TULSA COMMUNITY COLLEGE
(A COMPONENT UNIT OF THE STATE OF OKLAHOMA)

FINANCIAL STATEMENTS
June 30, 2016 and 2015

TULSA COMMUNITY COLLEGE
(A COMPONENT UNIT OF THE STATE OF OKLAHOMA)
Tulsa, Oklahoma

FINANCIAL STATEMENTS
June 30, 2016 and 2015

CONTENTS

OFFICE OF THE PRESIDENT & CEO
LEIGH B. GOODSON, Ph.D.

Tulsa Community College
Annual Financial Report
Year Ended June 30, 2016

Members of the Board of Regents:

I am pleased to submit to you and the citizens of Tulsa County the Annual Financial Report for fiscal year 2016. This document presents the record of the College's financial operations.

Tulsa Community College provides outstanding higher education opportunities for students in Tulsa and the surrounding area through credit, transfer, workforce development, concurrent enrollment, and continuing education, including more than 165 degree and certification programs. TCC serves approximately 26,000 students in college credit coursework annually.

Tulsa Community College conferred degrees on its 46th graduating class in May 2016. Degree completion continues to be a priority at TCC. A total of 2,142 graduates completed degrees or certificates during the 2015-2016 academic year. As one of Oklahoma's three largest higher education providers, TCC enrolls one of the largest first-time entering classes each fall (surpassed only by the University of Oklahoma and Oklahoma State University), admits the largest number of concurrent enrollment students taking college classes while still in high school, and leads the state in online/distance learning enrollments each year.

TCC welcomed 3,412 first-time entering college students in fall 2015. In total, 4,702 TCC students entered college for the first time during the 2015-2016 academic year. Of those, 1,847 entered as Tulsa Achieves students. Since 2007, nearly 14,000 high school graduates have entered college as part of Tulsa Achieves.

Tulsa Community College consistently ranks among the top community colleges in the nation for granting degrees in key areas such as health professions, business, management, marketing, education and communications. TCC is 3rd in the nation for granting degrees to Native Americans and holds national ranking as a diversity leader for engagement and outreach to students from other minority and ethnic backgrounds.

TCC is a leader among Oklahoma's colleges and universities. For example, TCC is the largest producer of transfer students in Oklahoma, with 75 transfer degree paths from an associate degree completed at TCC to a bachelor's degree from one of Oklahoma's colleges and universities.

As the state's leader in the number of students who are concurrently enrolled in college classes while still in high school, TCC reports more than 2,200 students taking advantage of concurrent enrollment each year. Distance learning at TCC continues to be a popular option for students striving to merge college, work, and family. More than 14,770 students took an online class last year and of the more than 165 degree and certificate programs offered at TCC, well over half are offered 50% or more online.

TCC is a key resource in responding to the workforce preparation needs of Tulsa's business community, with 27 percent of our students choosing to enroll in one of numerous workforce development programs. The most popular areas of study include nursing, allied health and business and information technologies. A robust collection of STEM-related degrees makes TCC a vital resource in preparing graduates for Oklahoma's growing science, technology, biotechnology, engineering, and aviation/aerospace sectors. Approximately 51 percent of TCC students are over 21 years of age, and many of those look to TCC for retraining in preparation for a different career.

TCC offers an enriched and diverse academic environment designed to meet student needs. As part of the College commitment to develop the whole student, student engagement with the community has become a priority. TCC has encouraged students to engage in service learning as part of their college experience since 1994. In the years since, TCC students have contributed thousands of hours each year in community service to organizations in the Tulsa area. Tulsa Achieves students, who are required to perform 40 hours of community service annually to maintain program eligibility, have given more than 529,500 hours as volunteers in the community since 2007.

The TCC Foundation stands as one of the College's most valued friends. The Foundation provides more than $1 million in support of students, faculty and staff each year. Foundation scholarships help students in a variety of academic areas, including art, business, engineering, honors, music, nursing, science, theatre, and veterinary technology. Much of that funding comes from the Foundation's annual Vision in Education Leadership Award Dinner. The 2016 Vision Dinner honored Congressman Tom Cole who has championed education in Oklahoma at both the state and national level. This year's event raised more than $300,000 to provide resources for scholarships, development opportunities and learning experiences.

In conclusion, I would like to express my appreciation to the community, members of the TCC Board of Regents, trustees of the TCC Foundation and members of TCC's faculty and staff for their ongoing support of Tulsa Community College.

Sincerely

Leigh Goodson

Leigh B. Goodson, Ph.D.
President and CEO

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Tulsa Community College (the College), a component unit of the state of Oklahoma, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Tulsa Community College, as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, the Schedule of the College's Proportionate Share of the Net Pension Liability on page 50 and the Schedule of the College's Contributions on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Introductory Section* is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
October 31, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

This report consists of Management's Discussion and Analysis, the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on Tulsa Community College.

The objective of the Management's Discussion and Analysis is to help readers of the College's financial statements better understand the financial position and operating activities for the fiscal years ended June 30, 2016 and 2015. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Comparative information for the year ended June 30, 2014 has been provided in a few select instances.

STATEMENT OF NET POSITION

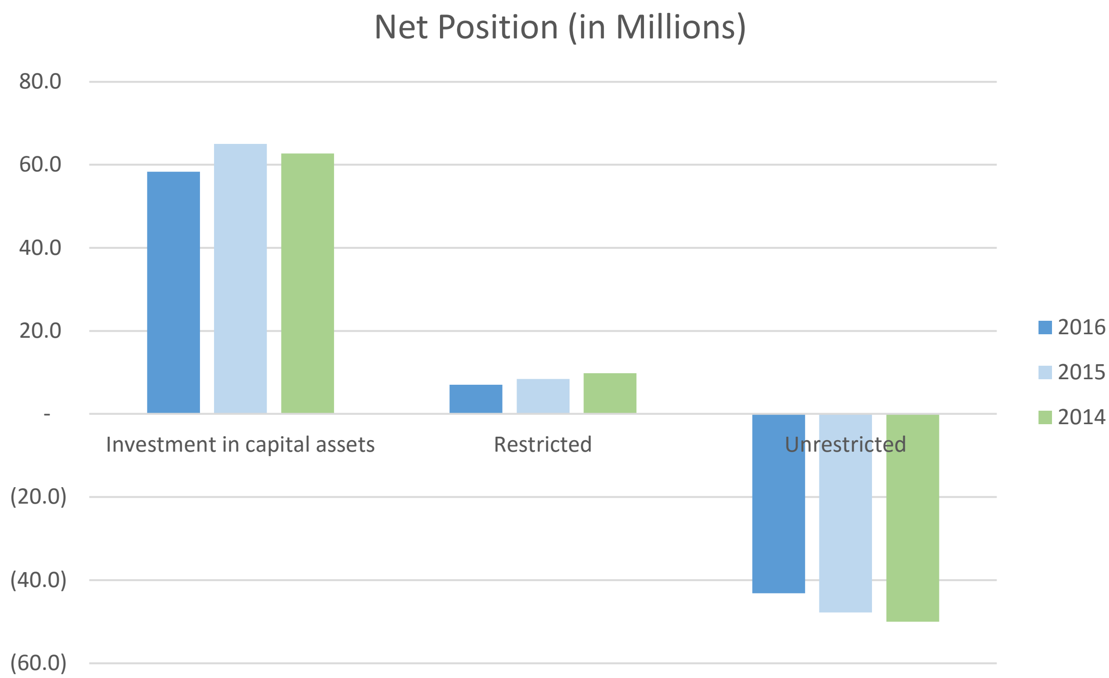
The Statement of Net Position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) as of the end of the fiscal years audited. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions.

Net position - the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources - is one way to measure the College's financial health, or position. Over time, changes in the College's net position are an indicator of its overall financial health. Non-financial factors are also important to consider, including student recruitment, enrollment, and retention and the condition of campus facilities.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant, and equipment, net of related debt. The next category, restricted assets, provides the College's assets that must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Unrestricted assets are available to the College for any lawful purpose of the institution.

The College's financial position, as a whole, declined during the fiscal year ended June 30, 2016. Net position decreased approximately $3.5 million from June 30, 2015 to June 30, 2016.

(Continued)



The following table summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2016, 2015 and 2014 (in millions):

Statement of Net Position

	2016	2015	2014 (as restated)
Assets			
Current assets	$ 48.8	$ 54.7	$ 55.4
Noncurrent assets:			
Capital assets, net	100.5	99.3	104.0
Other	7.3	5.9	6.8
Total assets	156.6	159.9	166.2
Deferred Outflows of Resources	15.6	6.9	6.6
Liabilities			
Current liabilities	14.4	15.4	16.7
Noncurrent liabilities	126.7	107.2	133.6
Total liabilities	141.1	122.6	150.3
Deferred Inflows of Resources	9.0	18.6	-
Net Position			
Net investment in capital assets	58.3	65.0	62.7
Restricted	7.0	8.4	9.8
Unrestricted	(43.2)	(47.8)	(50.0)
Total net position	$ 22.1	$ 25.6	$ 22.5

(Continued)

Total assets of the College decreased $3.3 million from June 30, 2015. College's non-restricted cash and cash equivalents for the current year totaled $33.5 million compared to $36.5 million in the prior year. Note 2 of the financial statements can provide additional information regarding Cash and cash equivalents asset activities and balances Deposits with the State Regents for the current year totaled $3.6 million compared to $3.8 million in the prior. Note 12 of the financial statements can provide additional information regarding Deposits with the State Regents asset activities and balances.

Total liabilities of the College increased $18.5 million from June 30, 2015. $16.0 million of the increase was related to the unfavorable change in the net pension liability from July 1, 2015 to June 30, 2016. Note 6 of the financial statements can provide additional information regarding the net pension liability with OTRS. There was also new debt issued in fiscal year 2016 leading to an increase in noncurrent liabilities. Note 5 of the financial statements can provide additional information regarding long-term liabilities activities and balances.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position is used to display the sources and uses of funds of the college during the fiscal year. This information must be viewed over a period of time to determine if the goals of the institution are being met. Public institutions will normally not have an excess of operating revenues over operating expenses as state appropriations are considered non-operating revenues under generally accepted accounting principles.

