

October 30, 2015

Oklahoma State Auditor and Inspector
2300 N. Lincoln Blvd., Room 100
Oklahoma City, OK 73105

Accompanying this submission, you will find copies of the June 30, 2015, financial statements for:

- Oklahoma City Community College
- South Oklahoma City Area School District

Sincerely,

BKD, LLP



S. Joel Haaser, CPA

RTL/SJH/jab

Enclosures

FY2016/85250/OCCC – State Auditor Submission Letter.docx

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Independent Auditor's Reports and Financial Statements
June 30, 2015



Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
June 30, 2015

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Independent Auditor's 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 opinions.

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, 2015, 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 of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance; however, we noted the 2014 balances presented in the management's discussion and analysis do not reflect the adjustments related to GASB Statement Nos. 68 and 71.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, listed in the table of contents, is presented for purposes of additional analysis and is 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 of America. 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 15, 2015, 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.

BKD, LLP

Oklahoma City, Oklahoma
October 15, 2015

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Management's Discussion and Analysis
Year Ended June 30, 2015

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, 2015. It should be read in conjunction with the accompanying financial statements of the College. The 2014 balances included in this management's discussion and analysis have not been restated to reflect the adoption of the new pension accounting standards that were required to be adopted in the fiscal year ended June 30, 2015.

Financial Highlights

- During the year ended June 30, 2015, the College's net position decreased by \$47,197,746 to \$33,376,688. This decrease is primarily due to the prior period adjustment to net position of \$56,394,237 as a result of Governmental Accounting Standards Board (GASB) Statement No. 68 which now requires the College to include on their financial statements a portion of the Oklahoma Teachers' Retirement System (OTRS) unfunded pension liability. Further discussion about this adjustment is included in the accompanying notes to financial statements. Unrestricted net position decreased by \$54,468,575 as a result of the overall net impact of GASB Statement No. 68. Net position invested in capital assets increased by \$3,160,602 and expendable net position restricted for capital projects increased by \$4,218,134.
- Total operating revenues decreased to \$29,846,645 in 2015 from \$30,244,185 in 2014 primarily due to decreases in bookstore revenue, food service revenue, grants and contracts revenue and other operating revenues.
- Total operating expenses decreased to \$78,127,499 in 2015 from \$80,690,282 in 2014 primarily due to decreases in compensation, contractual services, supplies and materials, utilities, communication expense and scholarships and fellowships. Depreciation expense and other operating expenses increased slightly from the prior year.
- Net nonoperating revenues increased to \$56,170,125 in 2015 from \$54,780,604 in 2014, including depreciation expense. Approximately \$607,000 of this increase is attributable to increased state appropriations for on-behalf payments for the Oklahoma Capital Improvement Authority (OCIA) capital lease obligations. There also was an approximate \$1.2 million increase in federal and state grants.

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 decreased in 2015 from 2014 as shown in Table 1. The 2014 balances in Table 1 reflect a reclassification of assets between current and noncurrent and a reclassification within the individual previously presented net position balances.

Table 1: Assets, Liabilities and Net Position

	2015	2014	Increase (Decrease)	% Change
Assets and Deferred Outflows of Resources				
Current assets	\$ 23,419,036	\$ 19,317,820	\$ 4,101,216	21%
Noncurrent assets				
Capital assets, net	98,001,119	100,270,999	(2,269,880)	-2%
Other	9,080,298	8,593,350	486,948	6%
Deferred outflows	<u>3,664,340</u>	<u>481,351</u>	<u>3,182,989</u>	661%
Total assets and deferred outflows of resources	<u>134,164,793</u>	<u>128,663,520</u>	<u>5,501,273</u>	4%
Liabilities and Deferred Inflows of Resources				
Current liabilities	12,591,068	13,576,431	(985,363)	-7%
Noncurrent liabilities	76,144,800	34,075,239	42,069,561	123%
Deferred inflows	<u>12,052,237</u>	<u>437,415</u>	<u>11,614,822</u>	2,655%
Total liabilities and deferred inflows of resources	<u>100,788,105</u>	<u>48,089,085</u>	<u>52,699,020</u>	110%
Net Position				
Net investment in capital assets	67,656,677	64,496,075	3,160,602	5%
Restricted – nonexpendable	199,833	307,740	(107,907)	-35%
Restricted – expendable	6,306,977	2,088,843	4,218,134	202%
Unrestricted (deficit)	<u>(40,786,799)</u>	<u>13,681,776</u>	<u>(54,468,575)</u>	-398%
Total net position	<u>\$ 33,376,688</u>	<u>\$ 80,574,434</u>	<u>\$ (47,197,746)</u>	-59%

Current assets increased \$4,101,216 in 2015 primarily due to an increase in cash and cash equivalents.

As of June 30, 2015, net capital assets decreased \$2,269,880 from the balance at June 30, 2014, primarily due to an increase in accumulated depreciation. See *Note 6* for further information.

Other noncurrent assets increased by \$486,948 primarily due to the increase in restricted cash.

The increase in deferred outflows of resources is primarily attributed to the adoption of GASB Statement Nos. 68 and 71, which required the deferral to a future year of the expense related to pension payments made by the College in 2015 of \$3,423,665.

Current liabilities decreased by \$985,363 primarily due to decreases in accounts payable and unearned revenue.

Noncurrent liabilities increased by \$42,069,561 primarily due to the net pension liability added for the College's portion of the OTRS unfunded liability.

The increase in deferred inflows of resources is primarily attributed to the adoption of GASB Statement No. 68, which required that historical differences between projected and actual earnings on pension plan investments be deferred and recognized in expense in future years.

