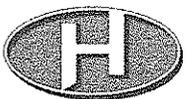


Oklahoma City Community College

**Financial Statements
with Independent Auditors' Reports**

June 30, 2012 and 2011



Oklahoma City Community College
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June 30, 2012 and 2011

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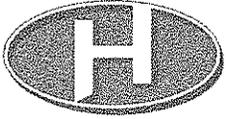
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**Independent Auditors' Report
on Financial Statements**

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

We have audited the accompanying statements of net assets of Oklahoma City Community College (the College) as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. Oklahoma City Community College Foundation (the Foundation), a not-for-profit Oklahoma corporation organized to support the College, is a component unit of the College as defined by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. The financial statements referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately. We did not audit the separately presented financial statements of the Foundation, which statements reflect total assets of \$2,496,369 and \$1,846,841 at September 30, 2011 and 2010, respectively. Those statements were audited by other auditors whose report has been included in that separate set of financial statements. Our opinion, insofar as it relates to the amounts included for the separately presented component unit, is based on the report of other auditors. The financial statements of Oklahoma City Community College Foundation as of September 30, 2011, were audited by other auditors whose report dated October 1, 2012, expressed an unqualified opinion on those statements.

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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

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In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the separately presented component unit as of June 30, 2012, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, on our consideration of the College'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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hill & Company, PC

Tulsa, Oklahoma
October 12, 2012



OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

The following Management Discussion and Analysis (MD&A) of the activities and financial performance of Oklahoma City Community College (the "College") provides an overview of the College's financial activities for the fiscal years ended June 30, 2012, 2011 and 2010. This analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

June 30, 2012 compared to June 30, 2011

- During the year ended June 30, 2012, the College's net assets increased by \$674,674, to \$68,274,842. Unrestricted net assets decreased by \$1,575,812. Net assets invested in capital assets, net of debt decreased by \$17,286,214 and expendable net assets restricted for capital projects increased by \$19,808,933.
- Total operating revenues decreased to \$28,222,237 in 2012 from \$28,815,499 in 2011 primarily due to lower enrollment and a decrease in grants and contracts revenue.
- Total operating expenses increased to \$84,926,641 in 2012 from \$83,644,892 primarily due to increases in compensation, utilities, and other operating expenses.
- Net non-operating revenues decreased to \$56,139,562 in 2012 from \$56,900,776 in 2011, primarily as a result of slight decreases in state appropriations and investment income.

June 30, 2011 compared to June 30, 2010

- During the year ended June 30, 2011, the College's net assets increased by \$3,255,608, to \$67,600,167 from \$64,344,559 in 2010. Unrestricted net assets decreased by \$1,237,409. Net assets invested in capital assets, net of debt decreased by \$7,959,068 and expendable net assets restricted for capital projects increased by \$13,076,750.
- Total operating revenues increased to \$28,815,499 in 2011 from \$24,496,895 in 2010, primarily as a result of increased tuition and fees revenue.
- Total operating expenses increased to \$83,644,892 in 2011 from \$77,190,829 in 2010. This change is primarily due to increases in scholarships, contractual services, and materials and supplies.

Net non-operating revenues increased to \$56,900,776 in 2011 from \$54,740,601 in 2010, primarily as a result of an increase in Federal grants and contracts. Increases in ad valorem taxes and on-behalf contributions to the Oklahoma Teachers' Retirement System were also contributing factors.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The College presents its financial statements in accordance with the business-type activities format. Accordingly, the financial statements includes management's discussion and analysis (as required supplementary information); the statements of net assets; the statements of revenues, expenses, and changes in net assets; the statements of cash flows; and explanatory notes to the financial statements.

The Basic Financial Statements

One of the most important questions about the College is whether it is better off or worse off as a result of the year's financial activities. The statements of net assets and the statements of revenues, expenses, and changes in net assets report information about the College as a whole and about its activities in a way that answers this question. These statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. The accrual basis of accounting recognizes revenues when earned, and expenses when incurred regardless of when cash is actually received or disbursed.

The statements of net assets and the statements of revenues, expenses and changes in net assets report the College's net assets and changes to them. You can think of the College's net assets - the difference between assets and liabilities - as one way to measure the College's financial health or financial position.

Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You will also need to consider non-financial factors, however, such as changes in the College's programs and degrees offered and accreditations status, in addition to the condition of its physical facilities, to fully assess the overall health of the College.

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

A comparative schedule of the College's net assets, for the years ended June 30, 2012, 2011 and 2010, is shown below, to include the percentage of annual change. The amounts are from the statements of net assets which are presented on an accrual basis of accounting, whereby capital assets are capitalized and depreciated.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Condensed Statements of Net Assets

| | 2012 | 2011 | (Decrease) | Change | 2010 | (Decrease) | Change |
|--|----------------------|----------------------|--------------------|-------------|----------------------|---------------------|-------------|
| Current assets | \$ 22,843,289 | \$ 27,743,482 | \$ (4,900,193) | -18% | \$ 28,664,196 | \$ (920,714) | -3% |
| Noncurrent assets: | | | | | | | |
| Capital assets, net | 82,942,463 | 73,130,051 | 9,812,412 | 13% | 70,397,334 | 2,732,717 | 4% |
| Other | <u>14,567,221</u> | <u>19,377,921</u> | <u>(4,810,700)</u> | <u>-25%</u> | <u>4,186,658</u> | <u>15,191,263</u> | <u>363%</u> |
| TOTAL ASSETS | <u>120,352,973</u> | <u>120,251,454</u> | <u>101,519</u> | <u>0%</u> | <u>103,248,188</u> | <u>17,003,266</u> | <u>16%</u> |
| Current liabilities | 12,445,188 | 11,028,297 | 1,416,891 | 13% | 9,766,408 | 1,261,889 | 13% |
| Noncurrent liabilities | <u>39,662,943</u> | <u>41,622,990</u> | <u>(1,960,047)</u> | <u>-5%</u> | <u>29,137,221</u> | <u>12,485,769</u> | <u>43%</u> |
| TOTAL LIABILITIES | <u>52,108,131</u> | <u>52,651,287</u> | <u>(543,156)</u> | <u>-1%</u> | <u>38,903,629</u> | <u>13,747,658</u> | <u>35%</u> |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | 14,294,275 | 31,580,489 | (17,286,214) | -55% | 39,539,557 | (7,959,068) | -20% |
| Restricted for non-expendable | 303,207 | 292,271 | 10,936 | 4% | 266,740 | 25,531 | 10% |
| Restricted for expendable | 38,796,129 | 22,309,526 | 16,486,603 | 74% | 9,882,970 | 12,426,556 | 126% |
| Unrestricted | <u>14,881,231</u> | <u>13,417,882</u> | <u>1,463,349</u> | <u>11%</u> | <u>14,655,292</u> | <u>(1,237,410)</u> | <u>-8%</u> |
| TOTAL NET ASSETS | <u>\$ 68,274,842</u> | <u>\$ 67,600,168</u> | <u>\$ 674,674</u> | <u>1%</u> | <u>\$ 64,344,559</u> | <u>\$ 3,255,609</u> | <u>5%</u> |

June 30, 2012 compared to June 30, 2011

Current Assets decreased \$4,900,193 in 2012 primarily due to the reclassification of Restricted Cash & Cash Equivalents from Current Assets to Non-Current Assets for the funds that are dedicated to construction projects such as the Performing Arts Center Theater.

As of fiscal year end 2012, net capital assets increased \$9,812,412 from the balance at June 30, 2011. Further discuss regarding capital assets is found on page ix.

Other non-current assets decreased by \$4,810,700 primarily due to the expenditure of capital funds for construction of the Performing Arts Center and the John Massey Center.

Current liabilities increased by \$1,416,891 primarily due to increases in accounts payable and in the current portion of long-term liabilities.

Non-current liabilities decreased by \$1,960,047 primarily due to debt service payments on the revenue bonds and the capital lease obligations.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

June 30, 2011 compared to June 30, 2010

Current Assets decreased \$920,714 in 2011 primarily due to the reclassification of Restricted Cash & Cash Equivalents from Current Assets to Non-Current Assets for the funds that are dedicated to construction projects such as the John Massey Center.

As of fiscal year end 2011, capital assets net of accumulated depreciation increased \$2,732,717 from the balance at June 30, 2010. Further discussion regarding capital assets is found on page *ix*.

Other non-current assets increased by \$15,191,263 due to the receipt of funds from the \$8,000,000 of new revenue bonds for construction of the Performing Arts Center and additional capital leases of \$4,488,000.

As of fiscal year end June 30, 2011, current liabilities increased by \$1,261,889 primarily due to increased deferred revenue and accounts payable.

Non-current liabilities increased by \$12,485,769 due to the issuance of \$8,000,000 of revenue bonds and to entering into master lease agreements for \$4,488,000 of capital leases.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

| | <u>2012</u> | <u>2011</u> | <u>Increase (Decrease)</u> | <u>% Change</u> | <u>2010</u> | <u>Increase (Decrease)</u> | <u>% Change</u> |
|----------------------------------|----------------------|----------------------|--------------------------------|---------------------|----------------------|--------------------------------|---------------------|
| Operating Revenues: | | | | | | | |
| Tuition and fees, net | \$ 18,528,876 | \$ 19,315,788 | \$ (786,912) | -4% | \$ 17,871,495 | \$ 1,444,293 | 8% |
| Grants and contracts | \$ 2,860,839 | \$ 3,167,437 | \$ (306,598) | -10% | \$ 2,729,685 | \$ 437,752 | 16% |
| Auxilliary enterprise charges | 4,894,981 | 4,933,238 | (38,257) | -1% | 5,117,435 | (184,197) | -4% |
| Other | <u>1,937,541</u> | <u>1,399,036</u> | <u>538,505</u> | 38% | <u>1,507,965</u> | <u>(108,929)</u> | <u>-7%</u> |
| TOTAL OPERATING | | | | | | | |
| REVENUES | 28,222,237 | 28,815,499 | (593,262) | -2% | 27,226,580 | 1,588,919 | 6% |
| Less operating expenses | <u>84,926,641</u> | <u>83,644,892</u> | <u>1,281,749</u> | 2% | <u>77,190,829</u> | <u>6,454,063</u> | 8% |
| OPERATING LOSS | (56,704,404) | (54,829,393) | (1,875,011) | 3% | (49,964,249) | (4,865,144) | 10% |
| Nonoperating revenues | | | | | | | |
| State appropriations | 24,805,077 | 24,823,729 | (18,652) | 0% | 24,676,854 | 146,875 | 1% |
| State payments from | | | | | | | |
| Federal ARRA revenues | 14,767 | 1,864,996 | (1,850,229) | 0% | 1,850,823 | 14,173 | 0% |
| OTRS on behalf contributions | 2,474,219 | 2,064,073 | 410,146 | 20% | 1,793,106 | 270,967 | 15% |
| Ad valorem taxes | 5,246,764 | 5,201,822 | 44,942 | 1% | 4,984,414 | 217,408 | 4% |
| Federal grants and contracts | 21,504,500 | 21,088,335 | 416,165 | 2% | 16,831,048 | 4,257,287 | 25% |
| State and local grants | | | | | | | |
| and contracts | 3,020,118 | 2,871,904 | 148,214 | 5% | 2,941,918 | (70,014) | -2% |
| Investment income | 195,878 | 381,383 | (185,505) | -49% | 298,838 | 82,545 | 28% |
| Net interest income (expense) | <u>(1,121,761)</u> | <u>(1,395,466)</u> | <u>273,705</u> | -20% | <u>(1,366,085)</u> | <u>(29,381)</u> | 2% |
| NET NONOPERATING | | | | | | | |
| REVENUES | <u>56,139,562</u> | <u>56,900,776</u> | <u>(761,214)</u> | -1% | <u>52,010,916</u> | <u>4,889,860</u> | 9% |
| State appropriations for capital | 829,331 | 889,168 | (59,837) | -7% | 896,272 | (7,104) | -1% |
| O CIA on behalf | | | | | | | |
| state appropriations | 300,576 | 270,637 | 29,939 | 11% | 1,119,879 | (849,242) | -76% |
| Net gain/loss on sale | | | | | | | |
| of capital assets | - | - | - | 100% | 808,416 | (808,416) | 0% |
| Capital gifts and donations | <u>109,610</u> | <u>24,420</u> | <u>85,190</u> | 349% | <u>692,388</u> | <u>(667,968)</u> | -96% |
| NET INCREASE IN NET ASSETS | 674,675 | 3,255,608 | (2,580,933) | -79% | 5,563,622 | (2,308,014) | -41% |
| NET ASSETS, | | | | | | | |
| BEGINNING OF YEAR | <u>67,600,167</u> | <u>64,344,559</u> | <u>3,255,608</u> | 5% | <u>58,780,937</u> | <u>5,563,622</u> | 9% |
| NET ASSETS, ENDING | <u>\$ 68,274,842</u> | <u>\$ 67,600,167</u> | <u>\$ 674,675</u> | 1% | <u>\$ 64,344,559</u> | <u>\$ 3,255,608</u> | 5% |

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

The following is a summary of some of the more significant revenue, expense and non-operating revenue changes and the increase (or decrease) recognized.

