Oklahoma City Community College
(A Component Unit of the State of Oklahoma)

Financial Statements

June 30, 2017
(With Independent Auditors' Reports Thereon)

FINLEY & COOK
CERTIFIED PUBLIC ACCOUNTANTS

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Oklahoma City Community College (the "College"), collectively a component unit of the State of Oklahoma, as of and for the year ended June 30, 2017, 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; 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 our opinions on these financial statements based on our audit. We did not audit the financial statements of the Oklahoma City Community College Foundation (the "Foundation"), which is presented as the College's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as they relate to the amounts included for the discretely presented component unit, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

(Continued)

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INDEPENDENT AUDITORS' REPORT, CONTINUED

Auditor's Responsibility, Continued

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 College'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 College'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.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by GASB, 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, 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.

(Continued)

Other Matters, Continued

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 accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis 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 is also not a required part of the basic financial statements. Such information 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. The 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. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2017, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting 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.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 16, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The management's discussion and analysis of the activities and financial performance of Oklahoma City Community College (the "College") provides an overview of the College's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the accompanying financial statements of the College.

Financial Highlights

- During the year ended June 30, 2017, the College's net position increased by $10,155,032 to $53,977,914. Unrestricted net position increased by $3,689,647 as a result of the overall net impact of pension adjustment. Net position invested in capital assets increased by $4,486,354 as a result of expenditures related to the Capitol Hill Center and expendable net position restricted increased by $1,979,031, as a result of the allocation of a portion of the student facility fee to capital funds and an allocation of $1,000,000 from the technical education reimbursement from the District to capital funds.

- Total operating revenues increased to $34,278,511 in 2017 from $32,162,266 in 2016 primarily due to increases in tuition and fees revenue.

- Total operating expenses increased by $613,247 to $78,528,595 in 2017 from $77,915,348 in 2016. This increase includes an increase in net compensation expense of $1,254,726, an increase in bad debt expense of $369,000 and a decrease of approximately $1,000,000 in supplies and materials expense and a decrease of approximately $241,000 in scholarships and fellowships.

- Net non-operating and other revenues decreased to $54,405,116 in 2017 from $56,199,276 in 2016. This decrease is primarily due to an approximately $1,000,000 decrease in state appropriations and an approximately $1,400,000 decrease in capital gifts and donations, which was offset by an approximately $519,000 increase in state appropriations for on-behalf payments for the Oklahoma Capital Improvement Authority (OCIA) capital lease obligations.

Using this Annual Report

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

The Statements of Net Position and Revenues, Expenses and Changes in Net Position

One of the most important questions about any college's finances is, "Is the college better or worse off as a result of the year's financial activities?" The statements of net position and revenues, expenses and changes in net position report information about the College as a whole and its activities in a way that helps answer this question. These statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the College's net position and changes in it. The College's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one measure of the College's financial health or financial position. Over time, increases or decreases in the College's net position is one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the College's programs and degrees offered and accreditation status, in addition to the condition of its physical facilities, should also be considered to assess the overall financial health of the College.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The College's Net Position

The College's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the statement of net position. The College's net position increased/decreased in 2017 from 2016 as shown in Table 1.

The College's Net Position, Continued

Table 1: Assets, Liabilities, and Net Position

	June 30, 2017	June 30, 2016	Increase (Decrease)	% Change
Assets and Deferred Outflows of Resources				
Current assets	$ 33,970,133	27,826,928	6,143,205	22%
Noncurrent assets:				
Capital assets, net	99,074,367	98,254,114	820,253	1%
Other	9,018,782	9,666,535	(647,753)	(7)%
Deferred outflows	20,167,581	6,694,443	13,473,138	201%
Total assets and deferred outflows of resources	162,230,863	142,442,020	19,788,843	14%
Liabilities and Deferred Inflows of Resources				
Current liabilities	11,314,707	13,831,551	(2,516,844)	(18)%
Noncurrent liabilities	93,129,083	78,922,074	14,207,009	18%
Deferred inflows	3,809,159	5,865,513	(2,056,354)	(35)%
Total liabilities and deferred inflows of resources	108,252,949	98,619,138	9,633,811	10%
Net Position				
Net investment in capital assets	74,508,833	70,022,479	4,486,354	6%
Restricted—nonexpendable	199,783	199,783	-	0%
Restricted—expendable	10,361,590	8,382,559	1,979,031	24%
Unrestricted (deficit)	(31,092,292)	(34,781,939)	3,689,647	(11)%
Total net position	$ 53,977,914	43,822,882	10,155,032	23%

Current assets increased $6,143,205 in 2017 primarily due to an increase in cash and cash equivalents and receivables.

As of June 30, 2017, net capital assets increased $820,253 from the balance at June 30, 2016, primarily due to an increase in construction work in progress. See Note 6 for further information.

The College's Net Position, Continued

Other noncurrent assets decreased by $647,753 primarily due to the decrease in restricted cash of approximately $669,000 for expenditures related to capital projects offset by the increase of investments of approximately $21,000.

The increase in deferred outflows of resources in the amount of $13,473,138 is primarily attributed to changes in actuarial assumptions and the deferral to a future year of the expense related to pension payments made by the College in 2017 of $3,200,432.

Current liabilities decreased by $2,516,844 primarily due to decreases in accrued payroll and the current portion of long-term liabilities.

Noncurrent liabilities increased by $14,207,009 primarily due to the increase in net pension liability added for the College's portion of the Oklahoma Teachers' Retirement System (OTRS) unfunded liability offset by a reduction in the capital lease obligation bonds funded through OCIA (see Note 7).

The decrease in deferred inflows of resources is primarily attributed to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which required the historical differences between projected and actual earnings on the pension plan investments be deferred and recognized in expense in future years.

The College's Net Position, Continued

Table 2: Operating Results and Changes in Net Position

	Years Ended June 30, 2017	2016	Increase (Decrease)	% Change
Operating revenues:				
Tuition and fees, net	$ 22,375,947	20,849,545	1,526,402	7%
Federal and state grants and contracts	4,097,463	4,135,916	(38,453)	(1)%
Auxiliary enterprise charges	4,679,576	4,323,034	356,542	8%
Other	3,125,525	2,853,771	271,754	10%
Total operating revenues	34,278,511	32,162,266	2,116,245	7%
Operating expenses	78,528,595	77,915,348	613,247	1%
Operating loss	(44,250,084)	(45,753,082)	1,502,998	(3)%
Non-operating revenues (expenses):				
State appropriations	21,475,333	22,352,611	(877,278)	(4)%
OTRS on-behalf contributions	2,380,944	2,652,667	(271,723)	(10)%
Ad valorem taxes	8,382,259	7,895,046	487,213	6%
Federal grants and contracts	19,279,142	20,074,356	(795,214)	(4)%
Investment income	106,410	(10,525)	116,935	1111%
Interest expense	(1,076,628)	(1,624,201)	547,573	(34)%
Total non-operating revenues	50,547,460	51,339,954	(792,494)	(2)%
Other revenues:				
State appropriations for capital purposes	688,044	808,771	(120,727)	(15)%
OCIA on-behalf state appropriations	2,545,389	2,026,698	518,691	26%
Capital gifts and donations	624,223	2,023,853	(1,399,630)	(69)%
Total other revenues	3,857,656	4,859,322	(1,001,666)	(21)%
Change in net position	10,155,032	10,446,194	(291,162)	(3)%
Net position, beginning of year	43,822,882	33,376,688	10,446,194	31%
Net position, end of year	$ 53,977,914	43,822,882	10,155,032	23%

The College's Net Position, Continued

During the year ended June 30, 2017, operating revenues increased by $2,116,245 compared to 2016. The primary components of this increase were:

- Net tuition and fees increased by $1,526,402 primarily due to a modest increase in In-State tuition and fees.
- Auxiliary enterprise revenue increased $356,542. This is primarily due to the transfer of approximately $1.1 million from E&G to auxiliary in support of security services provided to the college by the campus police. This was offset by a decrease in textbook sales of approximately $700,000.
- Other operating revenues increased by $271,754 when compared to fiscal year 2016 primarily as a result of an increase in revenues from theater ticket sales.

During the year ended June 30, 2017, operating expenses increased by $613,247 compared to 2016. The primary components of this increase included:

- Total net compensation expenses increased by $1,254,726. This consisted of an employee compensation decrease in the amount of $1,759,258 and benefit cost increases in the amount of $2,701,540. This increase in benefit costs is the result of increased pension benefit costs as a result of GASB 68 adjustments.
- In addition, other operating expense increased approximately $690,000. This increase is primarily related to the increase in bad debt expense of approximately $469,000 during 2017 to a total of approximately $1.5 million. These increases in operating expenses were offset by a $1 million decrease in supplies and materials related bookstore textbook buyback and resell and a $241,000 decrease in scholarships and fellowships.