Operating Results and Changes in the College's Net Position

The College's change in net position increased in 2015 from 2014 by approximately \$3.6 million. However, the total net position decreased by approximately \$47 million due to a pension liability and prior period adjustment required by GASB Statement No. 68. The changes in net position are detailed in Table 2 below.

Table 2: Operating Results and Changes in Net Position

	Years Ended June 30,		Increase	%
	2015	2014	(Decrease)	Change
Operating Revenues				
Tuition and fees, net	\$ 17,995,734	\$ 17,861,121	\$ 134,613	1%
Federal and state grants and contracts	3,437,173	3,791,227	(354,054)	-9%
Auxiliary enterprise charges	4,587,600	4,554,621	32,979	1%
Other	3,826,138	4,037,216	(211,078)	-5%
Total operating revenues	29,846,645	30,244,185	(397,540)	-1%
Operating Expenses	78,127,499	80,690,282	(2,562,783)	-3%
Operating Loss	(48,280,854)	(50,446,097)	2,165,243	-4%
Nonoperating Revenues (Expenses)				
State appropriations	25,890,847	25,872,130	18,717	0%
OTRS on-behalf contributions	2,469,591	2,479,021	(9,430)	0%
Ad valorem taxes	7,638,227	7,337,831	300,396	4%
Federal grants and contracts	16,995,321	16,204,263	791,058	5%
State and local grants and contracts	3,120,975	2,663,955	457,020	17%
Investment income	55,164	223,404	(168,240)	-75%
Interest expense	(1,336,905)	(969,284)	(367,621)	38%
Total nonoperating revenues (expenses)	54,833,220	53,811,320	1,021,900	2%
Other Revenues				
State appropriations for capital purposes	838,105	838,105	-	0%
OCIA on-behalf state appropriations	1,739,332	1,132,277	607,055	54%
Capital gifts and donations	66,688	282,125	(215,437)	-76%
Total other revenues	2,644,125	2,252,507	391,618	17%
Change in Net Position	9,196,491	5,617,730	3,578,761	64%
Net Position, Beginning of Year, as Previously Reported	80,574,434	74,956,704	5,617,730	7%
Prior Period Adjustment (see Note 1)	(56,394,237)	-	(56,394,237)	
Net Position, Beginning of Year, as Restated	24,180,197	74,956,704	(50,776,507)	-68%
Net Position, End of Year	\$ 33,376,688	\$ 80,574,434	\$ (47,197,746)	-59%

During the year ended June 30, 2015, operating revenues decreased by \$397,540 compared to 2014. The primary components of this decrease were:

- Net tuition and fees increased by \$134,613 primarily due to a small increase in tuition and fee rates.
- Federal and state grants and contracts decreased by \$354,054 as a result of decreasing grant expenditures for grant programs that are at the end of their grant term.
- Bookstore revenue, net of scholarship allowances, decreased \$118,566 primarily as a result of an increase in the bookstore scholarship allowances of approximately \$336,000 offset by increases in sales of new textbooks, candy and information technology (IT) supplies.
- Other operating revenues decreased by \$211,078 primarily due to increases in finance charges and Child Development Center fees.

During the year ended June 30, 2015, operating expenses decreased by \$2,562,783 compared to 2014. The primary components of this decrease were:

- Total compensation expenses decreased by \$1,803,271. Employee compensation increased \$807,714 and benefit costs decreased \$2,610,985. This decrease in benefit costs was impacted by the new pension accounting principles which deferred the normal pension expense that would have been expensed in 2015 under the old accounting principles.
- All operating expenses decreased in fiscal year 2015 with the exception of depreciation expense and other operating expense. Depreciation expense increased primarily as a result of the addition of the Performing Arts Center and the Allee' at the end of fiscal year 2014. Other operating expense increased \$153,795 primarily due to increases in bad debt expense, indirect costs and lease payments.
- Scholarships and fellowships decreased \$1,335,926 primarily due to changes in the Oklahoma's Promise scholarship allowances related to fees.

During the year ended June 30, 2015, total nonoperating revenues increased by \$1,021,900. The primary components of this increase were:

- State appropriations, including on-behalf and capital contributions, increased by \$625,227 primarily due to increases in on-behalf payments for OCIA leases.
- Ad valorem taxes increased by \$300,396, which is primarily due to timing differences in the receipt of tax revenue.
- Federal grants and contracts revenue increased \$1,248,078 primarily due to the addition of new grants such as the Title III and Center for Faculty Excellence in Scholarship and Teaching (CFEST) grants.

Net position increased \$9,196,491 during fiscal year 2015 before consideration of the prior period adjustment. This is primarily due to decreases in operating expenses and increases in state appropriations to fund on-behalf payments for OCIA bonds and increases in federal and state grant revenue.

Table 3: Condensed Statements of Cash Flows

	Years Ended June 30, 2015	2014	Increase (Decrease)	% Change
Cash Provided by (Used in)				
Operating activities	\$ (44,208,301)	\$ (43,223,910)	\$ (984,391)	2%
Noncapital financing activities	51,696,344	52,102,200	(405,856)	-1%
Capital and related financing activities	(2,599,558)	(13,986,011)	11,386,453	-81%
Investing activities	<u>256,911</u>	<u>300,102</u>	<u>(43,191)</u>	-14%
Increase (Decrease) in Cash and Cash Equivalents	5,145,396	(4,807,619)	9,953,015	-207%
Cash and Cash Equivalents, Beginning of Year	<u>18,142,063</u>	<u>22,949,682</u>	<u>(4,807,619)</u>	-21%
Cash and Cash Equivalents, End of Year	<u>\$ 23,287,459</u>	<u>\$ 18,142,063</u>	<u>\$ 5,145,396</u>	28%

The College's overall cash and cash equivalents increased by \$5,145,396.