June 30, 2012 compared to June 30, 2011

During the year ended June 30, 2012, operating revenues decreased by \$593,262.

- Net tuition and fees decreased by \$786,912 primarily due to lower than expected enrollment.
- There was a modest increase in tuition and mandatory fees. Student and facility fees were not increased.
- Bookstore revenue, net of scholarship allowances, decreased \$255,239 primarily due to entries made at year-end for accrual basis accounting. On a cash basis, actual bookstore revenue increased during FY 2012.
- Other Operating Revenues increased \$538,505 due to increased revenues from finance charges, indirect cost reimbursements and other miscellaneous income.

Operating expenses increased \$1,281,749 in fiscal year 2012 compared to 2011.

- Employee compensation increased \$1,592,626 and benefit costs increased by \$1,302,557. Adjunct faculty compensation increased in the amount of \$374,763 and full-time faculty compensation decreased by \$17,877.
- Contractual services decreased by \$727,814 and materials and supplies expense decreased by \$829,660 as a result of reclassification of expenditures at year-end from expenses to fixed assets for project expenses related to capital projects.
- Other operating expense increased \$1,129,426 primarily due to increases in bad debt expense, indirect costs, registration fees and travel expenses.
- Scholarships and fellowships decreased \$1,547,243 due to a decrease in Pell grants.

During the year ended June 30, 2012 net non-operating revenues decreased by \$761,214.

- State appropriations, including on-behalf and capital contributions, increased by \$361,596 primarily due to an increase in on-behalf payments for OTRS.
- State Payments from Federal ARRA revenues were provided in fiscal year 2012 in the amount of \$14,767 to offset the College's decrease in State appropriations. This was the remaining amount of ARRA revenues available for drawdown.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

June 30, 2012 compared to June 30, 2011 (Continued)

- Ad valorem taxes increased by \$44,942 which is primarily related to the timing of ad valorem tax receipts. There was no increase in ad valorem tax rates for FY2012.
- Federal grants and contracts revenue increased \$416,165 primarily due to timing differences for receipt of Pell grant revenue.
- State and local grants and contracts revenue increased \$148,214 due to an increase in OHLAP and OTAG scholarships.

Net assets increased \$674,675 during fiscal year 2012. This is primarily due to the increase in revenue from Federal and state grants and contracts, increases in on-behalf contributions, and increases in Capital gifts and donations.

June 30, 2011 compared to June 30, 2010

During the year ended June 30, 2011, operating revenues increased by \$1,151,167.

- Net tuition and fees increased by \$1,444,293 primarily due to an approximate 12% increase in enrollment. There was a modest tuition and mandatory fee increase. Student and facility fees were not increased.
- Bookstore revenue, net of scholarship allowances decreased \$294,917 due an increase in scholarship allowances and decreased sales of new textbooks in favor of used textbooks.
- Other Operating Revenues decreased \$108,927, due to decreased revenues from finance charges, indirect cost reimbursements and other miscellaneous income.

Operating expenses increased \$6,454,063 in fiscal year 2011 compared to 2010.

- Employee compensation increased \$457,512 and benefit costs increased by \$240,691. Adjunct faculty compensation increased in the amount of \$147,496 and full-time faculty compensation increased by \$464,412 while also increasing Student employment compensation by \$507,288 due to the availability of the American Reinvestment and Recovery Act (ARRA) funding that was available in fiscal year 2011.
- Other operating expense increased \$600,651 primarily due to an increase in bad debt expense and a write-off in credit card receivable.
- Scholarships and fellowships increased \$2,727,017 due to an increase in Pell grants.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

June 30, 2011 compared to June 30, 2010 (Continued)

During the year ended June 30, 2011 net non-operating revenues increased \$5,382,925.

- State appropriations, including on-behalf and capital contributions, increased by \$202,189 primarily due to an increase in on-behalf payments for OTRS.
- State payments from Federal ARRA revenues were provided in fiscal year 2011 in the amount of \$1,734,793 to offset the College's decrease in State appropriations. The College was able to drawdown \$1,864,996 of these funds by June 30, 2011, which included carryover funds from fiscal year 2010 in the amount of \$130,203.
- Ad valorem taxes increased by \$217,408 due primarily to an increase in assessed valuations to real and personal property for fiscal year 2010. Ad valorem taxes received include a 5.08 mil operational levy; and a 5 mil District incentive levy in which the South Oklahoma City Area School District received 2.5 mils. Moore Norman Technology Center, Francis Tuttle Technology Center and Metro Tech Technology Center received the other 2.5 mils collectively.
- Federal grants and contracts revenue increased \$4,695,038 primarily due to increased Pell authorizations.
- State and local grants and contracts revenue decreased \$70,014 due to a decrease in OHLAP, OTAG scholarships and Adult Education and Literacy grants.

Net assets increased \$3,255,608 during fiscal year 2011. This is primarily due to the increase in revenue from Federal and State grants and contracts and the sale of the John Massey Center Building. Increased tuition and fees and the South Oklahoma Area School District incentive levy revenue received also contributed to the increase in net assets.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Condensed Statements of Cash Flows

| | Years Ended June 30, | | Increase | % | June 30, | Increase | % |
|--------------------------|----------------------|----------------------|-----------------------|--------------|----------------------|--------------------|---------------|
| | 2012 | 2011 | (Decrease) | Change | 2010 | (Decrease) | Change |
| Cash provided (used) by: | | | | | | | |
| Operating activities | \$ (48,208,455) | \$ (48,483,803) | \$ 275,348 | -1% | \$ (42,975,389) | \$ (5,508,414) | 13% |
| Noncapital | | | | | | | |
| financial activities | 54,612,278 | 55,850,785 | (1,238,507) | -2% | 52,388,020 | 3,462,765 | 7% |
| Capital and related | | | | | | | |
| financing activities | (11,269,155) | 969,802 | (12,238,957) | -1262% | (4,557,871) | 5,527,673 | -121% |
| Investing Activities | <u>2,005,854</u> | <u>(8,139,618)</u> | <u>10,145,472</u> | <u>-125%</u> | <u>725,937</u> | <u>(8,865,555)</u> | <u>-1221%</u> |
| Net increase in cash | | | | | | | |
| and cash equivalents | (2,859,478) | 197,166 | (3,056,644) | -1550% | 5,580,697 | (5,383,531) | -96% |
| Cash and cash | | | | | | | |
| equivalents, beginning | <u>24,557,924</u> | <u>24,360,758</u> | <u>197,166</u> | <u>1%</u> | <u>18,780,061</u> | <u>5,580,697</u> | <u>30%</u> |
| Cash and cash | | | | | | | |
| equivalents, ending | <u>\$ 21,698,446</u> | <u>\$ 24,557,924</u> | <u>\$ (2,859,478)</u> | <u>-12%</u> | <u>\$ 24,360,758</u> | <u>\$ 197,166</u> | <u>1%</u> |

June 30, 2012 compared to June 30, 2011

The College's overall cash and cash equivalents decreased by \$2,859,478.

June 30, 2011 compared to June 30, 2010

The College's overall cash and cash equivalents increased by \$197,166.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

June 30, 2012 compared to June 30, 2011

Capital assets, net of accumulated depreciation increased \$9,842,410 due to a mixture of purchases for furniture and computer equipment of \$1.8 million; construction work in progress increases of \$6.2 million including the Performing Arts Theater; the addition of the new John Massey Center; improvements to landscaping and infrastructure; and additional accumulated depreciation. Current year depreciation expense totaled \$4,708,209 compared to depreciation expense of \$4,677,341 in the prior year.

June 30, 2011 compared to June 30, 2010

Capital assets, net of accumulated depreciation increased \$2,732,718 due to a mixture of purchases for furniture and computer equipment of \$2.6 million, construction work in progress totaling over \$2.8 million including the Family and Community Education Center, Aquatics Center Upgrades, Roof replacements, Health Professions Education Center improvements, and additional accumulated depreciation. Current year depreciation expense totaled \$4,677,341 compared to \$4,592,662 in fiscal year 2010.

Condensed Summary of Capital Assets

| | Years Ended June 30, | | Increase | % | June 30, | Increase | % |
|-------------------------------|----------------------|----------------------|---------------------|------------|----------------------|---------------------|-----------|
| | 2012 | 2011 | (Decrease) | Change | 2010 | (Decrease) | Change |
| Capital assets: | | | | | | | |
| Land | \$ 2,937,133 | \$ 2,937,133 | \$ - | 0% | \$ 2,937,133 | \$ - | 0% |
| Construction in progress | 10,235,914 | 3,965,624 | 6,270,290 | 158% | 154,984 | 3,810,640 | 2459% |
| Buildings and improvements | 88,043,147 | 83,317,416 | 4,725,731 | 6% | 82,828,234 | 489,182 | 1% |
| Infrastructure | 6,283,001 | 5,508,466 | 774,535 | 14% | 5,156,324 | 352,142 | 7% |
| Furniture and equipment | 21,968,980 | 20,129,693 | 1,839,287 | 9% | 18,844,456 | 1,285,237 | 7% |
| Library materials | 5,975,396 | 5,573,742 | 401,654 | 7% | 5,211,176 | 362,566 | 7% |
| TOTAL CAPITAL ASSETS | 135,443,571 | 121,432,074 | 14,011,497 | 12% | 115,132,307 | 6,299,767 | 5% |
| Less accumulated depreciation | (52,471,110) | (48,302,023) | (4,169,087) | 9% | (44,734,974) | (3,567,049) | 8% |
| CAPITAL ASSETS, NET | \$ 82,972,461 | \$ 73,130,051 | \$ 9,842,410 | 13% | \$ 70,397,333 | \$ 2,732,718 | 4% |

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

June 30, 2012 compared to June 30, 2011

At June 30, 2012, the College had total long-term liabilities of \$42,897,845 compared to \$44,130,019 at June 30, 2011. Debt incurred during the current year included the issuance of ODFA master lease 2011C in the amount of \$645,000 which was used to purchase computer equipment to be used for instruction.

June 30, 2011 compared to June 30, 2010

At June 30, 2011, the College had total long-term liabilities of \$44,130,019 compared to \$31,707,150 at June 30, 2010. Debt incurred during the current year included the issuance of ODFA master lease 2010B in the amount of \$413,000 which was used to purchase computer equipment to be used for instruction; ODFA real property master lease 2010A in the amount of \$4,075,000; and Student Facility Revenue Bonds 2010 Series in the amount of \$8,000,000, which will be used for construction of the new Performing Arts Theater.

Condensed Summary of Long Term Liabilities

| | 2012 | 2011 | (Decrease) | Change | 2010 | (Decrease) | Change |
|------------------------------------|----------------------|----------------------|-----------------------|------------|----------------------|----------------------|------------|
| Capital lease obligations | \$ 20,619,460 | \$ 20,589,574 | \$ 29,886 | 0% | \$ 15,251,078 | \$ 5,338,496 | 35% |
| Revenue bonds payable | 20,635,000 | 21,975,000 | (1,340,000) | -6% | 14,930,000 | 7,045,000 | 47% |
| Premium on bonds | 392,499 | 401,801 | (9,302) | -2% | 387,642 | 14,159 | 4% |
| Compensated absences | 1,250,886 | 1,163,644 | 87,242 | 7% | 1,138,430 | 25,214 | 2% |
| TOTAL LONG-TERM LIABILITIES | 42,897,845 | 44,130,019 | (1,232,174) | -3% | 31,707,150 | 12,422,869 | 39% |
| Less: current portion | (3,234,903) | (2,507,029) | (727,874) | 29% | (2,569,929) | 62,900 | -2% |
| NET LONG-TERM LIABILITIES | \$ 39,662,942 | \$ 41,622,990 | \$ (1,960,048) | -5% | \$ 29,137,221 | \$ 12,485,769 | 43% |

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2012, 2011 and 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Oklahoma City Community College enrollment remained consistent to flat in fiscal year 2012. In fiscal year 2013 as we approach the end of September 2012, fall semester enrollment is down by approximately 7.8%. Fiscal year 2012 state appropriations for National Guard Waiver reimbursement and Concurrent Enrollment reimbursement were \$82,094 and \$172,881 respectively. This is a total decrease of 23.8% from fiscal year 2011. Federal State Fiscal Stabilization Award from American Reinvestment and Recovery Act funds (ARRA) that were available in fiscal years 2010 and 2011 were not available for fiscal year 2012. Total budgeted state appropriations for fiscal year 2012 decreased approximately 6.7%, including the loss of the ARRA funding.

