

Rose State College
Financial Statements
with Independent Auditors' Reports
June 30, 2021

Rose State College
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June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Regents
Rose State College
Midwest City, Oklahoma

We have audited the accompanying financial statements of Rose State College (the "College"), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Rose State College Foundation, Inc. were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College's primary government and its discretely presented component unit as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the College adopted GASB Statement No. 84, Fiduciary Activities, which restated beginning net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 29, 2021

Rose State College
A Component Unit of the State of Oklahoma
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Introduction

The discussion and analysis of Rose State College's financial statements provides an overview of financial activities for the fiscal year ended June 30, 2021. Since the management's discussion and analysis is designed to focus on the financial performance based on current conditions, activities resulting in change and other currently known facts, please read it in conjunction with the basic financial statements and footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles.

In January 2017, the GASB released Statement 84 in an effort to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. The College acts as a fiduciary in holding deposits for the benefit of associated student clubs and other related activities and has historically shown these as deposits held for the benefit of others in the current liability section of the Statement of Net Position statement. The College adopted GASB Statement 84 for financial reports presented for the fiscal year ended June 30, 2021. As a result of the implementation, the College no longer reports this liability due to other but rather recognizes the assets and liabilities as belonging to the institution. This change required a restatement of beginning net position and is reflected in the information and charts presented in this analysis and on the financial statements, below. For a full description of the adoption of GASB Statement 84 and the resulting restatement please read Note #1 Summary of Significant Accounting Policies, following the financial statements, particularly the section entitled "*New Accounting Pronouncements adopted in 2021.*"

Using This Annual Report

The accompanying financial statements reflect the activities of Rose State College, its blended component unit, the Rose State College Technical Area Education District (the Tech District), and its discretely presented component unit, the Rose State College Foundation, Inc. (the Foundation). This MD&A, however, focuses only on highlights and explanations of significant changes in financial operations and results for Rose State College and its blended component unit, the Tech District, and will be referred to, in combined form as "the College."

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reports the results of the operation of the College. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The College's net position - the difference between assets, deferred inflows, liabilities and deferred outflows - is one way to measure the College's financial condition. The reader will also need to consider other non-financial factors, such as the quantity and quality of student applicants, enrollment trends, student retention, accreditation status, the condition of buildings, academic programming changes and the safety of the campus and other factors, in assessing the overall health of the institution.

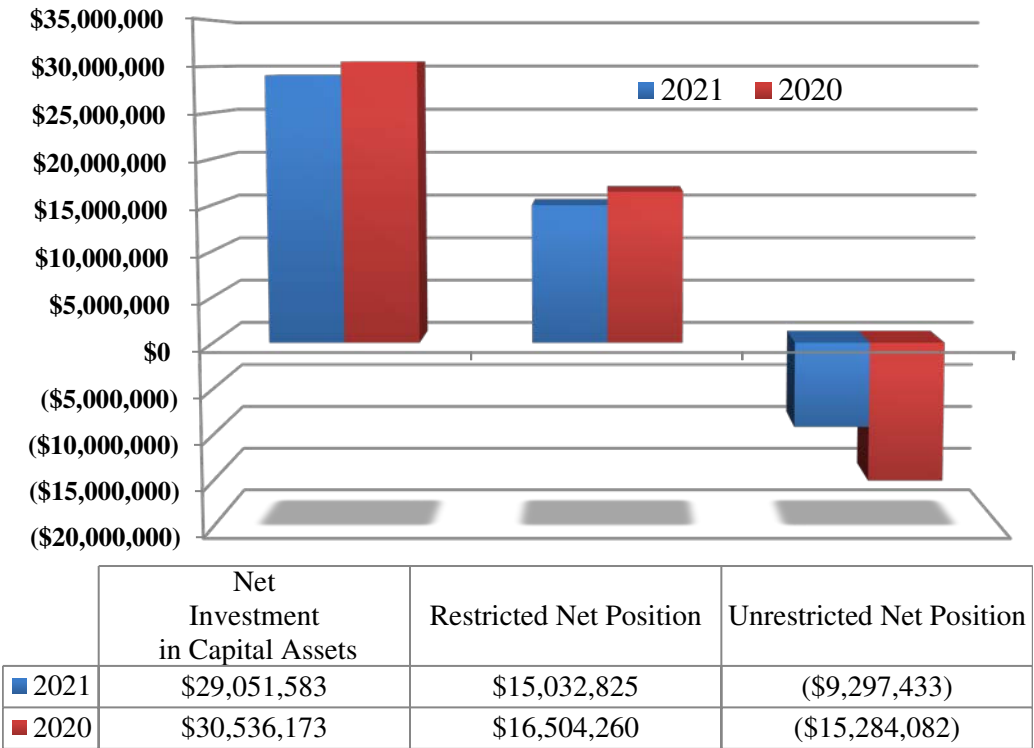
These statements report all assets and liabilities at current values except for capital assets which are reported at historical costs less accumulated depreciation. All of the current year’s revenues and expenses are reported using the accrual basis of accounting.

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

Financial Highlights

Total Net Position

This chart provides a graphical breakdown of net position by category for the fiscal years ending June 30, 2021 and 2020.



After restatement of beginning net position following the implementation of GASB Statement 84, the College’s total net position at June 30, 2021 was \$34.8 million, an increase of \$3.0 million or 9.5% compared to the FY20 results. Net Investment in Capital Assets decreased \$1.5 million largely as a result of recognition of the new lease obligation for the new Phase II building for student housing. The Restricted Net Position decreased \$1.5 million largely driven by damage mitigation and repairs to buildings that were impacted by catastrophic weather and electrical events. These expenditures have been incurred but have not yet been fully reimbursed by insurance proceeds. Unrestricted Net Position improved \$6.0 million or 39.2% compared to fiscal year 2020. This measurement was impacted by the recognition of an accounts receivable for insurance proceeds for damage mitigation and repair work that has not yet been received, as mentioned above. Net position is also heavily impacted by the effect of pension related funding obligations and actuarial measurements of post-employment benefits.

Please see Note #6 and #11 for descriptions of these obligations, the measurement of the recognized liabilities and the impact on the financial statements. Management does not believe that the recognition of these pension and post employment benefit obligations nor the volatility resulting from the actuarial evaluations of those liabilities from year to year constitutes any negative consequence to the true financial condition of the institution. Discussion of the various items that impact the fiscal condition of the College can be found in this MD&A and notes accompanying the statements.

Results from Operations – Revenue and Expenses

Total Revenues for fiscal year 2021 increased \$2.6 million or 4.5% compared to fiscal year 2020. The bulk of the increase is explained in the Non-Operating Revenue section below:

- Operating revenue is generated in exchange type transactions, where the College provides a service or a good to a customer for a payment. For fiscal 2021 Operating Revenue grew by \$690 thousand or 6.5% compared to fiscal year 2020. Operating Revenue made up 18.7% of total revenue in fiscal year 2021 compared to 18.3% of total revenue in fiscal year 2020.
- Non-Operating Revenue involves the receipt of revenue not dependent on an exchange between the College and a customer. The College's three main sources of non-operating revenue are state appropriations, Federal and State grants and reimbursements and ad valorem taxes. Most colleges rely on non-operating revenue to ensure continuing operations. For fiscal year 2021 non-operating revenue increased by \$2.0 million or 4.3% and made up 79.1% of total revenue compared to fiscal year 2020 when it made up 79.2% of total revenue for the College. The main drivers of the increase include:
 - A \$584 thousand net decrease in State appropriations from reductions in the base allocation and National Guard reimbursements partially offset by an increase to concurrent high school enrollment reimbursements.
 - A \$221 thousand increase in ad valorem tax collections in the Tech District
 - A \$447 thousand decrease in Federal and State grants not used to pay tuition and fees
 - A \$2.0 million increase in net charter school revenue.

The College serves as the authorizing sponsor for the operation of charter schools in Oklahoma and Tulsa counties, pursuant to the Oklahoma Charter School Act. The College has been the sponsor for Epic Blended Charter School (EPIC) and in fiscal year 2021 became the sponsor for the DOVE Schools in Oklahoma county. In accordance with state statute and State Department of Education rules, the College receives funds on behalf of the charter schools and then transfers those funds to the charter schools less a percentage retained by the College as fiscal agent fees. The fiscal year 2021 receipts and transfers for the charter schools are detailed in the following table. Also see footnote #8.

State aid	\$ 126,999,932
Other aid	2,024,483
Total aid received	<u>129,024,415</u>
Less: Aid transferred to Charters	<u>(125,214,417)</u>
Net charter school revenue	<u>\$ 3,809,998</u>

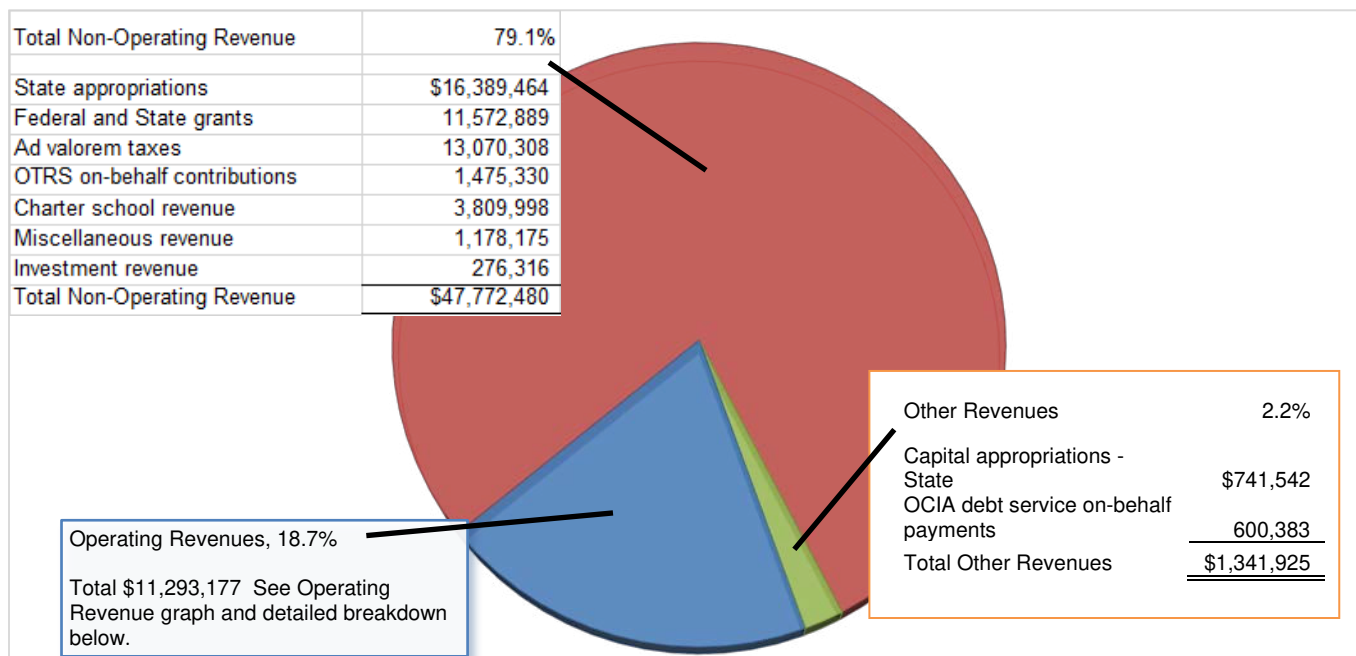
- Other Revenue consists of capital appropriations and Oklahoma Capital Improvement Authority (OCIA) debt service payments made on behalf of the College for bonds funding capital improvements and building construction. These on-behalf payments require no cash outlay by the College. In fiscal 2021 the OCIA on-behalf payments resulted in \$600 thousand recognized as non-operating revenue, approximately \$30 thousand less than was recognized in fiscal year 2020. Dedicated capital appropriations from the State also decreased by approximately \$30 thousand in fiscal year 2021 compared to fiscal year 2020.

