ -	\$ 169,603	\$ 1,051,429	\$ 2,749,711
Investments (Note 2)	292,774	-	7,237,723	7,530,497	6,946,584
Cash surrender value - life insurance	-	-	45,711	45,711	43,809
Land, building & equipment, net (Note 3)	262,928	-	-	262,928	5,035,995
Bond issuance costs, net (Note 1)	-	-	-	-	400,527
Due from/(to) other funds	<u>(925,371)</u>	<u>1,087,407</u>	<u>(162,036)</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 512,157</u>	 <u>\$ 1,087,407</u>	 <u>\$ 7,291,001</u>	 <u>\$ 8,890,565</u>	 <u>\$ 15,176,626</u>
 LIABILITIES:					
Security deposits & other liabilities (Note 7)	\$ -	\$ -	\$ -	\$ -	\$ 150,385
Bonds payable (Note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,545,525</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>7,695,910</u>
 NET ASSETS:					
Unrestricted	512,157	-	-	512,157	623,663
Temporarily restricted	-	1,087,407	-	1,087,407	414,661
Permanently restricted	<u>-</u>	<u>-</u>	<u>7,291,001</u>	<u>7,291,001</u>	<u>6,442,392</u>
 TOTAL NET ASSETS	 <u>512,157</u>	 <u>1,087,407</u>	 <u>7,291,001</u>	 <u>8,890,565</u>	 <u>7,480,716</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 512,157</u>	 <u>\$ 1,087,407</u>	 <u>\$ 7,291,001</u>	 <u>\$ 8,890,565</u>	 <u>\$ 15,176,626</u>

See accompanying Notes to Consolidated Financial Statements.

Rogers State University Foundation
Consolidated Statement of Support, Revenue and Expenses - Cash Basis
Year Ended June 30, 2011
With Comparative Totals for the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	(Note 1) 2010
SUPPORT, REVENUE AND OTHER GAINS:					
Contributions and grants	\$ 67,329	\$ 1,111,060	\$ 292,288	\$ 1,470,677	\$ 1,765,895
Investment return (Note 2)	8,425	33,828	999,619	1,041,872	568,678
Rentals	1,950	453,486	-	455,436	1,339,768
Other	12,982	1,350,320	1,902	1,365,204	200,371
Net assets released from restrictions:					
Satisfaction of purpose restrictions	<u>1,556,816</u>	<u>(1,556,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND OTHER GAINS	<u>1,647,502</u>	<u>1,391,878</u>	<u>1,293,809</u>	<u>4,333,189</u>	<u>3,874,712</u>
EXPENSES AND LOSSES:					
College program support	1,430,766	79,367	-	1,510,133	1,162,731
Scholarships	258,262	-	-	258,262	213,409
Management and general	70,488	1,002,885	37	1,073,410	1,219,093
Fundraising	<u>81,535</u>	<u>-</u>	<u>-</u>	<u>81,535</u>	<u>67,552</u>
TOTAL EXPENSES AND LOSSES	<u>1,841,051</u>	<u>1,082,252</u>	<u>37</u>	<u>2,923,340</u>	<u>2,662,785</u>
Change in net assets	(193,549)	309,626	1,293,772	1,409,849	1,211,927
Interfund transfers	82,043	363,120	(445,163)	-	-
NET ASSETS AT BEGINNING OF YEAR	<u>623,663</u>	<u>414,661</u>	<u>6,442,392</u>	<u>7,480,716</u>	<u>6,268,789</u>
NET ASSETS AT END OF YEAR	<u>\$ 512,157</u>	<u>\$ 1,087,407</u>	<u>\$ 7,291,001</u>	<u>\$ 8,890,565</u>	<u>\$ 7,480,716</u>

See accompanying Notes to Consolidated Financial Statements.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

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 (the LLC), a wholly owned subsidiary of the Foundation, was the owner of a student housing facility located on land owned by the University. Effective November 18, 2010, the LLC student housing bonds outstanding were refunded through the issuance of new bonds by the University. As a result of the bond refunding, ownership of the student housing complex transferred from the LLC to the University.

The RSU Foundation Broadcasting Towers, LLC (the Towers), a wholly owned subsidiary of the Foundation, is the owner of one broadcasting tower used primarily by the University (see Note 8).

