



Financial Statements
June 30, 2014 and 2013

Rose State College
Technical Area Education District
(A Component Unit of Rose State College)

**Rose State College
Technical Area Education District
A Component Unit of Rose State College
June 30, 2014 and 2013**

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rose State College Technical Area Education District (the District), a component unit of Rose State College, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District'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 an opinion on these financial statements based on our audits. 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 misstatements.

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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rose State College Technical Area Education District of June 30, 2014 and 2013, and changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Omission of Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the District'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 District's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
December 8, 2014

Rose State College Technical Area Education District

(a Component Unit of Rose State College)

Statements of Net Position

June 30, 2014 and 2013

	2014	2013
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 6,250,344	\$ 4,294,747
Restricted:		
Cash and cash equivalents	22,639,058	1,473,337
Property taxes receivable	24,366	43,140
Delinquent ad valorem property taxes receivable	296,000	301,000
Prepaid Expenses	6,216	5,997
Total current assets	29,215,984	6,118,221
<i>Non-current assets:</i>		
Capital Assets, net	19,113,282	18,964,551
Total assets	48,329,266	25,082,772
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts payable	\$ 951,912	\$ 358,730
Deposits held pending bond issuance	-	439,600
Payable to Midwest City/Del City Public Schools	710,195	576,983
Total current liabilities	1,662,107	1,375,313
<i>Non-current liabilities:</i>		
Interest payable	879,931	-
Building bonds payable	22,830,000	1,700,000
Total non-current liabilities	23,709,931	1,700,000
Total liabilities	25,372,038	3,075,313
NET POSITION		
Net investment in capital assets	16,814,861	17,264,551
Restricted expendable for:		
Capital projects	1,186,748	982,251
Debt service	40,800	51,486
Unrestricted	4,914,819	3,709,171
Total net position	\$22,957,228	\$ 22,007,459

Rose State College Technical Area Education District

(a Component Unit of Rose State College)

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Expenses		
Contractual services	\$ 625,638	\$ 411,584
Supplies and materials	198,173	304,831
Depreciation	1,058,696	1,054,759
Utilities	617,298	650,511
Other operating expenses	840,772	767,630
Total Operating Expenses	<u>3,340,577</u>	<u>3,189,315</u>
Operating loss	<u>(3,340,577)</u>	<u>(3,189,315)</u>
Non-operating Revenues (Expenses)		
Ad valorem taxes	9,844,735	9,773,961
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,476,489)	(4,378,510)
Miscellaneous revenue	-	5,650
Investment revenue	23,550	9,475
Interest on capital asset-related debt	(939,006)	(87,550)
Net non-operating revenue	<u>4,452,790</u>	<u>5,323,026</u>
Income before transfers	1,112,213	2,133,711
Transfers to Rose State College	<u>(162,444)</u>	<u>(1,358,126)</u>
Increase in Net Position	949,769	775,585
Net Position, Beginning of Year	<u>22,007,459</u>	<u>21,231,874</u>
Net Position, End of Year	<u>\$ 22,957,228</u>	<u>\$ 22,007,459</u>

Rose State College Technical Area Education District

(a Component Unit of Rose State College)

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Operating Activities		
Payments to suppliers	\$ (1,688,918)	\$ (2,168,685)
Net cash used in operating activities	(1,688,918)	(2,168,685)
Noncapital Financing		
Ad valorem taxes received	8,969,864	8,756,193
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(4,343,277)	(4,601,180)
Transfer to Rose State College	(162,444)	(1,358,126)
Net cash provided by noncapital financing activities	4,464,143	2,796,887
Capital and Related Financing Activities		
Ad valorem taxes received for debt service	898,645	923,381
Proceeds from issuance of building bonds	21,540,400	-
Deposits held pending bond issuance	-	439,600
Principal paid on building bonds	(850,000)	(850,000)
Interest paid on building bonds	(59,075)	(87,549)
Purchases of capital assets	(1,207,427)	(675,580)
Net cash used in capital and related financing activities	20,322,543	(250,148)
Investing Activities		
Investment income received	23,550	9,475
Net cash provided by investing activities	23,550	9,475
Increase in Cash	23,121,318	387,529
Cash, Beginning of Year	5,768,084	5,380,555
Cash, End of Year	\$ 28,889,402	\$ 5,768,084

Rose State College Technical Area Education District

(a Component Unit of Rose State College)

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

(Continued)