During the year ended June 30, 2017, total non-operating revenues decreased by $1,794,160. The primary components of this decrease included:

- State appropriations, including on-behalf and capital contributions, decreased by $479,314 primarily due to decreases in the state allocation to the College.
- Capital gifts and donations decreased by $1.4 million due to lower Tax Incremental Funding (TIF) contributions received from the City of Oklahoma City when compared to prior years.
- Ad valorem taxes increased by $487,213, which is primarily due to timing differences and a slight increase in property values.
- Federal grants and contracts revenue decreased $795,214 primarily due to a decrease in Pell grants and guaranteed student loans.

Net position increased $10,155,032 during fiscal year 2017. This is a combination of the GASB 68 pension adjustments and increased operating revenues.

The College's Net Position, Continued

Table 3: Condensed Statements of Cash Flows

	Years Ended June 30, 2017	2016	Increase (Decrease)	% Change
Cash used in:				
Operating activities	$ (35,417,835)	(41,632,496)	6,214,661	(15)%
Noncapital financing activities	46,782,623	48,529,473	(1,746,850)	(4)%
Capital and related financing activities	(5,120,848)	(3,098,659)	(2,022,189)	65%
Investing activities	81,587	1,013,525	(931,938)	(92)%
Increase in cash and cash equivalents	6,325,527	4,811,843	1,513,684	31%
Cash and cash equivalents at beginning of year	28,099,302	23,287,459	4,811,843	21%
Cash and cash equivalents at end of year	$ 34,424,829	28,099,302	6,325,527	23%

The College's overall cash and cash equivalents increased by $6,325,527.

Capital Assets and Debt Administration

Capital assets, net of accumulated depreciation, increased $820,253 due to expenditures of $3.2 million in capitalized costs for the Capitol Hill Center Renovation Project and improvements to landscaping and infrastructure, offset by additional accumulated depreciation. In 2017, depreciation expense totaled $5,665,356 compared to depreciation expense of $5,619,702 in 2016.

Capital Assets and Debt Administration, Continued

Table 4: Condensed Summary of Capital Assets

	Years Ended June 30, 2017	2016	Increase (Decrease)	% Change
Capital Assets				
Land	$ 2,937,133	2,937,133	-	0%
Artwork	12,200	-	12,200	100%
Construction in progress	7,021,757	3,756,625	3,265,132	87%
Buildings and improvements	119,126,483	118,203,288	923,195	1%
Infrastructure	10,168,321	9,873,781	294,540	3%
Furniture and equipment	25,604,034	25,581,747	22,287	0%
Library materials	7,795,133	7,494,429	300,704	4%
Total capital assets	172,665,061	167,847,003	4,818,058	3%
Less accumulated depreciation	(73,590,694)	(69,592,889)	(3,997,805)	6%
Capital assets, net	$ 99,074,367	98,254,114	820,253	1%

At June 30, 2017, the College had total long-term liabilities of $28,292,245 compared to $31,666,565 at June 30, 2016. No additional debt was incurred during the fiscal year ended June 30, 2017. See Note 7 for further information.

Table 5: Condensed Summary of Long-Term Liabilities

	Years Ended June 30, 2017	2016	Increase (Decrease)	% Change
Capital lease obligations	$ 12,539,295	14,676,188	(2,136,893)	(15)%
Revenue bonds payable	14,410,000	15,660,000	(1,250,000)	(8)%
Premium and discounts	173,945	179,351	(5,406)	(3)%
Compensated absences	1,169,005	1,151,026	17,979	2%
Total long-term liabilities	28,292,245	31,666,565	(3,374,320)	(11)%
Less current portion	(3,708,699)	(4,384,947)	676,248	(15)%
Net long-term liabilities	$ 24,583,546	27,281,618	(2,698,072)	(10)%

Economic Factors and Next Year's Budgets

The College's credit hours declined in fiscal year 2017 by 4.98% when compared to fiscal year 2016. In fiscal year 2018, through September 5, 2017, the fall semester credit hours declined 1.9% when compared to the fiscal year 2017 fall semester. Fiscal year 2017 state appropriations for National Guard Waiver reimbursement and concurrent enrollment reimbursement were $64,364 and $234,929, respectively. The National Guard Waiver reimbursement decreased by 35.4% from fiscal year 2016 and concurrent enrollment reimbursements decreased by 39.7%, which contributes to the total decrease in state appropriations.

The College, in its commitment to continue to provide quality education programs and continued services as expected by the student body, modestly increased tuition and mandatory fee rates for In-State students by just over 4.9% for fiscal year 2018. There was no change to the out-of-state tuition rates for fiscal year 2018. The state budget outlook for fiscal year 2018 includes a budget shortfall and there is an expectation that additional revenue failures could occur for higher education during fiscal year 2018. The College will continue a conservative budgeting approach which includes a contingency methodology to help address unforeseen budget reductions or unforeseen expenditures.

Contacting the College's Financial Management

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

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

STATEMENT OF NET POSITION

	June 30, 2017	*September 30, 2016*
	Oklahoma City Community College	Oklahoma City Community College Foundation
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 27,061,793	1,318,715
Restricted cash and cash equivalents	1,779,189	-
Student accounts receivable, net	3,899,024	-
Other receivables	837,536	346
Interest receivable	11,612	-
Inventories	380,979	-
Total current assets	33,970,133	1,319,061
Noncurrent assets:		
Restricted cash and cash equivalents	5,583,847	-
Investments	3,434,935	1,188,306
Capital assets, net	99,074,367	-
Total noncurrent assets	108,093,149	1,188,306
Total assets	142,063,282	2,507,367
Deferred outflows of resources	20,167,581	-
Total deferred outflows of resources	20,167,581	-
Total assets and deferred outflows of resources	$ 162,230,863	2,507,367

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

STATEMENT OF NET POSITION, CONTINUED

	June 30, 2017	*September 30, 2016*
	Oklahoma City Community College	Oklahoma City Community College Foundation
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable	$ 2,879,261	-
Accrued payroll	1,059,953	-
Other accrued liabilities	416,619	-
Retainage	5,000	-
Unearned revenue	2,901,734	-
Due to student groups and organizations	343,441	-
Current portion of accrued compensated absences	789,913	-
Current portion of long-term debt	2,918,786	-
Total current liabilities	11,314,707	-
Noncurrent liabilities:		
Accrued compensated absences	379,092	-
Bonds payable, net of premium and discounts	13,303,541	-
Capital lease obligations	10,900,913	-
Net pension liability	68,545,537	-
Total noncurrent liabilities	93,129,083	-
Total liabilities	104,443,790	-
Deferred inflows of resources	3,809,159	-
Total deferred inflows of resources	3,809,159	-
Net position:		
Net investment in capital assets	74,508,833	-
Restricted for:		
Scholarships—nonexpendable	199,783	910,300
Scholarships and other—expendable	206,905	1,225,507
Capital projects	5,956,617	318,054
Debt service	4,198,068	-
Unrestricted deficit	(31,092,292)	53,506
Total net position	$ 53,977,914	2,507,367

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended	*June 30, 2017*	*September 30, 2016*
	Oklahoma City Community College	Oklahoma City Community College Foundation
Operating revenues:		
Tuition and fees, net of scholarship allowances of $9,451,771	$ 22,375,947	-
Federal and state grants and contracts	4,097,463	-
Sales and services of educational departments	803,475	-
Auxiliary enterprise charges:		
Food services	185,101	-
Bookstore, net of scholarship allowances of $2,027,152	2,195,408	-
All other auxiliary enterprises	2,299,067	-
Other operating revenues	2,322,050	844,952
Total operating revenues	34,278,511	844,952
Operating expenses:		
Compensation	48,558,401	-
Contractual services	7,813,995	-
Supplies and materials	4,397,566	-
Utilities	1,311,618	-
Communications	200,667	-
Other operating expenses	3,369,015	345,115
Scholarships and fellowships	7,211,977	89,716
Depreciation expense	5,665,356	-
Total operating expenses	78,528,595	434,831
Operating (loss) income	(44,250,084)	410,121

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, CONTINUED

Years Ended	*June 30, 2017*	*September 30, 2016*
	Oklahoma City Community College	Oklahoma City Community College Foundation
Non-operating revenues (expenses):		
State appropriations	21,475,333	-
On-behalf contributions for Oklahoma Teachers' Retirement System	2,380,944	-
Operational and incentive levy funds	6,246,650	-
Building levy funds	2,135,609	-
Federal and state grants—non-operating	19,279,142	-
Investment income	106,410	90,123
Interest expense	(1,076,628)	-
Total non-operating revenues	50,547,460	90,123
Income before other revenues	6,297,376	500,244
Other revenues:		
State appropriations restricted for capital purposes	688,044	-
OCIA on-behalf state appropriations	2,545,389	-
Capital gifts and donations	624,223	3,111
Total other revenues	3,857,656	3,111
Change in net position	10,155,032	503,355
Net position, beginning of year	43,822,882	2,004,012
Net position, end of year	$ 53,977,914	2,507,367