Capital Assets and Debt Administration

Capital assets, net of accumulated depreciation decreased \$2,269,880 due to a mixture of purchases for furniture and computer equipment of approximately \$1.0 million, expenditures of \$1.6 million in capitalized costs for renovation of the Capitol Hill Center and improvements to landscaping and infrastructure, offset by additional accumulated depreciation. In 2015, depreciation expense totaled \$5,645,795 compared to depreciation expense of \$4,817,430 in 2014.

Table 4: Condensed Summary of Capital Assets

	2015	2014	Increase (Decrease)	% Change
Capital Assets				
Land	\$ 2,937,133	\$ 2,937,133	\$ -	0%
Construction in progress	924,614	343,450	581,164	169%
Buildings and improvements	117,613,545	117,082,503	531,042	0%
Infrastructure	9,630,140	9,387,854	242,286	3%
Furniture and equipment	24,793,346	23,868,228	925,118	4%
Library materials	<u>7,152,632</u>	<u>6,776,884</u>	<u>375,748</u>	6%
Total capital assets	163,051,410	160,396,052	2,655,358	2%
Less accumulated depreciation	<u>(65,050,293)</u>	<u>(60,125,055)</u>	<u>(4,925,238)</u>	8%
Capital assets, net	<u>\$ 98,001,117</u>	<u>\$ 100,270,997</u>	<u>\$ (2,269,880)</u>	-2%

At June 30, 2015, the College had total long-term liabilities of \$34,966,545 compared to \$37,480,732 at June 30, 2014. No additional debt was incurred during the fiscal year ended June 30, 2015, although the 2004 OCIA Bonds were refunded through the issuance of the OCIA 2014B Bonds. See *Note 7* for further information.

Table 5: Condensed Summary of Long-Term Liabilities

	2015	2014	Increase (Decrease)	% Change
Capital lease obligations	\$ 16,209,708	\$ 17,769,052	\$ (1,559,344)	-9%
Revenue bonds payable	17,025,000	18,160,000	(1,135,000)	-6%
Premium on bonds	312,659	333,149	(20,490)	-6%
Compensated absences	<u>1,419,178</u>	<u>1,218,531</u>	<u>200,647</u>	16%
Total long-term liabilities	34,966,545	37,480,732	(2,514,187)	-7%
Less current portion	<u>(3,736,740)</u>	<u>(3,405,493)</u>	<u>(331,247)</u>	10%
Net long-term liabilities	<u>\$ 31,229,805</u>	<u>\$ 34,075,239</u>	<u>\$ (2,845,434)</u>	-8%

Economic Factors and Next Year's Budgets

The College's enrollment remained flat in fiscal year 2015. In fiscal year 2016, the fall semester enrollment through late September 2015 is up approximately 2%. Fiscal year 2015 state appropriations for National Guard Waiver reimbursement and concurrent enrollment reimbursement were \$88,581 and \$337,611, respectively. The National Guard Waiver reimbursement decreased by 14% from fiscal year 2014 but concurrent enrollment reimbursements increased by 20%. This nets to a total decrease of 6% from fiscal year 2014, which corresponds 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 rates by just over 4.2% for fiscal year 2015. The state budget outlook for fiscal year 2017 projects a budget shortfall and there is no expectation of additional appropriations for higher education. Although enrollment has fallen from prior year levels, the prior years' cumulative enrollment increases have established a higher base enrollment level. If the past is a predictor of the future, it is possible the upward tick in enrollments that started with the fall semester may continue if layoffs and job losses increase in the coming months. The additional South Oklahoma Area School District's (the District) incentive levy tax also continues to enhance the economic outlook for the College. In addition, during fiscal year 2013, a building levy was assessed and collected by the County Tax Assessor and distributed to the District. This building levy will continue to be assessed and distributed to the District each year. The College will continue a conservative budgeting approach, which utilizes a contingency methodology to ensure the College's financial viability.

Contacting the College's Financial Management

This financial report is designed to provide our stakeholders, including taxpayers, customers, investors and creditors, with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the 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, 2015

Assets and Deferred Outflows of Resources

	Oklahoma City Community College	Oklahoma City Community College Foundation
Current Assets		
Cash and cash equivalents	\$ 18,185,470	\$ 907,656
Restricted cash and cash equivalents	727,931	-
Student accounts receivable, net	3,278,917	-
Other receivables	716,106	-
Interest receivable	5,957	-
Inventories	504,655	-
Total current assets	23,419,036	907,656
Noncurrent Assets		
Restricted cash and cash equivalents	4,374,058	-
Investments	4,439,818	372,906
Other assets	266,422	-
Capital assets, net	98,001,119	-
Total noncurrent assets	107,081,417	372,906
Total assets	130,500,453	1,280,562
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	134,164,793	1,280,562

Liabilities, Deferred Inflows of Resources and Net Position

	Oklahoma City Community College	Oklahoma City Community College Foundation
Current Liabilities		
Accounts payable	\$ 2,975,779	\$ -
Accrued payroll	2,158,280	-
Other accrued liabilities	511,303	-
Unearned revenue	2,401,471	-
Due to student groups and organizations	807,495	-
Current portion of noncurrent liabilities	<u>3,736,740</u>	<u>-</u>
Total current liabilities	<u>12,591,068</u>	<u>-</u>
Noncurrent Liabilities		
Accrued compensated absences	411,448	-
Premium on revenue bonds	292,169	-
Bonds payable	15,850,000	-
Capital lease obligations	14,676,188	-
Net pension liability	<u>44,914,995</u>	<u>-</u>
Total noncurrent liabilities	<u>76,144,800</u>	<u>-</u>
Total liabilities	<u>88,735,868</u>	<u>-</u>
Deferred Inflows of Resources	<u>12,052,237</u>	<u>-</u>
Net Position		
Net investment in capital assets	67,656,677	-
Restricted for		
Scholarships – nonexpendable	199,833	123,500
Scholarships and other – expendable	202,557	1,056,976
Capital projects	4,240,570	37,562
Debt service	1,863,850	-
Unrestricted (deficit)	<u>(40,786,799)</u>	<u>62,524</u>
Total net position	<u>\$ 33,376,688</u>	<u>\$ 1,280,562</u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015