The following table and chart present Total Revenues by category and source followed by a presentation of Operating Revenues by category and source for the fiscal years ending June 30, 2021 and 2020.

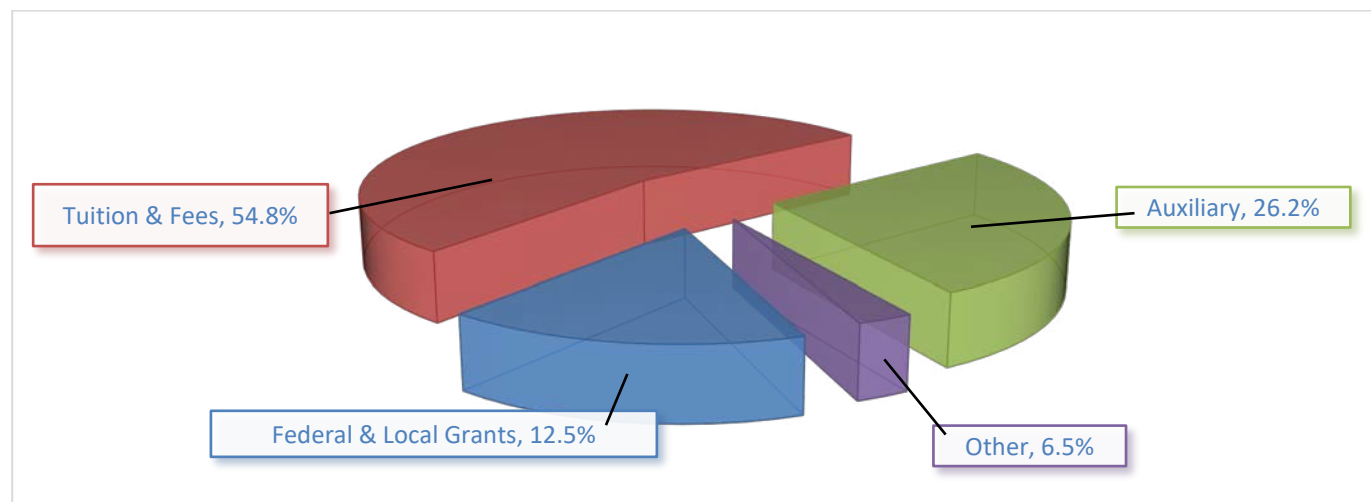
FY21 Total Revenue by Category – Table

Revenue Category	2021	2020	Change FY20 to FY21	Percent Change
Operating Revenues	\$11,293,177	\$10,603,110	\$ 690,067	6.5%
Non-Operating Revenues	47,772,480	45,801,325	1,971,155	4.3%
Other Revenues	1,341,925	1,404,938	(63,013)	(4.5%)
Total Revenues	\$60,407,582	\$57,809,373	\$2,598,209	4.5%

FY21 Total Revenues by Category and Percent of Total – Graph



FY21 Operating Revenue by Category and Percent of Total – Graph



FY21 Operating Revenue by Category – Table

Operating Revenue Category	2021	2020	Change FY20 to FY21	Percent Change
Federal & Local Grants	\$1,411,183	\$1,861,161	(\$449,978)	(24.2%)
Tuition & Fees	6,189,932	5,870,999	318,933	5.4%
Auxiliary	2,955,273	2,543,681	411,592	16.2%
Other	736,789	327,269	409,520	125.1%
Total Operating Revenue	\$11,293,177	\$10,603,110	\$690,067	6.5%

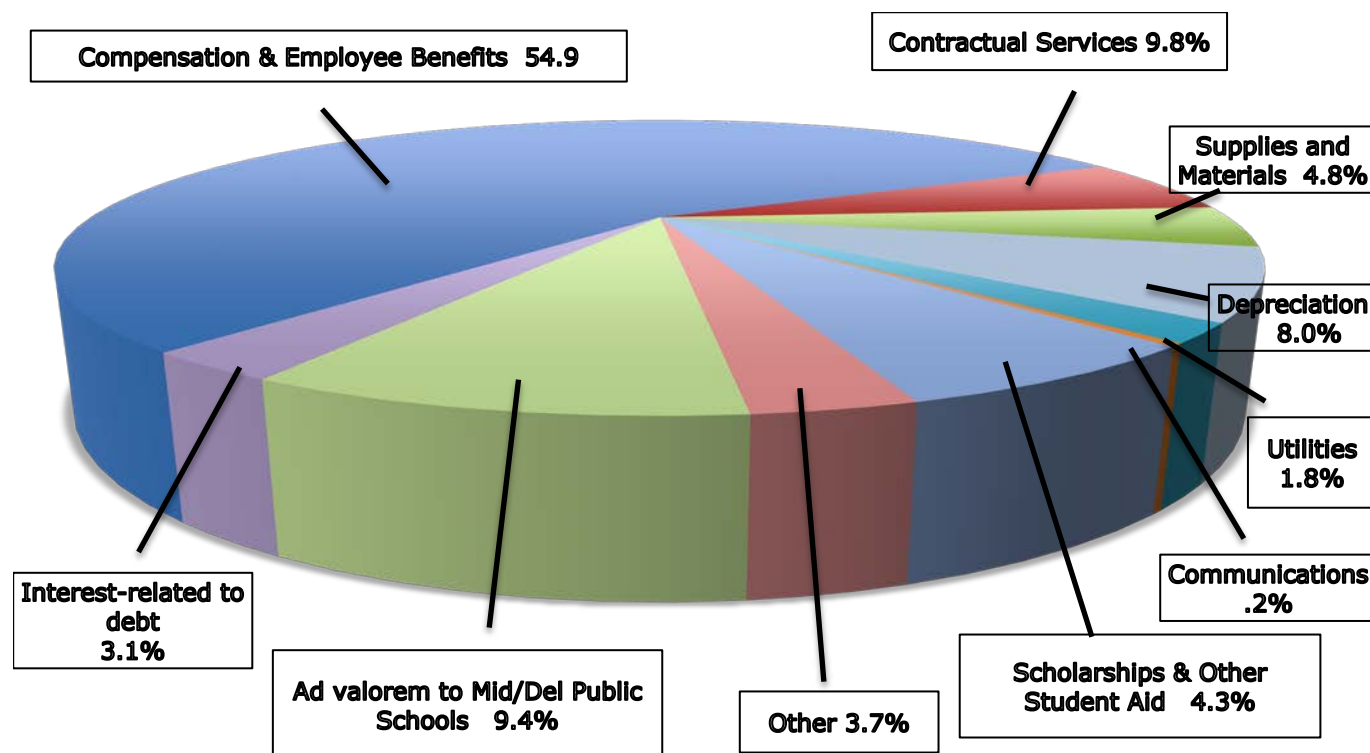
Total Expenses by Category

Total expenses for fiscal 2021 were \$57.4 million, an increase of \$3.1 million or 5.7% compared to fiscal 2020 total expenses of \$54.3 million. The largest portion of this change was a \$1.4 million increase in the Compensation and Benefit expense category related to the actuarial evaluations of the Oklahoma Teachers Retirement System (OTRS) accruals for GASB 75, GASB 82 reporting standards and the past Presidents' post employee benefits liability. Accruals and adjustments required by these actuarial evaluations for FY21 was harsher than in FY20 creating what appears to be an increase in compensation expense. Ignoring the effect of the OTRS actuarial evaluation, true Employee Compensation and Benefit expenses for fiscal 2021 totaled \$27.0 million which is a decrease of \$2.2 million compared to fiscal 2020 expense of \$29.2 million.

Contractual Services expenditures also increased \$1.4 million or 41.4% compared to fiscal year 2020. This reflects a full year of expenses for outsourcing the custodial staff at the end of FY20. This also reflects an increase in expenditures for maintenance, repairs and equipment rental necessary for campus improvements during the fiscal year.

The following graph and table may be useful in understanding total expenses. These should be evaluated by reading the more detailed Statement of Revenues, Expenses and Changes in Net Position presentation and discussion along with the other financial statements and footnotes.

FY21 Total Expenses by Category and Percent of Total – graph



FY21 Total Expenses by Category and Change – detail table

Total Expenses by Category	2021	2020	Change FY 21 to FY 20	Percent Change
Compensation & Employee Benefits	\$32,066,905	\$30,645,654	\$1,421,251	4.6%
Contractual Services	4,722,496	3,339,549	1,382,947	41.4%
Supplies and Materials	2,822,494	2,498,418	324,076	13.0%
Depreciation	4,691,528	4,121,481	570,047	13.8%
Utilities	1,029,265	1,087,521	(58,256)	(5.4%)
Communications	111,363	162,663	(51,300)	(31.5%)
Scholarships & Other Student Aid	2,491,893	3,706,543	(1,214,650)	(32.8%)
Other	2,153,066	1,767,228	385,838	21.8%
Ad valorem to Mid/Del Public Schools	5,467,527	5,322,272	145,255	2.7%
Interest on capital asset-related debt	1,820,421	1,612,804	207,617	12.9%
Total Expenses	\$57,376,958	\$54,264,133	\$3,112,825	5.7%

Statement of Net Position

The statement of net position presents the financial position of the College at the end of the fiscal year and includes totals of all assets, liabilities and deferred inflows and outflows. Net position and the change between fiscal years may be one indicator of the current financial condition of the College. The fiscal 2021 financial statements show an increase of \$2.0 million or 6.4% in total net position compared to fiscal 2020 and reflects the effects of Pension and Other Post Employment Benefits liability calculations, as required by GASB. This table summarizes the College's Statement of Net Position as of June 30, 2021 and 2020.

Net Position: Balances as of June 30th	Fiscal Year 2021	Fiscal Year 2020	\$ Change FY20 to FY21	Percent Change
Current Assets	\$40,695,695	\$36,724,340	\$3,971,355	10.8%
Noncurrent Assets				
Restricted cash and cash equivalents	3,460,581	3,938,182	(477,601)	(12.1%)
Accounts receivable, net	2,842	36,963	(34,121)	(92.3%)
Restricted net OPEB asset	44,205	289,523	(245,318)	(84.7%)
Deposits Held in Escrow	0	938,100	(938,100)	(100.0%)
Capital assets, net of depreciation	82,933,657	77,370,889	5,562,768	7.2%
Total assets	127,136,980	119,297,997	7,838,938	6.6%
Deferred Outflows				
Deferred Outflows related to OPEB	520,743	214,140	306,603	143.2%
Deferred Outflows related to pensions	13,148,493	6,385,330	6,763,163	105.9%
	13,669,236	6,599,470	7,069,766	107.1%
Current Liabilities	6,451,841	8,381,768	(1,929,927)	(23.0%)
Noncurrent Liabilities	92,410,582	78,035,286	14,375,296	18.4%
Total liabilities	98,862,423	86,417,054	12,445,369	14.4%
Deferred Inflows				
Bookstore service concession arrangement	36,963	71,084	(34,121)	(48.0%)
Gain on debt refinancing	2,516,981	2,634,608	(117,627)	(4.5%)
Deferred inflows related to OPEB	117,545	170,223	(52,678)	(31.0%)
Deferred inflows related to pensions	4,485,329	5,294,298	(808,969)	(15.3%)
Total Deferred Inflows	7,156,818	8,170,213	(1,013,395)	(12.4%)
Net Position				
Net investment in capital assets	29,051,583	30,536,173	(1,484,590)	(4.9%)
Restricted expendable	15,032,825	16,504,260	(1,471,435)	(8.9%)
Unrestricted	(9,297,433)	(15,284,082)	5,986,649	39.2%
Total net position	\$34,786,975	\$31,756,351	3,030,624	9.5%

- Current assets, in fiscal 2021 increased by a total of \$4.0 million or 10.8% compared to fiscal 2020. This largely reflects an increase in operational cash balances resulting from the explosive growth in the charter schools' enrollment and the resulting increase in authorizer's fiscal agent fees collected. See note #8 for a discussion of the collection of these fees. A \$1.0 million account receivable asset was also recognized for insurance reimbursements expected to be received in fiscal year 2022 for damage sustained during the unprecedented winter 2021 freeze and an electrical arc issue.
- Non-current assets increased by \$3.9 million or 4.7%, in fiscal year 2021 compared to fiscal year 2020. This largely reflects the completion of construction and opening of the Student Union as current assets carried as restricted investments were converted to non-current capital assets. The increase also reflects the opening of a new building for on campus housing, built using a public-private lease arrangement with the developer. The lease obligation is also reflected in long term debt. See Note 4 for a full disclosure of the capital assets activity and Note 5 for long term debt discussion.