Statement of Revenue, Expenses, and Changes in Net Position

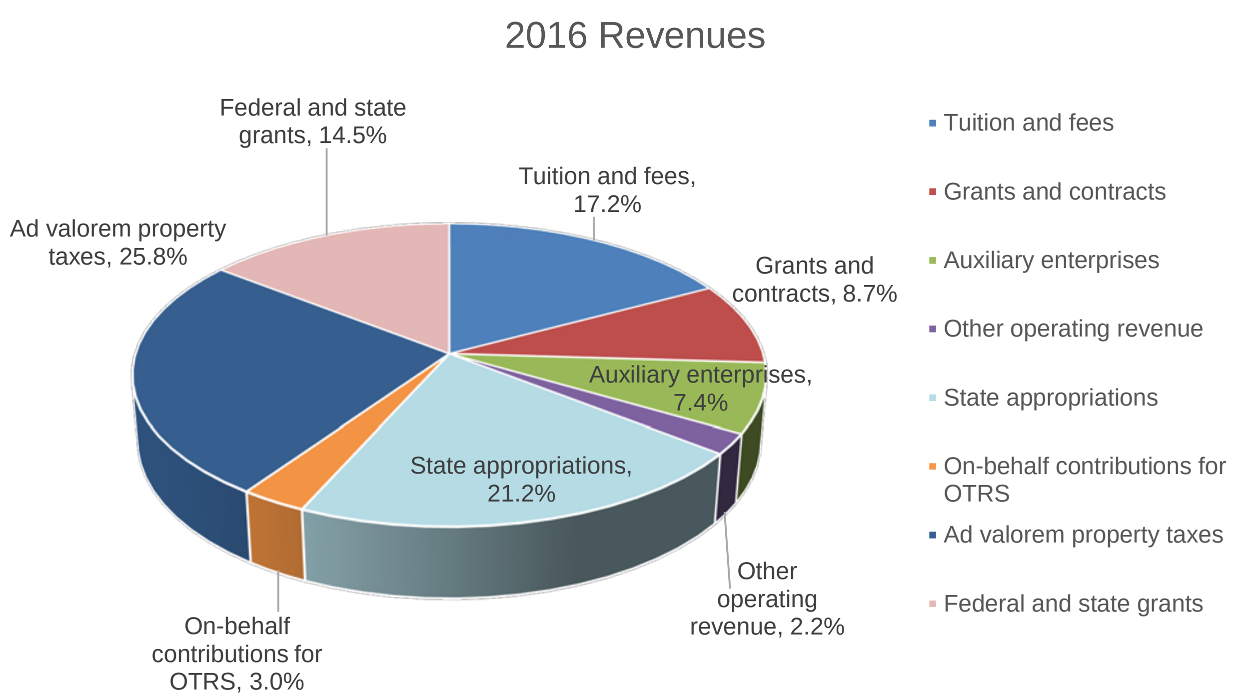
	2016	2015	2014
Operating revenues	$ 53.8	$ 54.1	$ 55.4
Operating expenses	156.1	155.8	166.1
Operating loss	(102.3)	(101.7)	(110.7)
Non-operating revenues & expenses	95.6	101.1	101.8
Loss before other appropriations	(6.7)	(0.6)	(8.9)
Other appropriations	3.2	3.7	2.5
Increase (decrease) in net position	$ (3.5)	$ 3.1	$ (6.4)

(Continued)

STATEMENT OF REVENUES

The following table and chart illustrate the revenue streams for the College. To highlight the major sources: 21% is comprised of state appropriations; 26% is ad valorem taxes; 15% is non-operating federal and state grants and contracts; and 36% is operating revenue including tuition and fees, auxiliary services and operating federal and state grants and contracts for the year ended June 30, 2016. The College continues to make revenue diversification an ongoing priority, along with cost containment. This is necessary as the College continues to face significant financial pressure with flat state budget projections, increased compensation and benefit costs, and volatile technology, energy, and water prices.

	2016	2015	2014
Operating Revenues			
Tuition and fees	$ 26.0	$ 25.5	$ 24.1
Grants and contracts	13.3	12.7	14.3
Auxiliary enterprises	11.2	12.9	13.5
Other operating revenue	3.3	3.0	3.5
Total Operating Revenues	53.8	54.1	55.4
Non-operating Revenues			
State appropriations	32.0	36.9	36.9
On-behalf contributions for OTRS	4.5	4.0	4.5
Ad valorem property taxes	39.0	37.3	36.3
Federal and state grants	22.6	25.1	25.9
Investment loss, net	(0.7)	(0.3)	0.1
Non-operating Revenues	97.4	103.0	103.7
Total Revenues	$ 151.2	$ 157.1	$ 159.1

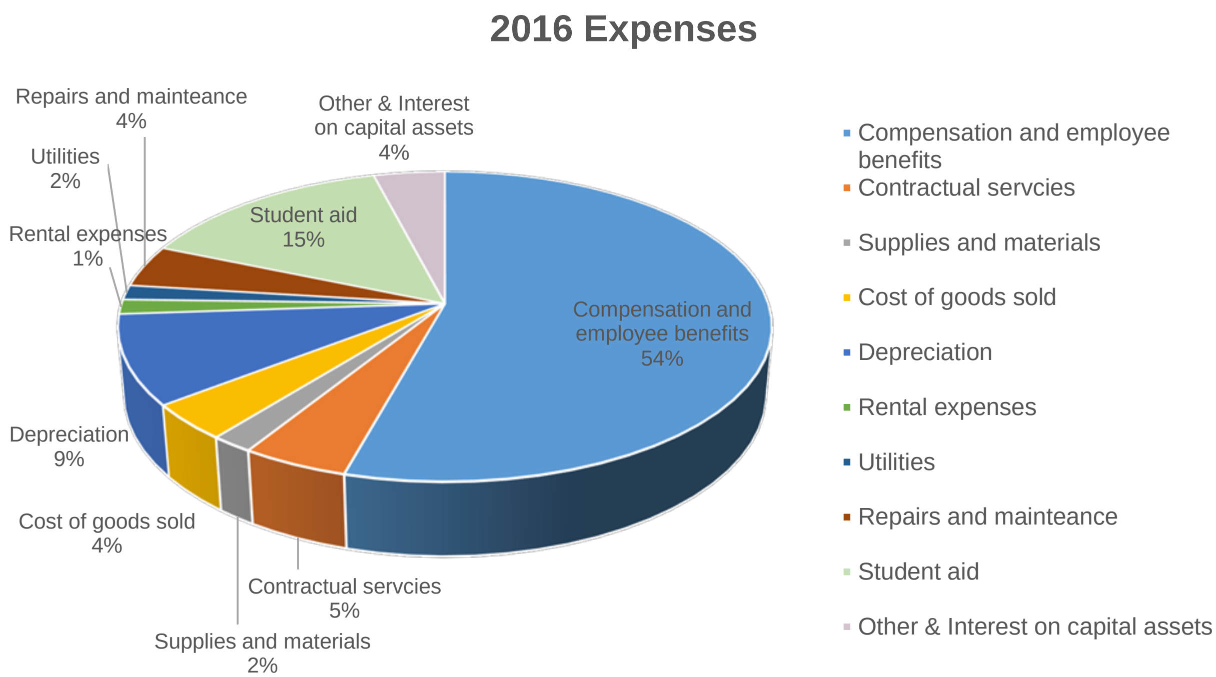


(Continued)

STATEMENT OF EXPENSES

A summary of the College's expenses, for the years ended June 30, 2016, 2015 and 2014, can be viewed below. Compensation and employee benefits accounted for approximately 54% of total expenses compared to 55% of total expenses for the prior year.

	2016	2015	2014
Operating Expenses			
Compensation and employee benefits	$ 85.8	$ 86.2	$ 95.2
Contractual services	7.3	6.1	7.0
Supplies and materials	2.9	4.4	5.2
Cost of goods sold	6.0	7.0	6.8
Depreciation	14.8	10.1	10.0
Rental expenses	2.4	2.3	1.4
Utilities	2.4	2.7	2.7
Repairs and maintenance	6.9	6.5	6.5
Student aid	23.1	25.8	26.4
Other	4.5	4.7	4.9
Total Operating Expenses	156.1	155.8	166.1
Nonoperating Expenses			
Interest on capital-related debt	1.9	1.9	2.0
Total Expenses	$ 158.0	$ 157.7	$ 168.1



(Continued)

STATEMENT OF CASH FLOWS

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the College during the year. It also aids in the assessment of the College's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The College's overall liquidity decreased during the current year, with a net decrease to cash and cash equivalents of $6.6 million. The decrease is related to a decrease in revenue streams (state appropriations, grants, and auxiliary enterprises), as well as an increase in compensation and benefits for employees. The following table summarizes the College's cash flows for the years ended June 30, 2016, 2015 and 2014:

	2016	2015	2014
Cash provided (used) by:			
Operating activities	$ (87.5)	$ (93.0)	$ (96.7)
Noncapital financing activities	93.8	99.3	99.1
Capital and related financing activities	(10.6)	(6.3)	(6.9)
Investing activities	(2.3)	0.8	0.3
Net change in cash	(6.6)	0.8	(4.2)
Cash and equivalents, beginning of the year	42.2	41.4	45.6
Cash and equivalents, end of the year	$ 35.6	$ 42.2	$ 41.4

Cash used by operating activities during fiscal year 2016 of $87.5 million decreased $5.5 million (5.9%) when compared to the prior year ($93.0 million). Major sources of operating funds were tuition and fees ($26.3 million), grants and contracts ($12.9 million) and auxiliary enterprises ($11.2 million), which were offset by the payment of compensation and benefits ($82.8 million) and payment to suppliers and other operating payments ($54.3 million).

Cash provided by noncapital financing activities during fiscal year 2016 of $93.8 million decreased by $5.5 million (5.5%) compared to the prior year ($99.3 million). Major sources of noncapital financing activities were state appropriations ($32.0 million), Ad valorem property taxes received ($39.1 million) and Federal and state grants ($22.6 million).

Cash used in capital and related financing activities during fiscal year 2016 of $10.6 million decreased $4.3 million (68.2%) when compared to the prior year ($6.3 million). The major source of capital and related financing activities was capital appropriations received ($1.2 million) and bond proceeds ($6.2 million), which was offset by purchases of capital assets ($13.1 million) and principal and interest payments on capital debt and leases ($3.8 million).

Cash used by investing activities during fiscal year 2016 of $2.3 million decreased $3.1 million when compared to cash provided in the prior year ($0.8 million).

(Continued)

ECONOMIC OUTLOOK

Management believes that the College has a solid financial foundation by which to continue accomplishing its mission of improving our community through intellectual achievement, creative energy, and responsible citizenship of its students, faculty and staff by their engagement in teaching, learning and service opportunities that transform and enrich lives. Our financial foundation permits us to further our commitment to providing innovative, flexible and affordable public higher education that responds to a dynamic global environment. The College is not without its challenges, in the past several years there has been a significant shift in economic conditions which have caused changes in the revenue streams Tulsa Community College uses as operational funding sources. First, the College has sustained enrollment declines due largely to improved economy as the College’s enrollment is countercyclical to the local economy. Secondly, the College has seen the softening and in the near term uncertainty in state operating appropriations due to Oklahoma budget shortfalls. However, in light of these challenges management believes that Tulsa Community College is well positioned to continue its focus through strategic investments that continue to improve student success in the form of better retention and graduation rates.

ACKNOWLEDGEMENTS

The College's financial statements are the responsibility of the College's management. The preparation of the College's financial statements was made possible by the dedicated service of the Controller Office personnel and others who have our sincere appreciation.

TULSA COMMUNITY COLLEGE
STATEMENTS OF NET POSITION
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ 33,503,697	$ 36,511,739
Cash and cash equivalents – restricted (Note 2)	2,107,436	5,364,251
Investments (Note 2)	500,000	-
Investments – restricted (Note 2)	1,626,939	1,826,486
Accounts receivable, net (Note 3)	6,614,254	6,883,427
Federal and state grants receivable	1,733,622	1,615,024
Delinquent ad valorem property taxes receivable	900,000	900,003
Inventories	1,751,939	1,644,716
Total current assets	48,737,887	54,745,646
Noncurrent assets		
Cash and cash equivalents – restricted (Note 2)	-	374,366
Investments (Note 2)	2,748,792	-
Investments – restricted (Note 2)	986,976	1,702,374
Deposits with the State Regents (Note 12)	3,560,139	3,763,845
Net pension asset – SRP	22,728	22,728
Non-depreciable capital assets (Note 4)	12,566,765	6,779,053
Depreciable capital assets, net (Note 4)	87,904,873	92,528,525
Total noncurrent assets	107,790,273	105,170,891
Total assets	156,528,160	159,916,537
Deferred Outflows of Resources		
Deferred refunding costs	519,610	800,721
Deferred pension expense – OTRS (Note 6)	15,147,535	6,058,918
Total deferred outflows of resources	15,667,145	6,859,639
Total assets and deferred outflows of resources	$ 172,195,305	$ 166,776,176
Liabilities		
Current liabilities		
Accounts payable	$ 2,123,395	$ 5,340,301
Accrued liabilities	2,592,640	1,381,424
Accrued compensated absences	1,350,515	1,431,494
Interest payable	81,865	104,546
Unearned revenues	2,689,196	2,675,024
Long term liabilities – current portion (Note 5)	5,420,629	4,310,635
Deposits held in custody for others	176,480	148,823
Total current liabilities	14,434,720	15,392,247
Noncurrent liabilities		
ODFA bonds (Note 5)	20,376,883	15,635,172
Revenue bonds (Note 5)	4,435,000	5,980,000
OCIA capital lease obligation (Note 5)	11,839,653	13,498,165
Net pension liability – OTRS (Note 6)	88,129,861	72,075,860
Equipment capital lease obligation (Note 5)	1,901,304	-
Total noncurrent liabilities	126,682,701	107,189,197
Total liabilities	141,117,421	122,581,444
Deferred Inflows of Resources		
Deferred pension expense – OTRS (Note 6)	8,972,044	18,631,611
Net Position		
Net investment in capital assets	58,299,579	64,986,724
Restricted for:		
Expendable	3,439,551	4,619,700
Nonexpendable – scholarship endowment	3,560,139	3,763,845
Unrestricted	(43,193,429)	(47,807,148)
Total net position	22,105,840	25,563,121
Total liabilities, deferred inflows and net position	$ 172,195,305	$ 166,776,176

See notes to financial statements.