	Oklahoma City Community College	Oklahoma City Community College Foundation
	<u> </u>	<u> </u>
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$10,489,503	\$ 17,995,734	\$ -
Federal and state grants and contracts	3,437,173	-
Sales and services of educational departments	1,037,841	-
Auxiliary enterprise charges		
Food services	196,988	-
Bookstore, net of scholarship allowances of \$2,327,177	3,034,966	-
All other auxiliary enterprises	1,355,646	-
Other operating revenues	<u>2,788,297</u>	<u>500,072</u>
Total operating revenues	<u>29,846,645</u>	<u>500,072</u>
Operating Expenses		
Compensation	47,082,409	-
Contractual services	8,064,226	-
Supplies and materials	5,608,123	-
Utilities	1,745,324	-
Communications	271,107	-
Other operating expenses	3,025,070	676,145
Scholarships and fellowships	6,685,445	81,752
Depreciation expense	<u>5,645,795</u>	<u>-</u>
Total operating expenses	<u>78,127,499</u>	<u>757,897</u>
Operating Loss	<u>(48,280,854)</u>	<u>(257,825)</u>
Nonoperating Revenues (Expenses)		
State appropriations	25,890,847	-
On-behalf contributions for Oklahoma Teachers' Retirement System	2,469,591	-
Ad valorem taxes	5,708,536	-
Building levy funds	1,929,691	-
Federal grants – nonoperating	16,995,321	-
State grants – nonoperating	3,120,975	-
Investment income	55,164	27,733
Interest expense	<u>(1,336,905)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>54,833,220</u>	<u>27,733</u>

	Oklahoma City Community College	Oklahoma City Community College Foundation
Income (Loss) Before Other Revenues	<u>\$ 6,552,366</u>	<u>\$ (230,092)</u>
Other Revenues		
State appropriations restricted for capital purposes	838,105	-
OCIA on-behalf state appropriations	1,739,332	-
Capital gifts and donations	<u>66,688</u>	<u>254,511</u>
Total other revenues	<u>2,644,125</u>	<u>254,511</u>
Change in Net Position	<u>9,196,491</u>	<u>24,419</u>
Net Position, Beginning of Year, as Previously Reported	80,574,434	1,256,143
Prior Period Adjustment (see Note 1)	<u>(56,394,237)</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>24,180,197</u>	<u>-</u>
Net Position, End of Year	<u><u>\$ 33,376,688</u></u>	<u><u>\$ 1,280,562</u></u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Statement of Cash Flows
Year Ended June 30, 2015

	Oklahoma City Community College
Operating Activities	
Receipts for tuition and fees	\$ 18,295,118
Receipts for grants and contracts	3,249,318
Receipts for auxiliary enterprise charges	4,547,405
Receipts for educational activities	611,687
Other operating receipts	(236,772)
Payments to other entities	(49,020)
Payments to employees for salaries and benefits	(47,360,857)
Payments for scholarships	(6,685,445)
Payments to suppliers	(16,579,735)
	(44,208,301)
Noncapital Financing Activities	
State appropriations	25,890,847
Ad valorem property taxes received	5,689,201
Nonoperating grants	20,116,296
	51,696,344
Capital and Related Financing Activities	
Purchases of capital assets	(3,375,915)
Capital appropriations received	838,105
Capital gifts and donations	66,688
Building levy funds received	1,929,691
Principal paid on capital debt and leases	(1,228,083)
Interest paid on capital debt and leases	(830,044)
	(2,599,558)
Investing Activities	
Purchase of investments	(1,848,043)
Proceeds from sales and maturities of investments	2,048,673
Interest received on investments	56,281
	256,911
Increase in Cash and Cash Equivalents	5,145,396
Cash and Cash Equivalents, Beginning of Year	18,142,063
Cash and Cash Equivalents, End of Year	\$ 23,287,459

See Notes to Financial Statements

**Oklahoma City
Community
College**

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

Operating loss	\$ (48,280,853)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	5,645,795
Amortization of deferred inflows pension	2,600,877
Cash funding of deferred outflows pensions	(3,423,665)
Changes in net assets and liabilities	
Receivables, net	233,193
Inventories	113,946
Accounts payable and accrued liabilities	(1,004,901)
Unearned revenue	(588,013)
Compensated absences	544,340
Due to student groups and organizations	(49,020)
Net cash used in operating activities	<u><u>\$ (44,208,301)</u></u>

Noncash Investing, Noncapital Financing and Capital and Related Financing Activities

Principal and interest on capital debt paid by state on behalf of the College	<u><u>\$ 1,739,332</u></u>
On-behalf payments for Oklahoma Teachers' Retirement System	<u><u>\$ 2,469,591</u></u>
Net reduction in capital lease liability due to advance refunding	<u><u>\$ 38,050</u></u>

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Current cash and cash equivalents	\$ 18,185,470
Current restricted cash and cash equivalents	727,931
Noncurrent restricted cash and cash equivalents	<u>4,374,058</u>
Total cash and cash equivalents	<u><u>\$ 23,287,459</u></u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

Note 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), which are agencies of the state of Oklahoma. The District has been presented as a blended component unit because the District's governing body is substantially the same as the governing body of the College, and the District provides services almost entirely to the College, which is the primary government. Separate financial statements 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*.