- Total liabilities increased \$12.4 million or 14.4% between fiscal years 2021 and fiscal 2020. Current liabilities decreased \$1.9 million or 23.0% compared to fiscal 2020. This decrease largely reflects a decrease in accounts payable which is a result of onetime allocations to the academic divisions in May FY2020. These one-time budgetary allocations were not necessary in FY2021 as business operations returned to normal following the effect of the pandemic. Non-current liabilities increased by \$14.4 million or 18.4% compared to fiscal 2020. This increase was driven by a \$5.6 million increase in long-term debt from the lease obligation on the new on campus housing building. See footnote #5 for a discussion of long-term liabilities. The College also reported an \$11.4 million increase in actuarially calculated Other Post Employment Benefit (OPEB) liabilities for various employees. See Notes #6 and 11 for a description of the calculation and impact of OPEB liabilities.
- Deferred Outflows and Deferred Inflows should be read in conjunction with the footnotes to the financial statements to understand the nature of the measurements and the impact relating to future periods. For deferred outflows and inflows related to OPEB, please see Note #1 for a short definition of OPEB responsibilities and Note #11 for an explanation of the College's OPEB plans. For deferred outflows and inflows related to pensions, please read footnote #6 to understand the associated actuarial calculation of the unfunded balance of the OTRS and changes reflected in the FY21 financial statements. For an explanation of the Bookstore concession agreement and the related deferred outflow please read footnote #12 for a description of the concession agreement and the measurement of the economic impact. The deferred inflow related to the gain on debt financing is related to the student housing lease buyout, completed in 2018, from the original developer/lessor with proceeds from the Oklahoma Development Finance Authority Master Lease Program through the Oklahoma State Regents for Higher Education. Please see footnote #5 for the discussion on the refinancing and the recognition of the gain on refinancing as shown on the financial statements.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the College's financial results from operations and other non-operating activities. A summarized statement of revenues, expenses and changes in net position, as of June 30, 2021 and 2020, appears below:

Revenue, Expenses, & Net Position, as of June 30	Fiscal Year 2021	Fiscal Year 2020	\$ Change FY20 to FY21	Percent Change
Operating Revenues				
Tuition and fees, net	\$6,189,932	\$5,870,999	\$318,933	5.4%
Federal, state and local grants & contracts	1,411,183	1,861,161	(449,978)	(24.2%)
Auxiliary (bookstore, food services & housing), net	2,955,273	2,543,681	411,592	16.2%
Other	736,789	327,269	409,520	125.1%
Total operating revenues	\$11,293,177	\$10,603,110	\$690,067	6.5%
Operating Expenses				
Compensation and employee benefits	\$32,066,905	\$30,645,654	\$1,421,251	4.6%
Contractual services, supplies and materials	7,544,990	5,837,967	1,707,023	29.2%
Depreciation	4,691,528	4,121,481	570,047	13.8%
Utilities and communications	1,140,628	1,250,184	(109,556)	(8.8%)
Scholarships and other student aid	2,491,893	3,706,543	(1,214,650)	(32.8%)
Other	2,153,066	1,767,228	385,838	21.8%
Total operating expenses	\$50,089,010	\$47,329,057	\$2,759,953	5.8%
Operating Loss	(\$38,795,833)	(\$36,725,947)	(\$2,069,886)	(5.6%)
Non-operating Revenues (Expenses)				
State appropriations	\$16,389,464	\$16,973,189	(\$583,725)	(3.4%)
Federal and state grants	11,572,889	12,019,547	(446,658)	(3.7%)

OTRS on-behalf contributions	1,475,330	1,609,518	(134,188)	(8.3%)
Charter School revenue	3,809,998	1,812,642	1,997,356	110.2%
Ad valorem taxes	13,070,308	12,849,757	220,551	1.7%
Ad valorem taxes remitted to Mid/Del public schools	(5,467,527)	(5,322,272)	(145,255)	2.7%
Miscellaneous revenue	1,178,175	0	1,178,175	100.0%
Other	(1,544,105)	(1,076,132)	(467,973)	43.5%
Net Non-operating Revenues	\$40,484,532	\$38,866,249	\$1,618,283	4.2%
Income (Loss) Before Other Revenues, Expenses	\$1,688,699	\$2,140,302	(\$451,603)	(21.1%)
Gains and Losses				
Other Revenues, Expenses, Gains and Losses	1,341,925	1,404,938	(63,013)	(4.5%)
Increase (Decrease in Position)	\$3,030,624	\$3,545,240	(\$514,616)	(14.5%)
Assets, Beginning of Year	\$31,756,200	\$27,764,960	\$3,991,391	14.4%
Effect of restatement of prior period – see Note #1	0	446,151	(446,151)	100.0%
Assets, End of Year	\$34,786,975	\$31,756,351	\$3,030,624	9.5%

- Total operating revenues, in fiscal 2021, increased \$690 thousand or 6.5% compared to fiscal 2020. This largely results from an increase of \$320 thousand in tuition and fee collections and a decrease of \$450 thousand in Federal and State grants. Auxiliary operations contributions increased \$412 thousand after the opening of the Student Union and the addition of a new building in student housing. Other revenue also increased \$410 thousand from progressive insurance payments for reimbursement of repair work from an electrical arc event and freeze and flooding issues related to winter storms.
- Operating expenses increased by \$1.4 million or 4.6% in fiscal 2021 versus fiscal 2020. There were some significant changes when looking at individual categories such as:
 1. Compensation and Employee Benefits expenses grew by \$1.4 million or 4.6% compared to fiscal 2020 due to changes in OPEB actuarial valuations. The reader should also read Notes #6 and #11 for discussion of changes in pension liabilities and OPEB liabilities.
 2. Contractual services, supplies and materials increased \$1.7 million as a result of outsourcing custodial services and eliminating custodial staff. This also reflects professional services and equipment rental related repairs to buildings and improvements to other campus facilities and infrastructure during the fiscal year.
 3. Scholarships and other student aid declined \$1.2 million from fiscal year 2021 compared to fiscal year 2020 reflecting a decrease in enrollment as a result of instruction switching largely to virtual modality as a result of the pandemic. This decline resulted in a decrease in financial aid from various sources received for the benefit of students.
- Non-operating revenues (expenses) increased \$1.6 million or 4.2% in fiscal 2021 compared to fiscal 2020 as a result of the following highlights:
 1. State appropriations were \$584 thousand or 3.4% lower in FY21 compared to FY20 as a result of decreased state support as a result of depressed statewide economic activities.
 2. Charter school revenue increased by \$2.0 million or 110.2% in fiscal year 2021 compared to fiscal year 2020 reflecting the explosive growth in Epic Blended charter schools experienced as a result of the pandemic as parents gravitated to charter schools rather than sending their children to in-person schools. Also, in fiscal year 2021 DOVE Charter Schools was added as an authorized charter school system. See Note #8 for discussion of Charter School revenue.

Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the Statement of Cash Flows. This statement's primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during the fiscal period. The Statement of Cash Flows also assists users in assessing an entity's ability to generate future net cash flows, meet obligations as they come due, and external financing needs.

The College's total cash and cash equivalents for fiscal 2021 increased by \$971 thousand or 28.2% compared to fiscal 2020 results.

The following schedule is summarized from the College's Statement of Cash Flows for the year ended June 30, 2021 and 2020.

Cash provided by (Used in), as of June 30	Fiscal Year 2021	Fiscal Year 2020	\$ Change FY20 to FY21	Percent Change
Operating activities	(\$31,478,824)	(\$29,289,444)	(\$2,189,380)	(7.5%)
Noncapital financing activities	37,200,429	36,356,793	843,636	2.3%
Capital and related financing activities	(442,872)	(4,161,541)	2,573,669	61.8%
Investing activities	285,960	542,773	(256,813)	(47.3%)
Net increase (decrease) in cash & cash equivalents	<u>\$5,564,693</u>	<u>\$3,448,581</u>	<u>\$971,112</u>	<u>28.2%</u>
Cash and Cash Equivalents, Beginning of Year	\$35,367,570	\$31,918,989	\$3,448,581	10.8%
Cash and Cash Equivalents, End of Year	\$40,932,263	\$35,367,570	\$4,419,693	12.5%

Capital Assets

At June 30, 2021 the College had approximately \$155.6 million invested in capital assets with accumulated depreciation of \$72.7 million resulting in a net capital asset valuation of approximately \$82.9 million. This represents a net increase of \$23.9 million or 43.24% compared to fiscal 2020. This increase in net asset valuation reflects the completion and furnishing of the Student Union building and the new building for student housing. All Construction in Progress recognized through fiscal year 2020 has been transferred to Buildings and improvements and has a current balance of \$0. Please see Note #4 for details of the capital asset investments. The table below summarizes the activity in capital assets, net of depreciation.

Capital Assets, Net of Accumulated Depreciation at June 30, 2021 and 2020

Capital Assets, Net Accumulated Depreciation, as of June 30	Fiscal Year 2021	Fiscal Year 2020	\$ Change FY20 to FY21	Percent Change
Land	\$3,617,031	\$3,617,031	\$0	(0.0%)
Building and improvements	73,923,069	50,984,477	22,938,592	45.0%
Land improvements / infrastructure	871,614	937,450	(65,836)	(7.0%)
Furniture, fixtures and equipment	3,629,153	2,486,673	1,142,480	45.9%
Library materials	892,790	978,498	(85,708)	(8.8%)
Construction in progress	0	18,366,760	(18,366,760)	(100.0%)
Total Capital Assets, Net Accumulated Depreciation	<u>\$82,933,657</u>	<u>\$77,370,889</u>	<u>\$5,562,768</u>	<u>7.2%</u>

Debt

As of June 30, 2021, the College had approximately \$51.2 million in debt (bonds and capital lease obligations) outstanding. This is an increase of approximately \$3.0 million, or 6.2%, compared to fiscal

2020 balances. The fiscal 2021 results reflect the addition of a new lease obligations for the new building for student housing known as Phase II within the Village at Rose State.

The table below lists balances for long term debt and lease obligations. Please see Note #5 for more detailed information regarding the College's outstanding debt.

Outstanding Debt at June 30, 2021 and 2020

Outstanding Debt, as of June 30	Fiscal Year 2021	Fiscal Year 2020	\$ Change FY20 to FY21	Percent Change
2013 Building Bonds Payable	\$13,530,000	\$15,220,000	(\$1,690,000)	(11.1%)
2021 Housing Capital Lease	5,599,703	0	5,599,703	100.0%
2014C OCIA Capital Lease Obligation	6,343,428	6,666,063	(322,635)	(4.8%)
ODFA 2017A Master Lease (Student Union)	15,901,250	16,262,917	(361,667)	(2.2%)
ODFA 2018A Master Lease (Housing)	8,905,084	9,087,834	(182,750)	(2.0%)
ODFA 2017A Premium	693,732	720,500	(26,768)	(3.7%)
ODFA 2018A Premium	231,344	239,939	(8,595)	(3.6%)
Total Outstanding Debt	\$51,204,541	\$48,197,253	\$3,007,288	6.2%

Economic Outlook

Rose State College operates in an environment that is strongly influenced by several external elements, each providing its own impact on the College and its operations.

The condition of the local economy heavily influences the decision and ability to set tuition and fee rates. However, raising tuition and fees charged to students has been necessary to ensure continued excellence in instruction and facilities. For FY 2021, in total, the College increased tuition and mandatory fees by \$7.50 per credit hour or 4.9% making the cost for a resident student \$159.17 per credit hour. For FY 2022, after receiving a \$455 thousand or 2.9% increase in state appropriations, the College decided not to make any change to tuition and fees holding the cost at \$159.17 per credit hour for resident students. Decisions to change tuition and fees are made after weighing the availability of appropriated state support, students' ability to pay for classes and the projected cost of providing academic instruction and necessary student services. Controlling the students' cost to attend college is one of the guiding principles of the College's Board of Regents and the College management.