TULSA COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 2,576,556	$ 2,748,539
Investments	6,893,646	7,034,368
Contributions receivable, net	38,169	37,283
Total assets	$ 9,508,371	$ 9,820,190
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	78,926	26,230
Net assets		
Unrestricted	180,603	204,381
Temporarily restricted	3,780,947	4,175,863
Permanently restricted	5,467,895	5,413,716
Total net assets	9,429,445	9,793,960
Total liabilities and net assets	$ 9,508,371	$ 9,820,190

See notes to financial statements.

TULSA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years ended June 30, 2016 and 2015

	2016	2015
Operating revenues		
Tuition and fees (revenues of $3,982,171 and $3,962,791 in 2016 and 2015 are pledged as security on College Student Center Series revenue bonds), net of $13,502,496 and $13,443,977 of scholarship discounts and allowances	$ 26,006,372	$ 25,488,467
Federal grants and contracts	7,854,862	7,607,828
State and private grants and contracts	5,370,031	5,051,351
Sales and services of auxiliary enterprises	11,224,073	12,858,460
Other operating revenue	3,310,925	3,058,123
Total operating revenue	53,766,263	54,064,229
Operating expenses		
Compensation and employee benefits (Note 6)	85,742,017	86,020,558
Contractual services	7,304,373	6,111,157
Supplies and materials	2,899,767	4,470,304
Cost of goods sold	5,966,791	7,044,442
Depreciation (Note 4)	14,810,090	10,117,928
Rental expenses	2,422,947	2,297,241
Utilities	2,436,584	2,716,768
Repairs and maintenance	6,874,849	6,546,427
Student aid	23,076,821	25,790,731
Other operating expenses	4,498,217	4,692,810
Total operating expenses	156,032,456	155,808,366
Operating loss	(102,266,193)	(101,744,137)
Non-operating revenues (expenses)		
State appropriations	32,025,387	36,946,614
State appropriation – in-kind OTRS pension contributions (Note 6)	4,527,054	3,962,995
Ad valorem property taxes (Note 10)	39,093,793	37,317,234
Federal and state grants	22,600,376	25,091,089
Investment loss, net	(738,194)	(322,701)
Interest on capital-related debt	(1,869,997)	(1,898,222)
Net non-operating revenues	95,638,419	101,097,009
Loss before other appropriations	(6,627,774)	(647,128)
State appropriations restricted for capital purposes (Note 11)	1,205,287	1,249,002
OCIA on-behalf state appropriations	1,965,206	2,510,463
Change in net position	(3,457,281)	3,112,337
Net position at beginning of year	25,563,121	22,450,784
Net position at end of year	$ 22,105,840	$ 25,563,121

See notes to financial statements.

TULSA COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 314,712	$ 1,922,791	$ 54,179	$ 2,291,682
Interest and dividends, net of investment fees of $33,501	2,127	82,907	-	85,034
Net realized and unrealized losses on investments	-	(256,466)	-	(256,466)
Other income	5,740	-	-	5,740
Releases from restrictions	2,144,148	(2,144,148)	-	-
	2,466,727	(394,916)	54,179	2,125,990
EXPENSES AND GRANTS				
Program services				
Signature Symphony	217,748	-	-	217,748
Grants to TCC scholarships	121,801	-	-	121,801
Textbook Trust	17,478	-	-	17,478
Academic programs support	979,730	-	-	979,730
College activity support	83,701	-	-	83,701
Community relations	44,700	-	-	44,700
Capital projects	774,614	-	-	774,614
Other program support	14,105	-	-	14,105
	2,253,877	-	-	2,253,877
Management and general	149,552	-	-	149,552
Fundraising	87,076	-	-	87,076
	2,490,505	-	-	2,490,505
Change in net assets	(23,778)	(394,916)	54,179	(364,515)
Net assets at beginning of year	204,381	4,175,863	5,413,716	9,793,960
Net assets at end of year	$ 180,603	$ 3,780,947	$ 5,467,895	$ 9,429,445

See notes to financial statements.

TULSA COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Contributions	$ 577,869	$ 579,529	$ 51,982	$ 1,209,380
Interest and dividends, net of investment fees of $33,380	3,613	90,935	-	94,548
Net realized and unrealized gains on investments	-	26,093	-	26,093
Other income	2,061	-	-	2,061
Releases from restrictions	444,732	(444,732)	-	-
	1,028,275	251,825	51,982	1,332,082
EXPENSES AND GRANTS				
Program services				
Signature Symphony	48,093	-	-	48,093
Grants to TCC scholarships	104,684	-	-	104,684
Textbook Trust	56,339	-	-	56,339
Academic programs support	77,068	-	-	77,068
College activity support	136,939	-	-	136,939
Community relations	58,139	-	-	58,139
Capital projects	51,890	-	-	51,890
Other program support	12,052	-	-	12,052
	545,204	-	-	545,204
Management and general	180,933	-	-	180,933
Fundraising	59,467	-	-	59,467
	785,604	-	-	785,604
Change in net assets	242,671	251,825	51,982	546,478
Net assets (deficit) at beginning of year	(38,290)	3,924,038	5,361,734	9,247,482
Net assets at end of year	$ 204,381	$ 4,175,863	$ 5,413,716	$ 9,793,960

See notes to financial statements.

TULSA COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Tuition and fees	$ 26,289,717	$ 25,899,910
Grants and contracts	12,902,589	13,247,799
Payments to suppliers and other operating payments	(54,306,261)	(55,566,495)
Payments to employees	(82,778,909)	(88,275,833)
Auxiliary enterprises sales and services	11,224,073	12,858,460
Other operating revenue	3,310,925	3,058,123
Other operating payments	(4,158,396)	(4,190,443)
Net cash used in operating activities	(87,516,262)	(92,968,479)
Cash flows from noncapital financing activities		
State appropriations	32,025,387	36,946,614
Ad valorem property taxes received	39,093,793	37,317,234
Federal and state grants	22,600,376	25,091,089
Deposits held in custody for others	27,657	1,818
Net cash provided by noncapital financing activities	93,747,213	99,356,755
Cash flows from capital and related financing activities		
Purchases of capital assets	(13,135,228)	(5,462,566)
Capital appropriations received	1,205,287	1,249,002
Principal paid on capital leases and bonds	(3,813,670)	(3,268,297)
Interest paid on capital leases and bonds	(1,009,159)	(857,619)
Proceeds from debt issuance	6,198,000	2,034,000
Net cash used in capital and related financing activities	(10,554,770)	(6,305,480)
Cash flows from investing activities		
Sales and purchases of investments	(3,053,598)	297,096
Distribution from funds held with State Regents	-	390,045
Interest received on investments	738,194	66,990
Net cash used in investing activities	(2,315,404)	754,131
Net change in cash and cash equivalents	(6,639,223)	836,927
Cash and cash equivalents at beginning of year	42,250,356	41,413,429
Cash and cash equivalents at end of year	$ 35,611,133	$ 42,250,356
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (102,266,193)	$ (101,744,137)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	14,810,090	10,117,928
Amortization expense	339,821	502,367
Changes in operating assets and liabilities		
Receivables, net	269,173	790,002
Inventories	(107,223)	(495,126)
Prepaid pension	-	96,431
Accounts payable and accrued liabilities	(2,005,690)	(147,658)
Compensated absences	(80,979)	(476,322)
Unearned revenues	14,172	(381,685)
Deferred outflows – pension liability	(322,304)	(619,163)
Deferred inflows – pension liability	(9,088,617)	18,631,611
Net pension liability	(9,659,567)	(19,850,911)
Other	20,581,055	608,184
Net cash used by operating activities	$ (87,516,262)	$ (92,968,479)
Noncash investing and financing activities		
OTRS contributions paid by state agency on behalf of the College	$ 4,527,054	$ 3,962,995
Principal and interest on capital debt paid by state agency on behalf of the College	1,965,206	2,510,463
Capital asset additions acquired via capital lease	3,479,846	-
	$ 9,972,106	$ 6,473,458
Reconciliation of cash and cash equivalents to the statement of net position		
Current assets		
Cash and cash equivalents	$ 33,503,697	$ 36,511,739
Cash and cash equivalents – current, restricted	2,107,436	5,364,251
Cash and cash equivalents – noncurrent, restricted	-	374,366
	$ 35,611,133	$ 42,250,356

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Tulsa Community College (the College) is a two-year college operating under the jurisdiction of the Board of Regents and the Oklahoma State Regents for Higher Education (the State Regents). Under Oklahoma statutes, the College is the only state-supported institution of higher education that can offer lower division undergraduate courses in Tulsa County.

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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* 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 Tulsa Community College Technology Center School District (the School District), which are agencies of the state of Oklahoma. The School District has been presented as a blended component unit because the School District's governing body is substantially the same as the governing body of the College, and the School District provides services almost entirely to the College, which is the primary government. Separate financial statements of the School District have been prepared and can be obtained by contacting the College's Comptroller and Chief Financial Officer.

The Tulsa Community College Foundation, Inc. (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 School District. While the resources received and held by the Foundation are entirely or almost entirely held for the benefit of the College, the Foundation's Board of Trustees are not appointed by the College. During 2015, management elected to include the financial activity of the Tulsa Community College Foundation, Inc. (the Foundation) in the reporting entity due to management's conclusion that it would be misleading to exclude. As a result, the Foundation is presented as a discretely presented component unit in the financial statements of the College. The Foundation is reported under Financial Accounting Standards Board ("FASB") Accounting Standards Codifications ("ASC"), including FASB ASC No. 958, *Not-for-Profit Entities.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial report for these differences. Requests for additional financial information related to the Foundation should be addressed to the Chief Financial Officer, Tulsa Community College, 6111 E. Skelly Drive, Tulsa, Oklahoma 74135.

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.

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

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, and a similar provision of Oklahoma statutes. However, the College may be subject to federal income taxes on any unrelated business income under Internal Revenue Code Section 511 (a)(2)(B).

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, excluding balances held with trustees for bond issuances. Funds invested through the Oklahoma State Treasurer's Cash Management Program are also considered cash equivalents.

Investments: The College accounts for its investments at fair value. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Inventories: Inventories are carried at the lower of cost or market on the first-in, first-out (FIFO) method.

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 statement of net position.

Accounts Receivable: Accounts receivable consist of tuition and fee charges to students and 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, and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an allowance made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, using historical experience applied to an aging of accounts, and considering the general economy and the industry as a whole. Student accounts and loans receivable are written off when deemed uncollectible, and student loans receivable may be assigned to the Department of Education (the Department). Recoveries of student accounts and loans receivable previously written off are credited to the allowance for doubtful accounts.

A student account receivable and student loan receivable are considered past due if any portion of the receivable balance is outstanding after the end of the semester. Late fees are assessed one month after the end of the semester on any unpaid accounts. Interest may also be charged on unpaid accounts at an annual rate of 18%. Late charges and interest are included in other operating income and accounts receivables. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the Department.