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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. 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.

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 to bad debt receivable 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.

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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

Other receivables also include the distribution from the Oklahoma State Regents' endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority (OCIA) for proceeds from the Capital Bond Improvement Program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.

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.

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 and benefit 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.

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

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.

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

Notes to Financial Statements

June 30, 2015

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).

Classification of Revenues

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

- **Operating Revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances and 2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances.
- **Nonoperating Revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations, 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 nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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.

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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, 2015, the College's deferred outflows were comprised of deferred charges on an OCIA lease restructure (\$240,675) and (\$3,423,665) related to pensions as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

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, 2015, the College's deferred inflows were comprised of deferred charges on OCIA lease restructures (\$441,709) and (\$11,610,528) related to pensions as required by GASB Statement No. 68.

Change in Accounting Principle

During the year ended June 30, 2015, the College adopted GASB Statement Nos. 68 and 71 and recognized its proportionate share of the OTRS net pension liability. The provisions of these statements were retroactively applied and, accordingly, the College's net position as of June 30, 2014, was reduced by \$56,394,237. Of this amount, \$59,754,936 was attributable to the actual net pension liability and was offset by the deferral of the College's 2014 contribution amount to the plan totaling \$3,360,699. See *Note 8* for additional information.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the College's deposits may not be returned 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.

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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

Deposits with the State Treasurer	\$ 18,694,350
U.S. financial institutions	4,568,909
Petty cash and change funds	<u>24,200</u>
	<u><u>\$ 23,287,459</u></u>

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, 2015, the bank balance of the College's deposits with the State Treasurer and U.S. financial institutions was \$22,446,544. Of funds on deposit with the State Treasurer, amounts invested in OK INVEST total \$3,612,751.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2015, the distribution of deposits in OK INVEST was as follows:

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 1,450,449	\$ 1,448,880
Money market mutual fund	453,545	453,545
End of day commercial sweep	73,093	73,093
Certificates of deposit	98,643	98,643
Mortgage-backed agency securities	1,417,296	1,435,411
Municipal bonds	50,092	54,317
Foreign bonds	27,818	27,818
U.S. Treasury obligations	<u>41,815</u>	<u>50,196</u>
Total	<u><u>\$ 3,612,751</u></u>	<u><u>\$ 3,641,903</u></u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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.

Investments

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

At June 30, 2015, the College had the following investments:

State Treasurer’s Internal Investment Pool	\$ 7,028
Other investments	
Bond funds	
U.S. Treasury money market mutual funds	3,542,280
Prudential Financial, Inc., stock	747,901
Oklahoma State Regents Endowment	142,609
	<u>\$ 4,439,818</u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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, 2015:

Investment Type	Investment Maturities		
	Fair Value	Not Applicable	Less than One Year
State Treasurer's Internal Investment Pool	\$ 7,028	\$ 7,028	\$ -
Other investments			
U.S. Treasury money market mutual funds	3,542,280	-	3,542,280
Prudential Financial, Inc., stock	747,901	747,901	-
Oklahoma State Regents Endowment	142,609	142,609	-
	<u>\$ 4,439,818</u>	<u>\$ 897,538</u>	<u>\$ 3,542,280</u>

Interest Rate Risk

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

Concentration of Credit Risk

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

Note 3: Student Accounts Receivable

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

Student tuition and fees	\$ 3,217,484
Auxiliary enterprises and other operating activities	143,663
	<u>3,361,147</u>
Less allowance for doubtful accounts	<u>(82,230)</u>
Net student accounts receivable	<u>\$ 3,278,917</u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

Note 4: Other Receivables

Other receivables consisted of the following at June 30, 2015:

Due from grantors	\$ 672,750
Taxes receivable	<u>43,356</u>
Total other receivables	<u><u>\$ 716,106</u></u>

Note 5: Unearned Revenue

Unearned revenue consisted of the following at June 30, 2015:

Student tuition and fees	\$ 1,727,018
Auxiliary enterprises and other operating activities	424,009
Grants and contracts	<u>250,444</u>
Total unearned revenue	<u><u>\$ 2,401,471</u></u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 2,937,133	\$ -	\$ -	\$ -	\$ 2,937,133
Construction in progress	343,450	1,354,492	(773,328)	-	924,614
Total capital assets not being depreciated	<u>3,280,583</u>	<u>1,354,492</u>	<u>(773,328)</u>	<u>-</u>	<u>3,861,747</u>
Other capital assets					
Buildings and improvements	117,082,503	-	531,042	-	117,613,545
Infrastructure	9,387,854	-	242,286	-	9,630,140
Furniture and equipment	23,868,228	1,809,411	-	(884,293)	24,793,346
Library materials	6,776,884	375,748	-	-	7,152,632
Total other capital assets	<u>157,115,469</u>	<u>2,185,159</u>	<u>773,328</u>	<u>(884,293)</u>	<u>159,189,663</u>
Less accumulated depreciation					
Buildings and improvements	(35,882,817)	(2,978,108)	-	-	(38,860,925)
Infrastructure	(3,488,774)	(328,221)	-	-	(3,816,995)
Furniture and equipment	(15,653,740)	(1,983,270)	-	720,560	(16,916,450)
Library materials	(5,099,724)	(356,197)	-	-	(5,455,921)
Total accumulated depreciation	<u>(60,125,055)</u>	<u>(5,645,796)</u>	<u>-</u>	<u>720,560</u>	<u>(65,050,291)</u>
Other capital assets, net	<u>96,990,414</u>	<u>(3,460,637)</u>	<u>773,328</u>	<u>(163,733)</u>	<u>94,139,372</u>
Total capital assets, net	<u>\$ 100,270,997</u>	<u>\$ (2,106,145)</u>	<u>\$ -</u>	<u>\$ (163,733)</u>	<u>\$ 98,001,119</u>
Capital asset summary					
Capital assets not being depreciated	\$ 3,280,583	\$ 1,354,492	\$ (773,328)	\$ -	\$ 3,861,747
Other capital assets, at cost	157,115,469	2,185,159	773,328	(884,293)	159,189,663
Total cost of capital assets	160,396,052	3,539,651	-	(884,293)	163,051,410
Less accumulated depreciation	<u>(60,125,055)</u>	<u>(5,645,796)</u>	<u>-</u>	<u>720,560</u>	<u>(65,050,291)</u>
Capital assets, net	<u>\$ 100,270,997</u>	<u>\$ (2,106,145)</u>	<u>\$ -</u>	<u>\$ (163,733)</u>	<u>\$ 98,001,119</u>