	<u>2014</u>	<u>2013</u>
Reconciliation of Cash to the Statement of Net Assets		
Cash	\$ 6,250,344	\$ 4,294,747
Restricted cash	22,639,058	1,473,337
	<u>\$ 28,889,402</u>	<u>\$ 5,768,084</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities		
Operating loss	(3,340,577)	(3,189,315)
Depreciation expense	1,058,696	1,054,759
Changes in operating assets and liabilities		
Prepaid expenses	(219)	(1,756)
Accounts payable	593,182	(32,373)
	<u>\$ (1,688,918)</u>	<u>\$ (2,168,685)</u>

Rose State College Technical Area Education District

Notes to Financial Statements

June 30, 2014 and 2013

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 position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Rose State College Technical Area Education District

Notes to Financial Statements

June 30, 2014 and 2013

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, 2014 and 2013, 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 position.

Investments and Investment Income

The District had no investments at June 30, 2014 and 2013. 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, 2014 and 2013

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

Net Position

Net position of the District is classified in three components. Net investment in capital assets 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 position is 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 position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets 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, 2014 and 2013

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, 2014 and 2013, none of the District's bank balances of \$30,078,052 and \$5,772,191, respectively, 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, 2014 and 2013, 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 position as follows:

	2014	2013
Carrying value		
Deposits	\$ 28,889,402	\$ 5,768,084
	\$ 28,889,402	\$ 5,768,084
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 6,250,344	\$ 4,294,747
Restricted cash and cash equivalents - current	22,639,058	1,473,337
	\$ 28,889,402	\$ 5,768,084

Investment Income

Investment income consisted of interest income of \$23,550, and \$9,475 for the years ended June 30, 2014 and 2013, respectively.

Rose State College Technical Area Education District
Notes to Financial Statements
June 30, 2014 and 2013

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 2014 and 2013, 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.

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 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 August 1 and February 1 at rates between 0.05% and 7.0%. Principal is due annually on August 1 through August 1, 2028. The first interest payment is due August 1, 2015 and the first principal payment is due August 1, 2016. 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 & 2013 Building Bonds during the years ended June 30, 2014 and 2013, was as follows:

	2014				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and Capital Leases					
2005 Building Bonds Payable	\$ 1,700,000	\$ -	\$ (850,000)	\$ 850,000	\$ -
2013 Building Bonds Payable	-	21,980,000	-	21,980,000	-
Total Bonds and Capital Leases	<u>\$ 1,700,000</u>	<u>\$ 21,980,000</u>	<u>\$ (850,000)</u>	<u>\$ 22,830,000</u>	<u>-</u>
	2013				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and Capital Leases					
2005 Building Bonds Payable	\$ 2,550,000	\$ -	\$ (850,000)	\$ 1,700,000	\$ -
Total Bonds and Capital Leases	<u>\$ 2,550,000</u>	<u>\$ -</u>	<u>\$ (850,000)</u>	<u>\$ 1,700,000</u>	<u>-</u>

Rose State College Technical Area Education District
Notes to Financial Statements
June 30, 2014 and 2013

Note 4: Building Bonds Payable (continued)

Debt service requirements as of June 30, 2014, on the Building Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2015	\$ -	\$ 14,875	\$ 14,875
2016	850,000	2,414,687	3,264,687
2017	1,690,000	900,775	2,590,775
2018	1,690,000	782,475	2,472,475
2019	1,690,000	664,175	2,354,175
2020-2024	8,450,000	1,894,938	10,344,938
2025-2029	8,460,000	362,950	8,822,950
	<u>\$ 22,830,000</u>	<u>\$ 7,034,875</u>	<u>\$ 29,864,875</u>

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, 2014 and 2013, the District transferred \$162,444 and \$1,358,126, 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 2014 and 2013 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, 2014 and 2013, the District incurred \$4,476,489 and \$4,378,510, respectively, of non-operating expense related to the support of Mid-Del. At June 30, 2014 and 2013, the District owed to Mid-Del \$710,195 and \$576,983, respectively.

Rose State College Technical Area Education District

Notes to Financial Statements

June 30, 2014 and 2013

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.



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*

The Board of Trustees
Rose State College Technical Area Education District
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 Technical Area Education District (the District), as of and June 30, 2014, and the related notes to the financial statements for the year then ended, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 over financial reporting 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 financial reporting 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 yet been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 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*.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Oklahoma City, Oklahoma
December 8, 2014