Accounts receivable also include the distributable amount from the State Regents' endowment trust fund.

Federal and State Grants Receivable: Federal and state grants receivable include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Receivable from State Agency: Receivables from state agencies include funds raised by state agencies through bond issuances on behalf of the College to be used for capital improvements. Such funds have either been granted to the College, or repayment of the bond issuance is expected to be paid by the state agency on behalf of the College.

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of $2,500 or more and an estimated useful life greater than one year.

Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Renovations, infrastructure, and land improvements	10 to 25 years
Furniture, fixtures, and equipment	3 to 20 years

Impairment of Long-Lived Assets: In accordance with GAAP, the College reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for the years ended June 30, 2016 and 2015.

Compensated Absences: Employee vacation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the statement of net position and as a component of compensation and employee benefits expense in the statement of revenues, expenses, and changes in net position.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the College. The College's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable.

Unearned Revenues: Unearned 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. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, OFDA bonds payable and capital lease obligations with contractual maturities greater than one year and premiums associated with such obligations and (2) other liabilities that will not be paid within the next fiscal year.

Net Position: GASB requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These net position classifications are defined as follows:

Net Investment in Capital Assets – 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 net investment in capital assets.

Restricted Net Position – Nonexpendable – Restricted nonexpendable net position includes resources which the donor has stipulated be maintained in perpetuity. Donor-imposed restrictions limiting the use of the resources or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

Restricted Net Position – Expendable – Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Position – Unrestricted net position 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 restricted resources and then towards unrestricted resources.

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

Additionally, the School District levies an annual two mills general fund tax on all taxable property within the district. The proceeds of the general fund levy are transferred to the State Treasurer of the state of Oklahoma for deposit into a fund constituting the educational and operating budget of Tulsa Community College. The receipts of the current two mills general fund levy are to be used for the purposes of supplementing post-secondary vocational and technical or adult education programs offered by Tulsa Community College.

In February 1994, the voters of Tulsa County approved a five mills local tax incentive levy, which became effective July 1, 1994, in addition to all other school tax levies on the assessed valuation of all taxable property within the School District. This special levy, which is for the general operations of the School District, is now a permanent levy until it is repealed by a majority of the voters.

Classification of Revenues and Expenses: The College has classified its revenues and expenses as either operating or nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB, including State appropriations, local property taxes, and investment income. Nearly all the College’s expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans. All expenses are considered operating expenses except for interest expense on capital related debt.

Nonoperating Revenues and Expenses – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Pell grants, 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 and investment income. Interest expense on capital-related debt is the only nonoperating expense.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating 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, which totaled $13,502,496 and $13,443,977 for the years ended June 30, 2016 and 2015.

Joint Venture: In November 1993, the College became a participant in a joint venture with Tulsa County Technology Center School District (Tulsa Vo-Tech) (formerly Tulsa County Area Vocational Technical Center School District No. 18). The joint venture was created to administer and operate the building for which both parties purchased an undivided one-half interest. The operating committee is composed of six members, three selected by the College and three selected by Tulsa Vo-Tech. The operating committee has the authority to make decisions with respect to the day-to-day operations of the property. All operating expenses are shared on a 50-50 basis. Tulsa Vo-Tech is responsible for the payment of maintenance and operating costs and the receipt of revenue generated from property leases or other income. Tulsa Vo-Tech bills the College for 50% of the net of these revenues and expenses on a quarterly basis. The College is responsible for the security functions and bills Tulsa Vo-Tech quarterly for 50% of these expenses. During the years ended June 30, 2016 and 2015, the College expended approximately $309,008 and $224,876 to Tulsa Vo-Tech for maintenance and operating costs, net of revenues. Tulsa Vo-Tech paid the College approximately $66,084 and $34,340 for security expenses for the years ended June 30, 2016 and 2015. The College is responsible for continuing to pay 50% of the operating costs of the building until it sells or transfers its interest in the building pursuant to the contract provisions. The joint venture does not issue a stand-alone report or financial statements.

Recent Accounting Pronouncements Adopted/Implemented: As of June 30, 2016 the GASB has issued the following statements which were implemented by the College.

- GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement 72 provides guidance for determining fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurement. The adoption of this Statement had no effect on the College’s net position or changes therein.

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement had no effect on the College’s net position or changes therein.

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The adoption of this Statement had no effect on the College’s net position or changes therein.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The adoption of this Statement had no effect on the College's net position or changes therein.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents, and investments included in the statement of net position at June 30, 2016 and 2015, consist of the following:

	2016	2015
Cash and cash equivalents:		
Current	$ 33,503,697	$ 36,511,739
Current, restricted	2,107,436	5,364,251
Noncurrent, restricted	-	374,366
	$ 35,611,133	$ 42,250,356
Investments:		
Current	$ 500,000	$ -
Noncurrent	2,748,792	-
Current, restricted	1,626,939	1,826,486
Noncurrent, restricted	986,976	1,702,374
	$ 5,862,707	$ 3,528,860

The following schedule reports the fair value and maturities for the College's investments at June 30, 2016 and 2015:

2016	Fair Value	Less Than One Year	One to Five Years	More Than Five Years
Money market funds	$ 2,613,915	$ 2,613,915	$ -	$ -
Certificate of deposit	3,248,792	500,000	2,748,792	-
	$ 5,862,707	$ 5,862,707	$ -	$ -

2015	Fair Value	Less Than One Year	One to Five Years	More Than Five Years
Money market funds	$ 3,528,860	$ 3,528,860	$ -	$ -
Certificate of deposit	-	-	-	-
	$ 3,528,860	$ 3,528,860	$ -	$ -

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.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: All United States government obligations are held by the Federal Reserve Bank in the name of the College. Title 70, Section 4306, of the Oklahoma statutes directs, authorizes, and empowers the College's Board of Regents to hold, invest, or sell donor-restricted endowments in a manner which is consistent with the terms of the gift as stipulated by the donor and with the provision of any applicable laws.

The Board has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the U.S. government and its agencies, certificates of deposit, and demand deposits.

Concentration of Credit Risk: There is no limit on the amount the College may invest in any one issuer. However, all of investments are in money market funds and non-negotiable certifications of deposit.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The College's deposit policy for custodial credit risk is described as follows:

> Oklahoma Statutes require the Oklahoma State Treasurer (the OST) to ensure that all state funds either be insured by Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the State Treasurer may determine, in the State's name.
>
> The College requires that balances on deposit with financial institutions, including trustees related to the College's bond indentures, be insured by the FDIC or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations, in the College's name.

At June 30, 2016 and 2015, the carrying amounts of the College's deposits with the State Treasurer and other financial institutions were as follows:

	2016	2015
Deposits with the State Treasurer	$ 8,550,220	$ 12,067,189
Deposits with the State Treasurer – OK INVEST	6,513,453	933,468
U.S. financial institutions	20,547,460	29,249,699
	$ 35,611,133	$ 42,250,356

At June 30, 2016, the related bank balances of the College's deposits totaled $35,830,788 of which $8,784,821 was held with the State Treasurer. At June 30, 2015, the related bank balances of the College's deposits totaled $42,538,208, of which $12,350,373 was held with the State Treasurer.

The College's deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in banks or invested as the Treasurer may determine, in the State's name. 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* and some deposits with the OST are placed in OK INVEST. Of the funds on deposit with the OST, amounts invested in OK INVEST total $6,513,453 and $933,468 for the years ended June 30, 2016 and 2015.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives 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 State Treasurer's 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 three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer 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. 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, the FDIC or any other government agency.

The deposits with the OST that are invested in OK INVEST are part of an investment pool that values the assets at amortized cost and for financial reporting purposes are classified as cash equivalents. The distribution of deposits in OK INVEST is as follows:

	2016	2015
U.S. agency securities	$ 2,550,668	$ 358,265
Certificates of deposit	224,063	24,364
Money market mutual funds	682,610	130,405
Mortgage backed agency securities	2,499,212	347,904
Foreign bonds	54,062	6,814
State bonds	95,096	12,695
Municipal bonds	107,472	12,415
U. S. treasury obligations	300,270	40,606
Total	$ 6,513,453	$ 933,468

Fair Value: The College categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The college has money market funds of $2,613,915 and $3,528,860 and non-negotiable CD's of $3,248,792 and $0 at June 30, 2016 and 2015, all of which are valued at amortized cost. The College has the following recurring fair value measurements as of June 30, 2016 and 2015:

- Deposits with State Regents of $3,560,139 and $3,763,845 which are based on NAV.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2016 and 2015:

	2016	2015
Student tuition and fees	$ 14,491,313	$ 13,087,859
Auxiliary enterprises and other operating activities	2,181,448	1,997,305
	16,672,761	15,085,164
Less allowance for doubtful accounts	(10,058,507)	(8,201,737)
Accounts receivable, net	$ 6,614,254	$ 6,883,427

NOTE 4 - CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Disposals	Balance at June 30, 2016
Non-depreciable:				
Land	$ 5,150,241	$ -	$ -	$ 5,150,241
Collections	200,000	-	-	200,000
Construction in progress	1,428,812	5,787,712	-	7,216,524
Total	6,779,053	5,787,712	-	12,566,765
Depreciable:				
Buildings and improvements	186,781,416	5,458,728	-	192,240,144
Land/infrastructure improvements	9,070,998	-	-	9,070,998
Furniture, fixtures, and equipment	15,756,010	4,727,710	-	20,483,720
Total	211,608,424	10,186,438	-	221,794,862
Accumulated depreciation:				
Buildings and improvements	(104,926,911)	(11,832,811)	-	(116,759,722)
Land/Infrastructure improvements	(3,644,431)	(294,969)	-	(3,939,400)
Furniture, fixtures, and equipment	(10,508,557)	(2,682,310)	-	(13,190,867)
Total	(119,079,899)	(14,810,090)	-	(133,889,989)
Total capital assets, net	$ 99,307,578	$ 1,164,060	$ -	$ 100,471,638

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

Following are the changes in capital assets for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
Non-depreciable:				
Land	$ 5,150,241	$ -	$ -	$ 5,150,241
Collections	200,000	-	-	200,000
Construction in progress	656,133	772,679	-	1,428,812
Total	6,006,374	772,679	-	6,779,053
Depreciable:				
Buildings and improvements	184,912,543	1,868,873	-	186,781,416
Land/infrastructure improvements	7,354,810	1,716,188	-	9,070,998
Furniture, fixtures, and equipment	14,774,777	1,104,826	(123,593)	15,756,010
Total	207,042,130	4,689,887	(123,593)	211,608,424
Accumulated depreciation:				
Buildings and improvements	(96,872,742)	(8,054,169)	-	(104,926,911)
Land/Infrastructure improvements	(3,349,462)	(294,969)	-	(3,644,431)
Furniture, fixtures, and equipment	(8,846,922)	(1,768,790)	107,155	(10,508,557)
Total	(109,069,126)	(10,117,928)	107,155	(119,079,899)
Total capital assets, net	$ 103,979,378	$ (4,655,362)	$ (16,438)	$ 99,307,578