OCCC in its commitment to continue to provide quality education programs and continued services as expected by the student body modestly increased tuition rates by just over 7.2% for fiscal year 2012. The State budget outlook, although improving, does not promise any additional appropriations to Higher Education. Although enrollment has fallen from prior year levels, the prior years' cumulative enrollment increases have established a higher base enrollment level. The additional South Oklahoma Area School District incentive levy tax also continues to enhance the economic outlook for the College. The College will continue a conservative budgeting approach which utilizes a contingency methodology to ensure the College's financial viability.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders including taxpayers, customers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President for Business and Finance at Oklahoma City Community College, 7777 South May Avenue, Oklahoma City, Oklahoma 73159.

Oklahoma City Community College
Statements of Net Assets
June 30, 2012 and 2011

| | 2012 | 2011 |
|--|----------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 18,155,759 | \$ 18,023,124 |
| Restricted cash and cash equivalents | 621,962 | 896,503 |
| Student accounts receivable, net of allowance for Doubtful accounts | 2,887,840 | 3,327,435 |
| Other receivables | 577,766 | 4,826,343 |
| Interest receivables | 25,636 | 29,318 |
| Inventories | 574,325 | 640,759 |
| Total Current Assets | <u>22,843,288</u> | <u>27,743,482</u> |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 2,920,724 | 5,638,297 |
| Investments | 10,143,341 | 11,949,635 |
| Other assets | 1,503,157 | 1,789,989 |
| Capital assets, net of accumulated depreciation | <u>82,972,462</u> | <u>73,130,051</u> |
| Total Noncurrent Assets | <u>97,539,684</u> | <u>92,507,972</u> |
| Total Assets | <u>120,382,972</u> | <u>120,251,454</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable | 5,542,313 | 4,552,191 |
| Deferred revenues | 2,945,401 | 3,249,382 |
| Due to student groups and other organizations | 319,725 | 291,204 |
| Accrued interest payable | 402,846 | 428,491 |
| Current portion of noncurrent liabilities | <u>3,234,903</u> | <u>2,507,029</u> |
| Total Current Liabilities | <u>12,445,188</u> | <u>11,028,297</u> |
| Noncurrent Liabilities, net of current portion | | |
| Accrued compensated absences | 481,275 | 485,671 |
| Revenue bonds payable | 19,315,000 | 20,635,000 |
| Premium on revenue bonds | 361,167 | 377,442 |
| Capital lease obligations | <u>19,505,501</u> | <u>20,124,877</u> |
| Total Noncurrent Liabilities | <u>39,662,943</u> | <u>41,622,990</u> |
| Total Liabilities | <u>52,108,131</u> | <u>52,651,287</u> |
| Net Assets | | |
| Invested in capital assets, net of debt | 14,294,275 | 31,580,489 |
| Restricted for: | | |
| Nonexpendable scholarship endowment | 303,207 | 292,271 |
| Expendable | | |
| Scholarships, research, instruction and other | 113,711 | 160,704 |
| Capital projects | 38,682,418 | 22,148,821 |
| Unrestricted | <u>14,881,231</u> | <u>13,417,882</u> |
| Net Assets | <u>\$ 68,274,842</u> | <u>\$ 67,600,167</u> |



Oklahoma City Community College
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Operating Revenues | | |
| Tuition and fees, net of scholarship allowances of \$7,571,000 and \$6,269,000 in 2012 and 2011, respectively | \$ 18,528,876 | \$ 19,315,787 |
| Grants and contracts | 2,860,839 | 3,167,437 |
| Sales and services of educational departments | 901,830 | 492,936 |
| Auxiliary enterprise charges | | |
| Food services | 161,005 | 158,128 |
| Bookstore, net of scholarship allowances of \$2,066,000 and \$1,893,000 in 2012 and 2011, respectively | 3,639,360 | 3,894,599 |
| All other auxiliary enterprises | 1,094,616 | 880,511 |
| Other operating revenues | <u>1,035,711</u> | <u>906,101</u> |
| Total Operating Revenue | <u>28,222,237</u> | <u>28,815,499</u> |
| Operating Expenses | | |
| Compensation and employee benefits | 48,885,434 | 45,971,614 |
| Contractual services | 6,236,455 | 6,964,269 |
| Supplies and materials | 6,052,150 | 6,881,811 |
| Utilities | 1,878,808 | 1,586,107 |
| Communications | 268,751 | 249,099 |
| Other operating expenses | 3,998,699 | 2,869,273 |
| Scholarships and fellowships | 12,898,135 | 14,445,378 |
| Depreciation expense | <u>4,708,209</u> | <u>4,677,341</u> |
| Total Operating Expenses | <u>84,926,641</u> | <u>83,644,892</u> |
| Operating Loss | <u>(56,704,404)</u> | <u>(54,829,393)</u> |
| Nonoperating Revenues (Expenses) | | |
| State appropriations | 24,805,077 | 24,823,729 |
| State payments from federal ARRA revenues | 14,767 | 1,864,996 |
| On-behalf contributions for OTRS | 2,474,219 | 2,064,073 |
| Ad valorem taxes | 5,246,763 | 5,201,822 |
| Federal grants and contracts | 21,504,500 | 21,088,334 |
| State and local grants and contracts | 3,020,119 | 2,871,904 |
| Investment income | 195,878 | 381,383 |
| Other nonoperating revenues (expenses) | <u>(1,121,761)</u> | <u>(1,395,465)</u> |
| Net Nonoperating Revenues | <u>56,139,562</u> | <u>56,900,776</u> |
| Income (loss) before other revenues, expenses, gains and losses | (564,842) | 2,071,383 |
| State appropriations restricted for capital purposes | 829,331 | 889,168 |
| OCIA on-behalf state appropriations | 300,576 | 270,637 |
| Capital gifts and donations | <u>109,610</u> | <u>24,420</u> |
| Net Increase in Net Assets | 674,675 | 3,255,608 |
| Net Assets at Beginning of Year | <u>67,600,167</u> | <u>64,344,559</u> |
| Net Assets at End of Year | <u>\$ 68,274,842</u> | <u>\$ 67,600,167</u> |



See Notes to Financial Statements

Oklahoma City Community College
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$ 19,566,322 | \$ 20,252,722 |
| Grants and contracts | 3,395,131 | 2,902,821 |
| Payments to suppliers and other operating payments | (26,881,289) | (30,363,451) |
| Payments to employees | (46,320,880) | (43,882,327) |
| Auxiliary enterprises sales and services | 4,966,728 | 4,834,939 |
| Other operating revenue | 1,035,711 | 906,101 |
| Other operating payments | (3,970,178) | (3,134,608) |
| Net Cash Used in Operating Activities | <u>(48,208,455)</u> | <u>(48,483,803)</u> |
| Cash Flows from Noncapital Financing Activities | | |
| State appropriations | 24,805,077 | 24,823,279 |
| State appropriations - ARRA | 14,767 | 1,864,996 |
| Other student financial assistance received | 18,189,820 | 22,194,147 |
| Other student financial assistance payments | (18,189,820) | (22,194,147) |
| Ad valorem property taxes received | 5,267,815 | 5,201,822 |
| Federal and state grants | <u>24,524,619</u> | <u>23,960,238</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>54,612,278</u> | <u>55,850,785</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchases of capital assets | (10,340,682) | (6,299,767) |
| Proceeds from sales of capital assets | — | — |
| Capital appropriations received | 938,941 | 913,588 |
| Principal paid on capital leases and bonds | (1,836,585) | (5,519,517) |
| Interest paid on capital leases and bonds | (846,830) | (992,486) |
| Proceeds received from bond issue | <u>816,001</u> | <u>12,867,984</u> |
| Net Cash Used in Capital and Related Financing Activities | <u>(11,269,155)</u> | <u>969,802</u> |
| Cash Flows from Investing Activities | | |
| Sales and purchases of investments | 1,685,267 | (8,401,207) |
| Interest received on investments | <u>320,587</u> | <u>261,589</u> |
| Net Cash Provided by Investing Activities | <u>2,005,854</u> | <u>(8,139,618)</u> |
| Net Change in Cash and Cash Equivalents | (2,859,478) | 197,166 |
| Cash and Cash Equivalents at Beginning of Year | <u>24,557,924</u> | <u>24,360,758</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 21,698,446</u> | <u>\$ 24,557,924</u> |

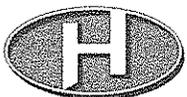


Oklahoma City Community College
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

(Continued)

| | 2012 | 2011 |
|---|-----------------------|-----------------------|
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | |
| Operating loss | \$(56,704,404) | \$(54,829,393) |
| Adjustments to reconcile operating loss to net cash used by | | |
| operating activities | | |
| Depreciation expense | 4,169,086 | 3,567,049 |
| On-behalf contributions for OTRS | 2,474,219 | 2,064,073 |
| Changes in operating assets and liabilities | | |
| Receivables, net | 984,306 | (404,895) |
| Inventories | 66,434 | (98,299) |
| Accounts payable and accrued liabilities | 990,121 | 873,505 |
| Compensated absences | 87,243 | 25,214 |
| Other assets | 28,521 | (265,335) |
| Deferred revenue | <u>(303,981)</u> | <u>584,278</u> |
| Net Cash Used by Operating Activities | <u>\$(48,208,455)</u> | <u>\$(48,483,803)</u> |

| | 2012 | 2011 |
|--|----------------------|----------------------|
| Noncash Investing and Capital and Related Financing Activities | | |
| Principal and interest on capital debt paid by state agency on behalf of the College | <u>\$ 330,576</u> | <u>\$ 270,637</u> |
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 18,155,760 | \$ 18,023,124 |
| Restricted cash and cash equivalents | 621,962 | 896,503 |
| Noncurrent assets | | |
| Restricted cash and cash equivalents | <u>2,920,724</u> | <u>5,638,297</u> |
| | <u>\$ 21,698,446</u> | <u>\$ 24,557,924</u> |



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Oklahoma City Community College (the "College") is an associate degree granting institution established by an act of the Oklahoma State Legislature in 1972. The College's mission is to provide higher education primarily for people of central Oklahoma and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences, and public service activities. The College is under the governance of the Board of Regents for the Oklahoma City Community College (the Board of Regents), and is part of the Oklahoma System of Higher Education.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The College is a component unit of the state of Oklahoma and is included in the general purpose financial statements of the state as part of the higher education component unit.

The accompanying financial statements include the accounts of the College and the South Oklahoma City Area School District (the "District"), which are agencies of the state of Oklahoma. The District has been presented as a blended component unit because the District's governing body is substantially 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 have been prepared and can be obtained by contacting the College's Vice President for Business and Finance.

Discretely Presented Component Unit

The Oklahoma City Community College Foundation (the "Foundation") is a component unit of the College that should be discretely presented with the financial statements of the College. The Foundation has a fiscal year ended September 30. The Foundation is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the College as a whole, including both the College and the District.

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. The College has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Deposits and Investments

The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools. In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gains (losses) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

Inventories

Inventories consist of books and supplies held for resale at the bookstore, which are valued at the lower of cost (first-in, first-out basis) or market.

Student Accounts Receivable and Other Receivables

Accounts receivable consists of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Oklahoma. Student accounts receivable are carried at the unpaid balance of the original amount billed to students. Accounts receivable are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Student accounts receivable are written off for financial reporting purposes when deemed uncollectible. Recoveries of student accounts receivable previously written off are credited to the allowance for doubtful accounts when received.

A student account receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester.

Other receivables include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Other accounts receivable also include the distribution from the Oklahoma State Regents' endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority ("OCIA") for proceeds from the capital bond improvement program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Cash and Investments

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

Capital Assets

Capital assets are stated at cost or fair value if acquired by gift, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of \$500 or more and a useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value of a useful life of the structure are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets: generally 20 to 50 years for buildings, improvements, and infrastructure; 7-20 years for furniture and equipment; and 10 years for library materials. Routine repairs and maintenance are charged to operating expense in the year in which the expense occurs.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statements of net assets, and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net assets.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Use of Estimates

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

Net Assets

The College's net assets are classified as follows:



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Invested in capital assets, net of related debt

This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable

Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets – nonexpendable

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

Unrestricted net assets

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff. When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

The College, as a political subdivision of the State of Oklahoma, is exempt from all federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the College may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

Classification of Revenues

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

Operating revenues

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



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues (Continued)

Nonoperating revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state appropriations, governmental and other pass-through grants, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the 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 non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned or the College will not be able to recover collateral securities in the possession of an outside party. Generally, the College deposits its funds with the Office of the State Treasurer (OST) and those funds are pooled with funds of other state agencies and then, in accordance with statutory limitations, are placed in financial institutions or invested as the OST may determine, in the states' name. State statutes require the OST to ensure that all state funds are either insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The OST's responsibilities include receiving and collateralizing the deposit of State funds, investing State funds in compliance with statutory requirements, and maintaining adequate liquidity to meet the cash flow needs of the State and all its funds and agencies. If the College deposits funds directly with financial institutions, those funds must be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank in the College's name. Some deposits with the OST are placed in the OST's internal investment pool OK INVEST.

OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participants in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

are collateralized at 102% and, whereby, the collateral is held by a third party in the name of OST.

At June 30, 2012 and 2011, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|----------------------|----------------------|
| Deposits with the State Treasurer | \$ 21,298,415 | \$ 23,839,974 |
| U.S. financial institutions | 333,367 | 302,044 |
| Petty cash and change funds | 15,000 | 15,000 |
| | <u>\$ 21,646,782</u> | <u>\$ 24,157,018</u> |

At June 30, 2012, the bank balance of the College's deposits with the State Treasurer and U.S. Financial Institutions was \$21,298,415. Of funds on deposit with the OST, amounts invested in OK INVEST total \$5,798,386 in 2012 and \$4,798,401 in 2011.

For financial reporting purposes, deposits with the OST that are invested in OK INVEST are classified as cash equivalents. The distribution of deposits in OK INVEST are as follows:

| <u>OK INVEST Portfolio</u> | <u>Cost</u> | <u>Market Value</u> |
|-----------------------------------|---------------------|---------------------|
| U.S. agency securities | \$ 2,050,024 | \$ 2,056,050 |
| Money market mutual fund | 793,685 | 793,685 |
| Certificates of Deposit | 187,284 | 187,284 |
| Mortgage Backed Agency Securities | 2,559,318 | 2,719,168 |
| Municipal Bonds | 104,005 | 118,658 |
| Foreign Bonds | 29,179 | 29,179 |
| U.S. treasury obligations | 74,891 | 93,431 |
| Totals | <u>\$ 5,798,386</u> | <u>\$ 5,997,455</u> |



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

| <u>OK INVEST Portfolio</u> | <u>Cost</u> | <u>Market Value</u> |
|-----------------------------------|---------------------|---------------------|
| U.S. agency securities | \$ 1,752,544 | \$ 1,766,594 |
| Money market mutual fund | 527,558 | 527,558 |
| Certificates of Deposit | 226,567 | 226,567 |
| Tri-party repurchase agreements | 323,801 | 323,801 |
| Mortgage Backed Agency Securities | 1,740,624 | 1,817,498 |
| Municipal Bonds | 95,642 | 103,571 |
| Foreign Bonds | 17,840 | 17,840 |
| Commercial Paper | 44,596 | 44,600 |
| U.S. treasury obligations | 69,229 | 82,029 |
| Totals | <u>\$ 4,798,401</u> | <u>\$ 4,910,058</u> |

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

Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the OST information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State of Oklahoma, the Federal Deposit Insurance Corporation or any other government agency.

Investments

Investments are recorded at fair value, as determined by quoted market prices.

At June 30, 2012 and 2011, the College had the following investments:

| Investment | 2012 | 2011 |
|--|----------------------|----------------------|
| State Treasurer's Internal Investment Pool | \$ 5,817,067 | \$ 7,456,589 |
| Other investments | | |
| Bond funds- | | |
| U.S. Treasury money market mutual funds | 3,753,813 | 3,799,458 |
| Prudential Financial, Inc. stock | 413,838 | 543,395 |
| Oklahoma State Regents Endowment | 158,623 | 150,193 |
| | <u>\$ 10,143,341</u> | <u>\$ 11,949,635</u> |

The underlying collateral for amounts invested with the State Treasurer's internal investment pool is U.S. Treasury obligations and U.S. Agency obligations.

Investment maturities were as follows at June 30, 2012:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | | |
|--|----------------------|----------------------------------|---------------------|-------------|-------------|---------------|
| | | Not Applicable | Less Than One | One to Five | Six to Ten | More Than Ten |
| State Treasurer's Internal Investment Pool | \$ 5,817,067 | \$ 5,817,067 | \$ - | \$ - | \$ - | \$ - |
| Other investments | | | | | | |
| U.S. Treasury money market mutual funds | 3,753,813 | - | 3,753,813 | - | - | - |
| Prudential Financial, Inc. stock | 413,838 | 413,838 | | | | |
| Oklahoma State Regents Endowment | 158,623 | 158,623 | | | | |
| | <u>\$ 10,143,341</u> | <u>\$ 6,389,528</u> | <u>\$ 3,753,813</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Interest Rate Risk

The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. However, the majority of the investments are in mutual funds and investments guaranteed by the U.S. Government.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 3: Student Accounts Receivable

Accounts receivable consisted of the following at June 30, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| Student tuition and fees | \$ 3,010,621 | \$ 3,399,649 |
| Auxiliary enterprises and other operating activities | (51,642) | 18,835 |
| | <u>2,958,979</u> | <u>3,418,484</u> |
| Less: Allowance for doubtful accounts | (71,139) | (91,049) |
| Net student accounts receivable | <u>\$ 2,887,840</u> | <u>\$ 3,327,435</u> |

Note 4: Other Receivables

Other receivables consist of the following at June 30, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|-------------------------|-------------------|---------------------|
| Due from grantors | \$ 534,293 | \$ 759,764 |
| Taxes receivable | 21,051 | 36,211 |
| Other receivables | <u>22,422</u> | <u>4,030,368</u> |
| Total other receivables | <u>\$ 577,766</u> | <u>\$ 4,826,343</u> |



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Capital Assets

Capital asset activities for the year ended June 30, 2012 were as follows:

| | Year Ended June 30, 2012 | | | | Ending Balance |
|--------------------------------------|--------------------------|-----------------------|-----------------------|---------------------|----------------------|
| | Beginning Balance | Additions | Transfers | Retirements | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 2,937,133 | \$ - | \$ - | \$ - | \$ 2,937,133 |
| Construction in Progress | 3,965,624 | 11,770,556 | (5,500,266) | - | 10,235,914 |
| Total not being depreciated | <u>\$ 6,902,757</u> | <u>\$ 11,770,556</u> | <u>\$ (5,500,266)</u> | <u>\$ -</u> | <u>\$ 13,173,047</u> |
| Other capital assets | | | | | |
| Buildings and improvements | \$ 83,317,416 | \$ - | \$ 4,725,731 | \$ - | \$ 88,043,147 |
| Infrastructure | 5,508,466 | - | 774,535 | - | 6,283,001 |
| Furniture and equipment | 20,129,693 | 2,491,178 | - | (651,891) | 21,968,980 |
| Library materials | 5,573,742 | 401,654 | - | - | 5,975,396 |
| Total other capital assets | <u>114,529,317</u> | <u>2,892,832</u> | <u>5,500,266</u> | <u>(651,891)</u> | <u>122,270,524</u> |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | (29,323,885) | (2,196,511) | - | - | (31,520,396) |
| Infrastructure | (2,909,832) | (148,686) | - | - | (3,058,518) |
| Furniture and equipment | (11,983,745) | (2,036,236) | - | 539,123 | (13,480,858) |
| Library materials | (4,084,561) | (326,777) | - | - | (4,411,338) |
| Total accumulated depreciation | <u>(48,302,023)</u> | <u>(4,708,210)</u> | <u>-</u> | <u>539,123</u> | <u>(52,471,110)</u> |
| Other capital assets, net | <u>\$ 66,227,294</u> | <u>\$ (1,815,378)</u> | <u>\$ 5,500,266</u> | <u>\$ (112,768)</u> | <u>\$ 69,799,414</u> |
| Capital Asset Summary: | | | | | |
| Capital assets not being depreciated | \$ 6,902,757 | \$ 11,770,556 | \$ (3,697,733) | \$ - | \$ 13,173,047 |
| Other capital assets, at cost | <u>114,529,317</u> | <u>2,892,832</u> | <u>5,500,266</u> | <u>(651,891)</u> | <u>122,270,524</u> |
| Total cost of capital assets | 121,432,074 | 14,663,388 | 1,802,533 | (651,891) | 135,443,571 |
| Less accumulated depreciation | <u>(48,302,023)</u> | <u>(4,708,210)</u> | <u>-</u> | <u>539,123</u> | <u>(52,471,110)</u> |
| Capital Assets, net | <u>\$ 73,130,051</u> | <u>\$ 9,955,178</u> | <u>\$ 1,802,533</u> | <u>\$ (112,768)</u> | <u>\$ 82,972,461</u> |

At June 30, 2012 and 2011, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

| | 2012 | 2011 |
|--------------------------------|---------------------|---------------------|
| Equipment | \$ 4,246,260 | \$ 4,034,290 |
| Less: accumulated depreciation | <u>(3,199,321)</u> | <u>(2,907,825)</u> |
| | <u>\$ 1,046,939</u> | <u>\$ 1,126,465</u> |



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 5: Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2011 were as follows:

| | Year Ended June 30, 2011 | | | | |
|--------------------------------------|--------------------------|-----------------------|---------------------|--------------------|----------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 2,937,133 | \$ - | \$ - | \$ - | \$ 2,937,133 |
| Construction in Progress | 154,984 | 4,651,964 | (841,324) | - | 3,965,624 |
| Total not being depreciated | <u>\$ 3,092,117</u> | <u>\$ 4,651,964</u> | <u>\$ (841,324)</u> | <u>\$ -</u> | <u>\$ 6,902,757</u> |
| Other capital assets | | | | | |
| Buildings and improvements | \$ 82,828,234 | \$ - | \$ 489,182 | \$ - | \$ 83,317,416 |
| Infrastructure | 5,156,324 | - | 352,142 | - | 5,508,466 |
| Furniture and equipment | 18,844,456 | 2,489,490 | - | (1,204,253) | 20,129,693 |
| Library materials | 5,211,176 | 362,566 | - | - | 5,573,742 |
| Total other capital assets | 112,040,190 | 2,852,056 | 841,324 | (1,204,253) | 114,529,317 |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | (27,143,960) | (2,179,925) | - | - | (29,323,885) |
| Infrastructure | (2,776,694) | (133,138) | - | - | (2,909,832) |
| Furniture and equipment | (11,040,239) | (2,054,877) | - | 1,111,371 | (11,983,745) |
| Library materials | (3,774,081) | (310,480) | - | - | (4,084,561) |
| Total accumulated depreciation | <u>(44,734,974)</u> | <u>(4,678,420)</u> | <u>-</u> | <u>1,111,371</u> | <u>(48,302,023)</u> |
| Other capital assets, net | <u>\$ 67,305,216</u> | <u>\$ (1,826,364)</u> | <u>\$ 841,324</u> | <u>\$ (92,882)</u> | <u>\$ 66,227,294</u> |
| Capital Asset Summary: | | | | | |
| Capital assets not being depreciated | \$ 3,092,117 | \$ 4,651,964 | \$ (841,324) | \$ - | \$ 6,902,757 |
| Other capital assets, at cost | 112,040,190 | 2,852,056 | 841,324 | (1,204,253) | 114,529,317 |
| Total cost of capital assets | 115,132,307 | 7,504,020 | - | (1,204,253) | 121,432,074 |
| Less accumulated depreciation | <u>(44,734,974)</u> | <u>(4,678,420)</u> | <u>-</u> | <u>1,111,371</u> | <u>(48,302,023)</u> |
| Capital Assets, net | <u>\$ 70,397,333</u> | <u>\$ 2,825,600</u> | <u>\$ -</u> | <u>\$ (92,882)</u> | <u>\$ 73,130,051</u> |

Note 6: Deferred Revenue

Deferred revenue consisted of the following at June 30:

| | 2,012 | 2011 |
|--|---------------------|---------------------|
| Student tuition and fees | \$ 1,844,270 | \$ 1,965,610 |
| Auxiliary enterprises and other operating activities | 553,033 | 344,128 |
| Grants and contracts | 548,098 | 939,644 |
| Total deferred revenue | <u>\$ 2,945,401</u> | <u>\$ 3,249,382</u> |