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	Oklahoma City Community College
Operating activities:	
Receipts for tuition and fees	$ 22,040,828
Receipts for grants and contracts	5,069,768
Receipts for auxiliary enterprise charges	4,665,844
Receipts for educational activities	767,547
Payments to other entities	(1,503,065)
Payments to employees for salaries and benefits	(45,667,469)
Payments for scholarships	(7,211,977)
Payments to suppliers	(13,579,311)
Net cash used in operating activities	(35,417,835)
Noncapital financing activities:	
State appropriations	21,279,320
Ad valorem taxes received	6,224,161
Non-operating grants	19,279,142
Net cash provided by noncapital financing activities	46,782,623
Capital and related financing activities:	
Purchases of capital assets	(6,726,765)
Capital appropriations received	688,044
Capital gifts and donations	624,223
Building levy funds received	2,135,609
Principal paid on capital debt and leases	(1,350,333)
Interest paid on capital debt and leases	(633,820)
Proceeds from sale of capital assets	142,194
Net cash used in capital and related financing activities	(5,120,848)

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY COMMUNITY COLLEGE
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STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2017

	Oklahoma City Community College
Investing activities:	
Purchase of investments	(806,671)
Proceeds from sales and maturities of investments	791,116
Interest received on investments	97,142
Net cash provided by investing activities	81,587
Increase in cash and cash equivalents	6,325,527
Cash and cash equivalents, beginning of year	28,099,302
Cash and cash equivalents, end of year	$ 34,424,829
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (44,250,084)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	5,665,356
Amortization of deferred inflows pension	17,274,506
Cash funding of deferred outflows pensions	(13,473,138)
Changes in net assets and liabilities:	
Receivables, net	264,950
Inventories	144,535
Accounts payable and accrued liabilities	112,517
Unearned revenue	(145,325)
Compensated absences	(1,022,952)
Due to student groups and organizations	11,800
Net cash used in operating activities	$ (35,417,835)

(Continued)

See Independent Auditors' Report.
See accompanying notes to financial statements.

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

STATEMENT OF CASH FLOWS, CONTINUED
Year Ended June 30, 2017

		Oklahoma City Community College
Noncash investing, noncapital financing, and capital and related financing activities:		
Principal and interest on capital debt paid by state on behalf of the College	$	2,545,389
On-behalf payments for Oklahoma Teachers' Retirement System	$	2,380,944
Net reduction in capital lease liability due to advance refunding	$	44,835
Capital asset purchases in retainage payable	$	5,000
Reconciliation of cash and cash equivalents to the statement of net position:		
Current cash and cash equivalents	$	27,061,793
Current restricted cash and cash equivalents		1,779,189
Noncurrent restricted cash and cash equivalents		5,583,847
Total cash and cash equivalents	$	34,424,829

See Independent Auditors' Report.
See accompanying notes to financial statements.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

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

The accompanying financial statements include the accounts of the College and the South Oklahoma City Area School District (the "District"). The College is an agency of the State of Oklahoma and the District is a political subdivision of the State of Oklahoma. The District has been presented as a blended component unit because the District's governing body is substantially the same as the governing body of the College, and the District provides services almost entirely to the College, which is the primary government. Separate financial statements for the District have been prepared and can be obtained by contacting the College's Chief Financial Officer.

Discretely Presented Component Unit

The Oklahoma City Community College Foundation (the "Foundation") is a component unit of the College that is discretely presented with the financial statements of the College. The Foundation has a fiscal year ended September 30. The Foundation is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the College as a whole, including both the College and the District. Additional disclosures for the Foundation are presented in Note 13.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents because they are available upon request by the College.

Deposits and Investments

The College accounts for its investments, outside of the State Treasurer's Cash Management Program, at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with the risks identified in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the College has disclosed its deposit and investment policies. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, the College has disclosed the level of risk for its investments in Note 2. Changes in unrealized gains (losses) on the carrying value of the investments are reported as a component of investment income in the accompanying statement of revenues, expenses and changes in net position.

Inventories

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

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Student Accounts Receivable and Other Receivables

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

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

Other receivables include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

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 accompanying statement of net position.

Capital Assets

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

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liabilities and expenses incurred are recorded at year-end as accrued compensated absences in the accompanying statement of net position, and as a component of compensation expense in the accompanying statement of revenues, expenses and changes in net position. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date. Sick leave is not accrued because employees are not compensated for accrued unused sick leave upon separation from employment.

Noncurrent Liabilities

Noncurrent liabilities include 1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year, 2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year and 3) pension liabilities required to be reported by the College pursuant to generally accepted accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position Classification

Net position of the College is classified in three components:

Net Investments in Capital Assets—Represents the net investment in capital assets less the debt associated with the capital assets.

Restricted—Expendable and Nonexpendable—

*Restricted—Expendable—*Represents net position which has been restricted by outside sources. The College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Unrestricted—Represents the remaining net position, if any. Unrestricted net position represents 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 toward unrestricted resources and then toward restricted resources.

Income Taxes

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

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Classification of Revenues

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

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

- **Non-operating Revenues—**Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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, property taxes, governmental and other pass-through grants and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the accompanying 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 non-operating revenues. 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.

Pensions

For purposes of measuring the net position liability, deferred outflows of resources and deferred 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.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net position by the College that are applicable to a future reporting period. As of June 30, 2017, the College's deferred outflows were comprised of deferred charges of $20,167,581 related to pensions.

Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the College that are applicable to a future reporting period. As of June 30, 2017, the College's deferred inflows were comprised of deferred charges on OCIA lease restructures of $371,570, deferred charges for Student Facilities Program Revenue bond refinancing of $87,886, and $3,349,703 related to pensions.

New Accounting Pronouncements

New Accounting Pronouncements Adopted

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74). GASB 74 seeks to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or "OPEB"). This statement provides guidance for reporting and disclosure of defined benefit and defined contribution OPEB plans. GASB 74 is effective for financial statements for fiscal years beginning after June 15, 2016. The College adopted this statement on July 1, 2016. The adoption had no significant impact on the College's financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 provides financial reporting and disclosure guidance to governments that have either entered into tax abatement agreements or that have revenues affected by tax abatements entered into by another government. Governments will generally use tax abatements to encourage specific economic development that benefit either the government or its citizens by forgoing certain taxes. The College adopted this statement on July 1, 2016. The College has no items to be reported, and the adoption had no significant impact on the College's financial statements.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Adopted, Continued

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* (GASB 78). GASB 78 addresses an issue that arose as a result of the employer reporting for pension plans under GASB 68, *Accounting and Financial Reporting for Pensions*. Certain state and local governments participate in a cost-sharing multi-employer pension plan that (1) is not a state or local governmental plan, (2) provides defined benefits both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes the requirements for recognition, reporting, disclosures, and required supplementary information for governmental employers that provide pensions through pension plans with the above-mentioned characteristics. The College adopted this statement on July 1, 2016. The adoption had no significant impact on the College's financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB 80 amends blending requirements for the financial statements of component units to include criteria requiring blending of a component unit organized as a not-for-profit corporation in which the primary government is the sole corporate member. The College adopted this statement on July 1, 2016. The adoption had no significant impact on the College's financial statements.

New Accounting Pronouncements Not Yet Adopted

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 addresses employer and governmental non-employer contributing entities accounting and financial reporting when participating in an OPEB plan. This statement requires proper recognition of OPEB liabilities by employers and requires a more comprehensive measure of OPEB expense. More robust disclosures will also improve transparency and accountability. GASB 75 is effective for financial statements for the periods beginning after June 15, 2017. The College will adopt GASB 75 effective July 1, 2017, for the June 30, 2018, reporting year. The College does not expect GASB 75 to have a significant impact on the financial statements.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted, Continued

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81). GASB 81 provides recognition and measurement guidance for situations in which a government is one of the beneficiaries of an irrevocable split-interest agreement. Irrevocable split-interest agreements are a type of giving by a donor to provide resources to two or more beneficiaries, including governments. GASB 81 provides the recognition and reporting requirements applicable when a government is one of the parties to such an agreement. The College will adopt GASB 81 effective July 1, 2017, for the June 30, 2018, reporting year. The College does not expect GASB 81 to have a significant impact on the financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides accounting and reporting requirements for certain asset retirement obligations (ARO) that arise from legally enforceable liabilities associated with the retirement of certain tangible capital assets. ARO's require an internal and external obligating event and the costs to be reasonable estimable for the incurrence of such a liability. The College will adopt GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The College does not expect GASB 83 to have a significant impact on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 improves guidance regarding the recognition and reporting of fiduciary activities. GASB 84 identifies four types of reportable fiduciary fund types, including 1) pension (and other employee benefit) trust funds, 2) investment trust funds, 3) private-purpose trust funds, and 4) custodial funds. GASB 84 outlines the accounting and disclosure requirements for operating structures that qualify as a fiduciary activity. The College will adopt GASB 84 effective July 1, 2019, for the June 30, 2020, reporting year. The College does not expect GASB 84 to have a significant impact on the financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017* (GASB 85). GASB 85 clarified several practice issues identified during the application of earlier GASB pronouncements. GASB 85 addresses topics including the blending of component units, goodwill and negative goodwill, fair value measurement and application, employer accounting and reporting for pensions and OPEB, and reporting by OPEB plans. The College will adopt GASB 85 effective July 1, 2017, for the June 30, 2018, reporting year. The College does not expect GASB 85 to have a significant impact on the financial statement.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted, Continued

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86). GASB 86 provides guidance regarding the in-substance defeasance of debt. Normally, a government will issue new debt at favorable rates and place the proceeds in trust to eliminate the liability of an existing debt. GASB 86 provides accounting and reporting guidance for situations where a government irrevocably sets aside cash and other assets to defease an existing debt. Guidance also addresses prepaid insurance related to extinguished debt and the financial valuation and disclosure of other assets used to defease debt. The College will adopt GASB 86 effective July 1, 2017, for the June 30, 2018, reporting year. The College does not expect GASB 86 to have a significant impact on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 improves accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The College has not determined the impact of GASB 87 on the financial statements.