NOTE 5 - NONCURRENT LIABILITIES

Long-term liability activity for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts Due Within One Year
Revenue bonds, series 2005	$ 1,695,000	$ -	$ (875,000)	$ 820,000	$ 820,000
Revenue bonds, series 2012	5,875,000	-	(715,000)	5,160,000	725,000
Total revenue bonds	7,570,000	-	(1,590,000)	5,980,000	1,545,000
ODFA, Series 2009B	8,483,416	-	(482,083)	8,001,333	499,917
ODFA, Series 2010A	1,892,918	-	(169,418)	1,723,500	174,333
ODFA, Series 2011A	1,253,667	-	(64,167)	1,189,500	66,167
ODFA, Series 2014A	2,761,917	-	(109,250)	2,652,667	112,250
ODFA, Series 2014E	1,901,250	-	(189,250)	1,712,000	192,500
ODFA, Series 2015B	-	6,198,000	(235,500)	5,962,500	234,333
	16,293,168	6,198,000	(1,249,668)	21,241,500	1,279,500
Premium and discounts	356,172	81,975	(23,264)	414,883	-
Total ODFA Bonds	16,649,340	6,279,975	(1,272,932)	21,656,383	1,279,500
OCIA, Series 2005F	475,991	-	(475,991)	-	-
OCIA, Series 2010A	4,285,037	-	(225,858)	4,059,179	907,876
OCIA, Series 2010B	530,028	-	(530,028)	-	-
OCIA, Series 2014A	8,774,239	-	-	8,774,239	588,237
OCIA, Series 2014B	806,258	-	(141,512)	664,746	162,398
Total OCIA bonds	14,871,553	-	(1,373,389)	13,498,164	1,658,511
Equipment capital lease obligation	333,079	3,479,846	(974,003)	2,838,922	937,618
Total long-term liabilities	$ 39,423,972	$ 9,759,821	$ (5,210,324)	$ 43,973,469	$ 5,420,629

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Long-term liability activity for the year ended June 30, 2015:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015	Amounts Due Within One Year
Revenue bonds, series 2005	$ 2,520,000	$ -	$ (825,000)	$ 1,695,000	$ 875,000
Revenue bonds, series 2012	6,575,000	-	(700,000)	5,875,000	715,000
Total revenue bonds	9,095,000	-	(1,525,000)	7,570,000	1,590,000
ODFA, Series 2009B	8,946,166	-	(462,750)	8,483,416	482,083
ODFA, Series 2010A	2,059,168	-	(166,250)	1,892,918	169,417
ODFA, Series 2011A	1,315,833	-	(62,166)	1,253,667	64,167
ODFA, Series 2014A	2,868,167	-	(106,250)	2,761,917	109,250
ODFA, Series 2014E	-	2,034,000	(132,750)	1,901,250	189,250
	15,189,334	2,034,000	(930,166)	16,293,168	1,014,167
Premium and discounts	134,916	227,559	(6,303)	356,172	-
Total ODFA Bonds	15,324,250	2,261,559	(936,469)	16,649,340	1,014,167
OCIA, Series 2004A	885,534	-	(885,534)	-	-
OCIA, Series 2005F	10,192,795	-	(9,716,804)	475,991	475,991
OCIA, Series 2010A	4,285,037	-	-	4,285,037	225,858
OCIA, Series 2010B	1,272,559	-	(742,531)	530,028	530,028
OCIA, Series 2014A	-	8,774,239	-	8,774,239	-
OCIA, Series 2014B	-	806,258	-	806,258	141,512
Total OCIA bonds	16,635,925	9,580,497	(11,344,869)	14,871,553	1,373,389
Equipment capital lease obligation	1,269,108	-	(936,029)	333,079	333,079
Total long-term liabilities	$ 42,324,283	$ 11,842,056	$ (14,742,367)	$ 39,423,972	$ 4,310,635

Revenue Bonds Payable

Revenue Bonds, Series 2005: The Board of Regents authorized the College to issue Revenue Bonds, Series 2005 (the Series 2005 Bonds) dated July 1, 2005, in the amount of $9,725,000 which mature on July 1 of each year beginning July 1, 2006 through July 1, 2016, in annual amounts ranging from $795,000 to $1,005,000, interest rates ranging from 3.05% to 4.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2005 Bonds are subject to redemption prior to maturity as set forth in Sixth Supplemental Bond Resolution. At June 30, 2016 and 2015, $820,000 and $1,695,000 remained outstanding. The College paid $875,000 and $825,000 in principal, and $45,462 and $75,430 in related interest, on these bonds during 2016 and 2015. The Series 2005 Bonds have related deferred refunding costs resulting from the refunding of the Series 1996 Bonds that totaled $28,337 and $60,583 at June 30, 2016 and 2015. Deferred refunding costs are included as deferred outflows of resources and are amortized as a component of interest expense over the life of the Series 2005 Bonds. During 2016 and 2015, $32,246 and $32,246 of the deferred refunding costs was amortized into interest expense.

Revenue Bonds, Series 2012: The Board of Regents authorized the College to issue Revenue Bonds, Series 2012 (the Series 2012 Bonds) dated January 1, 2012, in the amount of $7,665,000 which mature on July 1 of each year beginning July 1, 2012 through July 1, 2022, in annual amounts ranging from $405,000 to $795,000, interest rates ranging from 2.00% to 3.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2012 Bonds are subject to mandatory redemption prior to maturity, on 30 days' notice at any time in inverse order of maturity, out of required payments to the principal account at the principal amount thereof plus accrued interest to the date for fixed redemption. At June 30, 2016 and 2015, $5,160,000 and $5,875,000 remained outstanding. The College paid $715,000 and $700,000 in principal, and $140,950 and $155,100 in related interest, on these bonds during 2016 and 2015.

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Future principal and interest payments required to be made in accordance with all of the revenue bond agreements at June 30, 2016, are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 1,545,000	$ 139,703	$ 1,684,703
2018	740,000	106,425	846,425
2019	750,000	89,675	839,675
2020	765,000	73,569	838,569
2021	780,000	54,238	834,238
2022-2023	1,400,000	41,419	1,441,419
	$ 5,980,000	$ 505,029	$ 6,485,029

Oklahoma Development Finance Authority (ODFA) Master Lease Bonds

Bond Series 2009B: In December of 2009, the College entered into a 20 year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2009B. The College received a net amount of $10,067,000 of the proceeds for energy efficiency modifications at all campus locations. In September of 2009, the College also entered into a 15-year lease agreement and received $859,000 to purchase a building and related activities for the Metro Campus. Lease payments made by the College are forwarded to the trustee bank of the State Regents for future principal and interest payments on the Master Lease Board. Monthly payments continue through the maturity of the lease in November 2029. At June 30, 2016 and 2015, the outstanding balance was $8,001,333 and $8,483,416.

Bond Series 2010A: In December of 2010, the College entered into a 15-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2010A. The College received a net amount of $2,647,211 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2025. At June 30, 2016 and 2015, the outstanding balance was $1,723,500 and $1,892,918.

Bond Series 2011A: In July of 2011, the College entered into a 19-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2011A. The College received a net amount of $1,493,000 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2030. At June 30, 2016 and 2015, the outstanding balance was $1,189,500 and $1,253,667.

Bond Series 2014A: In February of 2014, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2014A. The College received a net amount of $3,016,237 of the proceeds for renovation of the aviation center facility. Monthly payments are payable through the maturity of the lease in June 2033. At June 30, 2016 and 2015, the outstanding balance was $2,652,667 and $2,761,917.

Bond Series 2014E: In October of 2014, the College entered into a 10-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2014E. The College received a net amount of $2,261,559 of the proceeds for renovation of the student union facility at the southeast campus. Monthly payments are payable through the maturity of the lease in June 2024. At June 30, 2016 and 2015, the outstanding balance was $1,712,000 and $1,901,250.

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

***Bond Series 2015B**:* In July of 2015, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2015B. The College received a net amount of $6,279,975 of the proceeds for energy and conservation improvements campus wide. Monthly payments are payable through the maturity of the lease in June 2035. At June 30, 2016 the outstanding balance was $5,962,500.

Future principal and interest payments to be made in accordance with the Master Lease Bond agreements at June 30, 2016 are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 1,279,500	$ 791,606	$ 2,071,106
2018	1,313,417	755,651	2,069,068
2019	1,351,500	716,309	2,067,809
2020	1,394,583	671,412	2,065,995
2021	1,444,083	623,477	2,067,560
2022-2026	7,168,083	2,232,394	9,400,477
2027-2031	5,318,750	942,659	6,261,409
2032-2036	1,971,584	172,112	2,143,696
	$ 21,241,500	$ 6,905,620	$ 28,147,120

Oklahoma Capital Improvement Authority Lease

Series 2005F: 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 $16,025,000 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 $27,991,770. Payments will be made annually ranging from $439,337 to $1,210,340, by the state of Oklahoma on behalf of the 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. The College has drawn down all of its total allotment for expenses incurred in connection with the specific projects. In September 2014, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of the remaining OCIA's 2005F bond debt. At June 30, 2016 and 2015, the principal balance outstanding was $0 and $475,991.

Series 2010A and B: In August 2010, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal year 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring.

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

The College has recorded a charge of $1,486,731 on restructuring as a deferred cost that will be amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $1,486,731 also approximates the economic cost of the lease restructuring. During the year ending June 30, 2016 and 2015, the College recognized $248,864 and $248,864 of amortization on the deferred cost of lease restructuring on the OCIA Series 2005F lease obligation, leaving a balance of the unamortized deferred costs of $491,273 and $740,139. The unamortized deferred cost is included as deferred outflows of resources in the accompanying financial statements.

Series 2014A and 2014B: In September 2014, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of the remaining OCIA's 2005F bond debt. OCIA issued one new bond, Series 2014A. In June 2014, the College's 2004 Series A lease agreement with the OCIA was restructured through a refunding of the OCIA's 2004A bond debt. OCIA issued one new bond, Series 2014B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal year 2015 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues.

During the years ended June 30, 2016 and 2015, OCIA made lease principal and interest payments totaling $1,965,206 and $2,510,463 on behalf of the College for all outstanding OCIA Bond Issues. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position.

The scheduled principal and interest payments related to the OCIA Capital Lease obligations at June 30, 2016 are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 1,658,511	$ 608,868	$ 2,267,379
2018	1,720,952	554,916	2,275,868
2019	1,780,006	478,869	2,258,875
2020	185,542	388,540	574,082
2021	-	388,540	388,540
2022-2026	3,233,566	1,331,733	4,565,299
2027-2031	4,919,587	738,668	5,658,255
	$ 13,498,164	$ 4,490,134	$ 17,988,298

Equipment Capital Lease Obligation

The College has entered into lease agreements for various copiers and computers. These agreements extend through June 30, 2019 with interest rates that range from 2.89% to 6.0%. At June 30, 2016 and 2015 the total capitalized cost of the equipment was $3,479,846 and $2,953,134 and accumulated depreciation was $869,962 and $2,214,851. Total principal and interest payments in 2016 and 2015 totaled $703,213 and $969,793. The remaining obligation at June 30, 2016 and 2015 was $2,838,922 and $333,079.

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

The scheduled principal and interest payments related to the equipment capital leases as of June 30, 2016 are as follows:

Years Ending June 30,	Principal	Interest	Total
2017	$ 835,985	$ 101,633	$ 937,618
2018	865,913	71,705	937,618
2019	896,912	40,706	937,618
2020	240,112	8,596	248,708
	$ 2,838,922	$ 222,640	$ 3,061,562

Line of Credit

The College has a $1,200,000 unsecured line of credit due and payable on demand through June 29, 2018. Interest on the line is 1.73% for the years ended June 30, 2016 and 2015. At June 30, 2016 and 2015, there was no outstanding balance and there were no draws on the line of credit during the fiscal year.

NOTE 6 - RETIREMENT PLANS

The College's academic and nonacademic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System (the OTRS), which is a state of Oklahoma public employee's retirement system, and a 403(b) annuity plan, which is a privately administered plan. The College does not maintain the accounting records, hold the investments for, or administer these plans. If the previously mentioned plans do not provide a computed minimum benefit amount, the College provides the difference under a Supplemental Retirement Plan, a privately administered plan, for those employees meeting certain eligibility requirements. This plan is no longer open to new employees, but is still available to employees hired before the plan was frozen.