The condition of the state and local economy also directly impacts college enrollment. Many high school seniors and adult workers must decide whether to, or how to, pursue higher education while also being in the workforce. As the local economy continues to recover from the pandemic, there are currently plenty of opportunities for those choosing to enter the workforce. The pandemic required a switch to almost all virtual instruction in FY2021 which negatively impacted enrollment and the College experienced a decline in credit hours produced of 5.9% extending the FY2020 enrollment decline of 2.8% and FY2019 enrollment decline of 5.2%. This enrollment trend is also being experienced in most state schools as high school graduating class sizes continue to decline, overall, and more graduating students, especially males, opt to go directly into the workforce rather than opting for higher education. For FY2022 the College hopes to see a slight increase in enrollment. Opportunities for enrollment expansion continue to be explored and implemented as feasibility proves to be strong. For example, the College is testing the impact of partnerships with technology centers and other higher education institutions in the area of aerospace training and cyber security education. The College also continues to dedicate academic space to programs that show increased

interest by students. In FY2022 the College, utilizing grant funds, will begin remodeling a portion of the Professional Technical Education Center building to be a dedicated Cyber Security space to serve those students pursuing a degree or certificates this academic area and will allow for growth in this program.

On-campus housing continues to have high occupancy rates and, with the addition of a new building, offers various housing configurations and multiple price points to make on-campus options available to students. The new student union building is now open and provides on-campus food service as well as a variety of meeting spaces to various public groups. Management believes this will provide a strong revenue stream in FY2022 and future periods. These efforts will help with student recruitment and retention, as well.

Property values continue to be firm with areas of commercial expansion in the area providing a secure source of ad valorem revenue for the Tech District. The *Ticket to Rose* program, funded with ad valorem tax collections, is a strong incentive for local high school seniors to enroll at Rose State College.

The College is heavily impacted by the state's legislative and political environment due to the strong reliance on legislated appropriations to fund operations. For FY21, base support from the state was reduced \$644 thousand or 3.95% causing the College to increase tuition and fees, as discussed above. However, for fiscal year 2022, state appropriations were cut \$455 thousand or 2.9%. The state's economy continues to recover from the effects of the pandemic and its effects on oil and gas production as well as agriculture yet revenue collections have been strong and the chance of mid-year revenue failure appears to be very slight. Management continues to monitor the State's collections so it can react quickly, if necessary, to protect the operations of the College.

Given students' reliance on Federal financial aid and the school's opportunities for Federal grant programs, the national political environment also has a direct influence on the College. Discussions on funding priorities and changes to regulations for student financial aid, loans and grants could have a material economic effect on the school. The College has benefited from CARES Act emergency stimulus funding but further direct assistance from the federal government is not likely.

Overall, the management of Rose State College believes the institution to be in solid financial condition, even as it faces all of these challenges, and is committed to maintaining that position.

Contacting the College's Financial Management

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

**Rose State College
Statement of Net Position
June 30, 2021**

	Rose State College	Rose State College Foundation Inc.
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,052,653	\$ 688,255
Restricted:		
Cash and cash equivalents	4,419,029	-
Investments	-	1,979,648
Accounts receivable, net	1,544,697	-
Insurance receivable	1,000,000	-
Federal and state grants receivable	248,603	-
Delinquent ad valorem property taxes receivable	412,000	-
Accrued interest receivable	13,240	-
Prepaid expenses	5,473	-
Total current assets	<u>40,695,695</u>	<u>2,667,903</u>
Noncurrent assets:		
Restricted:		
Cash and cash equivalents	3,460,581	-
Accounts receivable	2,842	-
Restricted net OPEB asset	44,205	-
Capital assets, net	82,933,657	2,870,000
Total noncurrent assets	<u>86,441,285</u>	<u>2,870,000</u>
Total assets	<u>127,136,980</u>	<u>5,537,903</u>
DEFERRED OUTFLOWS		
Deferred outflows related to OPEB	520,743	-
Deferred outflows related to pensions	<u>13,148,493</u>	<u>-</u>
Total deferred outflows	<u>13,669,236</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	1,373,413	13,769
Accrued compensated absences	961,371	-
Interest payable	160,552	-
Unearned revenue	1,233,546	-
Room deposits payable	60,058	-
Current maturities of long-term debt	2,662,901	-
Total current liabilities	<u>6,451,841</u>	<u>13,769</u>
Noncurrent liabilities:		
Accrued compensated absences	126,563	-
Total OPEB liability	1,394,051	-
Net pension obligation	42,348,328	-
Long-term debt	48,541,640	-
Total noncurrent liabilities	<u>92,410,582</u>	<u>-</u>
Total liabilities	<u>98,862,423</u>	<u>13,769</u>
DEFERRED INFLOWS		
Bookstore service concession arrangement	36,963	-
Gain on debt refinancing	2,516,981	-
Deferred inflows related to OPEB	117,545	-
Deferred inflows related to pensions	<u>4,485,329</u>	<u>-</u>
Total deferred inflows	<u>7,156,818</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	29,051,583	-
Restricted nonexpendable - endowment	-	4,892,766
Restricted expendable for:		
Scholarships	6,985,470	-
Loans	6,753	-
Capital projects	4,410,894	-
Debt service	3,461,963	-
OPEB	167,745	-
Unrestricted (deficit)	<u>(9,297,433)</u>	<u>631,368</u>
Total net position	<u>\$ 34,786,975</u>	<u>\$ 5,524,134</u>

See notes to financial statements.

Rose State College
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021

	Rose State College	Rose State College Foundation Inc.
Operating Revenues		
Tuition and fees, net	\$ 6,189,932	\$ -
Federal grants and contracts	1,246,719	-
State and private grants and contracts	164,464	-
Sales and services of auxiliary enterprises, net	2,955,273	-
Contributions and other revenue	-	415,146
Other operating revenues	736,789	-
Total operating revenues	<u>11,293,177</u>	<u>415,146</u>
Operating Expenses		
Compensation and benefits	32,066,905	-
Contractual services	4,722,496	-
Supplies and materials	2,822,494	-
Scholarships and fellowships	2,491,893	239,876
Communications	111,363	-
Depreciation	4,691,528	-
Utilities	1,029,265	-
Other	2,153,066	145,933
Total Operating Expenses	<u>50,089,010</u>	<u>385,809</u>
Operating income (loss)	<u>(38,795,833)</u>	<u>29,337</u>
Non-Operating Revenues (Expenses)		
State appropriations	16,389,464	-
Federal grants	10,293,177	-
State grants	1,279,712	-
OTRS on-behalf contributions	1,475,330	-
Charter school revenue, net of transfers (Note 8)	3,809,998	-
Ad valorem taxes	13,070,308	-
Academic support for the Mid-Del Area Vocational Technical school	(5,467,527)	-
Miscellaneous revenue	1,178,175	-
Investment revenue	276,316	529,179
Interest on capital asset-related debt	(1,820,421)	-
Net non-operating revenue (expenses)	<u>40,484,532</u>	<u>529,179</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	1,688,699	558,516
Capital appropriations - state	741,542	-
OCIA debt service on-behalf payments	600,383	-
Increase (Decrease) in Net Position	<u>3,030,624</u>	<u>558,516</u>
Net Position, Beginning of Year (restated)	<u>31,756,351</u>	<u>4,965,618</u>
Net Position, End of Year	<u>\$ 34,786,975</u>	<u>\$ 5,524,134</u>

See notes to financial statements

Rose State College
Statement of Cash Flows
Year Ended June 30, 2021

	Rose State College
Operating Activities	
Tuition and fees	\$ 6,493,002
Grants and contracts	1,297,083
Payments to suppliers	(16,127,849)
Payments to employees	(26,881,327)
Auxiliary enterprises sales and services	3,000,162
Other operating receipts	740,105
Net cash provided by (used in) operating activities	<u>(31,478,824)</u>
Noncapital Financing Activities	
State appropriations	16,389,464
Non-operating grants	11,572,889
Charter school revenue	129,024,415
Charter school transfers	(125,214,417)
Ad valorem taxes received	10,944,826
Academic support for the Mid-Del Area Vocational Technical school	(5,516,748)
Federal direct student loans receipts	6,376,716
Federal direct student loans disbursements	(6,376,716)
Net cash provided by noncapital financing activities	<u>37,200,429</u>
Capital and Related Financing Activities	
Purchases of capital assets	(3,082,932)
Proceeds from sale of restricted investments	3,261,847
Principal paid on capital leases and bonds	(2,297,978)
Interest paid on capital leases and bonds	(1,737,913)
Capital appropriations – state	741,542
Insurance proceeds received	575,000
Ad valorem taxes received for debt service	2,097,562
Net cash used in capital and related financing activities	<u>(442,872)</u>
Investing Activities	
Investment income received	<u>285,960</u>
Net cash provided by (used in) investing activities	<u>285,960</u>
Net Decrease in Cash and Cash Equivalents	5,564,693
Cash and Cash Equivalents, Beginning of Year	<u>35,367,570</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 40,932,263</u></u>

Rose State College
Statement of Cash Flows
Year Ended June 30, 2021
(Continued)

	Rose State College
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Current assets	
Cash and cash equivalents	\$ 33,052,653
Restricted cash and cash equivalents	4,419,029
Noncurrent assets	
Restricted cash and cash equivalents	3,460,581
	<u>\$ 40,932,263</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (38,795,833)
Depreciation expense	4,691,528
OTRS on-behalf contributions	1,475,330
Changes in operating assets, deferred outflows, liabilities, and deferred inflows:	
Receivables, net	(1,139,648)
Deferred outflows related to pensions and OPEB	(7,069,766)
Restricted net OPEB asset	245,318
Prepaid expenses	192
Accounts payable and accrued liabilities	(1,797,464)
Accrued compensated absences	(42,151)
Unearned revenue	360,100
Room deposits payable	16,723
Total OPEB liability	81,551
Net pension obligation	11,356,943
Deferred inflows related to pensions and OPEB	(861,647)
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (31,478,824)</u></u>
Noncash Investing, Noncapital Financing and Capital and Related Financing Activities:	
Interest on capital debt paid by state agency on behalf of the College	\$ 277,748
Principal on capital debt paid by state agency on behalf of the College	\$ 322,635
Change in accounts payable for capital assets	\$ (1,995,732)
Capital assets financed via lease	\$ 5,663,264
Capital assets acquired via funds held in escrow	\$ 938,100
Capital assets acquired via donation	\$ 570,000

See notes to financial statements.

Rose State College
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

Nature of Institution

Rose State College (the "College") is a two-year college operating under the jurisdiction of a Board of Regents and the Oklahoma State Regents for Higher Education and is a component unit of the State of Oklahoma. Major federally-funded student financial aid programs in which the College participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, and Federal Work Study programs. Unsecured credit is extended to students.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB statements No. 14 and No. 34*, the Rose State College Technical Area Education District (the "District") is presented in the College's financial statements as a blended component unit because the District's governing body is the same as the governing body of the College, and the District provides services almost entirely to the College, which is the primary government. Separate financial statements of the District are prepared and may be obtained by contacting the College's Office of Administrative Services.

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

The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. During the year ended June 30, 2021, the Foundation provided the College \$239,876 in scholarships, awards, and other program support.

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

Rose State College
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2021, cash equivalents consisted primarily of pooled funds held by the Oklahoma State Treasurer or Office of Management and Enterprise Services and money market mutual funds on deposit with a trustee.

Restricted Cash and Investments

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

Rose State College
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Investments and Investment Income

The College accounts for its investments at fair value based on quoted market prices.

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

Ad Valorem Property Taxes

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

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

The College is subject to ad valorem tax abatements granted by the State of Oklahoma in accordance with the Oklahoma Constitution, Article X Section 6B for qualifying manufacturing concerns.

