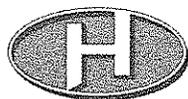


**Rose State College**  
**Technical Area Education District**  
**A Component Unit of Rose State College**  
Accountants' Reports and Financial Statements  
June 30, 2012 and 2011



**Rose State College  
Technical Area Education District  
A Component Unit of Rose State College  
June 30, 2012 and 2011**

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## Independent Accountants' Report on Financial Statements

Board of Trustees  
Rose State College  
Technical Area Education District  
Midwest City, Oklahoma

We have audited the accompanying statements of net assets of Rose State College Technical Area Education District (the District), a component unit of Rose State College, as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Tulsa, Oklahoma  
August 25, 2012

*Hinkle & Company, PC*

# Rose State College Technical Area Education District

(a Component Unit of Rose State College)

## Statements of Net Assets

June 30, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 4,039,349	\$ 2,718,950
<i>Restricted:</i>		
Cash and cash equivalents	1,341,206	1,170,662
Property taxes receivable	36,103	87,388
Delinquent ad valorem property taxes receivable	208,000	313,000
Prepaid Expenses	4,241	6,123
Total current assets	5,628,899	4,296,123
 <i>Non-current assets:</i>		
Capital Assets, net	18,628,034	17,108,521
<b>Total assets</b>	24,256,933	21,404,644
 <b>LIABILITIES</b>		
<i>Current Liabilities:</i>		
Accounts payable	\$ 391,103	\$ 300,492
Payable to Midwest City/Del City Public Schools	799,653	619,796
Total current liabilities	1,190,756	920,288
 <i>Non-current liabilities:</i>		
Interest payable	-	-
Building bonds payable	2,550,000	3,400,000
Total non-current liabilities	2,550,000	3,400,000
<b>Total liabilities</b>	3,740,756	4,320,288
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	16,078,034	13,708,521
<i>Restricted expendable for:</i>		
Capital projects	1,275,837	1,124,567
Debt service	65,369	46,095
Unrestricted	3,096,937	2,205,173
<b>Total net assets</b>	\$20,516,177	\$ 17,084,356



# Rose State College Technical Area Education District

(a Component Unit of Rose State College)

## Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Expenses</b>		
Contractual services	\$ 600,459	\$ 298,922
Supplies and materials	451,961	293,375
Depreciation	975,061	952,080
Utilities	767,632	644,758
Other operating expenses	894,090	922,033
Total Operating Expenses	<u>3,689,203</u>	<u>3,111,168</u>
<b>Operating income (loss)</b>	<u>(3,689,203)</u>	<u>(3,111,168)</u>
<b>Non-operating Revenues (Expenses)</b>		
Ad valorem taxes	9,704,447	9,359,847
Ad valorem taxes remitted to Midwest City/Del City		
Public Schools	(4,415,198)	(3,540,354)
Investment revenue	8,254	9,959
Interest on capital asset-related debt	(115,363)	(142,375)
Net non-operating revenue (expenses)	<u>19,571,226</u>	<u>7,684,423</u>
<b>Income (loss) before transfers</b>	15,882,023	4,573,255
<b>Transfers from (to) Rose State College</b>	<u>(58,462)</u>	<u>(62,746)</u>
<b>Increase (decrease) in Net Assets</b>	16,933,232	4,510,509
<b>Net Assets, Beginning of Year</b>	<u>3,582,945</u>	<u>12,573,847</u>
<b>Net Assets, End of Year</b>	<u>\$ 20,516,177</u>	<u>\$ 17,084,356</u>



# Rose State College Technical Area Education District

(a Component Unit of Rose State College)

## Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Payments to suppliers	\$ (2,621,649)	\$ (2,801,345)
Net cash used in operating activities	<u>(2,621,649)</u>	<u>(2,801,345)</u>
<b>Noncapital Financing</b>		
Ad valorem taxes received	8,875,851	8,350,955
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,235,341)	(3,594,581)
Transfer to Rose State College	(58,462)	(62,746)
Net cash provided by noncapital financing activities	<u>4,582,048</u>	<u>4,693,628</u>
<b>Capital and Related Financing Activities</b>		
Ad valorem taxes received for debt service	984,881	1,001,889
Principal paid on building bonds	(850,000)	(850,000)
Interest paid on building bonds	(115,363)	(142,375)
Purchases of capital assets	(497,228)	(1,492,344)
Net cash provided by (used in) capital and related financing activities	<u>(477,710)</u>	<u>(1,482,830)</u>
<b>Investing Activities</b>		
Investment income received	8,254	9,959
Net cash provided by (used in) investing activities	<u>8,254</u>	<u>9,959</u>
<b>Increase (Decrease) in Cash</b>	1,490,943	419,412
<b>Cash, Beginning of Year</b>	3,889,612	3,470,200
<b>Cash, End of Year</b>	<u>\$ 5,380,555</u>	<u>\$ 3,889,612</u>



# Rose State College Technical Area Education District

(a Component Unit of Rose State College)

## Statements of Cash Flows

Years Ended June 30, 2012 and 2011

(Continued)

