

FILED
DEC 12 2011
State Auditor & Inspector
Re: 30022

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

Financial Statements
with Independent Auditors' Reports

June 30, 2011 and 2010



Rose State College Technical Area Education District
(a Component Unit of Rose State College)
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**Independent Auditors' 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, 2011 and 2010, 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, 2011, 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, 2011, 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, 2011

Hinkle & Company, LLC

Rose State College Technical Area Education District
(a Component Unit of Rose State College)
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
Assets		
<i>Current Assets</i>		
Cash	\$ 2,718,950	\$ 2,280,633
Restricted cash	1,170,662	1,189,567
Restricted investment – U. S. Treasury bill	—	—
Property taxes receivable	87,388	14,385
Delinquent ad valorem property taxes receivable	313,000	379,000
Prepaid expenses	6,123	5,619
Total Current Assets	4,296,123	3,869,204
<i>Noncurrent Assets</i>		
Capital assets, net	17,108,521	16,568,257
Total Assets	\$ 21,404,644	\$ 20,437,461
Liabilities		
<i>Current Liabilities</i>		
Accounts payable	\$ 38,899	\$ 942,245
Payable to Midwest City/Del City Public Schools	580,897	674,023
Total Current Liabilities	920,288	1,616,268
<i>Noncurrent Liabilities</i>		
Interest payable	—	—
Building bonds payable	3,400,000	4,250,000
Total Noncurrent Liabilities	3,400,000	4,250,000
Total Liabilities	4,320,288	5,866,268
Net Assets		
Invested in capital assets, net of related debt	13,708,521	12,318,257
Restricted expendable for		
Capital projects	1,124,567	1,153,396
Debt service	46,095	36,171
Unrestricted	2,205,173	1,063,369
Total Net Assets	\$ 17,084,356	\$ 14,571,193



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, 2011 and 2010

	2011	2010
Operating Expenses		
Contractual services	\$ 298,922	\$ 200,999
Supplies and materials	293,375	225,636
Depreciation	952,080	837,353
Utilities	644,758	594,272
Other operating expenses	922,033	1,231,227
Total Operating Expenses	3,111,168	3,089,487
Operating Loss	(3,111,168)	(3,089,487)
Nonoperating Revenues (Expenses)		
Ad valorem taxes	9,3689,847	9,165,625
Ad valorem taxes remitted to Midwest City/Del City		
Public Schools	(3,540,354)	(4,671,603)
Investment income	9,959	13,074
Interest expense	(142,375)	(168,725)
Net Nonoperating Revenues	5,687,077	4,338,371
Income Before Transfers	2,575,909	1,248,884
Transfer to Rose State College	(62,746)	(1,308,466)
Increase (Decrease) in Net Assets	2,513,163	(59,582)
Net Assets, Beginning of Year	14,571,193	14,630,775
Net Assets, End of Year	\$ 17,084,356	\$ 14,571,193



Rose State College Technical Area Education District
(a Component Unit of Rose State College)
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Payments to suppliers	\$ <u>(2,855,572)</u>	\$ <u>(1,632,207)</u>
Net Cash Used in Operating Activities	<u>(2,855,572)</u>	<u>(1,632,207)</u>
Noncapital Financing		
Ad valorem taxes received	8,487,845	8,196,011
Ad valorem taxes remitted to Midwest City/Del City Public Schools	(3,633,480)	(4,644,713)
Transfer to Rose State College	<u>(62,746)</u>	<u>(1,308,466)</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,791,619</u>	<u>2,242,832</u>
Capital and Related Financing Activities		
Ad valorem taxes received for debt service	958,125	966,748
Proceeds from issuance of building bonds	—	—
Principal paid on building bonds	(850,000)	(850,000)
Interest paid on building bonds	(142,375)	(168,725)
Purchases of capital assets	<u>(1,492,344)</u>	<u>(796,024)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,526,594)</u>	<u>(848,001)</u>
Investing Activities		
Purchase of investments	—	—
Proceeds from maturities of investments	—	—
Investment income received	<u>9,959</u>	<u>13,074</u>
Net Cash Provided by Investing Activities	<u>9,959</u>	<u>13,074</u>
Decrease in Cash	419,412	(224,302)
Cash, Beginning of Year	<u>3,470,200</u>	<u>3,694,502</u>
Cash, End of Year	<u>\$ 3,889,612</u>	<u>\$ 3,470,200</u>



Rose State College Technical Area Education District
(a Component Unit of Rose State College)
Statements of Cash Flows
Years Ended June 30, 2011 and 2010
(Continued)

	2011	2010
Reconciliation of Cash to the Statement of Net Assets		
Cash	\$ 2,718,950	\$ 2,280,633
Restricted cash	<u>1,170,662</u>	<u>1,189,567</u>
	<u>\$ 3,889,612</u>	<u>\$ 3,470,200</u>
 Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities		
Operating loss	\$ (3,111,168)	\$ (3,089,487)
Depreciation expense	952,080	837,353
Changes in operating assets and liabilities		
Prepaid expenses	(504)	(3,945)
Accounts payable	<u>(695,980)</u>	<u>623,872</u>
Net Cash Used by Operating Activities	<u>\$ (2,855,572)</u>	<u>\$ (1,632,207)</u>



Rose State College Technical Area Education District
(a Component Unit of Rose State College)
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010, 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, 2011 and 2010. 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 7 years for equipment.



Rose State College Technical Area Education District
(a Component Unit of Rose State College)
Notes to Financial Statements
June 30, 2011 and 2010

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
(a Component Unit of Rose State College)
Notes to Financial Statements
June 30, 2011 and 2010

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 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, country, 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, 2011 and 2010, respectively, \$0 of the District's bank balances of \$3,889,612 and \$3,470,200 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, 2011 and 2010, 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:

	2011	2010
Carrying value		
Deposits	\$ 3,889,612	\$ 3,470,200
Investments	—	—
	<u>\$ 3,889,612</u>	<u>\$ 3,470,200</u>
Included in the following statements of net assets captions		
Cash	\$ 2,718,950	\$ 2,280,633
Restricted cash – current	1,170,662	1,189,567
	<u>\$ 3,889,612</u>	<u>\$ 3,470,200</u>



Rose State College Technical Area Education District
(a Component Unit of Rose State College)
Notes to Financial Statements
June 30, 2011 and 2010

Note 5: Related Party Transactions

The District and the College provide higher education instruction and post-secondary education related services to their respective students. The District's instruction and related services are prorated 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, 2011 and 2010, the District transferred \$62,746 and \$1,308,466, respectfully, 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 2011 and 2010 to Mid-Del for the cost of providing various technical area educational programs. Such payment for 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, 2011 and 2010, the District incurred \$3,540,354 and 4,671,603 \$, respectively, of nonoperating expense related to the support of Mid-Del. At June 30, 2011 and 2010, the District owed to Mid-Del \$580,897 and \$674,023, 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, 2011, and have issued our report thereon dated August 25, 2011. 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.

Hickel & Company, P.C.

Tulsa, Oklahoma
August 25, 2011



Rose State College Technical Area Education District
(a Component Unit of the State of Oklahoma)
Schedule of Findings and Responses
Year Ended June 30, 2011

No matters are reportable.