Oklahoma City Community College
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Notes to Financial Statements
June 30, 2015

At June 30, 2015, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

Equipment	\$ 35,953,074
Less accumulated depreciation	<u>9,798,140</u>
	<u><u>\$ 26,154,934</u></u>

Note 7: Long-Term Liabilities

Long-term liabilities activity, exclusive of the net pension liability, for the year ended June 30, 2015, was as follows:

	<u>Interest Rates</u>	<u>Maturity Through</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds payable and capital leases							
Revenue bonds payable							
Student Facility, Series 2005	3.00%–5.00%	7/1/2026	\$ 6,855,000	\$ -	\$ (410,000)	\$ 6,445,000	\$ 425,000
Student Facility, Series 2006	3.50%–4.00%	7/1/2022	4,255,000	-	(405,000)	3,850,000	420,000
Student Facility, Series 2010	2.25%–5.00%	7/1/2030	<u>7,050,000</u>	<u>-</u>	<u>(320,000)</u>	<u>6,730,000</u>	<u>330,000</u>
Total revenue bonds payable			<u>18,160,000</u>	<u>-</u>	<u>(1,135,000)</u>	<u>17,025,000</u>	<u>1,175,000</u>
Capital lease obligations							
OCIA Series 2004A		8/1/2019	425,056	-	(425,056)	-	-
OCIA Series 2005F		7/1/2030	1,045,700	-	(510,717)	534,983	534,983
OCIA Series 2010A (Refunding)		7/1/2017	3,957,214	-	(253,850)	3,703,364	828,295
OCIA Series 2010B (Refunding)		7/1/2014	595,718	-	(595,718)	-	-
OCIA Series 2014A (Refunding)		7/1/2031	8,005,116	-	-	8,005,116	-
OCIA Series 2014B (Refunding)		7/1/2019	-	387,004	(67,926)	319,078	75,742
ODFA MRP Lease 2010A	0.45%–4.25%	6/1/2040	<u>3,740,250</u>	<u>-</u>	<u>(93,083)</u>	<u>3,647,167</u>	<u>94,500</u>
Total capital lease obligations			<u>17,769,054</u>	<u>387,004</u>	<u>(1,946,350)</u>	<u>16,209,708</u>	<u>1,533,520</u>
Total revenue bonds payable and capital lease obligations			<u>35,929,054</u>	<u>387,004</u>	<u>(3,081,350)</u>	<u>33,234,708</u>	<u>2,708,520</u>
Other liabilities							
Premium			333,149	-	(20,490)	312,659	20,490
Accrued compensated absences			<u>1,218,531</u>	<u>1,102,937</u>	<u>(902,290)</u>	<u>1,419,178</u>	<u>1,007,730</u>
Total other liabilities			<u>1,551,680</u>	<u>1,102,937</u>	<u>(922,780)</u>	<u>1,731,837</u>	<u>1,028,220</u>
Total long-term liabilities			<u>\$ 37,480,734</u>	<u>\$ 1,489,941</u>	<u>\$ (4,004,130)</u>	<u>\$ 34,966,545</u>	<u>\$ 3,736,740</u>

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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.

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.

At June 30, 2015, 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
2016	\$ 1,175,000	\$ 653,212	\$ 1,828,212
2017	1,215,000	612,603	1,827,603
2018	1,250,000	569,826	1,819,826
2019	1,300,000	524,865	1,824,865
2020	1,350,000	476,291	1,826,291
2021–2025	6,430,000	1,555,831	7,985,831
2026–2030	3,755,000	454,299	4,209,299
2031–2035	550,000	12,031	562,031
	<u>\$ 17,025,000</u>	<u>\$ 4,858,958</u>	<u>\$ 21,883,958</u>

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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, 2014, the College's remaining 1999A/2004A lease agreement with OCIA was restructured through refunding of the Series 2004A Bonds. OCIA issued the Series 2014B 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 2014B 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, 2015, the unamortized gain totaled \$31,491. 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, 2015, the remaining unamortized balance was \$240,675.

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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, 2015, the unamortized gain totaled \$410,218. 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, 2015, 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 2015, the monthly capital lease principal and interest payments made by the state to OCIA on behalf of the College totaling \$1,739,332 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.

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

Year Ending June 30,	Principal	Interest	Total to be Paid
2016	\$ 1,533,520	\$ 724,041	\$ 2,257,561
2017	2,136,894	642,378	2,779,272
2018	1,638,382	561,259	2,199,641
2019	207,281	487,333	694,614
2020	118,042	480,060	598,102
2021–2025	2,759,323	2,246,205	5,005,528
2026–2030	4,980,284	1,347,751	6,328,035
2031–2035	1,819,564	370,686	2,190,250
2036–2040	1,016,418	131,878	1,148,296
	<u>\$ 16,209,708</u>	<u>\$ 6,991,591</u>	<u>\$ 23,201,299</u>

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Note 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.