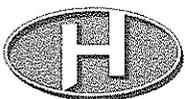


Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 7: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

| | Interest Rates (In %) | Maturity Through | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
|---|-----------------------------|---------------------|----------------------|--------------|----------------|-------------------|--------------------|
| Revenue bonds payable and capital leases | | | | | | | |
| Revenue bonds payable | | | | | | | |
| Student Facility, Series 2005 | 3.00-5.00 | 7/1/2026 | 8,000,000 | - | (370,000) | \$ 7,630,000 | 370,000 |
| Student Facility, Series 2006 | 3.50-4.00 | 7/1/2022 | 5,975,000 | - | (620,000) | 5,355,000 | 620,000 |
| Student Facility, Series 2010 | 2.25-5.00 | 7/1/2030 | 8,000,000 | - | (350,000) | 7,650,000 | 350,000 |
| Total revenue bonds payable | | | 21,975,000 | - | (1,340,000) | 20,635,000 | 1,340,000 |
| Capital lease obligations | | | | | | | |
| OCIA Series 2004A | | 8/1/2019 | 627,881 | - | (64,363) | 563,518 | 67,537 |
| OCIA Series 2005F | | 7/1/2030 | 9,982,535 | - | - | 9,982,535 | 487,506 |
| OCIA Series 2010A (Refunding) | | 7/1/2017 | 3,957,214 | - | - | 3,957,214 | - |
| OCIA Series 2010B (Refunding) | | 7/1/2014 | 1,427,944 | - | - | 1,427,944 | - |
| ODFA master lease 2009B | 1.00-2.00 | 11/15/2012 | 245,250 | - | (172,750) | 72,500 | 72,500 |
| ODFA MRP lease 2010A | .45-4.25 | 6/1/2040 | 4,007,750 | - | (87,083) | 3,920,667 | 88,333 |
| ODFA MRP lease 2010B | .72-5.00 | 11/15/2013 | 341,000 | - | (140,500) | 200,500 | 140,916 |
| OFDA Master Lease 2011C | .45-5.00 | 5/15/2014 | - | 645,000 | (150,417) | 494,583 | 257,167 |
| Total capital lease obligations | | | 20,589,574 | 645,000 | (615,113) | 20,619,461 | 1,113,959 |
| Total revenue bonds payable and capital lease obligations | | | 42,564,574 | 645,000 | (1,955,113) | 41,254,461 | 2,453,959 |
| Other liabilities | | | | | | | |
| Premium | | | 401,801 | 22,585 | (31,887) | 392,499 | 31,332 |
| Accrued compensated absences | | | 1,163,644 | 877,490 | (790,247) | 1,250,887 | 769,612 |
| Total other liabilities | | | 1,565,445 | 900,075 | (822,134) | 1,643,386 | 800,944 |
| Total long-term liabilities | | | \$ 44,130,019 | \$ 1,545,075 | \$ (2,777,247) | \$ 42,897,847 | \$ 3,254,903 |



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 7: Long-Term Liabilities (Continued)

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

| | Interest Rates (In %) | Maturity Through | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
|---|-----------------------------|---------------------|----------------------|----------------------|-----------------------|----------------------|---------------------|
| Revenue bonds payable and capital leases | | | | | | | |
| Revenue bonds payable | | | | | | | |
| Student Facility, Series 2000 | 4.30-5.55 | 7/1/2010 | \$ 300,000 | \$ - | \$ (300,000) | \$ - | \$ - |
| Student Facility, Series 2005 | 3.00-5.00 | 7/1/2026 | 8,360,000 | - | (360,000) | 8,000,000 | 370,000 |
| Student Facility, Series 2006 | 3.50-4.00 | 7/1/2022 | 6,270,000 | - | (295,000) | 5,975,000 | 620,000 |
| Student Facility, Series 2010 | 2.25-5.00 | 7/1/2030 | - | 8,000,000 | - | 8,000,000 | 350,000 |
| Total revenue bonds payable | | | 14,930,000 | 8,000,000 | (955,000) | 21,975,000 | 1,340,000 |
| Capital lease obligations | | | | | | | |
| OCIA Series 2004A | | 8/1/2019 | 689,234 | - | (61,353) | 627,881 | 64,363 |
| OCIA Series 2005F | | 7/1/2030 | 13,923,640 | - | (3,941,105) | 9,982,535 | - |
| OCIA Series 2010A (Refunding) | | 7/1/2017 | | 3,957,214 | - | 3,957,214 | - |
| OCIA Series 2010B (Refunding) | | 7/1/2014 | | 1,427,944 | - | 1,427,944 | - |
| ODFA master lease 2007C | 4.00-4.50 | 11/15/2010 | 72,916 | - | (72,916) | - | - |
| ODFA master lease 2008A | 4.00-4.625 | 5/15/2011 | 144,833 | - | (144,833) | - | - |
| ODFA master lease 2009B | 1.00-2.00 | 11/15/2012 | 420,455 | - | (175,205) | 245,250 | 172,750 |
| ODFA MRP lease 2010A | .45-4.25 | 6/1/2040 | - | 4,075,000 | (67,250) | 4,007,750 | 87,083 |
| ODFA MRP lease 2010B | .72-5.00 | 11/15/2013 | - | 413,000 | (72,000) | 341,000 | 140,500 |
| Total capital lease obligations | | | 15,251,078 | 9,873,158 | (4,534,662) | 20,589,574 | 464,696 |
| Total revenue bonds payable and capital lease obligations | | | 30,181,078 | 17,873,158 | (5,489,662) | 42,564,574 | 1,804,696 |
| Other liabilities | | | | | | | |
| Premium | | | 387,642 | 44,015 | (29,856) | 401,801 | 24,359 |
| Accrued compensated absences | | | 1,138,430 | 723,220 | (698,006) | 1,163,644 | 677,974 |
| Total other liabilities | | | 1,526,072 | 767,235 | (727,862) | 1,565,445 | 702,333 |
| Total long-term liabilities | | | <u>\$ 31,707,150</u> | <u>\$ 18,640,393</u> | <u>\$ (6,217,524)</u> | <u>\$ 44,130,019</u> | <u>\$ 2,507,029</u> |

Revenue Bonds

The Student Facilities Program Revenue Bonds, Series 2000 (the "2000 Bonds") were issued in the original amount of \$7,600,000. A total of \$5,165,000 was refunded by the Student Facilities Program Revenue Bonds (the "2006 Bonds") in fiscal year 2006. These bonds were paid in full during fiscal year 2011.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 7: Long-Term Liabilities (Continued)

Revenue Bonds (Continued)

The Student Facilities Program Revenue Bonds, Series 2005 (the "2005 Bonds") were issued in the original amount of \$10,000,000. Principal payments of \$305,000 to \$675,000 are due each July 1 through 2026. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees, the proceeds to be used to construct a Science, Engineering, and Math Center facility. The 2005 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes.

The Student Facilities Program Revenue Bonds, Refunding Series 2006 (the "2006 Bonds") were issued in the original amount of \$7,455,000. Principal payments of \$270,000 to \$645,000 are due each July 1 through 2022. The proceeds received from the 2006 Bonds were used to refund the 1993 Bonds in the amount of \$2,055,000, advance refund a portion of the 2000 Bonds in the amount of \$5,165,000, establish a Bond Fund Reserve and pay costs of issuance of the Bonds. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees. The 2006 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes. In conjunction with the refunding of said debt, an irrevocable trust was established with the trustee for the remaining payments required. At June 30, 2011, the 2000 Bonds have been fully retired. Payments will continue on the 2006 Bonds through 2022.

The Student Facilities Program Revenue Bonds, Series 2010 (the "2010 Bonds") were issued in the original amount of \$8,000,000. Principal payments of \$295,000 to \$550,000 are due each July 1 through 2030. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees, the proceeds to be used to construct a Performing Arts Theater. The 2010 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 7: Long-Term Liabilities (Continued)

Revenue Bonds (Continued)

At June 30, 2012, future aggregate maturities of principal and interest requirements on the College's various revenue bonds payable are as follows:

| Years Ending June 30: | | | |
|-----------------------|----------------------|---------------------|----------------------|
| 2013 | 1,320,000 | 780,276 | 2,100,276 |
| 2014 | 1,155,000 | 732,103 | 1,887,103 |
| 2015 | 1,135,000 | 690,976 | 1,825,976 |
| 2016 | 1,175,000 | 653,212 | 1,828,212 |
| 2017 | 1,215,000 | 612,603 | 1,827,603 |
| 2018-2022 | 6,755,000 | 2,362,231 | 9,117,231 |
| 2023-2027 | 5,810,000 | 1,044,976 | 6,854,976 |
| 2028-2031 | 2,070,000 | 185,938 | 2,255,938 |
| | <u>\$ 20,635,000</u> | <u>\$ 7,062,315</u> | <u>\$ 27,697,315</u> |

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

In September 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents allocated approximately \$1,200,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College. Lease principal and interest payments to OCIA totaling \$95,460 and \$95,517 during the years ended June 30, 2012 and 2011, respectively, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statements of revenues, expenses and changes in net assets.

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in 2010. The lease agreement no longer secures the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the lease through the year 2020. As a result, there are two amortization schedules, which have been combined, related to this one lease agreement.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately \$15,335,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be \$26,426,878. Payments will be made annually ranging from \$420,423 to \$1,104,109, by the State of Oklahoma on behalf of the



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 7: Long-Term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2010, the OCIA partially refinanced its Series 2005F Bonds by issuing two additional bonds, the 2010A and the 2010B bonds. As a result of this refinancing, the State Regents increased the indebtedness on behalf of the College by approximately \$1.4 million. The additional cost will be amortized by the College as interest expense through fiscal year 2016 at the rate of \$240,675 per year.

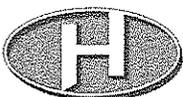
Through June 30, 2012, the College has drawn down all of its total allotment, including \$249,834 during the year ended June 30, 2011 for expenses incurred in connection with the specific projects. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the College's policy. The College has fully expended its allotment as of June 30, 2011. Lease payments to OCIA totaling \$205,116 and \$175,120 during the years ended June 30, 2012 and 2011, respectively, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statements of revenues, expenses and changes in net assets.

ODFA Master Lease Obligations

On December 1, 2006, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2006C in the amount of \$688,000. Total lease payments over the term of the agreement, beginning December 15, 2006 through November 15, 2009, are \$741,935. Payments are made monthly ranging from \$20,577 to \$20,660. This obligation was repaid in full during the fiscal year ended June 30, 2011.

On December 5, 2007, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2007C in the amount of \$505,000. Total lease payments over the term of the agreement, beginning December 15, 2007 through November 15, 2010, are \$545,736. Payments are made monthly ranging from \$15,063 to \$15,167. Proceeds from the obligation were used for various capital projects, along with the issuance costs of the obligation. This obligation was repaid in full during the fiscal year ended June 30, 2011.

On September 3, 2008, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2008A in the amount of \$424,000. Total lease payments over the term of the agreement, beginning October 15, 2008 through May 15, 2011, are \$461,439. Payments are made monthly ranging from \$13,783 to \$16,560. Proceeds from the obligation were used for various capital projects, along with the issuance costs of the obligation. This obligation was repaid in full during the fiscal year ended June 30, 2011.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 7: Long-Term Liabilities (Continued)

ODFA Master Lease Obligations (Continued)

On December 9, 2009, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2009B in the amount of \$511,000. Total lease payments over the term of the agreement, beginning January 15, 2010 through November 15, 2012, are \$528,034. Payments are made monthly ranging from \$14,754 to \$15,847. Proceeds from the obligation were used for various capital projects, along with the issuance costs of the obligation.

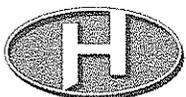
On September 15, 2010, the College entered into a capital lease obligation for the ODFA Master Revenue Bonds, Series 2010A in the amount of \$4,075,000. Total lease payments over the term of the agreement, beginning October 15, 2010 through May 15, 2040, are \$6,947,413. Payments are made monthly ranging from \$19,314 to \$23,111. Proceeds from the obligation will be used for construction of the new Performing Arts Theater, along with the issuance costs of the obligation.

On December 16, 2010, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2010B in the amount of \$413,000. Total lease payments over the term of the agreement, beginning January 15, 2011 through November 15, 2013 are \$437,508. Payments are made monthly ranging from \$12,280 to \$12,957. Proceeds from the obligation were used for various capital projects, along with the issuance costs of the obligation.

On November 9, 2011, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2011C in the amount of \$645,000. Total lease payments over the term of the agreement, beginning December 15, 2011 through May 15, 2014 are \$688,604. Payments are monthly ranging from \$22,852 to \$23,248. Proceeds from the obligation were used for various capital projects, along with the issuance costs of the obligation.

Future minimum lease payments under all capital lease obligations are as follows:

| Years Ending June 30: | Principal | Interest | Total |
|-----------------------|----------------------|---------------------|----------------------|
| 2013 | \$ 1,113,959 | \$ 910,399 | \$ 2,024,358 |
| 2014 | 1,802,952 | 872,154 | \$ 2,675,106 |
| 2015 | 1,551,985 | 811,936 | \$ 2,363,921 |
| 2016 | 1,533,324 | 742,803 | \$ 2,276,127 |
| 2017 | 1,604,021 | 675,226 | \$ 2,279,247 |
| 2018-2022 | 2,961,509 | 2,670,693 | \$ 5,632,202 |
| 2023-2027 | 4,760,597 | 1,924,253 | \$ 6,684,850 |
| 2028-2032 | 3,754,113 | 718,931 | \$ 4,473,044 |
| 2033-2037 | 908,083 | 251,472 | \$ 1,159,555 |
| 2038-2040 | 628,917 | 53,472 | \$ 682,389 |
| | <u>\$ 20,619,460</u> | <u>\$ 9,631,339</u> | <u>\$ 30,250,799</u> |



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 8: Retirement Plans

The College's academic and non-academic personnel are covered by various retirement plans. One plan available to College personnel is the Oklahoma Teachers' Retirement System, which is a cost-sharing multiple employer defined benefit pension plan administered by the State of Oklahoma. The College also sponsors a Supplemental Retirement Plan, which is a single-employer public-employee retirement system which was approved in 1971.