(2) DEPOSITS AND INVESTMENTS

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure the College's deposits may not be returned to it. The College's deposit policy for custodial credit risk is described as follows:

- Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by the 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 limitation, placed in financial institutions or invested, as the Treasurer may determine, in the state's name.

- The College requires that balances on deposit with financial institutions be insured by the FDIC, 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, 2017, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

Deposits with the State Treasurer	$ 24,990,933
U.S. financial institutions	9,409,896
Petty cash and change funds	24,000
	$ 34,424,829

(2) DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk—Deposits, Continued

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool, OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. Treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

At June 30, 2017, the bank balance of the College's deposits with the State Treasurer and U.S. financial institutions was $34,437,373. Of funds on deposit with the State Treasurer, amounts invested in OK INVEST totaled $6,728,226.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2017, the distribution of deposits in OK INVEST was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	$ 2,836,269	2,829,312
Money market mutual fund	695,981	695,981
Certificates of deposit	299,726	299,726
Mortgage-backed agency securities	2,695,388	2,697,844
Municipal bonds	105,364	108,315
Foreign bonds	64,461	64,452
U.S. Treasury obligations	31,037	37,129
	$ 6,728,226	6,732,759

(2) DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk—Deposits, Continued

Agencies and funds that are considered to be a part of the state's reporting entity and the state's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. 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. 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.

(2) DEPOSITS AND INVESTMENTS, CONTINUED

Investments

At June 30, 2017, the College had the following investments:

State Treasurer's Internal Investment Pool	$	2,475
Other investments:		
U.S. Treasury money market mutual funds		3,281,425
Oklahoma State Regents Endowment		151,035
	$	3,434,935

The underlying collateral for amounts invested with the State Treasurer's internal investment pool is U.S. Treasury obligations, U.S. agency obligations and tri-party repurchase agreements.

Investment maturities were as follows at June 30, 2017:

			Investment Maturities	
Investment Type		Fair Value	Not Applicable	Less Than One Year
State Treasurer's Internal Investment Pool	$	2,475	2,475	-
Other investments:				
U.S. Treasury money market mutual funds		3,281,425	-	3,281,425
Oklahoma State Regents Endowment		151,035	151,035	-
	$	3,434,935	153,510	3,281,425

See Independent Auditors' Report.

(2) DEPOSITS AND INVESTMENTS, CONTINUED

Interest Rate Risk

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

Concentration of Credit Risk

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

Fair Value

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the 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.

The College has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury money market mutual funds of $3,281,425 are valued using quoted market prices (Level 1 inputs)

- Investments held at the State Regents of Higher Education of $151,035 and at the State Treasurer's Office of $2,475 (Level 3 inputs).

(3) STUDENT ACCOUNTS RECEIVABLE

Student accounts receivable consisted of the following at June 30, 2017:

Student tuition and fees	$ 3,992,062
Less allowance for doubtful accounts	(93,038)
	$ 3,899,024

See Independent Auditors' Report.

(4) OTHER RECEIVABLES

Other receivables consisted of the following at June 30, 2017:

Due from grantors	$	789,404
Taxes receivable		48,132
	$	837,536

(5) UNEARNED REVENUE

Unearned revenue consisted of the following at June 30, 2017:

Student tuition and fees	$	2,100,167
Auxiliary enterprises and other operating activities		192,427
Grants and contracts		609,140
	$	2,901,734

(6) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated:					
Land	$ 2,937,133	-	-	-	2,937,133
Artwork	-	12,200	-	-	12,200
Construction in progress	3,756,625	4,223,854	(958,722)	-	7,021,757
Total capital assets not being depreciated	6,693,758	4,236,054	(958,722)	-	9,971,090
Other capital assets:					
Buildings and improvements	118,203,288	259,013	664,182	-	119,126,483
Infrastructure	9,873,781		294,540	-	10,168,321
Furniture and equipment	25,581,747	1,832,032	-	(1,809,745)	25,604,034
Library materials	7,494,429	300,704	-	-	7,795,133
Total other capital assets	161,153,245	2,391,749	958,722	(1,809,745)	162,693,971
Less accumulated depreciation:					
Buildings and improvements	(41,788,244)	(2,934,660)	-	-	(44,722,904)
Infrastructure	(4,152,326)	(346,715)	-	-	(4,499,041)
Furniture and equipment	(17,837,109)	(2,024,738)	-	1,667,551	(18,194,296)
Library materials	(5,815,210)	(359,243)	-	-	(6,174,453)
Total accumulated depreciation	(69,592,889)	(5,665,356)	-	1,667,551	(73,590,694)
Other capital assets, net	91,560,356	(3,273,607)	958,722	(142,194)	89,103,277
Total capital assets, net	$ 98,254,114	962,447	-	(142,194)	99,074,367
Capital asset summary:					
Capital assets not being depreciated	$ 6,693,758	4,236,054	(958,722)	-	9,971,090
Other capital assets, at cost	161,153,245	2,391,749	958,722	(1,809,745)	162,693,971
Total cost of capital assets	167,847,003	6,627,803	-	(1,809,745)	172,665,061
Less accumulated depreciation	(69,592,889)	(5,665,356)	-	1,667,551	(73,590,694)
Capital assets, net	$ 98,254,114	962,447	-	(142,194)	99,074,367

See Independent Auditors’ Report.

(6) CAPITAL ASSETS, CONTINUED

At June 30, 2017, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	Asset Cost	Accumulated	Book Value
Arts Education Center	$ 9,748,824	1,970,075	7,778,749
Health Professions Center	6,913,007	1,397,003	5,516,004
Performing Arts Center	4,075,000	314,115	3,760,885
	$ 20,736,831	3,681,193	17,055,638

(7) LONG-TERM LIABILITIES

Long-term liabilities activity, exclusive of the net pension liability, for the year ended June 30, 2017, was as follows:

	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable and capital leases:						
Revenue bonds payable:						
Student Facility, Series 2006	7/1/2022	3,430,000	-	(435,000)	2,995,000	450,000
Student Facility, Series 2010	7/1/2030	6,400,000	-	(340,000)	6,060,000	345,000
Student Facility, Series 2015	7/1/2026	5,830,000	-	(475,000)	5,355,000	480,000
Total revenue bonds payable		15,660,000	-	(1,250,000)	14,410,000	1,275,000
Capital lease obligations:						
OCIA Series 2010A (Refunding)	7/1/2017	2,875,069	-	(1,421,936)	1,453,133	1,453,133
OCIA Series 2014A (Refunding)	7/1/2031	8,005,116	-	(536,673)	7,468,443	-
OCIA Series 2014B (Refunding)	7/1/2019	243,336	-	(77,951)	165,385	81,082
ODFA MRP Lease 2010A	6/1/2040	3,552,667	-	(100,333)	3,452,334	104,167
Total capital lease obligations		14,676,188	-	(2,136,893)	12,539,295	1,638,382
Total revenue bonds payable and capital lease obligations		30,336,188	-	(3,386,893)	26,949,295	2,913,382
Other liabilities:						
Premium and discounts, net		179,351	-	(5,406)	173,945	5,404
Accrued compensated absences		1,151,026	807,892	(789,913)	1,169,005	789,913
Total other liabilities		1,330,377	807,892	(795,319)	1,342,950	795,317
Total long-term liabilities		$ 31,666,565	807,892	(4,182,212)	28,292,245	3,708,699

See Independent Auditors' Report.

(7) LONG-TERM LIABILITIES, CONTINUED

Revenue Bonds

The Student Facilities Program Revenue Bonds, Series 2005 (the "2005" Bonds) were issued in the original amount of $10,000,000. Principal payments ranging from $305,000 to $675,000 are due each July 1 through 2026. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees, the proceeds to be used to construct a Science, Engineering and Math Center facility. The 2005 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes. These bonds were refunded during fiscal year 2016 by the issuance of the Student Facility Revenue Refunding Bonds, Series 2015 in January 2016.