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, and used primarily to fund student scholarships.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

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
Student housing building	33 years
Equipment & furnishings	5-10 years
Presidents House Renovation	10 years

The Foundation policy is to capitalize property and equipment over \$500; the 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, 2011 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, 2011

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

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2011.

The Organization files its forms 990 in the U.S. federal jurisdiction and the state of Oklahoma. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2007.

Comparative Totals - Totals at June 30, 2010 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, 2011:

Cash and Money Market Funds	\$ 323,509
Corporate Bonds	3,203,451
US Government Securities	-
Common Stock	1,463,707
Equity Mutual Funds	<u>2,539,830</u>
Total	<u>\$ 7,530,497</u>

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

NOTE 2: INVESTMENTS (Cont'd):

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, 2011:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>
Interest and dividend income	\$ 8,425	\$ 33,828	\$ 198,430
Realized and unrealized gains/(losses)	<u>-</u>	<u>-</u>	<u>801,189</u>
 Total	 <u>\$ 8,425</u>	 <u>\$ 33,828</u>	 <u>\$ 999,619</u>

The total investment return is net of stated advisory fees in the amount of \$26,870 for the year ended June 30, 2011.

Current year investment income, if available, is annually transferred to the unrestricted and restricted funds in order to support operations of the Foundation and provide funding for program support to the University. The policy of the Foundation is to return the balance of investment income for the fiscal year to the permanently restricted endowments to develop the endowment corpus.

The stabilization fund was eliminated effective December 31, 2010. The balance in the stabilization fund was allocated to the principal endowments, which are permanently restricted assets.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following at June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Land	\$ 49,000	\$ -
Foundation/Alumni center	125,856	-
Furniture and Fixtures	12,669	-
Vehicles	42,863	-
Presidents's residence renovation	-	-
Television tower and building	258,820	-
Student housing building and equipment	-	-
Mineral interest	3,000	-
Collectibles (non-depreciable)	<u>500</u>	<u>-</u>
	492,708	-
Less accumulated depreciation	<u>(229,780)</u>	<u>-</u>
 Total	 <u>\$ 262,928</u>	 <u>\$ -</u>

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (Cont'd):

The President's residence renovation was transferred to the University on September 14, 2010.

The Foundation voted and approved, at the April 21, 2011 Board meeting, to transfer ownership of the Rogers State University Foundation and Alumni Center to the University, with the condition that adequate office space on the RSU Claremore campus is made available for the Foundation. The agreement needs to be approved by the OU Board of Regents and will be presented by the University at the September 19, 2011 meeting.

As a result of the bond refunding, discussed in Note 1, the student housing building and equipment were transferred to the University on November 18, 2010. The net book value of the assets transferred totaled \$4,619,925.

Depreciation expense for the year ended June 30, 2011 was \$98,143.

NOTE 4: PERMANENTLY RESTRICTED NET ASSETS:

Net assets were permanently restricted for the following purposes at June 30, 2011:

Scholarship endowments	\$ 5,102,502
President's Leadership Class Endowments	226,536
Faculty & staff award endowments	55,828
Lectureship endowments	92,211
Endowed chairs	1,502,406
Other endowments	245,099
Unrestricted endowments	20,708
Life insurance endowments	<u>45,711</u>
 Total	 <u>\$ 7,291,001</u>

The permanently restricted endowments increased by \$848,609 during the fiscal year.

NOTE 5: BONDS PAYABLE:

As discussed in Note 1, the LLC bonds payable were refunded on November 18, 2010. As a result of the bond defeasance, bonds outstanding as of June 30, 2011 were \$0.

The interest expense paid for the year ended June 30, 2011 was \$315,758, of which none was capitalized.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

NOTE 6: FAIR VALUE MEASUREMENTS

Fair value of financial assets at June 30, 2011 is as follows:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Unrestricted	\$ 292,774	\$ 292,774
Temporarily Restricted	-	-
Permanently Restricted	<u>7,237,723</u>	<u>7,237,723</u>
Investments	<u>\$ 7,530,497</u>	<u>\$ 7,530,497</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 173 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.

Interpretation of Relevant Law - In accordance with the requirements of accounting standards related to endowments, 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.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

NOTE 7: ENDOWMENTS (Cont'd):

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.