Under this program, a five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set by the Oklahoma Constitution and statutes. In exchange for the five-year exemption, qualifying manufacturing concerns must incur investment costs of \$250,000 or more for construction, acquisition, or expansion of a manufacturing facility. In addition, there are general minimum payroll requirements that must be met and the qualifying manufacturing concern must offer a basic health benefit plan to all full-time employees within 180 days of employment.

The College had no ad valorem taxes abated under this program for the fiscal year ended June 30, 2021.

The State has an Ad Valorem Reimbursement Fund in accordance with Title 62 O.S. Section 193 that is used to reimburse the College for the loss of revenue. Contributions to this fund come from a dedicated tax stream comprised of one percent of net state personal and corporate income tax revenues. The College received \$122,064 during fiscal 2021 for payment of the abated manufacturing taxes and has an outstanding, unpaid claim of \$21,019 of reimbursement from the State as of June 30, 2021.

Rose State College
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Student Accounts Receivable

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The College provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables and historical collection information. Tuition is generally due at the beginning of the semester. Late payment fees are assessed throughout the semester. For further information regarding student accounts receivables please see Note 3.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. The College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful life. The following estimated useful lives are being used by the College and the District:

Land improvements and infrastructure	20 – 30 years
Buildings and improvements	20 – 40 years
Furniture, fixtures, and equipment	3-7 years
Library materials	7 years

Compensated Absences

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

Unearned Revenue

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

Rose State College
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position of the College is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or donors external to the College, including amounts deposited with the revenue bond trustee as required by the bond indenture and cash deposits as required by the District's building bond resolution. The Foundation's restricted nonexpendable net position is noncapital assets, such as permanent endowments, that are required to be maintained in perpetuity as specified by parties external to the Foundation. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt, or restricted expendable or nonexpendable.

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows and deferred inflows are the consumption and the acquisition, respectively, of net position by the College that is applicable to a future reporting period. The College's deferred outflows of resources were comprised of changes related to pension and OPEB obligations that are applicable to future reporting periods. The College's deferred inflows of resources were comprised of revenues from the bookstore contract service concession arrangement, gains on debt refinancing and amounts related to OPEB and pension obligations related to experience and investments that are applicable to future reporting periods.

Classification of Revenues

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

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

Nonoperating Revenues – Non-operating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations, ad valorem taxes, charter school fees, 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 position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements.

Rose State College
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded scholarship discounts and allowances. The scholarship discounts and allowances on tuition and fees for the year ended June 30, 2021 was \$9,739,692.

Income Taxes

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

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

Pensions and OPEB

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

New Accounting Pronouncements adopted in 2021

GASB 84 was issued in January 2017 and the primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The College adopted GASB 84 for the June 30, 2021, reporting year and it resulted in the restatement of beginning net position noted below.

Prior Period Adjustments

Beginning net position was restated as of July 1, 2020 as follows:

Beginning net position, as previously reported	\$ 31,310,200
Implementation of GASB Statement No. 84	
Deposits held in custody for others	<u>446,151</u>
Beginning net position, as restated	<u>\$ 31,756,351</u>

Rose State College
Notes to Financial Statements
June 30, 2021

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

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

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

At June 30, 2021, none of the District's balances of \$15,351,898 are exposed to custodial credit risk as a result of being uninsured and uncollateralized.

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

There is \$25,580,365 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2021, \$13,314,535 represent the amount held within OK INVEST, an internal investment pool, and \$6,000 represents change funds. 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 that 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's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages, and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer/>. Based on an evaluation of the use and purpose of the College's participation in the internal investment pool, the amount on deposit with OK INVEST is treated as a demand account and reported as a cash equivalent.

Rose State College
Notes to Financial Statements
June 30, 2021

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

Summary of Carrying Values

The carrying values of deposits and invested funds shown above are included in the statement of net position and statement of fiduciary net position as follows at June 30, 2021:

Carrying Value	
Deposits	\$ 27,611,728
Invested pooled funds	13,314,535
Change funds	<u>6,000</u>
	<u>\$ 40,932,263</u>

Investments

The College may legally invest in direct obligations of the U.S. Treasury and the State of Oklahoma.

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

Investment Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The College is authorized to invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Regents.

Fair Value Measurement: GASB establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that the market participants would use in pricing the assets or liabilities. Real Estate held as investments would be valued as level 3 inputs.

Rose State College
Notes to Financial Statements
June 30, 2021

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

Investment Income

Investment income of \$276,316 consisted primarily of interest income for the year ended June 30, 2021.

Note 3: Student Accounts Receivable

The College's accounts receivable relate primarily to tuition and enrollment fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable consisted of the following at June 30, 2021:

Student tuition and fees	\$ 4,002,357
Auxiliary enterprises and other operating activities	<u>292,340</u>
	4,294,697
Less: allowance for doubtful accounts	<u>(2,750,000)</u>
Net accounts receivable	<u><u>\$ 1,544,697</u></u>

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2021 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 3,617,031	\$ -	\$ -	\$ -	\$ 3,617,031
Construction In progress	18,366,760	1,836,199	-	(20,202,959)	-
Total capital assets, not being depreciated	<u>21,983,791</u>	<u>1,836,199</u>	<u>-</u>	<u>(20,202,959)</u>	<u>3,617,031</u>
Other capital assets					
Building and improvements	95,504,112	7,046,923	-	19,000,463	121,551,498
Land improvements and infrastructure	1,316,684	-	-	-	1,316,684
Furniture fixtures and equipment	19,497,235	1,154,814	-	1,202,496	21,854,545
Library materials	7,108,894	216,360	25,685	-	7,299,569
Total other capital assets	<u>123,426,925</u>	<u>8,418,097</u>	<u>25,685</u>	<u>20,202,959</u>	<u>152,022,296</u>
Less accumulated depreciation					
Buildings and improvements	44,519,635	3,108,794	-	-	47,628,429
Land improvements and infrastructure	379,234	65,836	-	-	445,070
Furniture fixtures and equipment	17,010,562	1,214,830	-	-	18,225,392
Library materials	6,130,396	302,068	25,685	-	6,406,779
Total accumulated depreciation	<u>68,039,827</u>	<u>4,691,528</u>	<u>25,685</u>	<u>-</u>	<u>72,705,670</u>
Other capital assets, net	<u>55,387,098</u>	<u>3,726,569</u>	<u>-</u>	<u>20,202,959</u>	<u>79,316,626</u>
Total cost of capital assets	145,410,716	10,254,296	25,685	-	155,639,327
Less accumulated depreciation	68,039,827	4,691,528	25,685	-	72,705,670
Capital assets, net	<u><u>\$ 77,370,889</u></u>	<u><u>\$ 5,562,768</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 82,933,657</u></u>

Rose State College
Notes to Financial Statements
June 30, 2021

Note 4: Capital Assets (Continued)

At June 30, 2021, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Buildings
Cost	\$ 52,042,380
Less: accumulated depreciation	(6,445,035)
	<u>\$ 45,597,345</u>

Note 5: Long-term Liabilities

The following is a summary of long-term obligation transactions for the year ended June 30, 2021:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and Capital Leases					
2013 Building Bonds Payable	\$ 15,220,000	\$ -	\$ (1,690,000)	\$ 13,530,000	\$ 1,690,000
2021 Housing Capital Lease	-	5,663,264	(63,561)	5,599,703	36,889
2014C OCIA lease obligation	6,666,063	-	(322,635)	6,343,428	338,649
ODFA 2017A	16,262,917	-	(361,667)	15,901,250	370,333
ODFA 2018A	9,087,834	-	(182,750)	8,905,084	191,667
ODFA 2017A Premium	720,500	-	(26,768)	693,732	26,768
ODFA 2018A Premium	239,939	-	(8,595)	231,344	8,595
Total Bonds and Capital Leases	<u>48,197,253</u>	<u>5,663,264</u>	<u>(2,655,976)</u>	<u>51,204,541</u>	<u>2,662,901</u>
Other noncurrent liabilities					
Accrued compensated absences	1,158,554	961,371	(1,031,991)	1,087,934	961,371
Total noncurrent liabilities	<u>\$ 49,355,807</u>	<u>\$ 6,624,635</u>	<u>\$ (3,687,967)</u>	<u>\$ 52,292,475</u>	<u>\$ 3,624,272</u>

2013 Building Bonds Payable

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

Debt service requirements as of June 30, 2021, on the 2013 Building Bonds are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2022	\$ 1,690,000	\$ 359,975	\$ 2,049,975
2023	1,690,000	307,163	1,997,163
2024	1,690,000	245,900	1,935,900
2025	1,690,000	182,525	1,872,525
2026	1,690,000	119,150	1,809,150
2027-2029	<u>5,080,000</u>	<u>61,275</u>	<u>5,141,275</u>
	<u>\$ 13,530,000</u>	<u>\$ 1,275,988</u>	<u>\$ 14,805,988</u>

Rose State College
Notes to Financial Statements
June 30, 2021

Note 5: Long-term Liabilities (Continued)

2006D/2014C OCIA Lease Payable

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

The College's lease agreement with OCIA provides for specified monthly payments to OCIA for 30 years through August 31, 2035, or until the OCIA bonds and related interest are paid. The Oklahoma State Legislature appropriates monies and makes the monthly lease payments on behalf of the College which for the year ended June 30, 2021 amounted to \$600,383.

In 2015, the OCIA issued Bond Series 2014C that refunded the 2006D Bonds. The lease agreement no longer secures the 2006D Bond Issue but now acts as security for the 2014C Bond Issue over the term of the lease through the year 2035. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of \$921,276 on restructuring as a deferred inflow of resources that will be amortized over a period of twenty years. As of June 30, 2021, the unamortized gain totaled \$606,409.

The scheduled principal and interest payments related to the 2014C OCIA lease at June 30, 2021, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2022	\$ 338,649	\$ 261,433	\$ 600,082
2023	355,134	246,080	601,214
2024	369,264	232,412	601,676
2025	382,452	216,285	598,737
2026	401,763	196,962	598,725
2027-2031	2,284,350	710,129	2,994,479
2032-2035	2,211,816	175,643	2,387,459
	\$ 6,343,428	\$ 2,038,944	\$ 8,382,372

2017A ODFA Lease Payable

In June 2017, the College entered into a 30 year lease agreement with the ODFA and OSRHE as beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2017A. The College financed \$17,301,000 (including \$800,804 in premium) to renovate the Student Center.

Lease payments made by the College are forwarded to the trustee bank by OSRHE for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments.

Rose State College
Notes to Financial Statements
June 30, 2021

Note 5: Long-term Liabilities (Continued)

The scheduled principal and interest payments related to the 2017A ODFA lease at June 30, 2021, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2022	\$ 370,333	\$ 590,639	\$ 960,972
2023	386,167	575,825	961,992
2024	400,417	560,379	960,796
2025	417,333	544,362	961,695
2026	433,500	527,669	961,169
2027-2031	2,434,917	2,364,294	4,799,211
2032-2036	2,954,167	1,852,862	4,807,029
2037-2041	3,510,417	1,298,812	4,809,229
2042-2046	4,146,083	654,988	4,801,071
2047	847,916	32,943	880,859
	<u>\$ 15,901,250</u>	<u>\$ 9,002,773</u>	<u>\$ 24,904,023</u>

2018A ODFA Lease Payable

In June 2018, the College entered into a 30 year lease agreement with the ODFA and OSRHE as beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2018A. The College financed \$9,446,000 (including \$257,129 in premium) to refinance the Housing capital lease for the "Village at Rose State". The lease refinancing resulted in a reduction of principal, thus the College has recorded a credit of \$2,123,514 on refinancing as a deferred inflow of resources that will be amortized over a period of thirty years. As of June 30, 2021, the unamortized gain totaled \$1,910,572.