Oklahoma Teachers' Retirement System

Plan Description: The College contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the state of Oklahoma. The 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. 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. The OTRS does not provide for a cost-of-living adjustment. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to the Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

Benefits Provided: Prior to July 1, 1995, contributions under this system were based on pay up to a maximum dollar amount. Members could choose between $40,000 maximum and a $25,000 maximum. The member's Final Average Compensation was limited by the same maximum, so the member's election affected both benefits and contributions. The maximum was removed for most members effective July 1, 1995. It no longer applies in determining the required member and employee contributions. It does still have an impact, however. Benefits based on service earned before July 1, 1995 are limited by the $40,000 or $25,000 maximum, which was elected. This cap may be modified for members in the Education Employees Service Incentive Plan (EESIP). In addition, the cap on salary continued to apply after June 30, 1995 to members employed by one of the comprehensive universities who entered the system before July 1, 1995. The cap on salary for contribution purposes is shown below. All caps were removed effective July 1, 2007.

Contributions: The authority to define or amend employer contribution rates is given to the Board of Trustees of OTRS by Oklahoma statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate for 2016 and 2015 was 9.5%, and is applied to annual compensation and is determined by state statute.

Employee's contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2016 and 2015. The College's contributions to the OTRS for the years ended June 30, 2016 and 2015 was $5,893,463 and $6,058,918 which is equal to the required contributions for the year paid directly by the College.

The state of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2016 and 2015, 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. The College has estimated the amounts contributed to the OTRS by the state of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2016 and 2015, the total amounts contributed to the OTRS by the state of Oklahoma on behalf of the College were $4,527,054 and $3,962,995. For the years ended June 30, 2016 and 2015, the State of Oklahoma contributed 5% of sales and use tax. These on-behalf payments have been recorded as nonoperating state appropriations revenues in the statement of revenues, expenses, and changes in net position.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016 and 2015, the College reported a liability for its proportionate share of the net pension liability that reflected a reduction for pension support provided to the College by the State of Oklahoma. The amount recognized by the College as its proportionate share of the net pension liability was $88,129,861 and $72,075,860, respectively, at June 30, 2016 and 2015.

The net pension liability at June 30, 2016 was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016 and 2015, the College's proportion was 1.45% and 1.34%.

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

The net pension liability at June 30, 2015 was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating employers.

For the year ended June 30, 2016, the College recognized pension expense of $5,206,687 and revenue of $4,527,054 for support provided by the State of Oklahoma. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred In flows of Resources
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 5,978,618
Changes in proportion and differences between OTRS contributions and proportionate share of contributions	5,034,133	
Change in assumptions	4,219,939	-
Differences between expected and actual experience	-	2,993,426
Contributions subsequent to the measurement date	5,893,463	-
Total	$ 15,147,535	$ 8,972,044

For the year ended June 30, 2015, the College recognized pension expense of $4,220,455 and revenue of $3,962,995 for support provided by the State of Oklahoma. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred In flows of Resources
Net difference between projected and actual earnings on investments	$ -	$ 17,443,587
Difference between expected and actual experience	-	1,188,024
Contributions subsequent to the measurement date	6,058,918	-
Total	$ 6,058,918	$ 18,631,711

At June 30, 2016 and 2015, the College reported $5,893,463 and $6,058,918 as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Deferred outflows and inflows of resources at June 30, 2016, related to pensions will be recognized in pension expense as follows:

2017	$ (1,517,962)
2018	(1,517,962)
2019	(1,517,962)
2020	3,205,871
2021	1,322,141
Thereafter	307,902
	$ 282,028

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement;

Actuarial Cost Method:	Entry Age Normal
Inflation:	3.00%
Cost of Living Increases:	None
Salary Increases:	3.75% wage inflation, including 3.00% price inflation, plus a service-related component ranging from 0-8.00% based on years of service
Investment Rate of Return:	8.00%
Retirement Age:	Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
Mortality Rates after Retirement:	Males: RP-2000 Combined Healthy mortality table for males with White Collar adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
Mortality Rates for Active Members:	RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%

The following changes in assumptions were noted in the June 30, 2015 valuation from the June 30, 2014 valuation.

- There was no change in the nominal investment return rate assumption of 8.00% and the resulting 5.00% real rate of return. However, administrative expenses now have an explicit assumption in the development of the ADEC and funding period and the assumption will no longer assume that they are paid from gross investment return.
- The wage inflation component of the salary scale was decreased by 0.25% from 4.00% to 3.75%.
- For the long-term projections, each future cohort of new members is assumed to be paid 3.75% more than the preceding cohort.
- The payroll growth assumption was decreased by 0.25% from 3.50% to 3.25%. The payroll growth assumption does not impact the liabilities, only the development of the amortization of the unfunded actuarial accrued liability.
- The post-retirement mortality tables for non-disabled retires were updated to the RP-2000 Combined Healthy for males with White Collar Adjustments and to the GRS Southwest Region Teacher Mortality Table with the base rates multiplied by 105% for females.
- Changes made to the rates of disability incidence for males and females
- Termination rates increased for females for most service bands with smaller changes to rates for males. The same rates are now used for both males and females.
- Generally increased and unreduced retirement rates for males and females at the higher retirement ages. For members hired after June 30, 1992, now assume the probability of retirement upon first eligibility for Rule of 90 reflects the accumulated probability of retirement between Rule of 80 and Rule of 90.

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

The long-term expected return on plan was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic expected real rates of return for each major class as of June 30, 2016 and 2015, are summarized in the following table:

	2016		2015	
Asset Class	Target Allocation	Long-Term Nominal Rate of Return	Target Allocation	Long-Term Nominal Rate of Return
Domestic all cap equity	7.0%	6.0%	7.0%	6.7%
Domestic large cap equity	10.0	5.3	10.0	6.2
Domestic mid cap equity	13.0	6.1	13.0	6.9
Domestic small cap equity	10.0	6.6	10.0	7.0
International large cap equity	11.5	5.8	11.5	7.0
International small cap equity	6.0	5.8	6.0	7.0
Core plus fixed income	17.5	1.8	17.5	2.1
High-yield fixed income	6.0	4.1	6.0	4.5
Private equity	5.0	7.6	5.0	7.9
Real estate	7.0	5.5	7.0	5.5
Master limited partnerships	7.0	7.6	7.0	7.9
Total	100.0%		100.0%	

Discount rate: The discount rate used to measure the total pension liability was 8.00% for 2016 and 2015. The discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the discount rate assumed that a plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate: The following table presents the net pension liability of the College, calculated using the discount rate of 8.00%, as well as what the College's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

Proportionate share of the Collective Net Pension Liability	1% Decrease (7.00)	Current Discount Rate (8.00%)	1% Increase (9.00%)
June 30, 2016	$ 122,410	$ 88,130	$ 60,087
June 30, 2015	101,257	72,076	47,446

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued OTRS financial report.

403(b) Annuity Plan

All eligible employees of the College can elect to participate in a 403(b) tax-deferred annuity plan (the 403(b) Plan), a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the 403(b) Plan. Eligible employees who elect to participate are required to make a minimum contribution to the 403(b) Plan in an amount equal to 1% of total annual compensation, as defined by the 403(b) Plan. The 403(b) Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the 403(b) Plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for the years ended June 30, 2016 and 2015, was 3% of an eligible employee's annual base salary, as defined in the 403(b) Plan document. Contributions made by the College and participants during fiscal years 2016 and 2015 totaled approximately $935,906 and $945,601.

Supplemental Retirement Plan

Plan Description: The College's Supplemental Retirement Plan (SRP) is a single-employer, defined-benefit pension plan administered by an administrative committee appointed by the College's Board of Regents. The SRP was established by the College's Board of Regents to provide supplemental retirement and death benefits to College employees who meet certain eligibility requirements (i.e., were hired prior to July 1, 1987), or to those eligible employees' beneficiaries. The authority to amend the SRP's benefit provisions rests with the College's Board of Regents. The SRP is a closed-plan. The SRP does not issue a stand-alone financial report nor is it included in the financial report of another entity. Management deemed the SRP to not be material to the overall financial statements of the College and elected not to disclose GASB Statement No. 68 related information in the notes or required supplemental information as it relates to the SRP. The College has a net pension asset of $22,728 for this plan as of June 30, 2016 and 2015.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Foundation has an agreement with the College whereby the Foundation has agreed to forego its rights to independently acquire office space, hire support personnel, and otherwise provide for independent support services for its activities, so those monies may instead be used for scholarships or other forms of support for the College. In addition, the financial records of the Foundation are administered by individuals who are employees of the College. In consideration of the College providing the staff and clerical support and other services to be performed by the College pursuant to this agreement, the Foundation has agreed to pay the College $24,000 per year plus a portion of certain College employees' salaries and benefits. For the years ending June 30, 2016 and 2015, the Foundation paid the College $111,044 and $99,598 as a result of this agreement. For the years ending June 30, 2016 and 2015, the Foundation also awarded scholarships totaling $140,616 and $100,984 to students of the College, provided $774,614 and $51,288 of capital projects support, and contributed $1,361,155 and $373,748 for other college support activities.

(Continued)

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The College conducts certain programs pursuant to various grants and contracts that are subject to financial and compliance audits by the grantors, their representatives, or federal and state agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies can be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

During the ordinary course of 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, 2016 and 2015 that management believes would result in a material loss to the College in the event of an adverse outcome. The College is a defendant in various lawsuits, and is vigorously defending those lawsuits. Although the outcome of these lawsuits is not presently determinable, the College's management believes the resolution of these matters will not have a material impact on the financial statements of the College.

NOTE 9 - RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. The College pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverage. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. The College, as a state agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the Plan), a public entity risk pool. The College pays an annual premium to the Plan through member premiums. The College carries insurance with the State Insurance Fund for other risks of loss including workers' compensation and employee accident and health insurance. The College has purchased commercial medical malpractice insurance, which covers substantially all faculty and students participating in the College's medical services curriculum. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years. During 2016 and 2015, there were no significant reductions insurance coverage from the previous years.

NOTE 10 - AD VALOREM PROPERTY TAXES

The voters of Tulsa County have approved a local tax levy (in addition to all other school tax levies) on the assessed valuation of all taxable property within the School District. This tax levy, which is for the general operations of the College through the School District, is a permanent levy until such time as it is repealed by a majority of the voters of Tulsa County. Ad valorem property tax revenue for general operations for the years ended June 30, 2016 and 2015 totaled $39,093,793 and $37,317,234.

NOTE 11 - SECTION 13 OFFSET PROGRAM

The State Regents allocates funds to institutions who are not beneficiaries of the "Section 13" and "New College Trust Funds" under the Section 13 Offset Program. These funds are to be used by an institution for projects which are on the approved campus master plan.

The College has been allotted funds under this program to use for capital repairs or expansions. The College was allotted and expended $1,205,287 and $1,249,002 under this program for the years ended June 30, 2016 and 2015.

(Continued)

NOTE 12 - DEPOSITS WITH OKLAHOMA STATE REGENTS

In connection with the State Regents' Endowment Program (the Endowment Program), the state of Oklahoma has matched contributions received under the Endowment Program. The state match amounts, plus any retained accumulated earnings, totaled approximately $3,560,139 and $3,763,845 at June 30, 2016 and 2015 and is invested by the State Regents on behalf of the College. The College is entitled to receive an annual distribution of 5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the State Regents, the funds are available for distribution.