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, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$ -	\$ 7,291,001
Board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,291,001</u>

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

NOTE 7: ENDOWMENTS (Cont'd):

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

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets - beginning	\$ -	\$ -	\$ 6,442,392
Investment return	-	-	1,001,521
Contributions	-	-	292,288
Appropriation for expenditure	-	-	(37)
Transfers - board designated	-	-	(445,164)
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,291,001</u>

The historical dollar value of the permanently restricted endowments, excluding the cash value of life insurance, is \$6,470,593 as compared to the fair value of \$7,245,290 at June 30, 2011. The difference between the historical dollar value and fair value is a gain of \$774,697, which is reflected in permanently restricted funds.

NOTE 8: LEASES:

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

NOTE 9: RELATED PARTY TRANSACTIONS:

The University manages the student housing facility previously owned by the RSU Foundation, LLC and located at Rogers State University. The University was entitled to be reimbursed for operational expenditures incurred to manage the property. As discussed in Note 1, ownership of the student housing facility transferred from the LLC to the University on November 18, 2010, therefore all amounts due to the University for management services were settled upon transfer.

Rogers State University Foundation
Notes to Consolidated Financial Statements
June 30, 2011

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, 2011, 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 \$450,172 at June 30, 2011.

During the course of the year, the Foundation paid certain expenses on behalf of the University. In return, the University paid several expenses on behalf of the Foundation. As of June 30, 2011, the University had \$3,978 payable to the Foundation related to these expenses.

The University and the Foundation have signed a Memorandum of Understanding in which the Foundation will assist with expenses related to the baseball and softball complex architect fees. The Foundation paid \$72,824 to the architect during the year ended June 30, 2011. The expense to the architect is shown in the general/unrestricted program support fund.

NOTE 11: SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 4, 2011, which is the date the financial statements were available to be issued.

Rogers State University Foundation
Supplementary Schedule of Revenue and Expenses - Cash Basis
Year Ended June 30, 2011

	Foundation				LLC	Totals
	Unrestricted (General Fund)	Unrestricted (Plant Fund)	Temporarily Restricted (RSU Support)	Permanently Restricted (Endowment)	Temporarily Restricted (Student Hsing)	
REVENUE AND OTHER GAINS:						
Contributions and grants	\$ 67,329	\$ -	\$ 1,111,060	\$ 292,288	\$ -	\$ 1,470,677
Investment return (Note 2)	8,425	-	-	999,619	33,828	1,041,872
Rentals	1,950	-	-	-	453,486	455,436
Other	12,982	-	167,054	1,902	1,183,266	1,365,204
Net assets released from restrictions:						
Satisfaction of purpose restrictions	<u>1,556,816</u>	<u>-</u>	<u>(1,556,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER GAINS	<u>1,647,502</u>	<u>-</u>	<u>(278,702)</u>	<u>1,293,809</u>	<u>1,670,580</u>	<u>4,333,189</u>
EXPENSES AND LOSSES:						
College program support	1,430,766	-	-	-	79,367	1,510,133
Scholarships	258,262	-	-	-	-	258,262
Management and general	53,255	17,233	-	37	1,002,885	1,073,410
Fundraising	<u>81,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,535</u>
TOTAL EXPENSES AND LOSSES	<u>1,823,818</u>	<u>17,233</u>	<u>-</u>	<u>37</u>	<u>1,082,252</u>	<u>2,923,340</u>
Change in net assets	(176,316)	(17,233)	(278,702)	1,293,772	588,328	1,409,849
Interfund transfers	137,041	(54,998)	363,120	(445,163)	-	-
NET ASSETS AT BEGINNING OF YEAR	<u>288,504</u>	<u>335,159</u>	<u>1,002,989</u>	<u>6,442,392</u>	<u>(588,328)</u>	<u>7,480,716</u>
NET ASSETS AT END OF YEAR	<u>\$ 249,229</u>	<u>\$ 262,928</u>	<u>\$ 1,087,407</u>	<u>\$ 7,291,001</u>	<u>\$ -</u>	<u>\$ 8,890,565</u>

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

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

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

We have audited the financial statements of Rogers State University (the "University"), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2011 and have issued our report thereon dated October 19, 2011. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Other auditors audited the financial statements of the Rogers State University Foundation (the "Foundation"), the University's separately presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University'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 University's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the University's internal control over financial reporting.