The scheduled principal and interest payments related to the 2018A ODFA lease at June 30, 2021, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2022	\$ 191,667	\$ 350,153	\$ 541,820
2023	199,333	342,487	541,820
2024	204,083	334,513	538,596
2025	216,667	326,350	543,017
2026	224,583	317,683	542,266
2027-2031	1,253,000	1,447,187	2,700,187
2032-2036	1,524,083	1,176,047	2,700,130
2037-2041	1,856,250	845,583	2,701,833
2042-2046	2,257,083	446,754	2,703,837
2047-2048	978,335	54,563	1,032,898
	<u>\$ 8,905,084</u>	<u>\$ 5,641,320</u>	<u>\$ 14,546,404</u>

Rose State College
Notes to Financial Statements
June 30, 2021

Note 5: Long-term Liabilities (Continued)

Housing Capital Lease Payable

On February 11, 2019, the College entered into an agreement with BCP Commons I, LLC (BCP), under which BCP an additional residential apartment building to go along with the previous 3 apartment buildings on College property and is now leasing them to the College. On August 10, 2020 the College took over control of the new housing unit. The lease will continue through the 2054-55 fiscal year, subject to annual mutual ratifications by the College and BCP. Base lease payments made by the College to BCP will be \$457,250 annually.

The scheduled principal and interest payments related to the Housing Capital lease at June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2022	\$ 36,889	\$ 420,361	\$ 457,250
2023	39,764	417,486	457,250
2024	42,864	414,386	457,250
2025	46,205	411,045	457,250
2026	49,806	407,444	457,250
2027-2031	313,680	1,972,570	2,286,250
2032-2036	456,535	1,829,715	2,286,250
2037-2041	664,444	1,621,806	2,286,250
2042-2046	967,041	1,319,210	2,286,251
2047-2051	1,407,439	878,812	2,286,251
2052-2055	1,575,036	253,964	1,829,000
	\$ 5,599,703	\$ 9,946,799	\$ 15,546,502

Note 6: Retirement Plans

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

Oklahoma Teachers' Retirement System (OTRS)

Plan Description

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

Rose State College
Notes to Financial Statements
June 30, 2021

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Benefits Provided

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

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (IRC).
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC Section 403(b).

Rose State College
Notes to Financial Statements
June 30, 2021

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Contributions

The contribution requirements of the OTRS Plan are at an established rate determined by Oklahoma Statute, as amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.50% of the employees' annual pay and an additional 7.70% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the Supplemental Health Insurance program, see Note 11. Contributions to the pension plan from the College were \$2,017,043. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$1,475,330 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

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

At June 30, 2021, the College reported a liability of \$42,348,328 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2020. Based upon this information, the College's proportion was 0.4462%.

For the year ended June 30, 2021, the College recognized pension expense of \$7,277,185 in compensation and benefits expense. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,061,598	\$ 717,248
Changes of assumptions	5,193,490	611,830
Net difference between projected and actual earnings on pension plan investments	3,650,441	-
Changes in proportion and differences between College contributions and proportionate share of contributions	202,092	3,112,291
Contributions during measurement date	23,829	43,960
College contributions subsequent to the measurement date	2,017,043	-
Total	<u>\$ 13,148,493</u>	<u>\$ 4,485,329</u>

Rose State College
Notes to Financial Statements
June 30, 2021

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

The \$2,017,043 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
	2022	\$ 713,950
	2023	1,445,179
	2024	2,206,503
	2025	1,975,438
	2026	305,051
		<u>\$ 6,646,121</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020, was determined based on an actuarial valuation prepared as of June 30, 2020 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25% inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00%
- Retirement Age - — Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members –Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

Rose State College
Notes to Financial Statements
June 30, 2021

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (OTRS) (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	6.5%	6.2%
Total	100.00%	

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

Discount Rate

A single discount rate of 7.0% was used to measure the total pension liability as of June 30, 2020. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.0%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

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

The following presents the net pension liability of the employers calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Employers' net pension liability	\$ 56,520,635	\$ 42,348,328	\$ 30,615,864

Pension plan fiduciary net position

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

Rose State College
Notes to Financial Statements
June 30, 2021

Note 6: Retirement Plans (Continued)

Annuity Plan

All eligible employees of the College can elect to participate in a tax-deferred annuity plan (the "Plan"), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the Plan. Contributions made by the College are subject to annual discretion by the Board of Regents. The Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for the year ended June 30, 2021, was 2.5% of an eligible employee's annual base salary (as defined in the plan document). Contributions made by the College during 2021 totaled approximately \$359,000.

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

The Board of Trustees for the District entered into an inter-local agreement with the Midwest City –Del City School Board (Mid-Del) to provide financial support for instruction in specified vocational and technical programs provided at the Lewis Eubanks Technical Center (Tech Center) during fiscal year 2021. The financial support payments, from the proceeds of the ad valorem tax levies (Note 1), is to be made at an amount which is equal to 50% of total collections of the Operational, Incentive and Building millage levied for the respective fiscal year. For the year ended June 30, 2021, the District incurred \$5,467,527 of non-operating expense related to the support of the Tech Center. At June 30, 2021, the District owed Mid-Del \$577,418 which is included in accounts payable. The inter-local agreement providing the financial support is approved by the Board of Trustees for the District annually for the upcoming fiscal year and does not extend beyond the bounds of the specified fiscal year. The Board of Trustees for the District retains the right to review, modify and accept or reject any and all future inter-local agreements.

Note 8: Charter School Revenue

The College entered into a contract with EPIC Blended Charter Schools (EPIC) and Dove Science Academy in the capacity as sponsoring entity pursuant to the Oklahoma Charter School Act (Act), 70 O.S. §3-130, et seq. Pursuant to the Act the sponsor entity (the College) shall receive from the State of Oklahoma all aid for the charter schools. The College shall keep 3% of only the State aid portion of the funding and will remit the remaining aid to charter schools. During fiscal year 2021, the College received and remitted the following funding:

State aid	\$ 126,999,932
Other aid	2,024,483
Total aid received	<u>129,024,415</u>
Less: Aid transferred to Charters	<u>(125,214,417)</u>
Net charter school revenue	<u>\$ 3,809,998</u>

Rose State College
Notes to Financial Statements
June 30, 2021

Note 9: Commitments and Contingencies

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

The College participates in the Direct Student Loan Program (the "Program"). The College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2021, \$6,376,716 of Program loans were provided to the College's students.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. Management believes that resolution of such matters pending at June 30, 2021, will not have a material adverse impact on the College's financial position.

Note 10: Risk Management

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illness; and natural disasters. The College pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverages. The College carries insurance with the State Insurance Fund for other risks of loss, including workers' compensation and employee accident and health insurance.

The College participates in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool ("OKHEEI"). College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating Colleges and Universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provided by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating Colleges and Universities. As of June 30, 2021, additional assessments did not occur.

Note 11: Other Post-Employment Benefit Plans

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

1. OTRS Supplemental Health Insurance Program – a cost-sharing multiple-employer defined benefit plan administered by OTRS
2. OKHEEI OPEB Plan – a single employer defined benefit health, dental and vision care plan
3. College President's OPEB Plan – a single employer defined benefit healthcare and long-term care plan

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

Summary of Net OPEB Obligation

	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
Health Insurance Obligation	\$ 342,129	\$ 296,290	\$ 20,431	\$ 32,447
President's Health Obligation	1,051,922	-	-	13,783
OTRS OPEB Obligation (asset)	(44,205)	224,453	97,114	7,364
Total	<u>\$ 1,349,846</u>	<u>\$ 520,743</u>	<u>\$ 117,545</u>	<u>\$ 53,594</u>

OTRS Supplement Health Insurance Program

Plan description

The College as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS

Benefits provided

OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Higher Education Employee Interlocal Group ("OKHEEI"), provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions

Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.13% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were \$3,799.

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

OTRS Supplement Health Insurance Program (Continued)

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the College reported an asset of \$44,205 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2020. Based upon this information, the College's proportion was .4462%.

For the year ended June 30, 2021, the College recognized an OPEB expense of \$7,364. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 97,114
Net difference between projected and actual earnings on OPEB plan investments	95,645	-
Changes in College's proportionate share of contributions	96,549	-
Differences between College contributions and proportionate share of contributions	28,460	-
College contributions subsequent to the measurement date	3,799	-
Total	<u>\$ 224,453</u>	<u>\$ 97,114</u>

The \$3,799 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

OTRS Supplement Health Insurance Program (Continued)

Year ended June 30:

2022	\$	(601)
2023		26,685
2024		42,016
2025		37,937
2026		14,383
Thereafter		3,120
Total	\$	<u>123,540</u>

Actuarial Assumptions

The total OPEB liability (asset) as of June 30, 2021, was determined based on an actuarial valuation prepared as if June 30, 2020 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.25%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - Composed of 2.25% inflation, plus 0.75 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00%
- Retirement Age - — Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members –Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

OTRS Supplement Health Insurance Program (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	22.0%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	6.5%	6.2%
Total	100.00%	

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

Discount Rate

A single discount rate of 7.00% was used to measure the total OPEB liability (asset) as of June 30, 2020. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.0%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Employers' net OPEB liability (asset)	\$ 160,471	\$ (44,205)	\$ (217,769)

OPEB plan fiduciary net position

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

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan

Plan description

The College's defined benefit OPEB plan, RSC Retiree Benefits Plan, provides OPEB to eligible retirees and their dependents. The College's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The College provides medical, dental, and vision benefits to eligible retirees and their dependents through the Oklahoma Higher Education Employee Interlocal Group. The retiree pays the full contribution rate for the retiree's coverages and for any other elected dependent dental and vision coverages. The medical rates for pre-age-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees covered by benefit terms

At June 30, 2021 the following employees were covered by the benefit terms:

Active Employees	312
Retired participants or beneficiaries currently receiving benefit payments	<u>21</u>
Total	<u>333</u>

Total OPEB Liability

The College's total OPEB liability of \$342,129 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2021 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Discount Rate – 2.04%, based on published Bond Pay Go-20 bond index

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook

Age	Annual Termination Rate
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	0.33%
60	0.00%

- Retirement Age: 65
- Healthcare cost trend rates - Level 5.00%
- Mortality Rates - RPA-2000 Mortality Table projected to 2020

Changes in Total OPEB Liability

The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
Balances Beginning of Year	\$ 274,361
Changes for the Year:	
Interest expense	6,146
Changes of assumptions	1,537
Difference between expected and actual experience	142,292
Benefits paid	(82,207)
Net Changes	<u>67,768</u>
Balances End of Year	<u>\$ 342,129</u>

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 2.04%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (1.04%) or 1-percentage-point higher (3.04%) than the current rate:

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

	1% Decrease (1.04%)	Current Discount Rate (2.04%)	1% Increase (3.04%)
Employers' net opeb liability	\$ 354,613	\$ 342,129	\$ 330,485

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates Rate (5.00%)	1% Increase (6.00%)
Employers' net opeb liability	\$ 330,697	\$ 342,129	\$ 354,130

OPEB Expense

For the year ended June 30, 2021, the College recognized OPEB expense of \$32,447. The College also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 264,525	\$ 18,761
Changes of assumptions	31,765	1,670
Total	<u>\$ 296,290</u>	<u>\$ 20,431</u>

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

OKHEEI Group OPEB Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$	26,301
2023		26,301
2024		26,301
2025		26,301
2026		24,476
Thereafter		146,179
Total	\$	<u>275,859</u>

College President's OPEB Plan

Plan Description

The College's Presidents defined benefit OPEB plan, College President's Plan, provides OPEB to several eligible retired Presidents and their spouses as defined in those Presidents' employment contracts as approved by the College's Board of Regents. The College's Board of Trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The College provides healthcare and long-term care benefits to eligible retirees and their spouses. The College pays the full contribution rate for the retirees' coverages and their spouses.