The Student Facilities Program Revenue Bonds, Refunding Series 2006 (the "2006 Bonds") were issued in the original amount of $7,455,000. Principal payments ranging from $270,000 to $645,000 are due each July 1 through 2022. The proceeds received from the 2006 Bonds were used to refund the 1993 Bonds in the amount of $2,055,000, advance refund a portion of the 2000 Bonds in the amount of $5,165,000, establish a Bond Fund Reserve and pay costs of issuance of the Bonds. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees. The 2006 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes.

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

(7) LONG-TERM LIABILITIES, CONTINUED

Revenue Bonds, Continued

On January 6, 2016, the College's remaining 2005 Bonds were refunded by issuance of the 2015 Bonds. This refunding resulted in a gain on restructuring of $102,533 which was recorded as a deferred inflow of resources that will be amortized over a period of 11 years. As of June 30, 2017, the unamortized gain totaled $87,886. This refinancing resulted in an aggregate difference in principal and interest between the 2005 Bonds and the refinanced 2015 Bonds of $866,556, which approximates the economic savings of the transaction. Principal and interest payments for the 2015 Bonds are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees. The 2015 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes.

At June 30, 2017, future aggregate maturities of principal and interest requirements on the College's various revenue bonds payable are as follows:

Year Ending June 30,	Principal	Interest	Total to be Paid
2018	$ 1,275,000	465,570	1,740,570
2019	1,315,000	428,940	1,743,940
2020	1,360,000	389,816	1,749,816
2021	1,390,000	348,198	1,738,198
2022	1,445,000	304,424	1,749,424
2023–2027	5,555,000	907,206	6,462,206
2028–2032	2,070,000	185,938	2,255,938
	$ 14,410,000	3,030,092	17,440,092

(7) LONG-TERM LIABILITIES, CONTINUED

Capital Lease Obligations

OCIA Lease Obligations

In September 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents allocated approximately $1,200,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. These monthly lease payments are made by the State of Oklahoma on behalf of the College. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2004, the OCIA issued the Series 2004A Bonds which refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in fiscal year 2010. On September 1, 2015, the College's remaining 1999A/2004A lease agreement with OCIA was restructured through refunding of the Series 2004A Bonds. OCIA issued the Series 2015B Bonds to accomplish the refunding. As a result, the total liability of the refunding of the Series 2004A Bonds and the amount acquired from the Series 2015B Bonds was a gain on restructuring of $38,052, which was recorded as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2017, the unamortized gain totaled $15,746. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $62,414, which approximates the economic savings of the transaction.

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project), Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately $15,335,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2010, the OCIA partially refinanced its Series 2005F Bonds by issuing two additional bonds, the 2010A and 2010B Bonds. As a result of this refinancing, the State Regents increased the indebtedness on behalf of the College by approximately $1.4 million. This additional cost will be amortized by the College as interest expense through fiscal year 2016 at the rate of $240,675 per year. At June 30, 2016, the entire amount had been amortized.

(7) LONG-TERM LIABILITIES, CONTINUED

Capital Lease Obligations, Continued

OCIA Lease Obligations, Continued

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F Bonds. OCIA issued new bonds, the Series 2014A Bonds, to accomplish the refunding. As a result, the Series 2005F refunding through the issuance of the Series 2014A Bonds resulted in a gain on restructuring of $444,214, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2017, the unamortized gain totaled $355,824. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $1,072,471, which approximates the economic savings of the transaction.

Through June 30, 2016, the College has drawn down all of its total allotment for expenses incurred in connection with the specific projects. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the College's policy. In fiscal year 2017, the monthly capital lease principal and interest payments made by the state to OCIA on behalf of the College totaling $2,545,389 have been reflected as OCIA on-behalf state appropriations in the accompanying statement of revenues, expenses and changes in net position.

Oklahoma Development Finance Authority (ODFA) Master Lease Obligations

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

(7) LONG-TERM LIABILITIES, CONTINUED

Capital Lease Obligations, Continued

Oklahoma Development Finance Authority (ODFA) Master Lease Obligations, Continued

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

Year Ending June 30,	Principal	Interest	Total to be Paid
2018	$ 1,638,382	561,259	2,199,641
2019	207,281	487,333	694,614
2020	118,042	480,060	598,102
2021	109,417	476,675	586,092
2022	114,250	473,393	587,643
2023–2027	4,394,375	1,968,240	6,362,615
2028–2032	4,420,546	873,266	5,293,812
2033–2037	908,083	251,473	1,159,556
2038–2040	628,919	53,472	682,391
	$ 12,539,295	5,625,171	18,164,466

(8) RETIREMENT PLANS

Cost-Sharing Defined Benefit Pension Plan

Plan Description—The College, as the employer, participates in the Oklahoma Teachers' Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers' Retirement System (OTRS or the "System"). Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

(8) RETIREMENT PLANS, CONTINUED

Cost-Sharing Defined Benefit Pension Plan, Continued

Benefits Provided

OTRS provides retirement, disability and death benefits to members of the plan.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined the System on June 30, 1992, or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

- Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- Upon the death of a retired member, the System will pay $5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.

(8) RETIREMENT PLANS, CONTINUED

Cost-Sharing Defined Benefit Pension Plan, Continued

Benefits Provided, Continued

- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.

- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (IRC).

- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the College depending on the member's years of service.

Contributions

The contribution requirements of the plan are at an established rate determined by Oklahoma Statutes, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual compensation, which is paid on their behalf by the College. Participating employers are required to contribute 9.5% of the employees' annual compensation and an additional 7.7% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College for the year ended June 30, 2017, were $3,200,432. The State of Oklahoma also made on-behalf contributions to OTRS, of which $2,380,944 was recognized by the College for the year ended June 30, 2017; these on-behalf payments did not meet the criteria of a special funding situation.

(8) RETIREMENT PLANS, CONTINUED

Cost-Sharing Defined Benefit Pension Plan, Continued

Pension Liabilities, Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the College reported a liability of $68,545,537 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2016. Based upon this information, the College's proportion was .8213414%.

For the year ended June 30, 2017, the College recognized pension expense of $7,001,800. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	1,591,343
Changes of assumptions	8,253,848	-
Net difference between projected and actual earnings on pension plan investments	8,001,741	-
Change in the College's proportionate share of contributions	711,560	1,532,117
Difference between the College's contributions and proportionate share of contributions	-	226,243
College contributions subsequent to the measurement date	3,200,432	-
	$ 20,167,581	3,349,703

See Independent Auditors' Report.

(8) RETIREMENT PLANS, CONTINUED

Cost-Sharing Defined Benefit Pension Plan, Continued

Pension Liabilities, Pension Expense and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions, Continued

The $3,200,432 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2018	$	2,146,468
2019		2,146,468
2020		4,819,974
2021		3,753,856
2022		750,680
	$	13,617,446

Actuarial Assumptions

The total pension liability as of June 30, 2017, was determined based on an actuarial valuation prepared as of June 30, 2016, using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Amortization Method—Level Percentage of Payroll
- Inflation—2.50%
- Salary Increases—Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return—7.50%
- 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 ended June 30, 2014.

(8) RETIREMENT PLANS, CONTINUED

Cost-Sharing Defined Benefit Pension Plan, Continued

Actuarial Assumptions, Continued

- Mortality Rates after Retirement—Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from 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 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial study for the five-year period ended June 30, 2015.

(8) RETIREMENT PLANS, CONTINUED

Cost-Sharing Defined Benefit Pension Plan, Continued

Actuarial Assumptions, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic all cap equity*	7.0%	6.2%
Domestic large cap equity	10.0%	5.8%
Domestic mid cap equity	13.0%	6.3%
Domestic small cap equity	10.0%	7.0%
International large cap equity	11.5%	6.6%
International small cap equity	6.0%	6.6%
Core plus fixed income	17.5%	1.6%
High-yield fixed income	6.0%	4.9%
Private equity	5.0%	8.3%
Real estate**	7.0%	4.5%
Master limited partnerships	7.0%	7.7%
	100.0%	

* The domestic all cap equity total expected return is a combination of three rates: U.S. large cap, U.S. mid cap, and U.S. small cap.

**The real estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value Added Real Estate (unlevered).

See Independent Auditors' Report.

(8) RETIREMENT PLANS, CONTINUED

Cost-Sharing Defined Benefit Pension Plan, Continued

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2016 which was reduced from the discount rate used at June 30, 2015 of 8.00%. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. 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 this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. 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 Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability using the discount rate of 7.5%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The College's proportionate share of the net pension liability	$ 90,097,990	68,545,537	51,013,226

The net pension liability of the OTRS has been determined based on current guidelines and reporting standards. With the implementation of GASB 75 as of July 1, 2017, the net pension liability is expected to change as well as a possible increase in an OPEB net liability for the OTRS. The total impact of the implementation of GASB 75 on the OTRS and the further impact on the College had not been determined as of the report date.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS, which can be located at www.ok.gov/OTRS.