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.

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- 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 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were \$3,423,665. The state of Oklahoma also made on-behalf contributions to OTRS, of which \$2,469,591 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the College reported a liability of \$44,914,995 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. 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, 2014. Based upon this information, the College's proportion was 0.8349%.

For the year ended June 30, 2015, the College recognized pension expense of \$2,600,877. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 740,333
Net difference between projected and actual earnings on pension plan investments	-	10,870,195
College contributions subsequent to the measurement date	3,423,665	-
Total	\$ 3,423,665	\$ 11,610,528

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\$3,423,665 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, 2016. 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 ended June 30	
2016	\$ (2,856,709)
2017	(2,856,709)
2018	(2,856,709)
2019	(2,856,709)
2020	(139,160)
Thereafter	<u>(44,532)</u>
	<u>\$ (11,610,528)</u>

Actuarial Assumptions – The total pension liability as of June 30, 2014, was determined based on an actuarial valuation prepared as of June 30, 2014, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll
- Inflation – 3.00%
- Salary Increases – Composed of 3.00% inflation, plus 1.00% productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return – 8.00%
- Retirement Age – Experience-based table of rates based on age, service and gender. Adopted by the Board in September 2010 in conjunction with the five-year experience study for the period ended June 30, 2009
- Mortality – RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

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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	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.7%
Domestic Large Cap Equity	10.0%	6.2%
Domestic Mid Cap Equity	13.0%	6.9%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	7.0%
International Small Cap Equity	6.0%	7.0%
Core Plus Fixed Income	17.5%	2.1%
High-Yield Fixed Income	6.0%	4.5%
Private Equity	5.0%	7.9%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.9%
Total	<u>100.0%</u>	

* 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).

Discount Rate – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and 2013. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine 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.

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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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
College’s proportionate share of the net pension liability	\$ 63,099,677	\$ 44,914,995	\$ 29,566,502

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.

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, 2014, and 3.0% for those employees hired after July 1, 2014, provided the participants contribute a minimum of 1.5% of their regular annual salary.

Funding Policy

The College contributed approximately \$988,000 for the year ended June 30, 2015. 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.

Note 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.

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The operation levy was 5.08 mills for the fiscal year ended June 30, 2015, 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, 2015, 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 2015 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, 2015, totaled approximately \$7,638,000, including the building levy of \$1,930,000. The building levy is restricted for capital projects.

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, 2015, was approximately \$4,327,000. The lease is for a period of one year and was renewed July 1, 2015. 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, 2014, the Foundation awarded scholarships to the College's students totaling approximately \$159,000. Other goods and services were also provided by the Foundation on behalf of the College of approximately \$180,000 for the year ended September 30, 2014, the financial reporting year for the Foundation.

Note 10: Commitments and Contingencies

The College participates in a number of federally assisted grant and contract programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the 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, 2015, approximately \$10,600,000 of program loans were provided to college students.

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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, 2015, that management believes would result in a material loss to the College in the event of an adverse outcome.

Note 11: Risk Management

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; employee health, life and accident benefits; and unemployment. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property damage, 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 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.

Note 12: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued.

Note 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.

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The financial statements of the Foundation included in this report are prepared on a cash basis using a September 30, 2014, 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 (\$907,656) and investments (\$372,906). The cash and cash equivalent balances are generally in the form of checking accounts and money market accounts and, at September 30, 2014, 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 \$123,500 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.

Note 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, 2015.

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Assets and Deferred Outflows of Resources

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Current Assets			
Cash and cash equivalents	\$ 16,677,661	\$ 1,507,809	\$ 18,185,470
Restricted cash and cash equivalents	727,931	-	727,931
Student accounts receivable, net	3,278,917	-	3,278,917
Other receivables	672,750	43,356	716,106
Interest receivable	5,957	-	5,957
Inventories	504,655	-	504,655
	<u>21,867,871</u>	<u>1,551,165</u>	<u>23,419,036</u>
Noncurrent Assets			
Restricted cash and cash equivalents	1,312,958	3,061,100	4,374,058
Investments	4,439,818	-	4,439,818
Other assets	266,422	-	266,422
Capital assets, net	93,674,746	4,326,373	98,001,119
	<u>99,693,944</u>	<u>7,387,473</u>	<u>107,081,417</u>
Total assets	<u>121,561,815</u>	<u>8,938,638</u>	<u>130,500,453</u>
Deferred Outflows of Resources	<u>3,664,340</u>	<u>-</u>	<u>3,664,340</u>
Total assets and deferred outflows of resources	<u>125,226,155</u>	<u>8,938,638</u>	<u>134,164,793</u>

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Liabilities, Deferred Inflows of Resources and Net Position

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Current Liabilities			
Accounts payable	\$ 2,930,317	\$ 45,462	\$ 2,975,779
Accrued payroll	2,158,280	-	2,158,280
Other accrued liabilities	511,303	-	511,303
Unearned revenue	2,401,471	-	2,401,471
Due to student groups and organizations	807,495	-	807,495
Current portion of noncurrent liabilities	3,736,740	-	3,736,740
	<u>12,545,606</u>	<u>45,462</u>	<u>12,591,068</u>
Noncurrent Liabilities			
Accrued compensated absences	411,448	-	411,448
Premium on revenue bonds	292,169	-	292,169
Bonds payable	15,850,000	-	15,850,000
Capital lease obligations	14,676,188	-	14,676,188
Net pension liability	44,914,995	-	44,914,995
	<u>76,144,800</u>	<u>-</u>	<u>76,144,800</u>
Total liabilities	<u>88,690,406</u>	<u>45,462</u>	<u>88,735,868</u>
Deferred Inflows of Resources	<u>12,052,237</u>	<u>-</u>	<u>12,052,237</u>
Net Position			
Net investment in capital assets	63,375,766	4,280,911	67,656,677
Restricted for			
Scholarships – nonexpendable	199,833	-	199,833
Scholarships and other – expendable	202,557	-	202,557
Capital projects	1,179,470	3,061,100	4,240,570
Debt service	1,863,850	-	1,863,850
Unrestricted (deficit)	(42,337,964)	1,551,165	(40,786,799)
	<u>\$ 24,483,512</u>	<u>\$ 8,893,176</u>	<u>\$ 33,376,688</u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

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, 2015.