Employees Covered by Benefit Terms

At June 30, 2021 the following employees were covered by the benefit terms:

Retired participants or beneficiaries currently receiving benefit payments 6

Total OPEB Liability

The College's total OPEB liability of \$1,051,922 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

College President's OPEB Plan (Continued)

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2021 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Discount Rate – 2.04%, based on published Bond Pay Go-20 bond index
- Healthcare cost trend rates - Level 5.00%
- Mortality Rates - RPA-2000 Mortality Table projected to 2020

Changes in Total OPEB Liability

The following table reports the components of changes in total OPEB liability:

	Total OPEB Liability
Balances Beginning of Year	\$ 1,038,139
Changes for the Year:	
Interest expense	23,254
Changes of assumptions	1,537
Difference between expected and actual experience	80,686
Benefits paid	(91,694)
Net Changes	<u>13,783</u>
Balances End of Year	<u>\$ 1,051,922</u>

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 2.04%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (1.04%) or 1-percentage-point higher (3.04%) than the current rate:

	1% Decrease (1.04%)	Current Discount Rate (2.04%)	1% Increase (3.04%)
Employers' net OPEB liability	\$ 1,131,898	\$ 1,051,922	\$ 982,506

Rose State College
Notes to Financial Statements
June 30, 2021

Note 11: Other Post-Employment Benefit Plans (Continued)

College President's OPEB Plan (Continued)

Sensitivity of the Total OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
	<hr/>	<hr/>	<hr/>
Employers' net opeb liability	\$ 1,004,386	\$ 1,051,922	\$ 1,104,866

OPEB Expense

For the year ended June 30, 2021, the College recognized OPEB expense of \$13,783.

Note 12: Service Concession Arrangement

On August 1, 2012, the College entered into a 10-year agreement with Follett Higher Education Group (Follett), under which Follett will operate the bookstore. Follett will pay the College installment payments of \$40,000 per year over the course of the arrangement; the present value of these installment payments were estimated to be \$341,000 as of August 1, 2012. Follett will also pay the College 14% of the first \$3 million of annual revenues, 14.5% of annual revenues between \$3-4 million, and 15% of annual revenues over \$4 million that it earns from the operation of the bookstore. Follett is required to operate and maintain the bookstore in accordance with the contract. The College reports a receivable and deferred inflow of resources in the amount of \$36,963 at June 30, 2021, pursuant to the service concession arrangement.

Note 13: Segment Information

As noted in the reporting entity section above, the College's financials contain a blended component unit, the Rose State College Technical Area Education District (the "District"). Summary financial information for the College and the District is presented below.

Rose State College
Notes to Financial Statements
June 30, 2021

Note 13: Segment Information (Continued)

CONDENSED STATEMENT OF NET POSITION	College	District	Total
ASSETS			
Current assets	\$ 24,850,645	\$ 15,845,050	\$ 40,695,695
Capital assets, net	53,727,390	29,206,267	82,933,657
Other assets	3,507,628	-	3,507,628
Total assets	<u>82,085,663</u>	<u>45,051,317</u>	<u>127,136,980</u>
DEFERRED OUTFLOWS	<u>13,669,236</u>	<u>-</u>	<u>13,669,236</u>
LIABILITIES			
Current liabilities	3,863,532	2,588,309	6,451,841
Non-current liabilities	80,570,582	11,840,000	92,410,582
Total liabilities	<u>84,434,114</u>	<u>14,428,309</u>	<u>98,862,423</u>
DEFERRED INFLOWS	<u>7,156,818</u>	<u>-</u>	<u>7,156,818</u>
NET POSITION			
Net investment in capital assets	13,535,868	15,515,715	29,051,583
Restricted	10,613,796	4,419,029	15,032,825
Unrestricted	<u>(19,985,697)</u>	<u>10,688,264</u>	<u>(9,297,433)</u>
Total net position	<u>\$ 4,163,967</u>	<u>\$ 30,623,008</u>	<u>\$ 34,786,975</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	\$ 11,293,177	\$ -	\$ 11,293,177
Depreciation	(2,429,602)	(2,261,926)	(4,691,528)
Other operating expenses	(42,757,239)	(2,640,243)	(45,397,482)
Operating loss	<u>(33,893,664)</u>	<u>(4,902,169)</u>	<u>(38,795,833)</u>
Non-operating Revenues (Expenses)			
State appropriations	16,389,464	-	16,389,464
Federal grants	10,293,177	-	10,293,177
State grants	1,279,712	-	1,279,712
OTRS on-behalf contributions	1,475,330	-	1,475,330
Charter school revenue, net of transfers (Note 8)	3,809,998	-	3,809,998
Ad valorem taxes	-	13,070,308	13,070,308
Academic support for the Mid-Del Area Vocational Technical School	-	(5,467,527)	(5,467,527)
Miscellaneous revenue	1,145,000	33,175	1,178,175
Investment revenue	270,739	5,577	276,316
Interest on capital asset-related debt	(1,426,646)	(393,775)	(1,820,421)
Capital appropriations - state	741,542	-	741,542
OCIA debt services on-behalf payments	600,383	-	600,383
Transfers from (to)	<u>1,590,876</u>	<u>(1,590,876)</u>	<u>-</u>
Change in net position	2,275,911	754,713	3,030,624
Beginning net position (restated)	1,888,056	29,868,295	31,756,351
Ending net position	<u>\$ 4,163,967</u>	<u>\$ 30,623,008</u>	<u>\$ 34,786,975</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ (28,899,800)	\$ (2,579,024)	\$ (31,478,824)
Noncapital financing activities	33,363,227	3,837,202	37,200,429
Capital and related financing activities	(110,290)	(332,582)	(442,872)
Investing activities	<u>280,383</u>	<u>5,577</u>	<u>285,960</u>
Net increase (decrease)	4,633,520	931,173	5,564,693
Cash and Cash Equivalents, Beginning of Year	20,946,845	14,420,725	35,367,570
Cash and Cash Equivalents, End of Year	<u>\$ 25,580,365</u>	<u>\$ 15,351,898</u>	<u>\$ 40,932,263</u>

Rose State College
Notes to Financial Statements
June 30, 2021

Note 14: Rose State College Foundation, Inc.

Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Foundation is a nonprofit organization whose mission and principal activities are to promote the educational and cultural interest of the College, a public institution of higher education. The Foundation's revenues and other support are derived principally from contributions and its activities are conducted in the Midwest City, Oklahoma, area. Members of the College's Board of Regents are associate members of the Board of Trustees and are nonvoting members.

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments and Investment Return

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

Rose State College
Notes to Financial Statements
June 30, 2021

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

Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Investments and Investment Return (Continued)

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

Collections

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

Income Taxes

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

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation will recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination.

Rose State College
Notes to Financial Statements
June 30, 2021

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

Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Financial Instruments and Credit Risk

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

Investment Return

Total investment return is comprised of the following for the year ended June 30, 2021:

Net realized and unrealized gain	\$ 536,217
Less investment management and custodial fees	<u>(7,038)</u>
	<u>\$ 529,179</u>

Fair Value Measurements and Disclosures

The Foundation measures its investments at fair value using the net asset value (NAV) per share practical expedient.

The following table presents investments measured at fair value based on NAV per share at June 30, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Multi-Strategy Bond Fund	\$ 106,973	\$ -	Limited	5 business days*
Multi-Strategy Equity Fund	<u>1,872,675</u>	<u>-</u>	Limited	5 business days*
	<u>\$ 1,979,648</u>	<u>\$ -</u>		

* With additional stipulations such as withdrawal performed at month-end

Rose State College
Notes to Financial Statements
June 30, 2021

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

Capital Assets

Capital Assets consist of the following at June 30, 2021:

Historical Properties:	
Atkinson Heritage Center	\$ 1,400,000
Atkinson Land	850,000
Atkinson Pony Barn	613,000
Artwork- Sculpture	<u>7,000</u>
Total Capital Assets	<u>\$ 2,870,000</u>

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

Restricted Net Position

Net Position with Donor Restrictions

Net position with donor restrictions at June 30, 2021, consists of funds restricted by donors for scholarships in the amount of \$4,892,766, including the Atkinson Heritage Center property of \$2,863,000, and artwork of \$7,000.

Related Party Transactions

The Foundation and the College are related parties that are not financially interrelated organizations. The College authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to the College. The Foundation's contributions to the College during the year ended June 30, 2021 are reported in the Foundation's financial statements as scholarships, awards, and programs of \$239,876. At June 30, 2021, the Foundation had scholarship, awards, and programs payable to the College of \$13,769.

The Foundation receives various administrative services and office space from the College at no cost. The Foundation's office space is provided by the College. During 2021, approximately \$8,000 was recorded as in-kind rent. The Foundation's payroll cost for employees handling all the day-to-day operations are paid by the College. During 2021, approximately \$105,000 was recorded as contributed services, which represent the Foundation's portion of the staff's salaries. These amounts are recorded as in-kind contributions on the accompanying statement of revenue, expenses, and changes in net position.

Rose State College
Notes to Financial Statements
June 30, 2021

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

Related Party Transactions (Continued)

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

Endowments

The Foundation endowments consist of several 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 Trustees to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: In accordance with the requirements of the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as restricted nonexpendable 1) the original value of gifts donated to the endowment, 2) the original value of subsequent gifts donated to the endowment, 3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by OUPMIFA. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

Rose State College
Notes to Financial Statements
June 30, 2021

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

Endowments (Continued)

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

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

Changes in Endowment Net Position for the year ending June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net position, beginning of year	\$ -	\$ 861,951	\$ 861,951
Investment income net	-	230,056	230,056
Contributions	-	45,103	45,103
Transfers between restrictions	-	39,052	39,052
Appropriations	-	(230,056)	(230,056)
Endowment net position, end of year	<u>\$ -</u>	<u>\$ 946,106</u>	<u>\$ 946,106</u>

Required Supplementary Information

ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021
College's proportion of the net pension liability	0.4946%	0.5399%	0.5075%	0.5125%	0.5092%	0.4683%	0.4462%
College's proportionate share of the net pension liability	\$ 26,608,757	\$ 32,786,493	\$ 42,356,149	\$ 33,937,322	\$ 30,778,185	\$ 30,991,385	\$ 42,348,328
College's covered-employee payroll	\$ 22,925,808	\$ 22,192,483	\$ 21,302,035	\$ 21,101,444	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	116%	148%	199%	161%	146%	141%	197%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%	72.74%	71.56%	63.47%

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

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 2,269,655	\$ 2,156,215	\$ 2,015,580	\$ 2,104,834	\$ 2,217,467	\$ 2,169,170	\$ 2,017,043
Contributions in relation to the contractually required contribution	<u>2,269,655</u>	<u>2,156,215</u>	<u>2,015,580</u>	<u>2,104,834</u>	<u>2,217,467</u>	<u>2,169,170</u>	<u>2,017,043</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 22,192,483	\$ 21,302,035	\$ 21,101,444	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039	\$ 20,103,020
Contributions as a percentage of covered-employee payroll	10%	10%	10%	10%	10%	10%	10%

Notes to Schedule:

Only these years are presented because 10-year data is not yet available.

ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Last 10 Fiscal Years*

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
College's proportion of the net OPEB liability (asset)	0.5125%	0.5092%	0.4682%	0.4462%
College's proportionate share of the net OPEB liability (asset)	\$ (228,566)	\$ (329,100)	\$ (289,523)	\$ (44,205)
College's covered-employee payroll	\$ 21,101,444	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.08%	-1.56%	-1.32%	-0.21%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%	115.41%	115.07%	102.30%

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

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

ROSE STATE COLLEGE
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 33,421	\$ 14,957	\$ 4,086	\$ 3,799
Contributions in relation to the contractually required contribution	<u>33,421</u>	<u>14,957</u>	<u>4,086</u>	<u>3,799</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 21,093,470	\$ 21,950,479	\$ 21,515,039	\$ 20,103,020
Contributions as a percentage of covered-employee payroll	0.16%	0.07%	0.02%	0.02%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

ROSE STATE COLLEGE
Schedule of Changes in Total OPEB Liability and Related Ratios
OKHEEI Group OPEB Plan
Last 10 Fiscal Years

	2018	2019	2020	2021
Total OPEB liability				
Interest	\$ 8,500	\$ 8,944	\$ 5,942	\$ 6,146
Change in assumptions	(3,218)	2,270	33,738	1,537
Differences between expected and actual experience	25,549	(24,878)	142,518	142,292
Benefit payments, including refunds of member contributions	(76,282)	(43,609)	(81,079)	(82,207)
Net change in total OPEB liability	(45,451)	(57,273)	101,119	67,768
Total OPEB liability - beginning	275,966	230,515	173,242	274,361
Total OPEB liability - ending (a)	<u>\$ 230,515</u>	<u>\$ 173,242</u>	<u>\$ 274,361</u>	<u>\$ 342,129</u>
 Covered employee payroll	 \$ 21,093,470	 \$ 21,950,479	 \$ 21,515,039	 \$ 20,103,020
 Net OPEB liability (asset) as a percentage of covered-employee payroll	 1.09%	 0.79%	 1.28%	 1.70%
 Discount rate used	 3.88%	 3.43%	 2.21%	 2.04%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

ROSE STATE COLLEGE
Schedule of Changes in Total OPEB Liability and Related Ratios
College President's OPEB Plan
Last 10 Fiscal Years

	2018	2019	2020	2021
Total OPEB liability				
Interest	\$ 24,962	\$ 30,421	\$ 30,157	\$ 23,254
Change in assumptions	(30,983)	13,333	33,738	1,537
Differences between expected and actual experience	239,485	(76,770)	181,397	80,686
Benefit payments, including refunds of member contributions	(56,211)	(75,480)	(86,352)	(91,694)
Net change in total OPEB liability	177,253	(108,496)	158,940	13,783
Total OPEB liability - beginning	810,442	987,695	879,199	1,038,139
Total OPEB liability - ending (a)	\$ 987,695	\$ 879,199	\$ 1,038,139	\$ 1,051,922
 Discount rate used	 3.88%	 3.43%	 2.21%	 2.04%

Notes to Schedule:

Only these fiscal years are presented because 10-year data is not yet available.

Supplementary Information

Rose State College

Combining Schedule of Net Position

June 30, 2021

	<u>College</u>	<u>District</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 22,119,784	\$ 10,932,869	\$ 33,052,653
Restricted:			
Cash and cash equivalents	-	4,419,029	4,419,029
Accounts receivable, net	1,469,018	75,679	1,544,697
Insurance receivable	1,000,000	-	1,000,000
Federal and state grants receivable	248,603	-	248,603
Delinquent ad valorem property taxes receivable	-	412,000	412,000
Accrued interest receivable	13,240	-	13,240
Prepaid expenses	-	5,473	5,473
Total current assets	<u>24,850,645</u>	<u>15,845,050</u>	<u>40,695,695</u>
Noncurrent assets:			
Restricted:			
Cash and cash equivalents	3,460,581	-	3,460,581
Accounts receivable	2,842	-	2,842
Restricted net OPEB asset	44,205	-	44,205
Capital assets, net	53,727,390	29,206,267	82,933,657
Total noncurrent assets	<u>57,235,018</u>	<u>29,206,267</u>	<u>86,441,285</u>
Total assets	<u>82,085,663</u>	<u>45,051,317</u>	<u>127,136,980</u>
DEFERRED OUTFLOWS			
Related to OPEB	520,743	-	520,743
Related to pensions	13,148,493	-	13,148,493
Total deferred outflows	<u>13,669,236</u>	<u>-</u>	<u>13,669,236</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	635,656	737,757	1,373,413
Accrued compensated absences	961,371	-	961,371
Interest payable	-	160,552	160,552
Unearned revenue	1,233,546	-	1,233,546
Current maturities of long-term debt	972,901	1,690,000	2,662,901
Room deposits payable	60,058	-	60,058
Total current liabilities	<u>3,863,532</u>	<u>2,588,309</u>	<u>6,451,841</u>
Noncurrent liabilities:			
Accrued compensated absences	126,563	-	126,563
Total OPEB liability	1,394,051	-	1,394,051
Net pension liability	42,348,328	-	42,348,328
Long-term debt	36,701,640	11,840,000	48,541,640
Total noncurrent liabilities	<u>80,570,582</u>	<u>11,840,000</u>	<u>92,410,582</u>
Total liabilities	<u>84,434,114</u>	<u>14,428,309</u>	<u>98,862,423</u>
DEFERRED INFLOWS			
Bookstore service concession arrangement	36,963	-	36,963
Gain on debt refinancing	2,516,981	-	2,516,981
Related to OPEB	117,545	-	117,545
Related to pensions	4,485,329	-	4,485,329
Total deferred inflows	<u>7,156,818</u>	<u>-</u>	<u>7,156,818</u>
NET POSITION			
Net investment in capital assets	13,535,868	15,515,715	29,051,583
Restricted expendable for:			
Scholarships	6,985,470	-	6,985,470
Loans	6,753	-	6,753
Capital projects	1,979,261	2,431,633	4,410,894
Debt service	1,474,567	1,987,396	3,461,963
OPEB	167,745	-	167,745
Unrestricted	(19,985,697)	10,688,264	(9,297,433)
Total net position	<u>\$ 4,163,967</u>	<u>\$ 30,623,008</u>	<u>\$ 34,786,975</u>

Rose State College
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021

	College	District	Total
Operating revenues			
Tuition and fees, net	\$ 6,189,932	\$ -	\$ 6,189,932
Federal grants and contracts	1,246,719	-	1,246,719
State and private grants and contracts	164,464	-	164,464
Sales and services of auxiliary enterprises, net	2,955,273	-	2,955,273
Other operating revenues	736,789	-	736,789
Total operating revenues	<u>11,293,177</u>	<u>-</u>	<u>11,293,177</u>
Operating Expenses			
Compensation and benefits	32,066,905	-	32,066,905
Contractual services	3,805,191	917,305	4,722,496
Supplies and materials	2,614,292	208,202	2,822,494
Scholarships and fellowships	2,491,893	-	2,491,893
Communications	111,363	-	111,363
Depreciation	2,429,602	2,261,926	4,691,528
Utilities	755,606	273,659	1,029,265
Other	911,989	1,241,077	2,153,066
Total Operating Expenses	<u>45,186,841</u>	<u>4,902,169</u>	<u>50,089,010</u>
Operating Loss	<u>(33,893,664)</u>	<u>(4,902,169)</u>	<u>(38,795,833)</u>
Non-Operating Revenues (Expenses)			
State appropriations	16,389,464	-	16,389,464
Federal grants	10,293,177	-	10,293,177
State grants	1,279,712	-	1,279,712
OTRS on-behalf contributions	1,475,330	-	1,475,330
Charter school revenue, net of transfers (Note 8)	3,809,998	-	3,809,998
Ad valorem taxes	-	13,070,308	13,070,308
Academic support for the Mid-Del Area Vocational Technical school	-	(5,467,527)	(5,467,527)
Miscellaneous revenue	1,145,000	33,175	1,178,175
Investment revenue	270,739	5,577	276,316
Interest on capital asset-related debt	(1,426,646)	(393,775)	(1,820,421)
Net non-operating revenue	<u>33,236,774</u>	<u>7,247,758</u>	<u>40,484,532</u>
Income loss before other revenues, expenses, gains, losses, and transfers	(656,890)	2,345,589	1,688,699
Capital appropriations - state	741,542	-	741,542
OCIA debt service on-behalf payments	600,383	-	600,383
Transfers from (to)	<u>1,590,876</u>	<u>(1,590,876)</u>	<u>-</u>
Increase (decrease) in Net Position	2,275,911	754,713	3,030,624
Net Position, Beginning of Year	<u>1,888,056</u>	<u>29,868,295</u>	<u>31,756,351</u>
Net Position, End of Year	<u>\$ 4,163,967</u>	<u>\$ 30,623,008</u>	<u>\$ 34,786,975</u>

**Reports Required by *Governmental Auditing Standards*
and Uniform Guidance**



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Regents
Rose State College
Midwest City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rose State College (the "College"), a component unit of the State of Oklahoma, that comprise the statement of net position, as of June 30, 2021, and the related statements of revenue, expenses, and changes in net position, and cash flow for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 29, 2021. The financial statements of Rose State College Foundation, Inc. (the "Foundation"), were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 one instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in in the accompanying schedule of findings and questioned costs as finding 2021-001.

The College's Responses to findings

The College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Arlledge & Associates, P.C.

October 29, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Regents
Rose State College
Midwest City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Rose State College's (the "College"), a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2021. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 29, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

October 29, 2021

Rose State College
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Student Financial Assistance Cluster-Cluster</i>			
Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007		230,877
Federal Work-Study Program	84.033		232,400
Federal Pell Grant Program	84.063		8,236,975
Federal Direct Student Loans	84.268		6,376,716
<i>Total Student Financial Assistance Cluster-Cluster</i>			15,076,968
<i>CCDF Cluster-Cluster</i>			
Department of Health and Human Services			
Child Care and Development Block Grant	93.575		86,110
<i>Total CCDF Cluster-Cluster</i>			86,110
<i>TANF Cluster-Cluster</i>			
Department of Health and Human Services			
Temporary Assistance for Needy Families (TANF) State Programs	93.558		152,688
<i>Total TANF Cluster-Cluster</i>			152,688
<i>TRIO Cluster-Cluster</i>			
Department of Education			
TRIO Student Support Services	84.042		260,783
TRIO Talent Search	84.044		273,826
<i>Total TRIO Cluster-Cluster</i>			534,609
<i>Other Programs</i>			
Default Agency			
Fund for the Improvement of Postsecondary Education (FIPSE) - Cyber Security Laboratory	84.116		1,647
<i>Total Default Agency</i>			1,647
Department of Education			
Career and Technical Education -- Basic Grants to States	84.048		105,823
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		107
Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425		1,602,894
<i>Total Department of Education</i>			1,708,824
National Aeronautical and Space Administration			
Office of Stem Engagement (OSTEM)	43.008		7,378
<i>Total National Aeronautical and Space Administration</i>			7,378
National Science Foundation			
Education and Human Resources	47.076		27,603
<i>Total National Science Foundation</i>			27,603
Small Business Administration			
Small Business Development Centers	59.037	Direct	4,792
Small Business Development Centers	59.037	Southeastern Oklahoma State University	123,107
<i>Total Small Business Administration</i>			127,899
Department of the Treasury			
Coronavirus Relief Fund	21.019		222,961
<i>Total Department of the Treasury</i>			222,961
<i>Total Other Programs</i>			2,096,312
<i>Total Expenditures of Federal Awards</i>			\$ 17,946,687

The accompanying notes are an integral part of this schedule

ROSE STATE COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Rose State College (the "College") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C--FEDERAL DIRECT STUDENT LOAN PROGRAM

The College participates in the Federal Direct Loan Program (the Program), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the College to draw down cash; and the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. The College is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

NOTE D--SUBRECIPIENTS

During the year ended June 30, 2021, the College did not provide any federal awards to subrecipients.

ROSE STATE COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X no

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major federal programs:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Assistance Cluster	*
Higher Education Emergency Relief Fund	*

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

ROSE STATE COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

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

Finding: 2021-001 – Proper Design and Implementation of the Cash Reconciliation Close Process

Criteria: The College should maintain a system of controls that ensures cash reconciliations are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) in a timely manner.

Condition: During the year ended June 30, 2021, the College did not maintain appropriate oversight of the cash reconciliation process resulting in several months of cash going unreconciled.

Cause and Effect: During the year ended June 30, 2021, the College did not have the necessary personnel resources due to an employee quitting to maintain appropriate processes to ensure cash reconciliations were timely done.

The College should evaluate the cash reconciliation process to ensure that the finance department is producing timely and accurate reconciliations.

Recommendation: Management should evaluate the controls related to cash reconciliations to ensure that timely and accurate financial reports are prepared to support decision-making as well as review of the cash accounts.

Management Response: We agree with the causes and findings as outlined above. We will implement the recommendations of the auditor and ensure the proper controls are in place to perform the cash reconciliations. During fiscal year 2021, the College anticipates hiring a new accountant to perform these tasks.

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

None to report for the June 30, 2021 period.

ROSE STATE COLLEGE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

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

None to report for the June 30, 2020 period.

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

None to report for the June 30, 2020 period.