	<u>2012</u>	<u>2011</u>
<b>Reconciliation of Cash to the Statement of Net Assets</b>		
Cash	\$ 4,039,349	\$ 2,718,950
Restricted cash	1,341,206	1,170,662
	<u>\$ 5,380,555</u>	<u>\$ 3,889,612</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities</b>		
Operating loss	(3,689,203)	(3,111,168)
Depreciation expense	975,061	952,080
Changes in operating assets and liabilities		
Prepaid expenses	1,882	(504)
Accounts payable	90,611	(641,753)
Net cash used by operating activities	<u>\$ (2,621,649)</u>	<u>\$ (2,801,345)</u>



# Rose State College Technical Area Education District

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Organization and Summary of Significant Accounting Policies

#### Nature of Operations

The Rose State College Technical Area Education District (the District) was created by an act of the Oklahoma legislature, effective 1969. The act was created to provide postsecondary technical education for persons within the defined geographical boundaries. The District is administered by a Board of Trustees and governed by Oklahoma statutes. The District's Board of Trustees is comprised of the same individuals who serve as Regents for Rose State College (the College). The District is a blended component unit of the College for financial reporting purposes. The District has as its primary purpose the supplementing of post-secondary vocational and technical or adult education programs offered by the College.

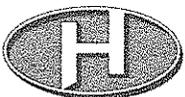
The District has no employees, but contracts through an interlocal agreement with the College and Mid-Del Area Vocation-Technical School District I-52 (Mid-Del) to provide technical education to qualifying residents of the District. The District remits funds to the College based upon the cost of providing postsecondary education including instruction, materials and supplies. Amounts are remitted to Mid-Del that provide postsecondary technical education and various noncredit adult programs to qualifying residents based on the method discussed in *Note 6*.

The District, since its inception in 1969, has built buildings and purchased equipment that are provided to the College to be used for instructional and other ancillary purposes. The District generally provides for all maintenance, insurance and operating costs related thereto.

#### Basis of Accounting and Presentation

The financial statements of the District 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 imposed nonexchange transactions (ad valorem property taxes) are recognized in the period for which the taxes are levied. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Imposed nonexchange transactions, investment income and interest on capital and asset-related debt are included in nonoperating revenues and expenses. The District first applies unrestricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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



# Rose State College Technical Area Education District

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Organization and Summary of Significant Accounting Policies (continued)

#### 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 and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, the District had no cash equivalents.

#### Restricted Cash and Investments

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

#### Investments and Investment Income

The District had no investments at June 30, 2012 and 2011. Investment income consists of interest income earned from deposits in money market, savings, and interest bearing checking accounts.

#### 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. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful life of each asset, generally 40 years for buildings, 20 years for building improvements and seven years for equipment.



# Rose State College Technical Area Education District

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Organization and Summary of Significant Accounting Policies (continued)

#### Net Assets

Net assets of the District are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the District, including cash deposits as required by the building bond resolution. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

#### 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.

#### Income Taxes

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



# Rose State College Technical Area Education District

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 2: Deposits, 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 District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

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

At June 30, 2012 and 2011, respectively, \$0 of the District's bank balances of \$5,380,555 and \$3,889,613 were exposed to custodial credit risk as a result of being uninsured and uncollateralized.

#### Investments

The District may legally invest in direct obligations of the U.S. Treasury and the state of Oklahoma. At June 30, 2012 and 2011, the District did not have any investments in direct obligations of the U.S. Treasury and the State of Oklahoma.

#### Summary of Carrying Values

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

	<u>2012</u>	<u>2011</u>
Carrying value		
Deposits	\$ 5,380,555	\$ 3,889,612
Investments	<u>                    </u>	<u>                    </u>
	<u>\$ 5,380,555</u>	<u>\$ 3,889,612</u>
Included in the following statements of net assets captions		
Cash	\$ 4,039,349	\$ 2,718,950
Restricted cash – current	<u>1,341,206</u>	<u>1,170,662</u>
	<u>\$ 5,380,555</u>	<u>\$ 3,889,612</u>



**Rose State College Technical Area Education District**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Investment Income**

Investment income consisted of interest income of \$8,254, and \$9,959 for the years ended June 30, 2012 and 2011, respectively.

**Note 3: Capital Assets**

Capital assets activity for the years ended June 30, 2012 and 2011, was:

	<b>2012</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 2,499,310	\$ 1,997,346	\$ -	\$ 4,496,656
Building & Improvements	29,776,664	340,293	-	30,116,957
Land Improvements & Infrastructure	312,897	-	-	312,897
Furniture Fixtures & Equipment	1,537,182	156,935	-	1,694,117
	<u>34,126,053</u>	<u>2,494,574</u>	<u>-</u>	<u>36,620,627</u>
Less Accumulated Depreciation				
Building & Improvements	16,075,540	771,281	-	16,846,821
Land Improvements & Infrastructure	17,870	8,013	-	25,883
Furniture Fixtures & Equipment	924,122	195,767	-	1,119,889
	<u>17,017,532</u>	<u>975,061</u>	<u>-</u>	<u>17,992,593</u>
Net Capital Assets	<u>\$ 17,108,521</u>	<u>\$ 1,519,513</u>	<u>\$ -</u>	<u>\$ 18,628,034</u>
	<b>2011</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 1,293,819	\$ 1,205,491	\$ -	\$ 2,499,310
Building & Improvements	29,571,744	204,920	-	29,776,664
Land Improvements & Infrastructure	298,627	14,270	-	312,897
Furniture Fixtures & Equipment	1,476,443	67,663	(6,924)	1,537,182
	<u>32,640,633</u>	<u>1,492,344</u>	<u>(6,924)</u>	<u>34,126,053</u>
Less Accumulated Depreciation				
Building & Improvements	15,334,484	741,056	-	16,075,540
Land Improvements & Infrastructure	10,083	7,787	-	17,870
Furniture Fixtures & Equipment	727,809	203,237	(6,924)	924,122
	<u>16,072,376</u>	<u>952,080</u>	<u>(6,924)</u>	<u>17,017,532</u>
Net Capital Assets	<u>\$ 16,568,257</u>	<u>\$ 540,264</u>	<u>\$ -</u>	<u>\$ 17,108,521</u>



**Rose State College Technical Area Education District**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 4: Building Bonds Payable**

**2005 Building Bonds Payable**

The District's Building Bonds of 2005, which were issued in July 2005, are general obligation bonds, the proceeds of which will be used to provide funds for the purpose of making capital improvements and purchasing equipment within and for the benefit of the District. Interest is payable semi-annually on July 1 and January 1 at rates between 3.0% and 4.125%. Principal is due annually on July 1 through July 1, 2015. The principal and interest payment on the Bonds was paid by the District prior to June 30 in 2012 and 2011, which explains why there is no current portion of principal due for said years. 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.

Activity related to the 2005 Building Bonds during the years ended June 30, 2012 and 2011, was as follows:

	<b>2012</b>	<b>2011</b>
Balance, beginning of year	\$ 3,400,000	\$ 4,250,000
Less principal paid during the year	<u>850,000</u>	<u>850,000</u>
Balance, end of year	2,550,000	3,400,000
Less current portion	<u>—</u>	<u>—</u>
Long-term portion	<u>\$ 2,550,000</u>	<u>\$ 3,400,000</u>

Debt service requirements as of June 30, 2012, on the 2005 Building Bonds are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total to be Paid</b>
2013	—	43,775	43,775
2014	850,000	73,313	923,313
2015	850,000	44,413	894,413
2016	<u>850,000</u>	<u>14,874</u>	<u>864,874</u>
	<u>\$ 2,550,000</u>	<u>\$ 176,375</u>	<u>\$ 2,726,375</u>



**Rose State College Technical Area Education District**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 5: Related Party Transactions**

The District and the College provide higher education instruction and postsecondary education related services to their respective students. The District's instruction and related services are pro-rated to in-district students determined by geographical boundaries. Generally, an in-district student will also participate in nondistrict courses offered by the College, such that the students are common to both entities. The cost of providing the respective instruction and related services is to be borne by each entity; however, the College pays a portion of these costs for the District. The costs incurred relate to District program core costs (*i.e.*, direct costs of the vocational-technical program for instruction and supplies excluding other courses needed for a general district degree, such as english, history and humanities) provided to in-district students by the College. The District, at its discretion, periodically makes cash transfers to the College to partially fund these costs. During the years ended June 30, 2012 and 2011, the District transferred \$58,462 and \$62,746, respectively, to the College.

**Note 6: Academic Support for the Mid-Del Area Vocational-Technical School  
District I-52 (Mid-Del)**

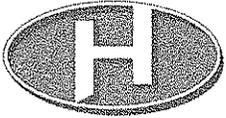
The Board of Trustees of the District has authorized the payment of monies in fiscal year 2012 and 2011 to Mid-Del for the cost of providing various technical area educational programs. Such payment from the proceeds of the ad valorem tax levies (*Note 1*), is to be made at an amount which is the lesser of (a) 60% of the net collections from the Mid-Del net valuation for the respective fiscal year or (b) 50% of total collections for the respective fiscal year. For the years ended June 30, 2012 and 2011, the District incurred \$4,415,198 and \$3,540,354, respectively, of non-operating expense related to the support of Mid-Del. At June 30, 2012 and 2011, the District owed to Mid-Del \$799,653 and \$619,796, respectively.

**Note 7: Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters other than torts and property damage. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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





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

Board of Trustees  
Rose State College  
Technical Area Education District  
Midwest City, Oklahoma

We have audited the financial statements of Rose State College Technical Area Education District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 25, 2012. 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.

**Internal Control over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

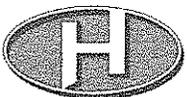
**Compliance and Other Matters**

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

This report is intended solely for the information and use of the governing body, management, and others within the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Hilch & Company, PC

Tulsa, Oklahoma  
August 25, 2012



**Rose State College  
Technical Area Education District  
A Component Unit of Rose State College**

**Schedule of Findings and Responses  
Year Ended June 30, 2012**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