(8) RETIREMENT PLANS, CONTINUED

Defined Contribution Plan

All full-time employees are eligible for the defined contribution plan after 90 days of employment with the College. The College contributes a discretionary 4.5% of the participants' regular annual salary for those employees hired prior to July 1, 2015, and 3.0% for those employees hired after July 1, 2015, provided the participants contribute a minimum of 1.5% of their regular annual salary.

Funding Policy

The College contributed approximately $859,000 for the year ended June 30, 2017. Prior to January 1, 2009, plan participants were responsible for selecting a qualified program for their defined contribution plan contributions. However, due to a change in IRS regulations, the College made a decision to choose a single provider for contributions and VOYA was selected as the sole provider effective January 1, 2009. All contributions are now electronically transmitted to VOYA on a monthly basis. Participants continue to be responsible, however, for monitoring the performance of their individual accounts.

(9) RELATED-PARTY TRANSACTIONS

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

The operation levy was 5.08 mills for the fiscal year ended June 30, 2017, and collectible on December 31 and March 31 each year by the Oklahoma County Treasurer. Additionally, an incentive levy of 2.5 mills was assessed for the year ended June 30, 2017, which was also collectible on December 31 and March 31 each year. The cost of providing the respective instruction and related services is to be borne by each entity. Pursuant to the terms of the agreement, the District allocated the College $5,000,000 in 2017 to provide technical education to District students. This amount has been eliminated in the accompanying financial statements as inter-fund transfers. Ad valorem taxes received by the District for the year ended June 30, 2017, totaled approximately $8,382,000, including the building levy of approximately $2,136,000. The building levy is restricted for capital projects.

(9) RELATED-PARTY TRANSACTIONS, CONTINUED

Since its inception in 1970, the District has constructed buildings and purchased equipment which is leased to the College for instructional and other ancillary purposes at a cost of $1 per year. The book value of the leased property at June 30, 2017, was approximately $3,585,000. The lease is for a period of one year and was renewed July 1, 2016. Maintenance, insurance, and operating costs related thereto are paid for by the College.

Oklahoma City Community College Foundation

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, bequests and payment of services for the benefit of the College. During the year ended September 30, 2016, the Foundation awarded scholarships to the College's students totaling approximately $152,000. Other goods and services were also provided by the Foundation on behalf of the College of approximately $597,000 for the year ended September 30, 2016, the financial reporting year for the Foundation.

(10) COMMITMENTS AND CONTINGENCIES

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

The College participates in the Federal Direct Student Loan Program ("Direct Lending Program"), which replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education, as well as perform certain administrative functions under the Direct Lending Program. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2017, approximately $11,025,000 of program loans were provided to students.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2017, that management believes would result in a material loss to the College in the event of an adverse outcome.

(10) COMMITMENTS AND CONTINGENCIES, CONTINUED

On August 9, 2016, the College was made aware of an incident that was alleged to involve activities that could constitute fraud with respect to its Adult Basic Education Program under which the College is a subrecipient. During the year ended June 30, 2017, a thorough and complete investigation was performed by the College and its internal auditors. The investigation did not result in any material losses to the College and the College's management does not anticipate that the incident will impact the College receiving future funding for the program.

(11) RISK MANAGEMENT

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

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

The College maintains a self-insured medical plan. As of June 30, 3017, the College had a cash balance of $942,389 and accrued $175,000 for unpaid claims for the self-insured medical plan. A third party receives, processes, and pays claims in accordance with the provisions of the plan. The College purchases insurance for claims which exceed a certain threshold.

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

(12) SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 16, 2017, which is the date the financial statements were issued.

(13) OKLAHOMA CITY COMMUNITY COLLEGE FOUNDATION

The Foundation is a tax-exempt organization created in 1998 to support the College and its students. In recent years, the Foundation has provided funding for various building projects at the College including the Performing Arts Center and the Capitol Hill Renovation project. The Foundation also provides support for various college scholarship programs. The majority of the Foundation's expenditures are directed toward, or in support of, the activities of the College.

The financial statements of the Foundation included in this report are prepared on a cash basis using a September 30, 2016, year-end. The operating activities of the College are limited and differences between the cash basis and accrual basis of accounting are not material. The stand-alone financial statements of the Foundation are prepared in accordance with Financial Accounting Standards Board not-for-profit financial statement reporting standards and the Foundation's stand-alone financial statements have been modified as required to conform their financial presentation to a governmental reporting format.

The assets of the Foundation, as presented in the accompanying financial statements, are in the form of cash and cash equivalents of $1,318,715, receivables of $346 and investments of $1,188,306. The cash and cash equivalent balances are generally in the form of checking accounts and money market accounts and, at September 30, 2016, were substantially covered by FDIC insurance. The investment balances are generally held in domestic and international equity investments.

The net position of the Foundation is generally restricted for specific purposes and $910,300 of the net position of the Foundation is permanently restricted. Earnings on the permanently restricted net position are generally restricted for use in various scholarship and leadership programs.

Separately issued audited financial statements of the Foundation are available upon request.

(14) COMBINING INFORMATION

The following tables include combining statement of net position information for the College and its blended component unit, the District, as of June 30, 2017.

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 22,542,291	4,519,502	27,061,793
Restricted cash and cash equivalents	1,779,189	-	1,779,189
Student accounts receivable, net	3,899,024	-	3,899,024
Other receivables	789,404	48,132	837,536
Interest receivable	11,612	-	11,612
Inventories	380,979	-	380,979
Total current assets	29,402,499	4,567,634	33,970,133
Noncurrent assets:			
Restricted cash and cash equivalents	693,453	4,890,394	5,583,847
Investments	3,434,935	-	3,434,935
Capital assets, net	93,071,083	6,003,284	99,074,367
Total noncurrent assets	97,199,471	10,893,678	108,093,149
Total assets	126,601,970	15,461,312	142,063,282
Deferred Outflows of Resources			
Deferred outflows of resources	20,167,581	-	20,167,581
Total deferred outflows of resources	20,167,581	-	20,167,581
Total assets and deferred outflows of resources	$ 146,769,551	15,461,312	162,230,863

(Continued)

See Independent Auditors' Report.

(14) COMBINING INFORMATION, CONTINUED

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Current Liabilities			
Accounts payable	$ 2,826,302	52,959	2,879,261
Accrued payroll	1,059,953	-	1,059,953
Other accrued liabilities	416,619	-	416,619
Retainage	-	5,000	5,000
Unearned revenue	2,901,734	-	2,901,734
Due to student groups and organizations	343,441	-	343,441
Current portion of accrued compensated absences	789,913	-	789,913
Current portion of long term debt	2,918,786	-	2,918,786
Total current liabilities	11,256,748	57,959	11,314,707
Noncurrent Liabilities			
Accrued compensated absences	379,092	-	379,092
Bonds payable, net of premium and discounts	13,303,541	-	13,303,541
Capital lease obligations	10,900,913	-	10,900,913
Net pension liability	68,545,537	-	68,545,537
Total noncurrent liabilities	93,129,083	-	93,129,083
Total liabilities	104,385,831	57,959	104,443,790
Deferred Inflows of Resources			
Deferred inflows of resources	3,809,159	-	3,809,159
Total deferred inflows of resources	3,809,159	-	3,809,159

(Continued)

See Independent Auditors' Report.

(14) COMBINING INFORMATION, CONTINUED

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Net Position			
Net investment in capital assets	68,524,369	5,984,464	74,508,833
Restricted for:			
Scholarships—nonexpendable	199,783	-	199,783
Scholarships and other—expendable	206,905	-	206,905
Capital projects	1,066,223	4,890,394	5,956,617
Debt service	4,198,068	-	4,198,068
Unrestricted (deficit)	(35,620,787)	4,528,495	(31,092,292)
Total net position	38,574,561	15,403,353	53,977,914
Total liabilities, deferred inflows of resources, and net position	$ 146,769,551	15,461,312	162,230,863

See Independent Auditors’ Report.

(14) COMBINING INFORMATION, CONTINUED

The following tables include combining statement of revenues, expenses and changes in net position information for the College and its blended component unit, the District, for the year ended June 30, 2017.