NOTE 13 – CONDENSED COMBINING INFORMATION

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements. The following summarizes the combining information for the statement of net position as of June 30, 2016 and 2015:

	2016			
	College	School District	Eliminations	Combined
Current assets	$ 26,790,427	$ 21,947,460	$ -	$ 48,737,887
Capital assets	100,471,638	-	-	100,471,638
Other assets	4,569,843	2,748,792	-	7,318,635
Total assets	131,831,908	24,696,252	-	156,528,160
Deferred outflows of resources	15,667,145	-	-	15,667,145
Total assets and deferred outflows of resources	147,499,053	24,696,252	-	172,195,305
Current liabilities	14,434,720	-	-	14,434,720
Long term liabilities	126,682,701	-	-	126,682,701
Total liabilities	141,117,421	-	-	141,117,421
Deferred inflows of resources	8,972,044	-	-	8,972,044
Net investment in capital assets	58,299,579	-	-	58,299,579
Restricted:				
Expendable	3,439,551	-	-	3,439,551
Non-expendable	3,560,139	-	-	3,560,139
Unrestricted	(67,889,681)	24,696,252	-	(43,193,429)
Total net position	(2,590,412)	24,696,252	-	22,105,840
Total liabilities and deferred inflows of resources, and net position	$ 147,499,053	$ 24,696,252	$ -	$ 172,195,305

(Continued)

NOTE 13 – CONDENSED COMBINING INFORMATION (Continued)

	2015			
	College	School District	Eliminations	Combined
Current assets	$ 29,618,087	$ 25,127,559	$ -	$ 54,745,646
Capital assets	99,307,578	-	-	99,307,578
Other assets	5,488,947	374,366	-	5,863,313
Total assets	134,414,612	25,501,925	-	159,916,537
Deferred outflows of resources	6,859,639	-	-	6,859,639
Total assets and deferred outflows of resources	141,274,251	25,501,925	-	166,776,176
Current liabilities	15,392,247	-	-	15,392,247
Long term liabilities	107,189,197	-	-	107,189,197
Total liabilities	122,581,444	-	-	122,581,444
Deferred inflows of resources	18,631,611	-	-	18,631,611
Net investment in capital assets	64,986,724	-	-	64,986,724
Restricted:				
Expendable	4,245,334	374,366	-	4,619,700
Non-expendable	3,763,845	-	-	3,763,845
Unrestricted	(72,934,707)	25,127,559	-	(47,807,148)
Total net position	61,196	25,501,925	-	25,563,121
Total liabilities and deferred inflows of resources, and net position	$ 141,274,251	$ 25,501,925	$ -	$ 166,776,176

(Continued)

NOTE 13 – CONDENSED COMBINING INFORMATION (Continued)

The following summarizes the combining information for the statement of revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015:

	2016			
	College	School District	Eliminations	Combined
Operating revenues:				
Tuition and fees, net	$ 26,006,372	$ -	$ -	$ 26,006,372
Grants and contracts and other operating revenue	11,224,073	-	-	11,224,073
Sales and services of auxilliary enterprises	16,535,818	-	-	16,535,818
Total operating revenue	53,766,263	-	-	53,766,263
Operating expenses:				
Depreciation	14,810,090	-	-	14,810,090
Other operating expenses	141,222,366	-		141,222,366
Total operating expenses	156,032,456	-	-	156,032,456
Operating loss	(102,266,193)	-	-	(102,266,193)
Non-operating revenues (expenses)				
State appropriations	32,025,387	-	-	32,025,387
Ad valorem property taxes	(10,909)	39,104,702		39,093,793
Federal and state grants	22,600,376	-	-	22,600,376
Other non-operating revenues (expenses)	41,829,238	(39,910,375)	-	1,918,863
Total non-operating revenues (expenses)	96,444,092	(805,673)	-	95,638,419
Loss before other appropriations	(5,822,101)	(805,673)	-	(6,627,774)
Appropriations	3,170,493	-	-	3,170,493
Change in net position	(2,651,608)	(805,673)	-	(3,457,281)
Beginning net position	61,196	25,501,925	-	25,563,121
Ending net position	$ (2,590,412)	$ 24,696,252	$ -	$ 22,105,840

(Continued)

NOTE 13 – CONDENSED COMBINING INFORMATION (Continued)

	2015			
	College	School District	Eliminations	Combined
Operating revenues:				
Tuition and fees, net	$ 25,488,467	$ -	$ -	$ 25,488,467
Grants and contracts and other operating revenue	15,717,302	-	-	15,717,302
Sales and services of auxilliary enterprises	12,858,460	-	-	12,858,460
Total operating revenue	54,064,229	-	-	54,064,229
Operating expenses:				
Depreciation	10,117,928	-	-	10,117,928
Other operating expenses	145,690,438	-		145,690,438
Total operating expenses	155,808,366	-	-	155,808,366
Operating loss	(101,744,137)	-	-	(101,744,137)
Non-operating revenues (expenses)				
State appropriations	36,946,614	-	-	36,946,614
Ad valorem property taxes	-	37,317,234	-	37,317,234
Federal and state grants	25,091,089	-	-	25,091,089
Other non-operating revenues (expenses)	39,406,378	(37,664,306)	-	1,742,072
Total non-operating revenues (expenses)	101,444,081	(347,072)	-	101,097,009
Loss before other appropriations	(300,056)	(347,072)	-	(647,128)
Appropriations	3,759,465	-	-	3,759,465
Change in net position	3,459,409	(347,072)	-	3,112,337
Beginning net position	(3,398,213)	25,848,997	-	22,450,784
Ending net position	$ 61,196	$ 25,501,925	$ -	$ 25,563,121

(Continued)

NOTE 13 – CONDENSED COMBINING INFORMATION (Continued)

The following summarizes the combining information for the statement of cash flows for the years ended June 30, 2016 and 2015:

	2016			
	College	School District	Eliminations	Combined
Cash flows from operating activities	$ (87,516,262)	$ -	$ -	$ (87,516,262)
Cash flows from noncapital financing activities	94,620,589	(873,376)	-	93,747,213
Cash flows from capital and related financing activities	(10,554,770)	-	-	(10,554,770)
Cash flows from investing activities	865,682	(3,181,086)	-	(2,315,404)
Net change in cash and cash equivalents	(2,584,761)	(4,054,462)	-	(6,639,223)
Cash and cash equivalents at beginning of year	17,648,434	24,601,922	-	42,250,356
Cash and cash equivalents at end of year	$ 15,063,673	$ 20,547,460	$ -	$ 35,611,133

	2015			
	College	School District	Eliminations	Combined
Cash flows from operating activities	$ (92,968,479)	$ -	$ -	$ (92,968,479)
Cash flows from noncapital financing activities	99,736,653	(379,898)	-	99,356,755
Cash flows from capital and related financing activities	(6,305,480)	-	-	(6,305,480)
Cash flows from investing activities	721,308	32,823	-	754,131
Net change in cash and cash equivalents	1,184,002	(347,075)	-	836,927
Cash and cash equivalents at beginning of year	16,464,432	24,948,997	-	41,413,429
Cash and cash equivalents at end of year	$ 17,648,434	$ 24,601,922	$ -	$ 42,250,356

(Continued)

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES

Nature of Operations: Tulsa Community College Foundation (the Foundation) was established for the benefit of Tulsa Community College (the College). The Foundation awards scholarships to students of the College and provides other support to the College, including funds for textbooks for qualified students, college and community activities and events, capital projects, recognized academic programs, and the concert series and educational classes of the College's Signature Symphony orchestra.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Regents, the governing body of the College.

Basis of Accounting: The Foundation prepares its financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates: The preparation of financial statements in conformity with the Foundation's basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Internal Revenue Service has determined that the Foundation is a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income. The Foundation is not considered a private foundation. The Foundation is also exempt from state income taxes under a similar provision of Oklahoma state statutes.

Cash and Cash Equivalents: The Foundation considers all liquid investments which have original maturities of three months or less to be cash equivalents, except for such financial instruments included in the Foundation's investment accounts. At June 30, 2016 and 2015, cash equivalents consisted primarily of certificates of deposit, and business savings and checking accounts.

The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to $250,000 per financial institution.

Investments and Investment Return: Investments are stated at fair value. The fair values of investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Investment income and realized and unrealized gains and losses are reflected in the statement of activities.

Contributions Receivable: Contributions receivables that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate commensurate with the risks involved. Amortization of discounts is included in contribution revenue.

Allowance for Uncollectible Contributions: The allowance for uncollectible contributions is determined by management based upon the Foundation's historical losses, specific circumstances and economic conditions. Management of the Foundation has estimated the allowance for uncollectible promises to give at June 30, 2016 and 2015 to be $779 and $761.

(Continued)

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Net Asset Classifications: The preparation of financial statements in conformity with the Foundation's basis of accounting requires that the financial statements report the changes in and total of each of the net asset classes based upon donor restrictions, as applicable. The following classes of net assets are used to reflect donor intent:

Unrestricted Net Assets – Net assets for which no donor has imposed a restriction that the assets be used for a specific purpose or held for a certain period of time.

Temporarily Restricted Net Assets – Net assets which result from donor-imposed restrictions that permit the Foundation to expend the donated assets as specified and are satisfied by either the passage of time or by actions of the Foundation. Releases of restriction for the year ending June 30, 2016 and 2015 totaled $2,144,148 and $444,732, and were to support various programs.

Permanently Restricted Net Assets – Net assets which result from donor-imposed restrictions that such assets be maintained permanently but permit the Foundation to pay investment management fees and to expend all or a portion of the income and gains derived from the donated assets.

Contributions: Contributions are recorded upon receipt of cash or upon pledge of unconditional promise to give. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as temporarily restricted and released from restriction.

Contributions are received primarily from organizations and residents in Tulsa County and surrounding geographic areas.

Donated Services: The Foundation pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with special projects, committee assignments, and service on the Board of Trustees. No revenues have been recognized in the statement of activities for donated services.

Fair Value of Financial Instruments: Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying value of the Foundation's financial instruments, which includes cash and cash equivalents, investments, and accrued expenses, approximate fair value.

Expense Classification: Expenses have been classified as program services, management and general, and fundraising based on the actual direct expenditures and estimated cost allocations based upon time and nature of expenses.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2016, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended June 30, 2016. Management has performed their analysis through October 31, 2016, the date the financial statements were available to be issued.

(Continued)

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Fair Value of Financial Instruments

The accounting basis followed by the Foundation establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Inputs include quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Inputs include significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs include significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of money markets and mutual funds is based on quoted prices in active markets. (Level 1 inputs)

(Continued)

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2016 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money markets	$ 410,169	$ -	$ -
Mutual funds:			
Equity securities	3,791,252	-	-
Debt securities	1,862,447	-	-
Real estate and other	829,778	-	-
	$ 6,893,646	$ -	$ -

	Fair Value Measurements at June 30, 2015 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money markets	$ 147,172	$ -	$ -
Mutual funds:			
Equity securities	4,310,426	-	-
Debt securities	1,596,215	-	-
Real estate and other	980,555	-	-
	$ 7,034,368	$ -	$ -

(Continued)

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Contributions Receivable

Unconditional contributions receivable consist of the following at June 30:

	2016	2015
Unconditional contributions receivable	$ 38,984	$ 38,044
Less allowance for uncollectible pledges	(779)	(761)
	$ 38,205	$ 37,283

At June 30, 2016 and 2015, the outstanding contributions receivable balance is due within one year.

Restricted Net Assets

Temporarily restricted net assets at June 30, are available for the following purposes:

	2016	2015
Endowed chairs	$ 1,141,160	$ 1,277,013
Scholarships	619,591	485,645
Lectureships	20,400	21,239
Signature Symphony	81,463	246,628
TCC Textbook Trust	319,375	351,165
Sam S. Miller Student Emergency Fund	100,880	101,100
Planned Physical Therapy Facility	29,460	28,335
First Chair Society	357,907	270,846
Nursing and Allied Health Services	998,821	1,200,000
Other	111,890	193,892
	$ 3,780,947	$ 4,175,863

Permanently restricted net assets consist of the following at June 30:

	2016	2015
Scholarships and textbook assistance	$ 1,442,895	$ 1,388,716
Endowed Chairs	4,000,000	4,000,000
Lectureships	25,000	25,000
	$ 5,467,895	$ 5,413,716

(Continued)

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Endowments

The Foundation's endowment consists of approximately 20 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The Foundation defines endowed funds as the corpus of the endowed gift, plus any appreciation (or depreciation) from the endowed funds that have not been appropriated for spending.