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

Our consideration of the 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 the internal control that might be significant deficiencies and, considered to be material weaknesses. However, we consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

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

This report is intended solely for the information of the management, Board of Regents, others within the University, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 19, 2011

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and
on Internal Control Over Compliance in Accordance With OMB Circular
A-133 and on 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 University's compliance 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 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Rogers State University as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 19, 2011

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Education		
Student Financial Assistance		
Federal Pell Grant	84.063	\$ 8,461,043
Federal Supplemental Education Opportunity Grant	84.007	102,805
Federal Direct Student Loan Program	84.268	13,674,275
ACG (Academic Competitiveness Grant)	84.375	79,613
SMG (Science & Math Grant [SMART])	84.376	81,500
Federal Work Study	84.033	118,253
Total Student Financial Aid Cluster		<u>22,517,489</u>
TRIO Program Cluster		
Upward Bound	84.047A	471,210
Student Support Services	84.042A	91,122
Talent Search Grant	84.044A	305,248
Education Opportunity Centers	84.066A	658,767
Total TRIO Program Cluster		<u>1,526,347</u>
Other Programs		
Passed through State of Oklahoma Office of the Governor		
ARRA-State Fiscal Stabilization Fund - Education Grants, Recovery Funds	84.394	981,294
Passed through Oklahoma Department of Vocational Technical Education		
Carl Perkins Vocational and Applied Technology	84.048	107,801
Passed through State of Oklahoma Department of Education		
Recreational Therapy/Bit-by-Bit Horseback Riding Program	84.027	50,000
Total Other Programs		<u>1,139,095</u>
Total U.S. Department of Education		<u>25,182,931</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	54,574
Economic Development Administration		
RSU-University Center-Award # 08-66-04630	11.306	38,977
Total U.S. Department of Commerce		<u>93,551</u>
U.S. Department of Agriculture		
Passed through Oklahoma Department of Education		
Child and Adult Care Food Program	10.558	11,475
Rural Development		
Biofuels Assistance Center	10.769	3,547
Total U.S. Department of Agriculture		<u>15,022</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	15,423
Total U.S. Fish and Wildlife Service, Region #2		<u>15,423</u>
Total Expenditures of Federal Awards		<u>\$ 25,306,927</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2011

NOTE A--BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards includes the federal awards activity of Rogers State 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 States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The University began participation in the Direct Loan Program on July 1, 2010. The University administers the origination and disbursement of the loans to eligible students or parents. The University is not responsible for the collection of these loans.

NOTE C--SUBRECIPIENTS

Rogers State University provided no federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2011

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	*
TRIO Cluster	*
ARRA-State Fiscal Stabilization Fund	84.394

* See Schedule of Expenditures of Federal awards for identification of CFDA numbers applicable to the major programs.

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

ROGERS STATE UNIVERSITY

Year Ended June 30, 2011

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

FINDING 2011-01

Deficiency:

Although management has a process in place to convert the University's books from the cash basis to the accrual basis several required adjusting entries for the fiscal year ending 2010 were not recorded. These entries included the following:

- \$1,124,000 (understatement) in capital assets not being capitalized. However, this amount was properly recorded as accounts payable by the University.
- \$390,000 (understatement) in net pension assets not being recognized.
- \$258,000 (understatement) in receivables from the OSRHE not being recognized.
- \$153,000 (overstatement) in income not being recognized.
- \$68,000 (understatement) in accounts payable and accrued expenses not being accrued.
- \$57,000 (understatement) in accounts receivable not being properly recognized.

The University has recorded a prior period adjustment to correct these errors and to restate the prior year financial statements.

Requirement:

For external reporting purposes the financial statements of the University are to be prepared on the accrual basis of accounting.

Potential Effects:

As noted above, the University has restated its financial statements for these errors. See Note A--Prior Period Adjustments for additional discussion.

Cause of the Condition:

The University does not prepare financial statements on an accrual basis throughout the year. At year-end numerous journal entries are required to prepare accrual basis financial statements.

Recommendation:

We recommend that the University strengthen its controls over the year-end financial statement preparation process by including additional reviews and analysis performed by management. In addition, the University may consider implementing a checklist to ensure that all possible accrual entries are recorded and reviewed.

Views of a Responsible Official:

The University's management concurs with the recommendation and will implement a formal year-end financial close process which defines all elements of the financial statement compilation process.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

ROGERS STATE UNIVERSITY

Year Ended June 30, 2011

Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2011 period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

ROGERS STATE UNIVERSITY

Year Ended June 30, 2011

No matters are reportable.