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Operating revenues:			
Tuition and fees, net of scholarship allowances of $9,451,771	$ 22,375,947	-	22,375,947
Federal and state grants and contracts	4,097,463	-	4,097,463
Sales and services of educational department	803,475	-	803,475
Auxiliary enterprise charges	-	-	-
Food services	185,101	-	185,101
Bookstore, net of scholarship allowances of $2,027,152	2,195,408	-	2,195,408
All other auxiliary enterprises	2,299,067	-	2,299,067
Other operating revenues	2,322,049	1	2,322,050
Total operating revenues	34,278,510	1	34,278,511
Operating expenses:			
Compensation	48,558,401	-	48,558,401
Contractual services	7,715,555	98,440	7,813,995
Supplies and materials	4,397,566	-	4,397,566
Utilities	1,311,618	-	1,311,618
Communications	200,667	-	200,667
Other operating expenses	3,369,015	-	3,369,015
Scholarships and fellowships	7,211,977	-	7,211,977
Depreciation expense	5,377,747	287,609	5,665,356
Total operating expenses	78,142,546	386,049	78,528,595
Operating loss	(43,864,036)	(386,048)	(44,250,084)

(Continued)

(14) COMBINING INFORMATION, CONTINUED

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Non-operating revenues (expenses):			
State appropriations	21,475,333	-	21,475,333
On-behalf contributions for Oklahoma Teachers' Retirement System	2,380,944	-	2,380,944
Operational and incentive levy funds	-	6,246,650	6,246,650
Building levy funds	-	2,135,609	2,135,609
Federal grants—non-operating	19,279,142	-	19,279,142
Investment income	98,024	8,386	106,410
Interest expense	(1,076,628)	-	(1,076,628)
Net non-operating revenues	42,156,815	8,390,645	50,547,460
Income (loss) before other revenues	(1,707,221)	8,004,597	6,297,376
Other revenues:			
Technical education transfers	5,000,000	(5,000,000)	-
State appropriations restricted for capital purposes	688,044	-	688,044
OCIA on-behalf state appropriations	2,545,389	-	2,545,389
Capital gifts and donations	624,223	-	624,223
Total other revenues	8,857,656	(5,000,000)	3,857,656

(Continued)

See Independent Auditors' Report.

(14) COMBINING INFORMATION, CONTINUED

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Change in net position	7,150,435	3,004,597	10,155,032
Net position, beginning of year	31,424,126	12,398,756	43,822,882
Net position, end of year	$ 38,574,561	15,403,353	53,977,914

The following table includes condensed combining statement of cash flow information for the College and its blended component unit, the District, for the year ended June 30, 2017.

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Net cash used in operating activities	$ (30,313,478)	(5,104,357)	(35,417,835)
Net cash provided by noncapital financing activities	40,558,461	6,224,162	46,782,623
Net cash provided by (used in) capital and related financing activities	(5,630,675)	509,827	(5,120,848)
Net cash provided by investing activities	73,201	8,386	81,587
Increase in cash and cash equivalents	4,687,509	1,638,018	6,325,527
Cash and cash equivalents, beginning of year	20,327,424	7,771,878	28,099,302
Cash and cash equivalents, end of year	$ 25,014,933	9,409,896	34,424,829

REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Teachers' Retirement System

*Last 3 Fiscal Years**

	2017	2016	2015
College's proportion of the net pension liability	0.8213%	0.8504%	0.8349%
College's proportionate share of the net pension liability	$ 68,545,537	51,640,456	44,914,995
College's covered payroll	$ 33,230,845	34,485,614	33,974,444
College's proportionate share of the net pension liability as a percentage of its covered payroll	206.27%	149.74%	132.20%
Plan fiduciary net position as a percentage of the total pension liability	62.24%	70.31%	72.43%

*The amounts presented for each fiscal year were determined as of June 30 of the prior year.

Note to Schedule: Only the last 3 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
Oklahoma Teachers' Retirement System

*Last 3 Fiscal Years**

	2017	2016	2015
Contractually required contribution	$ 3,200,432	3,341,557	3,423,665
Contributions in relation to the contractually required contribution	3,200,432	3,341,557	3,423,665
Contribution deficiency (excess)	$ -	-	-
College's covered payroll	$ 33,089,019	33,230,845	34,485,614
Contributions as a percentage of covered payroll	10%	10%	10%

Note to Schedule: Only the last 3 fiscal years are presented because 10-year data is not yet available.

See Independent Auditors' Report.

INFORMATION REQUIRED BY GOVERNMENTAL AUDITING STANDARDS AND THE UNIFORM GUIDANCE

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Cluster/Program	CFDA Number	Grant or Identifying Number	Passed Through to Subrecipients	Amount
U.S. Department of Agriculture:				
Pass-through Oklahoma Department of Education:				
Child and Adult Care Food Program	10.558	DC-55-076		$ 32,294
Total U.S. Department of Agriculture				32,294
U.S. Department of Labor:				
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-26482-14-60-A-40		445,181
Total U.S. Department of Labor				445,181
U.S. Department of Education:				
Pass-Through Oklahoma Department of Career & Technology Education:				
Adult Education—Basic Grants to States	84.002	V0002A160037		1,875,520
Student Financial Assistance Cluster (Direct):				
Federal Supplemental Educational Opportunities Grants	84.007	P033A163452		282,517
Federal Work Study Program	84.033	P007A163452		300,987
Federal Pell Grant Program	84.063	P063P163334		15,517,471
Federal Direct Loan Program	84.268	P268K173334		11,024,617
Total Student Financial Assistance Cluster				27,125,592

(Continued)

See Independent Auditors' Report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

OKLAHOMA CITY COMMUNITY COLLEGE
(A Component Unit of the State of Oklahoma)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2017

Cluster/Program	CFDA Number	Grant or Identifying Number	Passed Through to Subrecipients	Amount
U.S. Department of Education, Continued:				
Special Education Cluster (IDEA):				
Pass-Through Oklahoma Department of Career & Technology Education:				
Special Education—Grants to States (IDEA, Part B)	84.027	N/A		2,085
Total Special Education Cluster (IDEA)				2,085
Higher Education—Institutional Aid (Direct)	84.031A	N/A		415,127
TRIO Cluster:				
TRIO Student Support Services	84.042A	P042A151040		168,305
Upward Bound	84.047	P047A121654		290,277
Total TRIO Cluster				458,582
Pass-Through Oklahoma Department of Career & Technology Education:				
Career and Technical Education—Basic Grants to States	84.048	V048A160036;		225,532
Total U.S. Department of Education				30,102,438

(Continued)

See Independent Auditors' Report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

Year Ended June 30, 2017

Cluster/Program	CFDA Number	Grant or Identifying Number	Passed Through to Subrecipients	Amount
U.S. Department of Health and Human Services:				
TANF Cluster:				
Pass-through University of Oklahoma:				
Idea Networks of Biomedical Research Excellence	93.859	5P20GM203447-16		57,807
Pass-through Oklahoma State University:				
Temporary Assistance for Needy Families	93.558	1502OKTANF		250,804
Total TANF Cluster				308,611
CCDF Cluster:				
Pass-through Oklahoma Department of Education:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.575	N/A		65,838
Total CCDF Cluster				65,838
Total U.S. Department of Health and Human Services				374,449
Total expenditures of federal awards				**$ 30,954,362**

See Independent Auditors' Report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of Oklahoma City Community College (the "College") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 net position, changes in net position, or cash flows of the College.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.

(4) SUBRECIPIENTS

During the year ended June 30, 2017, the College did not provide federal awards to subrecipients.

(5) INDIRECT COST RATE

The College has a Negotiated Indirect Cost Rate Agreement issued by the U.S. Department of Health and Human Services issued as of January 10, 2014. The negotiated rates were applied in accordance with the Agreement for the year ended June 30, 2017, except that certain grants limited the rate charged.

See Independent Auditors' Report.

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

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States 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 discrete component unit of Oklahoma City Community College (the "College"), collectively a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated October 16, 2017. Our report includes a reference to other auditors who audited the financial statements of the Oklahoma City Community College Foundation, as described in our report on the College's financial statements. The financial statements of Oklahoma City Community College Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting ("internal control"). In planning and performing our audit, we considered the College's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 College'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.

(Continued)

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

Internal Control Over Financial Reporting, Continued

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 as defined above. However, material weaknesses may exist that have not been identified.

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*.

We noted certain matters that we reported to the College's management in a separate letter dated October 16, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 16, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the compliance of Oklahoma City Community College (the "College") with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the College's major federal program for the year ended June 30, 2017. The College's major federal program are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs 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; 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* (CFR) 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 each major federal program. However, our audit does not provide a legal determination of the College's compliance.

(Continued)

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED

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 each of its major federal programs for the year ended June 30, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Finley + Cook, PLLC

Shawnee, Oklahoma
October 16, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	**Unmodified**
Internal control over financial reporting:	
Material weakness(es) identified?	☐ **Yes** ☑ **No**
Significant deficiency(ies) identified?	☐ **Yes** ☑ **None Reported**
Noncompliance material to financial statements noted?	☐ **Yes** ☑ **No**

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	☐ **Yes** ☑ **No**
Significant deficiency(ies) identified?	☐ **Yes** ☑ **None Reported**
Type of auditors' report issued on compliance for the major federal programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	☐ **Yes** ☑ **No**

Identification of major federal programs:

Federal CFDA Number	Name of Federal Program or Cluster
Student Financial Assistance Cluster	
84.007	Federal Supplemental Education Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loan Program
84.002	Adult Education—Basic Grants to States

Dollar threshold used to distinguish between type A and type B programs:	**$928,631**
Auditee qualified as low-risk auditee?	☐ **Yes** ☑ **No**

SECTION II—FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

Findings Required to be Reported by the Uniform Guidance

Reference **Number**	**Finding**
2016-001	Student Financial Assistance Cluster CFDA Nos. 84.007, 84.033, 84.063, 84.268 Award Year 2015–2016 U.S. Department of Education Special Tests and Provisions: Enrollment Reporting

Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over compliance with federal requirements for federal programs. Federal regulations require institutions to report changes in a student's enrollment status within 30 days of the status change, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels. In addition, the SCHER 1 report was not monitored to ensure errors were timely resolved. 34 CFR Section 690.83(b)(2); 34 CFR Section 682.610; and 34 CFR Section 685.309.