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to the Oklahoma Teachers' Retirement System ("OTRS"), which is a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members.

Plan Description (Continued)

The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy

The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5%, is applied to annual compensation, and is determined by state statute. The contribution rate was 9.5% in fiscal year 2011 and 9.0% for first half of 2010 and 9.5% in the last half of fiscal year 2010.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2012, 2011, and 2010. These contributions were made directly by the College for 2012, 2011 and 2010.

The College's contributions to OTRS for the years ended June 30, 2012, 2011, and 2010, were approximately \$3,195,000, \$3,011,000, and \$2,920,000, respectively, equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2012, 2011 and 2010, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 8: Retirement Plans (Continued)

The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2012, 2011 and 2010, the total amounts contributed to OTRS by the State of Oklahoma on behalf of the College were approximately \$2,474,000, \$2,064,000 and \$1,793,000, respectively. These on-behalf payments have been recorded as non-operating state appropriations revenues and operating compensation and employee benefits expenses in the statements of revenues, expenses and changes in net assets.

Defined Contribution Plan

All full-time employees are eligible for the Defined Contribution Plan after ninety (90) days of employment with the College. The College contributes a discretionary 4.50% of the participants' regular annual salary provided the participants contribute a minimum of 1.50% of their regular annual salary.

Funding Policy

The College contributed approximately \$962,000, \$955,000, and \$966,000 respectively, for the years ended June 30, 2012, 2011, and 2010. Prior to January 1, 2009 Plan participants were responsible for selecting a qualified program for their Defined Contribution Plan contributions. However, due to a change in IRS regulations, the College made a decision to choose a single provider for contributions and ING was selected as the sole provider effective January 1, 2009. All contributions are now electronically transmitted to ING on a monthly basis. Participants continue to be responsible, however, for monitoring the performance of their individual accounts.

Note 9: Related Party Transactions

The College and South Oklahoma City Area School District (the District) provide higher education instruction and post secondary vocational (Vo-tech Ed) related services to their respective students. The District is governed by the Board of Trustees and by law consists of the same individuals, with the exception of the Treasurer as the Board of Regents for the College. There are no restrictions governing the College with respect to student enrollment. Generally, an in-District student will also participate in non-District courses offered by the College, such that the students are common to both entities. The District levies ad valorem taxes on owners of real property to provide funding for Vo-tech Ed.

The operation levy was 5.08 mills for both years ended June 30, 2012 and 2011, collectible on December 31 and March 31 each year by the Oklahoma County Treasurer. Additionally, an incentive levy of 2.5 mills was assessed for the year ended June 30, 2012, which was also collectible on December 31 and March 31 each year. The cost of providing the respective instruction and related services is to be borne by each entity. Pursuant to the terms of the agreement, the District allocated the College \$5,200,000 and \$5,200,000 in 2012 and 2011, respectively, to provide technical education to District students.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 9: Related Party Transactions (Continued)

These amounts have been eliminated in the accompanying financial statements as inter-fund transfers. Ad valorem taxes received by the District for the years ended June 30, 2012 and 2011, totaled approximately \$5,246,000 and \$5,201,000 respectively.

Since its inception in 1970, the District has constructed buildings and purchased equipment which is leased to the College for instructional and other ancillary purposes at a cost of \$1 per year. The book value of the leased property at June 30, 2012 and 2011 was approximately \$2,577,000 and \$2,890,000, respectively. The lease is for a period of one year and was renewed July 1, 2012. Maintenance, insurance, and operating costs related thereto are paid for by the College.

Oklahoma City Community College Foundation

The Oklahoma City Community College Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, bequests, and payment of services for the benefit of the College. During the years ended June 30, 2011 and 2010, the Foundation awarded scholarships to College students totaling approximately \$118,000 and \$75,000, respectively. Goods and services were provided on behalf of the College of approximately \$99,000 and \$117,000, for the years ended June 30, 2011 and 2010, respectively.

Note 10: Commitments and Contingencies

The College participates in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantors agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time although it is believed by the College that the amount, if any, would not be significant.

The College participates in the Federal Family Education Loan Program (the "Program"), which includes the Federal Stafford Loan Program and the Federal Parents Loans for Undergraduate Students Program. The Program does not require the College to draw down cash; however, 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 years ended June 30, 2012 and 2011, approximately \$18,190,000 and \$22,494,000, respectively, of program loans were provided to College students.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2012 or 2011 that management believes would result in a material loss to the College in the event of an adverse outcome.



Oklahoma City Community College
Notes to Financial Statements
June 30, 2012 and 2011

Note 11: Risk Management

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property damage, workers' compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

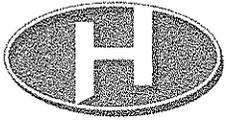
The College is self-insured for unemployment liabilities. Payments are made to the State Employment Security Commission on a claims paid basis. No reserve for potential liability for unemployment claims has been established. Any such liability would be paid from current operations.

NOTE 12: Accounting Standards Issued Not Yet Adopted

In 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. GASB No. 59 provides updates and improvements to existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. Management has determined that this Statement will have no effect on the University's financial condition or results of operations.

The College participated in the Federal Family Education Loan Program (the "Program"), which includes the Federal Stafford Loan Program and the Federal Parents Loans for Undergraduate Students Program, which were replaced during fiscal year 2011 by the Federal Direct Student Loan Program. The College is required to perform certain administrative functions under the Federal Direct Student Loan Program including drawing down available funds for student loans and disbursing these funds to the students. Failure to perform these administrative functions in accordance with the rules and regulations established by the U.S. Department of Education could result in the College being required to reimburse the loans to the U.S. Department of Education.





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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 Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

We have audited the financial statements of Oklahoma City Community College (the College) as of June 30, 2012, and for the year then ended, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with generally accepted auditing standards 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

Management of Oklahoma City Community College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Oklahoma City Community College'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 expressing an opinion on the effectiveness of Oklahoma City Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City Community College's internal control over financial reporting.

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

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 deficiencies, 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.

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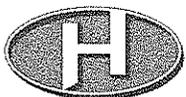
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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 Board of Regents, management, others within the entity, and the United States Department of Education, and is not intended to be, and should not be, used by anyone other than these specified parties.

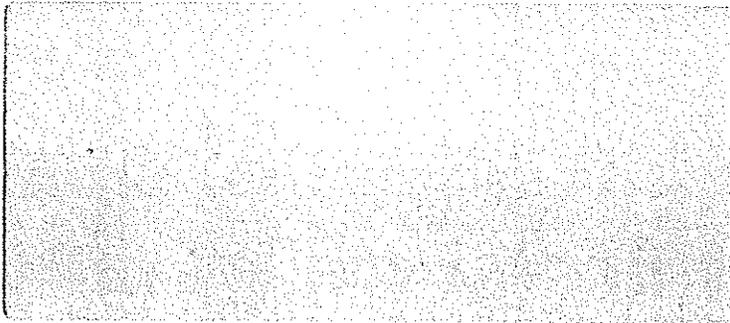
H. White & Company, PC

Tulsa, Oklahoma
October 12, 2012



EXHIBIT





Karen J. Tucker

Certified Public Accountant



**Oklahoma City Community
College Foundation
FINANCIAL STATEMENT &
INDEPENDENT AUDITOR'S REPORT
September 30, 2011 & 2010**

Oklahoma City Community College Foundation
(A Non-Profit Organization)

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Years Ending September 30, 2011 and 2010

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Karen J. Tucker, CPA

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Independent Auditor's Report

To: Board of Trustees
Oklahoma City Community College Foundation
7777 S. May Avenue
Oklahoma City, OK 73159

We have audited the accompanying Statement of Financial Position arising from cash transactions of Oklahoma City Community College Foundation (Foundation) as of September 30, 2011 and 2010, and the related Statement of Activities of revenue collected and expenses paid and Cash Flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 3, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Foundation as of September 30, 2011 and its revenue collected and expenses paid during the years then ended, on the basis of accounting described in Note 3.

Karen J. Tucker, CPA

October 1, 2012

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Statement of Financial Position
Years Ending September 30, 2011 and 2010

| ASSETS | 2011 | 2010 |
|---|-----------------|-----------------|
| Cash & Cash Equivalents | | |
| Cash (Note 5) | \$ 2,327,361.69 | \$ 1,675,501.26 |
| Total Cash & Cash Equivalents | \$ 2,327,361.69 | \$ 1,675,501.26 |
| Investments | | |
| Retirement Investments (Notes 4 & 7) | 169,007.10 | 171,339.73 |
| Total Investments | 169,007.10 | 171,339.73 |
| Total Current Assets | \$ 2,496,368.79 | \$ 1,846,840.99 |
| Fixed Assets | | |
| Equipment, Net of Depreciation (Note 8) | 0.00 | 0.00 |
| TOTAL ASSETS | \$ 2,496,368.79 | \$ 1,846,840.99 |
| NET ASSETS | | |
| Temporarily Restricted | \$ 2,369,497.67 | \$ 1,722,197.09 |
| Unrestricted | 126,871.12 | 124,643.90 |
| TOTAL NET ASSETS | \$ 2,496,368.79 | \$ 1,846,840.99 |

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Statement of Activities
Years Ending September 30, 2011 and 2010

| | 2011 | | | 2010 |
|---|---------------------------|----------------------|------------------------|------------------------|
| | Temporarily Restricted | Unrestricted | Total | Total |
| Receipts, Donations, and Other Support | | | | |
| Theater (Note 10) | \$ 516,409.43 | | \$ 516,409.43 | \$ 553,048.07 |
| Theater WOS Art (Note 10) | 13,145.00 | | 13,145.00 | 0.00 |
| Theater Best Seat (Note 10) | 18,614.88 | | 18,614.88 | 35,188.68 |
| OKC-Go Program | 265.00 | | 265.00 | 1,190.00 |
| Scholarships (Note 11) | 118,395.97 | | 118,395.97 | 86,371.18 |
| Special Projects (Note 12) | 201,084.61 | | 201,084.61 | 129,084.87 |
| Donated Services (Note 13) | | 6,000.00 | 6,000.00 | 4,100.00 |
| Unrestricted (Other) | | 25,087.18 | 25,087.18 | 23,750.85 |
| Net Assets Released from Restrictions | | | | |
| Restrictions satisfied by Payments | (218,281.68) | 218,281.68 | 0.00 | 0.00 |
| Total Donations, Gains and Other Support: | <u>\$ 649,633.21</u> | <u>\$ 249,368.86</u> | <u>\$ 899,002.07</u> | <u>\$ 832,733.65</u> |
| Disbursements: | | | | |
| OKC-Go Program (Note 9) | | \$ 4,255.58 | \$ 4,255.58 | \$ 628.49 |
| Scholarships (Note 11) | | 77,107.54 | 77,107.54 | 74,643.69 |
| Special Projects (Note 12) | | 98,833.69 | 98,833.69 | 117,452.01 |
| Theater Campaign (Note 10) | | 38,084.87 | 38,084.87 | 0.00 |
| Bank Service Charges | | 5,825.60 | 5,825.60 | 6,062.79 |
| Credit Card Fees | | 199.74 | 199.74 | 297.00 |
| Depreciation | | 0.00 | 0.00 | 301.03 |
| Donated Services (Note 13) | | 6,000.00 | 6,000.00 | 4,100.00 |
| Unrestricted (Other) | | 27,357.81 | 27,357.81 | 15,490.04 |
| Total Disbursements: | <u>\$ -</u> | <u>\$ 257,664.83</u> | <u>\$ 257,664.83</u> | <u>\$ 218,975.05</u> |
| Change in Net Assets Before Other Income/(Expenses): | <u>\$ 649,633.21</u> | <u>\$ (8,295.97)</u> | <u>\$ 641,337.24</u> | <u>\$ 613,758.60</u> |
| Other Income(Expenses): | | | | |
| Interest Income | | 10,523.19 | 10,523.19 | 2,894.84 |
| Dividend Income | | | | |
| Retirement Investment (Note 12) | 3,872.94 | | 3,872.94 | 3,750.21 |
| Realized Gain/Loss - Investment | | | | |
| Retirement Investment (Note 12) | | | 0.00 | 0.00 |
| Unrealized Change in Value - Investment | | | | |
| Retirement Investment (Note 12) | (6,205.57) | | (6,205.57) | 15,411.37 |
| Change in Net Assets | <u>\$ 647,300.58</u> | <u>\$ 2,227.22</u> | <u>\$ 649,527.80</u> | <u>\$ 635,815.02</u> |
| Net Assets at Beginning of Year | <u>1,722,197.09</u> | <u>124,643.90</u> | <u>1,846,840.99</u> | <u>1,211,025.97</u> |
| Net Assets at End of Year | <u>\$ 2,369,497.67</u> | <u>\$ 126,871.12</u> | <u>\$ 2,496,368.79</u> | <u>\$ 1,846,840.99</u> |

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Statement of Cash Flows
Years Ending September 30, 2011 and 2010

| | 2011 | 2010 |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase/(Decrease) in Net Assets | \$ 641,337.24 | \$ 613,758.60 |
| Adjustments to reconcile increase/(decrease) in net assets to cash provided by operating activities: | | |
| Depreciation | 0.00 | 301.03 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 641,337.24 | \$ 614,059.63 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Income | 10,523.19 | 2,894.84 |
| NET CASH USED BY INVESTING ACTIVITIES | \$ 10,523.19 | \$ 2,894.84 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| None | - | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | - | - |
| NET INCREASE (DECREASE) IN CASH | \$ 651,860.43 | \$ 616,954.47 |
| CASH and CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,675,501.26 | 1,058,546.79 |
| CASH and CASH EQUIVALENTS AT END OF YEAR | \$ 2,327,361.69 | \$ 1,675,501.26 |

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010

Note 1: Nature of Organization

The Oklahoma City Community College Foundation (Foundation) is a nonprofit organization organized in 1997 and obtained 501(C)(3) status on April 23, 1998 from the State of Oklahoma. The Foundation is located at 7777 South May Avenue, Oklahoma City, OK 73159-4444. The mission of the Foundation is to benefit, support and enhance the development and priorities of the Oklahoma City Community College (OCCC). The primary purposes of the Foundation are to fund scholarships to students attending OCCC and to provide resources to supplement college operations. The efforts of the Foundation are to generate funds which shall be in alignment with the academic needs and priorities of OCCC. The Foundation shall ensure integrity to meet donor expectations.