Interpretation of Relevant Law: In accordance with the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the state of Oklahoma, the Foundation is required to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (462)	$ 1,426,213	$ 5,467,895	$ 6,893,646

Endowment net asset composition as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ -	$ 1,620,652	$ 5,413,716	$ 7,034,368

(Continued)

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Endowments (Continued)

Changes in endowment net assets for the year ending June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 1,620,652	$ 5,413,716	$ 7,034,368
Investment loss	(462)	(173,559)	-	(174,021)
Contributions	-	-	54,179	54,179
Appropriation for expenditures	-	(20,880)	-	(20,880)
Net assets, end of year	$ (462)	$ 1,426,213	$ 5,467,895	$ 6,893,646

Changes in endowment net assets for the year ending June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ (25)	$ 1,505,614	$ 5,361,734	$ 6,867,323
Investment income	25	137,678	-	137,703
Contributions	-	-	51,982	51,982
Appropriation for expenditures	-	(22,640)	-	(22,640)
Net assets, end of year	$ -	$ 1,620,652	$ 5,413,716	$ 7,034,368

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $462 and $0 as of June 30, 2016 and 2015. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this plan.

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

NOTE 14 – TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year based upon each gift document. The majority of gifts allow an annual distribution of up to 5% of its endowment fund's fair value as of the immediately preceding December 31. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Related Party Transactions

The Foundation has an agreement with the College whereby the Foundation has agreed to forego its rights to independently acquire office space, hire support personnel, and otherwise provide for independent support services for its activities, so those monies may instead be used for scholarships or other forms of support for the College. In addition, the financial records of the Foundation are administered by individuals who are employees of the College. In consideration of the College providing the staff and clerical support and other services to be performed by the College pursuant to this agreement, the Foundation has agreed to pay the College $24,000 per year plus a portion of certain College employees' salaries and benefits. For the years ended June 30, 2016 and 2015, the Foundation paid the College $111,044 and $99,598 as a result of this agreement.

For the years ended June 30, 2016 and 2015, the Foundation also awarded scholarships totaling $140,616 and $104,684 to students of the College, provided $774,614 and $51,890 of capital projects support, and contributed $1,338,647 and $373,748 for other college support activities.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(in thousands)
Years ended June 30, 2016 and 2015

OTRS	2016	2015
College's proportion of the net pension liability	1.45%	1.34%
College's proportionate share of the net pension liability	$ 88,130	$ 72,076
College's covered-employee payroll	$ 59,988	$ 57,247
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.91%	125.85%
Plan fiduciary net position as a percentage of the total pension liability	70.31%	72.43%

Notes to the Schedule:

Changes in assumptions from prior year:

- There was no change in the nominal investment return rate assumption of 8.00% and the resulting 5.00% real rate of return. However, administrative expenses now have an explicit assumption in the development of the ADEC and funding period and the assumption will no longer assume that they are paid from gross investment return.
- The wage inflation component of the salary scale was decreased by 0.25% from 4.00% to 3.75%.
- For the long-term projections, each future cohort of new members is assumed to be paid 3.75% more than the preceding cohort.
- The payroll growth assumption was decreased by 0.25% from 3.50% to 3.25%. The payroll growth assumption does not impact the liabilities, only the development of the amortization of the unfunded actuarial accrued liability.
- The post-retirement mortality tables for non-disabled retires were updated to the RP-2000 Combined Healthy for males with White Collar Adjustments and to the GRS Southwest Region Teacher Mortality Table with the base rates multiplied by 105% for females.
- Changes made to the rates of disability incidence for males and females
- Termination rates increased for females for most service bands with smaller changes to rates for males. The same rates are now used for both males and females.
- Generally increased and unreduced retirement rates for males and females at the higher retirement ages. For members hired after June 30, 1992, now assume the probability of retirement upon first eligibility for Rule of 90 reflects the accumulated probability of retirement between Rule of 80 and Rule of 90.

*The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TULSA COMMUNITY COLLEGE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
(in thousands)
Years ended June 30, 2016 and 2015

OTRS	2016	2015
Contractually required contribution	$ 5,893	$ 6,059
Contributions in relation to the contractually required contribution	(5,893)	(6,059)
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 58,775	$ 59,988
Contributions as a percentage of covered-employee payroll	10.03%	10.10%

Notes to the Schedule:

**This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Tulsa Community College (College) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

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

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

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

(Continued)

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*.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
October 31, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Tulsa Community College's (College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the College's major federal program for the year ended June 30, 2016. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

(Continued)

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a significant deficiency.

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Dallas, Texas
October 31, 2016

TULSA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass Through Number	Total Federal Expenditures
U.S. Department of Commerce			
Passed through Oklahoma Alliance for Manufacturing Excellence, Inc.			
Manufacturing Extension Partnership	11.611	NIST-MEP	$ 21,117
U.S. Department of Labor			
Passed through Oklahoma Employment Security Commission			
Trade Adjustment Assistance (TAA)	17.245	170-030	282,673
Worker Investment Act (WIA) cluster			
Passed through Oklahoma State University – Oklahoma City			
Workforce Investment Act – Adult Program	17.258	6-553606, 6-553546	1,135,783
Workforce Investment Act – Youth Activities	17.259	6-553266	917,419
Workforce Investment Act – Dislocated Workers Program	17.278	6-553376, 6-553726	788,786
Total Worker Investment Act (WIA) cluster			2,841,988
Passed through Oklahoma State University Institute of Technology			
H-1B Job Training Grant	17.268	15050-HTST 11	30,841
Trade Adjustment Assistance (TAA) - Advanced Manufacturing	17.282	unknown	1,216,672
Passed through Wichita Area Technical College			
TAACCCT - National Aviation Consortium	17.282	TC-23794-12-60-A-20	221,660
Total TAACCCT			1,438,332
Total U.S. Department of Labor			4,593,834
National Aeronautics and Space Administration			
Passed through University of Oklahoma			
Education - Project u r NASA	43.008	2015-28	100,860
National Science Foundation			
Education and Human Resources	47.076	n/a	114,327
U.S. Department of Education			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007	n/a	354,766
Federal Work Study	84.033	n/a	351,513
Federal Pell Grant	84.063	n/a	21,894,096
Federal Direct Student Loan Program	84.268	n/a	25,436,919
Total Student Financial Aid cluster			48,037,294
TRIO Cluster			
Student Support Services	84.042A	n/a	207,790
Upward Bound	84.047A	n/a	2,852
Educational Opportunity Centers	84.066A	n/a	232,183
Total TRIO cluster			442,825
Passed through Oklahoma Department of Career and Technology Education			
Career and Technical Education (Carl Perkins)	84.048	CP-PS-1074	375,461
Total U.S. Department of Education			48,855,580
U.S. Department of Health and Human Services			
Passed through Community Action Project of Tulsa County			
ACA Health Profession Opportunity Grant (HPOG)	93.093	00-TUL COM	235,451
Passed through Rural Health Projects, Inc.			
Rural Health Care Services Outreach	93.912	3R44G	197
Passed through Oklahoma State Regents for Higher Education			
Refugee and Entrant Assistance Discretionary Grant	93.576	unknown	113,492
Passed through Oklahoma University Health Sciences Center			
Biomedical Research and Research Training	93.859	RS20131225-01	90,666
Total U.S. Department of Health and Human Services			439,806
Total Expenditures of Federal Awards			$ 54,125,524

Subrecipient expenditures for the year ending June 30, 2016 are as follows:

Program Title	CFDA Number	Amount
Trade Adjustment Assistance (TAA)	17.245	$ 282,673
Workforce Investment Act – Adult Program	17.258	907,333
Workforce Investment Act – Youth Activities	17.259	717,601
Workforce Investment Act – Dislocated Workers Program	17.278	653,959
		$ 2,561,566

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the College.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 - FEDERAL LOANS DISBURSED

The College also participates in the Federal Direct Student Loans Program, including Federal Stafford Loans (Stafford) and Federal PLUS Loans (PLUS). The dollar amounts are listed in the schedule of federal awards although the College is not the recipient of the funds. Such programs are considered a component of the student financial assistance cluster. Loans processed by the College under this Loan Program were the following for the year ended June 30, 2016:

	2016
Federal Direct Student Loans Program	
Stafford	
Subsidized	$ 11,841,214
Unsubsidized	13,536,459
PLUS	59,246
	$ 25,436,919

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the Financial statements audited were prepared In accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	X None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified not considered to be material weaknesses?	X Yes	___ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	___ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loan Program

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

Auditee qualified as low-risk auditee? X Yes ___ No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2016-001 - Verification

Information on the Federal Program: Student Financial Aid Cluster (CFDA Numbers 84.007, 84.033, 84.063, 84.268) – U.S. Department of Education

Criteria: 34 CFR 668.59(b) – Changes to FAFSA Information – For the Federal Grant Pell Program, if an applicant's FAFSA information changes as a result of verification, an institution must (1) recalculate the applicant's Federal Pell Grant on the basis of the EFC on the corrected valid SAR or valid ISIR; and(2)(i) disburse any additional funds under that award only if the institution receives a corrected valid SAR or valid ISIR for the applicant and only to the extent that additional funds are payable based on the recalculation; (ii) comply with the procedures specified in §668.61 for an interim disbursement if, as a result of verification, the Federal Pell Grant award is reduced; or - (iii) comply with the procedures specified in 34 CFR 690.79 for an overpayment that is not an interim disbursement if, as a result of verification, the Federal Pell Grant award is reduced.

Condition: During our testing of verification, we noted three instances in which information obtained during the verification process conflicted with the applicant's FAFSA information and the applicant's SAR/ISIR was not updated to reflect the correct information.

Questioned Cost: None

Context: For three students in our nonstatistical sample of 25 students, we noted the student's verification worksheet reflected a change in information previously reported on the students' ISIR/SAR which was not properly updated by the College. We reviewed other supporting documentation noting in these instances there was no impact on the amount of Title IV aid awarded or disbursed to these students.

Effect: Title IV aid awarded and disbursed students could be incorrect if information obtained during the verification process is not properly updated and reflected in the ISIR/SAR.

Cause: The College's student financial aid office trains selected employees to complete the verification process and to properly update student information when updated information is received as part of the verification process. In these instances, the updated information did not get input into student information records as an error of omission by College verification employees.

Repeat Finding: No

Recommendation: We recommend management review internal controls surrounding the verification process and continue to provide periodic training to financial aid staff to ensure corrections found during the verification process are properly submitted.

Views of responsible officials and planned corrective actions: Current practice in the Financial Aid & Scholarships Office includes annual training for verification staff. In this training session topics covered include: federal verification changes, required verification items for each verification group, notating changes to the student record in Banner, processing changes to the Banner system and proper use of Banner screens. Moving forward this annual training will also include enhanced use of the Banner screen RNAVRxx (Need Analysis Document Verification) for confirming verified items and to update student ISIRs. Staff will notate verified items on RNAVRxx for each verifiable item for the respective verification group, i.e. V1, V2, V3, etc. Financial Aid Management will develop a checklist for verification staff to use a desk reference that clearly indicates what items are required to be verified for each verification group.

Section III – Federal Award Findings and Questioned Costs (Continued)

Two subsequent training sessions will also be developed to reiterate topics from the annual training. Tentative training schedule for the 2017-18 award cycle will be as follows:

- Annual Training to occur as part of award year set up and development – November 2016
- Follow Up to Annual Training to occur prior to staff beginning verification for the award year – December 2016
- Mid-year Training to reinforce verification procedures – May 2017

In Addition to more robust training for verification staff, financial aid management will develop an internal audit process to review verified student files. The Financial Aid Systems team will develop a random sampling of student files to be reviewed by the Assistant Director of Operations & Compliance on a monthly basis. The Assistant Director will:

- Monitor staff effectiveness,
- Record results of monthly review,
- Work with staff member(s) on corrective action if necessary, and
- Develop additional training if necessary.

None reported.