Condition – The College did not have the appropriate controls in place to ensure compliance with federal requirements. As a result, the College did not report changes in student enrollment timely for 22 out of 60 student status changes selected for testing. In addition, the student status was not changed for 10 out of the 60 students tested. In addition, the College was not reviewing or reconciling the SCHER 1 report.

Questioned Costs – None.

Context – The design of the College's review process did not adequately ensure enrollment status changes were reported correctly and in a timely manner in accordance with applicable federal regulations. The College had 1,678 students who had changes in status required to be reported to NLDS. Our sample was not intended to be statistically valid.

Effect – Material noncompliance with federal requirements for federal programs occurred and was not prevented or detected in a timely manner.

Cause – The College did not have an effective means of reviewing enrollment status reporting to ensure it was in compliance with federal regulations.

Findings Required to be Reported by the Uniform Guidance, Continued

Reference Number	**Finding**
2016-001, Continued	

Recommendation – We recommend management of the College develop the necessary internal control procedures relative to reviewing enrollment status reporting to ensure correct information is reported timely. In addition, the SCHER 1 report provided by the Clearinghouse, should be monitored to ensure errors are resolved in a timely basis.

Response – For 8 of the 60 students, withdrawal was not correctly reported within the 60 day period. As of August 19, 2016, the Registrar's Office has added an additional subsequent enrollment report that will be submitted to the National Student Clearinghouse after grades are posted in fall and spring Semesters. This report will allow us to identify students who discontinue their enrollment due to failure to maintain satisfactory academic progress. Furthermore, the report will aid in resolving the problem of timely and accurate status reporting. The Registrar's office will also check monthly SSCR error reports provided by NSLDS through Clearinghouse to ensure students proper reporting.

The incorrect status was reported for 2 of the 60 students. In order to remedy the report of an inaccurate course load status, the Registrar's office has discontinued its use of a custom-built data extraction process built in the Colleague Database. We are now using the stock report built specifically to extract data to submit to National Student Clearinghouse. Additionally, as explained above, the Registrar's office will run a final subsequent of term enrollment report after grades post each semester.

For 2 of the 60 students, the change in the student's load status was untimely reported. The National Student Clearinghouse acknowledged a delay in reporting enrollment information, and this is likely the cause for the delay in these specific students. The Registrar's Office has worked with the Director of Financial Aid to receive access to NSLDS so that we may have the ability to report enrollment data directly to the federal government in the event that another technical difficulty in reporting arises with the National Student Clearinghouse.

Identification as Repeat Finding – See Finding 2015-001, which resulted from failure to timely report student status.

Findings Required to be Reported by the Uniform Guidance, Continued

Reference Number	**Finding**
2016-001, Continued	

Views of Responsible Officials and Planned Corrective Actions:

Response – For the 11 of the 60 students identified as not being timely reported for changes in the enrollment status, two of the students were reported as withdrawn and not correctly reported as graduated until 5/18/2016. Upon review of previous degree submissions to the National Student Clearinghouse, the only graduate reports submitted in FY16 were dated April 15, 2016 and June 30, 2016. This means that Summer 2015 (credential date 7/24/15) and Fall 2015 Graduates (credential date 12/12/2015) were not reported until April 15, 2016. Previous graduation submissions have not accounted for the start and end of graduation conferral periods at the end of each semester.

Corrective Action – The Registrar's office has established a new timeline of degree reporting that aligns with graduation conferral periods. Since Degree conferral occurs for four weeks after final semester grades are posted, the graduate report will not be submitted until the conferral period has ended. NSLDS requires graduate data no later than 60 days after the end of any semester, so the submission will still fall within the required reporting timeframe.

Response – For 1 of the 11 out of 60 identified as not being timely reported for changes in the enrollment status, the College reviewed its degree submission report (submitted 6/30/16) and concluded that a student's name who was included on the file submitted to National Student Clearinghouse was ultimately not reported as a graduate to NSLDS. According to information obtained from the National Student Clearinghouse, the failure to report to NSLDS with the correct status of a Spring 2016 graduate was the result of the student enrolling in a new degree program dated before the beginning of the Summer 2016 Semester.

Corrective Action – For future reporting, we will audit all students who are enrolled in courses beyond their graduation date; we will then ensure the start date of their new degree program is on or after the start date of the next semester in which they are enrolled.

Findings Required to be Reported by the Uniform Guidance, Continued

Reference Number	**Finding**
2016-001, Continued	Views of Responsible Officials and Planned Corrective Actions: Response – For the 8 out of 60 students whose status was not correctly changed, based on a review conducted by employees in Enrollment and Student Services and Financial Aid, there were no students identified by the auditor that contained information in their records pertaining to student loans. Accordingly, we believe there was no reporting requirement for these students. There were 3 students whose status was not changed as of the time of testing referenced by the auditor. The students identified in this issue were students who received failing grades or a mixture of failing grades and withdrawals. These students should have been reported as withdrawn with the final subsequent enrollment report in the Fall 2015 semester, but because the final report was submitted before semester grades were posted, the students “appeared” to be actively enrolled. The enrollment status of these students was not caught earlier in the following semester because the first enrollment report in Spring 2016 was not submitted to NSLDS until March 3, 2016. It is likely that this delay occurred because the College had a lengthy error report to process before submitting the enrollment file to Clearinghouse, and by the time the submission occurred NSC’s February deadline was missed to update data to NSLDS. NSC notifies institutions that enrollment files must be received before the 11th day of each month to ensure NSLDS is updated within that same month.

Findings Required to be Reported by the Uniform Guidance, Continued

Reference Number	**Finding**
2016-001, Continued	Corrective Action – As of August 19, 2016, the Registrar's Office has added an additional subsequent enrollment report that will be submitted to the National Student Clearinghouse after grades are posted in fall and spring Semesters to identify students who may discontinue their enrollment due to failure to maintain satisfactory academic progress. This report will aid in resolving the problem of timely and accurate status reporting. The Registrar's office will also cross-check error reports with NSLDS monthly to make sure students were properly reported. Additionally, the College has changed the method by which enrollment reports are extracted from Colleague for the Fall 2016 semester. The process for extraction prior to Fall 2016 involved a custom built process; we have discontinued this practice and are now using the stock procedure Colleague provides for National Student Clearinghouse reporting. We tested the difference in data between the former custom report and the new stock report; we found a significant lack of reporting caused by the custom report and believe that its use contributed to our enrollment reporting issues in FY16. *Follow-Up by Auditors in 2017*: This was not noted as a finding for 2017. The matter is considered resolved.

Findings Required to be Reported by the Uniform Guidance, Continued

Reference Number	Finding
2016-002	Adult Education – Basic Grants to States CFDA No. 84.002 Award Year 2015–2016 U.S. Department of Education

Criteria or Specific Requirement – Management is responsible for establishing and maintaining compliance with federal programs. Condition – There are allegations that two individuals, through override of controls, instructed individuals to manipulate student test results to show positive gains in student results. The College's control environment was potentially overridden to provide positive results.

Questioned Costs – None.

Context – There is an allegation the program director and supervisor used management override to intentionally change test scores to show student performance improvement over time which could have an impact on the amount of supplemental funding received in future years.

Effect – Failure to properly report test results could have an impact on future funding and results.

Cause – The College did not have an effective control in place to prevent management override of controls and prevent manipulation of testing results.

Identification as a Repeat Finding – Not applicable.

Recommendation – We recommend management of the College develop the necessary internal control procedures relative to recording and submission to the Oklahoma Department of Education of test results.

Views of Responsible Officials and Planned Corrective Actions – The College takes very seriously the reporting requirements related to all federal programs and, as part of our anti-fraud programs and controls, we have continually communicated to all employees responsible for such reporting the importance of accuracy and timeliness in meeting such reporting requirements.

Findings Required to be Reported by the Uniform Guidance, Continued

Reference Number	**Finding**
2016-002, Continued	

In this particular instance, there does not appear to be an actual control deficiency in existence, but rather collusion efforts were created by a few individuals to circumvent the reporting controls in place. Due to our continued efforts in maintaining and communicating a strong ethical environment in the workplace and a tone-at-the-top mentality, the collusion efforts were self-reported by other individuals to upper management before any significant reporting noncompliance could occur.

In addition, upon learning of the potential noncompliance in meeting our reporting requirements, the College took vigorous action by hiring an outside CPA firm to investigate any possible noncompliance and will rectify and implement any recommendations resulting from such. However, the College feels that any inaccuracies found in the investigation will confirm that no material noncompliance with federal reporting requirements occurred.

Follow-Up by Auditors in 2017: This was not noted as a finding for 2017. The matter is considered resolved.