Note 2: Basis of Presentation

The Foundation follows the requirements of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 117, *Financial Statement of Not-For-Profit Organizations*. Under FASB Statement No. 117, the Foundation is reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- a. Permanently Restricted net assets are those that were given to the Foundation where the principal and any earnings are restricted for a particular use as designated by the donor.
- b. Temporarily Restricted net assets are those that were given to the Foundation where the principal and any earnings expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor.
- c. Unrestricted net assets are those, not included in the above categories, given to the Foundation where the principal, as well as earnings, can be used by the Foundation for whatever purpose the Foundation determines. Donor-restricted resources intended for capital projects are released and reclassified as unrestricted support when spent.

Note 3: Basis of Accounting

The Foundation prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States of America.

Separate accounts are maintained for each fund; however, the accompanying financial statements have been prepared on a basis which shows the financial position and changes in net assets of the Foundation in total. Funds with similar characteristics have been combined for financial statement presentation.

Interest income is recognized as unrestricted income on the cash basis.

Per Foundation investment policy (Note 4), funds may be commingled with other funds for investment purposes with the appropriate pro rata share of earnings going to their respective funds. Dividend income is recognized on the cash basis with the appropriate pro rata share of earnings going to their respective funds.

If financials were presented on the basis of generally accepted accounting principles (GAAP), there would be no significant differences.

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010

Note 4: Summary of Significant Accounting Policies

Financial Management Policies were approved at board meeting held on October 25, 2000. In August 2009, amended policy to include the Director of Development as authorized signer on account. Policies include:

- a. Board approval for any purchase or expenditure of \$5,000 or more, except as budgeted;
- b. All disbursements over \$1,500 are required to have two (2) of the following authorized signatures; President, Treasurer, Executive Director or Director of Development of the Foundation. Upon position change of authorized signatures, a new bank signature card shall be completed/updated;
- c. The Executive Director and/or Director of Development has signature authority on disbursements upto \$1,500; and
- d. An Annual Operating Budget shall be presented to the Foundation Board for approval on an annual basis.

Plan of Work is prepared and approved by board on an annual basis.

Investments were held in Retirement Investment Advisors Accounts. Investments held at year end are recorded at their fair market values as of September 30, 2011.

The investment policy statement was approved by board on March 8, 2006. The purpose investment policy statement is to establish a clear understanding between the Board, the Investment Committee, Fund Managers, if any, and any outside advisors. The written investment policy allows the Board and Committee to clearly establish the prudence and diversification standards they want the investment process to maintain. The effect of the written policy is to increase the likelihood that the funds managed pursuant to this policy will be able to meet the use of the funds intended by the donors and/or the financial needs of the Foundation.

An Investment Policy was presented by Investment Committee and approved by the board on October 7, 1999. Investment Committee is authorized to manage funds until it is deemed appropriate to designate a money manager. Policy includes but not limited to asset allocation, prohibited assets classes and transactions, evaluation and performance criteria, investment guidelines, spending policy, types of funds and earnings allocation. Investment policy statement may be amended from time to time at the discretion of the Board of Trustees of the Foundation. Types of Funds specifically noted in original policy are:

- a. The Quasi Endowment Fund represents a pool of funds set aside by the Foundation to create institutional savings. The principal may be invaded. The fund can be commingled with other endowment funds for investment purposes, with the appropriate pro rata share of earning going to funds as specified.
- b. The Equipment Endowment Fund represents a pool of gifts for the Foundation given by donors for the specific purpose of buying equipment for the College from earnings. The principal cannot be invaded. The fund can be commingled with other endowment funds for investment purposes, with the appropriate pro rata share of earning going to buy equipment.

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010

- c. The Scholarship Endowment Fund represents a pool of gifts for the Foundation given by donors for the specific purpose of awarding scholarships to students from earnings. The principal cannot be invaded. The fund can be commingled with other endowment funds for investment purposes, with the appropriate pro rata share of earning going to scholarships.
- d. The Library Endowment Fund represents a pool of gifts for the Foundation given by donors for the specific purpose of providing support for the College library from earnings. The principal cannot be invaded. The fund can be commingled with other endowment funds for investment purposes, with the appropriate pro rata share of earning going to the College library.
- e. The Unrestricted Fund represents a pool of funds given to the Foundation where the principal, as well as earnings, can be used by the Foundation for whatever purpose the Foundation determines.
- f. The Restricted Fund represents a pool of funds given to the Foundation where the principal and any earnings are restricted for a particular use as designated by the donor. Separate amounts may be restricted for various purposes within this fund.

Note 5: Checking and Money Market Accounts

The Foundation has a checking account and a money market account, which both are held at Coppermark Bank. The accounts are covered by F.D.I.C. insurance upto \$250,000. Balance in each account at September 30, 2011 is:

Checking Account - \$423,720.25 Money Market Account - \$1,903,641.44

Note 6: Cash for Scholarships Held in Bursar's Office

The Foundation makes checks payable to OCCC for student scholarships. At times students do not complete the semester in which they are awarded the scholarships or students are in the military and had to be deployed during semester. The Bursar's office does not return money to Foundation, but instead holds money in an account. The balance held in the Bursar's office at September 30, 2011 is as follows:

| | |
|----------------------|--------------------|
| Fall 2009 Semester | \$ 748.00 |
| Spring 2010 Semester | \$ 700.00 |
| Fall 2010 Semester | <u>\$ 686.40</u> |
| Total | <u>\$ 2,134.40</u> |

**Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010**

Fair Value Measurements

Accounting Standards Codification Topic 820, *Fair Value Measurements* (ASC 820), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the market value of the assets net of the investment management fee, of each sub-account and the number of outstanding units.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Within the fair value hierarchy, the Foundation's investments fair value as of September 30, 2011 is as follows:

| | <u>LEVEL 1</u> | <u>LEVEL 2</u> | <u>LEVEL 3</u> | <u>TOTAL</u> |
|--------------|----------------|----------------|----------------|--------------|
| Mutual Funds | \$169,007.10 | --0-- | --0-- | \$169,007.10 |

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010

Note 8: Assets/Equipment

The Foundation purchased equipment and software and is using the following depreciation/amortization methods.

Equipment totaling \$16,269 was purchased at various times. Assets were depreciated over 5 years using the Doubling Declining method. Equipment is fully depreciated.

Software totaling \$1,949.84 was purchased on 04/17/2007. Software was amortized over 3 years using the Straight-Line method. Software is fully amortized.

Note 9: Contingent Liabilities

OKC-Go Program: Scholarships are approved but not paid until approximately a year later. Scholarships are approved to allow students to get all necessary supplies to begin course work. Payments are made to OCCC after all the student's funds/grants/scholarships are exhausted in each semester. The estimated contingent liability for the school year 2010-2011 is as follows:

| | |
|----------------------|--------------------|
| Fall 2010 Semester | \$ 2,216.20 |
| Spring 2011 Semester | \$ 871.96 |
| Summer 2011 Semester | \$ 60.96 |
| Fall 2011 Semester | <u>\$ 4,674.78</u> |
| TOTAL: | <u>\$ 7,823.90</u> |

Note 10: Theater Campaign

In 2007, the Foundation launched a campaign to raise money to build a theater for OCCC. As of September 30, 2011, balances are as follows:

| | <u>2011</u> | <u>2010</u> |
|----------------------------|------------------------|------------------------|
| Theater Campaign | \$ 1,521,597.63 | \$ 1,043,273.07 |
| Theater Campaign-Best Seat | \$ 88,352.54 | \$ 69,737.66 |
| Theater Campaign-WOS Art | <u>\$ 13,145.00</u> | <u>\$ 0.00</u> |
| Total | <u>\$ 1,623,095.17</u> | <u>\$ 1,113,010.73</u> |

Note 11: "SCHOLARSHIP" Donations and Disbursements by Name/Category

| NAME | 2011 | | 2010 | |
|-------------------------------|-----------|---------------|-----------|---------------|
| | DONATIONS | DISBURSEMENTS | DONATIONS | DISBURSEMENTS |
| Alejandro Sanchez Scholarship | 2,065.00 | 0.00 | 0.00 | 0.00 |
| Alumni Association Fund | 1,400.00 | 0.00 | 0.00 | 0.00 |
| Bartlett Fund | 500.00 | 500.00 | 0.00 | 500.00 |
| Black Student Association | 390.00 | 500.00 | 140.00 | 0.00 |

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010

| | | | | |
|---------------------------|----------------------|---------------------|---------------------|---------------------|
| Bobby D. Gaines | 64.61 | 300.00 | 65.00 | 300.00 |
| Bode Nursing | 340.00 | 2,296.40 | 1,130.50 | 1,805.40 |
| Bruce Owen | 5.00 | 0.00 | 0.00 | 300.00 |
| Burkhalter | 500.00 | 0.00 | 0.00 | 1,000.00 |
| Calhoun Nursing | 4,155.00 | 0.00 | 1,454.00 | 1,500.00 |
| Carl Albert Film & Video | 0.00 | 0.00 | 0.00 | 1,500.00 |
| Chesapeake | 10,000.00 | 10,500.00 | 10,000.00 | 9,000.00 |
| Connie Nieser | 2,156.39 | 1,600.00 | 2,062.00 | 1,600.00 |
| Cynthia Williams Nursing | 5,350.00 | 0.00 | 0.00 | 0.00 |
| Endowment Fund | 0.00 | 0.0 | 1,000.00 | 0.00 |
| Engineering | 5,000.00 | 1,000.00 | 7,500.00 | 500.00 |
| Faculty Association | 6,104.22 | 7,000.00 | 6,186.20 | 5,087.32 |
| Gamef | 25,000.00 | 21,000.00 | 25,000.00 | 19,400.00 |
| Holton Music | 200.00 | 0.00 | 200.00 | 500.00 |
| HOPE | 990.00 | 250.00 | 2,543.98 | 500.00 |
| Intl Student Association | 422.20 | 0.00 | 0.00 | 0.00 |
| Jack Cain | 350.00 | 0.00 | 583.76 | 0.00 |
| Jaronek-Schribner | 1,000.00 | 1,000.00 | 0.00 | 0.00 |
| Key Edwards | 480.00 | 0.00 | 480.00 | 360.39 |
| Kayla Fessler | 90.00 | 500.00 | 0.00 | 500.00 |
| Language Scholarship | 0.00 | 0.00 | 500.00 | 500.00 |
| Larry D. Golden | 1,720.00 | 300.00 | 1,830.00 | 300.00 |
| Larry Lundy Memorial | 1,951.00 | 0.00 | 0.00 | 0.00 |
| Lee Ann Hall | 1,972.00 | 400.00 | 1,005.00 | 0.00 |
| Linda Thornton | 320.00 | 250.00 | 480.00 | 0.00 |
| Marion Paden | 10,188.00 | 0.00 | 0.00 | 0.00 |
| Mary Ann Merz | 100.00 | 300.00 | 60.00 | 300.00 |
| Matt Skvaria | 244.63 | 0.00 | 240.00 | 0.00 |
| Metro Auto | 5,000.00 | 0,000.00 | 5,000.00 | 4,500.00 |
| Moore Service League | 0.00 | 1,000.00 | 1,500.00 | 1,500.00 |
| Nursing | 3,467.50 | 3,550.00 | 797.00 | 527.00 |
| Robert P. Todd Leadership | 738.00 | 500.00 | 1,490.00 | 500.00 |
| Rutledge Scholarship | 1,100.00 | 168.79 | 1,250.00 | 1,929.36 |
| Schwab Memorial | 0.00 | 0.00 | 0.00 | 962.61 |
| Sechrist | 2,283.46 | 1,000.00 | 2,281.76 | 2,700.00 |
| Sharon Robinson | 0.00 | 150.00 | 0.00 | 150.00 |
| Student | 17,730.36 | 17,745.35 | 11,592.00 | 16,121.62 |
| Susan Clowers Memorial | 0.00 | 300.00 | 0.00 | 300.00 |
| Thurman | 5,000.00 | 0.00 | 0.00 | 0.00 |
| TOTALS: | \$ 118,395.97 | \$ 77,107.54 | \$ 86,371.18 | \$ 74,643.69 |

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010

Note 12: "SPECIAL PROJECTS" Donations and Disbursements by Name/Catetory

| NAME | 2011 DONATIONS | 2011 DISBURSEM TS | 2010 DONATIONS | 2010 DISBURSEM TS |
|---------------------------------------|----------------------|-------------------------|----------------------|-------------------------|
| AD Astra | \$ 10,000.00 | \$ 10,000.00 | \$ 10,000.00 | \$ 10,000.00 |
| Arts Festival | 8,070.00 | 9,877.36 | 8,378.00 | 15,135.05 |
| Arts & Humanities | 1,091.08 | 0.00 | 420.00 | 0.00 |
| Biology Dept. | 3,975.00 | 0.00 | 4,122.00 | 0.00 |
| Biotech Fund | 0.00 | 0.00 | 0.0 | 171.25 |
| Business Division | 86.00 | 0.00 | 360.00 | 0.00 |
| Child Development | 1,000.00 | 0.00 | 0.00 | 0.00 |
| Community Develop. Fund | 10,000.00 | 5,573.51 | 0.00 | 0.00 |
| Cultural Projects | 5,508.68 | 6,677.48 | 2,251.25 | 746.75 |
| Cultural (Adastra) | 5,000.00 | 5,000.00 | 0.00 | 0.00 |
| Cultural (Kilpatrick/Ad Astra) | 0.00 | 8,129.17 | 15,000.00 | 14,568.32 |
| Cultural Series | 0.00 | 800.00 | 0.00 | 0.00 |
| Facility Assn Oper Fund | 330.00 | 64.30 | 7,458.32 | 146.45 |
| Film Creativity | 0.00 | 0.00 | 0.00 | 16.22 |
| Film & Video (Kilpatrick/Reynolds) | 50,000.00 | 50,802.33 | 75,209.05 | 75,477.21 |
| Film & Video Program | 0.00 | 46.31 | 0.00 | 0.00 |
| Film Project 06/Student | 0.00 | 200.00 | 0.00 | 0.00 |
| Ground & Landscaping | 275.00 | 0.00 | 255.00 | 0.00 |
| Health Professions Division | 992.50 | 118.23 | 1,322.50 | 116.40 |
| Health Professions Div-EMS | 81.25 | 0.00 | 75.00 | 0.00 |
| Institute Global Excellence | 235.68 | 0.00 | 233.75 | 0.00 |
| Information Technology Div | 723.08 | 0.00 | 1,550.00 | 743.84 |
| Nursing Expense Fund | 50.00 | 650.00 | 500.00 | 0.00 |
| Performing Theater Art Gallery | 68.00 | 0.00 | 1,000.00 | 0.00 |
| Regents Tree Project | 2,950.00 | 0.00 | 0.00 | 0.00 |
| Science Dept. | 100.00 | 500.00 | 0.00 | 0.00 |
| Science/Health Labs | 468.34 | 0.00 | 905.00 | 0.00 |
| Security Life | 0.00 | 0.00 | 0.00 | 26.00 |
| Social Sciences Div. | 80.00 | 0.00 | 45.00 | 0.00 |
| Steinway Piano | 100,000.00 | 0.00 | 0.00 | 0.00 |
| TV New Lab Grant | 0.00 | 395.00 | 0.00 | 0.00 |
| Women's Career Program | 0.00 | 0.00 | 0.00 | 304.52 |
| TOTALS: | \$ 201,084.61 | \$ 98,833.69 | \$ 129,084.87 | \$ 117,452.01 |

Oklahoma City Community College Foundation
(A Non-Profit Organization)
Notes to Financial Statements
Years Ending September 30, 2011 and 2010

Note 13: Donated and Reduced-Fee Services

Contributed services are reported in the financial statements for voluntary donations of services when those services: (1) Create or enhance non-financial assets; or (2) Require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by the donation.

Quarterly Financial Statements as well as Federal and State Income Tax Returns (Form 990 & Form 512-E) are prepared and donated by David Greenwell (Prior Treasurer). Auditing services were provided by Karen J. Tucker, CPA at a reduced fee. The estimated fair value of these donated services was \$6,000.

Additionally, a number of volunteers have donated significant amounts of time to the Foundation in various capacities. However, these services have not been recognized, inasmuch as such services either do not require specialized skills or would not typically be purchased had they not been provided by donation. The value of these services is not readily determinable.

Note 14: Federal Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code and corresponding provisions of Oklahoma law and, accordingly, is not subject to federal or state income taxes. There are no unrelated business activities that would trigger a tax liability. The tax years ending 2008, 2009, 2010 and 2011 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductible to donors under code section 170 of the internal revenue code.

Note 15: Subsequent Events

Subsequent events have been evaluated through October 1, 2012, which is the date the financial statements were available to be issued. No events occurred up to October 1, 2012, that required a change to the financial statements.

Events occurring after that date have not been evaluated to determine whether a change in the financial statement would be required.



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**Independent Auditors' Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133
and the Schedule of Expenditures of Federal Awards**

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

Compliance

We have audited Oklahoma City Community College's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of the College based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Oklahoma City Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Internal Control over Compliance

The management of Oklahoma City Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oklahoma City Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oklahoma City Community 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.

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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Oklahoma City Community College as of and for the year ended June 30, 2012, and have issued our report thereon dated October 14, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hill & Company, PC

Tulsa, Oklahoma
October 14, 2012



**Oklahoma City Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

| Federal Grantor/Pass-through Grantor/ Program Title | CFDA Number | Amount Expended |
|---|----------------|--------------------|
| U.S. Department of Education | | |
| Student Financial Aid Cluster | | |
| Federal Pell Grant | 84.063 | \$ 20,492,260 |
| Federal Work Study | 84.033 | 253,831 |
| Federal Supplemental Education Opportunity Grant | 84.007 | 329,643 |
| Federal Family Education Loans | 84.032 | 231,266 |
| Federal Direct Student Loan Program | 84.268 | 18,163,979 |
| College Access Challenge Grant | 84.378A | <u>60,148</u> |
| Total Student Financial Aid | | <u>39,531,127</u> |
| Other Programs | | |
| U.S. Department of Education | | |
| Upward Bound | 84.047 | 323,739 |
| TRIO Student Support Services | 84.042A | 236,898 |
| U.S. Department of Education Pass-Through | | |
| State of Oklahoma Office of the Governor | | |
| ARRA Stimulus Funds | 84.394 ARRA | 12,791 |
| U.S. Department of Education Pass-Through | | |
| Oklahoma State Department of Education | | |
| Adult Education & Family Literacy Act | 84.002 | 578,007 |
| ESL / Civics | 84.002 | 95,096 |
| Speech / Language Pathology Program | 84.027 | 91,621 |
| U.S. Department of Education Pass-Through | | |
| Oklahoma Department of Career and Technology Education | | |
| Office of Vocational and Adult Education | | |
| Basic Grants to States – Carl D Perkins | 84.048 | 71,023 |
| Basic Grants to States – Carl D Perkins – Consortium | 84.048 | 163,797 |
| Metro Tech Soar | 84.243 | 6,149 |
| Moore Norma Tech Prep Focus | 84.243 | 4,108 |
| Oklahoma State Regents for Higher Education | | |
| Tech-Prep Education | 84.243 | <u>7,146</u> |
| Total U. S. Department of Education – Other Programs | | <u>1,590,375</u> |
| U.S. Department of Health and Human Services Pass Through | | |
| Oklahoma Department of Human Services | | |
| Child Development – DHS Daycare Reimbursement | 93.575 | 79,684 |
| Child Development – DHS Scholars for Excellence | 93.575 | 73,293 |
| Administration for Children and Families | | |
| OSHRE – | | |
| TANF | 93.558 | 119,481 |
| Career Transition Project – Pass-through Entity ID – 633 | 93.558 | 303,108 |
| U.S. Department of Agriculture Pass Through | | |
| Food and Nutrition Service – Oklahoma Department of Education | | |
| Child and Adult Care Food Program | 10.558 | 26,927 |
| U.S. Department of Housing – Pass Through / HUD | | |
| Special Project Grant | 14.251 | 49,675 |

continued



**Oklahoma City Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

(Continued)

| Federal Grantor/Pass-through Grantor/ Program Title | CFDA Number | Amount Expended |
|---|----------------|----------------------|
| National Science Foundation Pass - Through | | |
| University of Tulsa | | |
| UT/NSF Forensics Education Partnership | 47.076 | 6,631 |
| UT/NSF South Africa Team Project | 47.076 | 2,431 |
| Cyber Security Ed Cons | 47.076 | 7,660 |
| Cyber Watch Phase II (Prince George CC) | 47.076 | 3,159 |
| UCO/STEM Double Bridge Liaison | 47.076 | 2,003 |
| | | |
| U. S. Department of Labor | | |
| Pass-Through Program from: | | |
| Traditional Leadership Academy | 17.261 | 48,324 |
| Community Based Job Training Grant | 17.269 | 372,814 |
| Trade-Adjustment Career Training | 17.282 | 6,817 |
| | | |
| National Institute of Health | | |
| Pass-Through Program From: | | |
| Regents of University of Oklahoma Health Science & Technology | | |
| Idea Networks of Biomedical Research Excellence | 93.389 | 58,072 |
| Clinical Equipment – HRSA | 93.887 | 15,166 |
| Pass-Through Program From: | | |
| East Central University | | |
| NIH-ECU Minority | 93.389 | <u>14,628</u> |
| | | |
| Total Expenditures of Federal Awards | | <u>\$ 42,311,375</u> |



Oklahoma City Community College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1: Summary of Significant Accounting Policies

The schedule of expenditures of federal awards includes the federal awards activity of Oklahoma City Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Federal Family Education Loan Program

The College participates in the Federal Family Education Loan Program (the FFEL Program), CFDA Number 84.032, which includes the Federal Stafford Loan Program and Federal Parents Loans for Undergraduate Students. The FFEL Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies.

Note 3: Subrecipients

During the year ended June 30, 2012, the College did not provide any federal awards to subrecipients.



**Oklahoma City Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. The College's major program was:

| Cluster/Program | CFDA Number |
|-----------------------|---|
| Student Financial Aid | 84.007, 84.033, 84.032, 84.063 84.268, 84.375 |

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined by OMB Circular A-133.

9. The College qualifies as a low-risk auditee as that term is defined by OMB Circular A-133.



**Oklahoma City Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

(Continued)

Findings Required to be Reported by Government Auditing Standards

No matter are reportable.

Findings Required to be Reportable by OMB Circular A-133

No matters are reportable.



Oklahoma City Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Findings Required to be Reported by Government Auditing Standards

Finding 2011-1

Condition

The College did not reconcile their Bursar credit card account receivable line item on a monthly basis, nor was the receivable reconciliations reviewed by someone outside the Bursar's office.

Criteria

Internal controls over transaction accounting and financial reporting should include such policies and procedures that provide reasonable assurance that allows management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Cause

The reconciliation of the Bursar credit card account receivable did not occur nor was the receivable being reviewed by someone outside the Bursar's office. This allowed the receivable reconciliation to go unreconciled for an extended period of time.

Recommendation

The College should modify the policies and procedures to require monthly reconciliations of accounts and sub-ledgers and those reconciliations should be reviewed by someone other than the preparer in order to ensure the reconciliations are being completed timely and correctly.

Management Comment

Management agrees with the finding and effective September 2011, has modified the policies and procedures to provide for the monthly reconciliation of the Bursar credit card account receivable and the review of the monthly reconciliation by financial accounting staff outside the Bursar's office and will ensure the reconciliations are completed in a timely fashion.

Status

The College has fully implemented the auditors' recommendation and put in place internal controls that will require the monthly reconciliations and review processes.