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Operating Revenues			
Tuition and fees, net of scholarship allowances of \$10,489,503	\$ 17,995,734	\$ -	\$ 17,995,734
Federal and state grants and contracts	3,437,173	-	3,437,173
Sales and services of educational department	1,037,841	-	1,037,841
Auxiliary enterprise charges			
Food services	196,988	-	196,988
Bookstore, net of scholarship allowances of \$2,327,177	3,034,966	-	3,034,966
All other auxiliary enterprises	1,355,646	-	1,355,646
Other operating revenues	2,788,296	1	2,788,297
Total operating revenues	<u>29,846,644</u>	<u>1</u>	<u>29,846,645</u>
Operating Expenses			
Compensation	47,082,409	-	47,082,409
Contractual services	7,996,135	68,091	8,064,226
Supplies and materials	5,608,123	-	5,608,123
Utilities	1,745,324	-	1,745,324
Communications	271,107	-	271,107
Other operating expenses	3,025,070	-	3,025,070
Scholarships and fellowships	6,685,445	-	6,685,445
Depreciation expense	5,353,596	292,199	5,645,795
Total operating expenses	<u>77,767,209</u>	<u>360,290</u>	<u>78,127,499</u>
Operating Loss	<u>(47,920,565)</u>	<u>(360,289)</u>	<u>(48,280,854)</u>
Nonoperating Revenues (Expenses)			
State appropriations	25,890,847	-	25,890,847
On-behalf contributions for Oklahoma Teachers' Retirement System	2,469,591	-	2,469,591
Ad valorem taxes	-	5,708,536	5,708,536
Building levy funds	-	1,929,691	1,929,691
Federal grants – nonoperating	16,995,321	-	16,995,321
State grants – nonoperating	3,120,975	-	3,120,975
Investment income	53,453	1,711	55,164
Interest expense	(1,336,905)	-	(1,336,905)
Net nonoperating revenues	<u>47,193,282</u>	<u>7,639,938</u>	<u>54,833,220</u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Financial Statements
June 30, 2015

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Income (Loss) Before Other Revenues	\$ (727,283)	\$ 7,279,649	\$ 6,552,366
Other Revenues			
Technical education transfers	5,000,000	(5,000,000)	-
State appropriations restricted for capital purposes	838,105	-	838,105
OCIA on-behalf state appropriations	1,739,332	-	1,739,332
Capital gifts and donations	66,688	-	66,688
Total other revenues	7,644,125	(5,000,000)	2,644,125
Change in Net Position	6,916,842	2,279,649	9,196,491
Net Position, Beginning of Year, as Previously Reported	73,960,907	6,613,527	80,574,434
Prior Period Adjustment (see Note 1)	(56,394,237)	-	(56,394,237)
Net Position, Beginning of Year, as Restated	17,566,670	6,613,527	24,180,197
Net Position, End of Year	\$ 24,483,512	\$ 8,893,176	\$ 33,376,688

The following table includes condensed combining statement of cash flows information for the College and its blended component unit, the District, for the year ended June 30, 2015.

	Oklahoma City Community College	South Oklahoma City Area School District	Total
Net Cash Used in Operating Activities	\$ (39,087,930)	\$ (5,120,371)	\$ (44,208,301)
Net Cash Provided by Noncapital Financing Activities	46,007,143	5,689,201	51,696,344
Net Cash Provided by (Used in) Capital and Related Financing Activities	(3,909,713)	1,310,155	(2,599,558)
Net Cash Provided by Investing Activities	255,200	1,711	256,911
Increase in Cash and Cash Equivalents	3,264,700	1,880,696	5,145,396
Cash and Cash Equivalents, Beginning of Year	15,453,850	2,688,213	18,142,063
Cash and Cash Equivalents, End of Year	\$ 18,718,550	\$ 4,568,909	\$ 23,287,459

Required Supplementary Information

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Schedule of College's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2015

College's proportion of the net pension liability	0.8349%
College's proportionate share of the net pension liability	\$ 44,914,995
College's covered-employee payroll	\$ 33,974,444
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	132.2023%
Plan fiduciary net position as a percentage of the total pension liability	72.4300%

*The amounts present for each fiscal year were determined as of June 30

Note to Schedule

Only the current fiscal year is presented because 10-year data is not yet available.

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Schedule of College's Contributions
Year Ended June 30, 2015

Contractually required contribution	\$	3,423,665
Contributions in relation to the contractually required contribution		3,423,665
Contribution deficiency (excess)	\$	-
College's covered-employee payroll	\$	34,485,614
Contributions as a percentage of covered-employee payroll		10%

Note to Schedule

Only the current fiscal year is presented because 10-year data is not yet available.

Supplementary Information

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	CFDA Number	Grant or Identifying Number	Amount
<i>Research and Development Cluster</i>			
National Science Foundation Pass-through Langston University NSF Recruit Develop Retain	47.076	LU 5-17605	\$ 3,850
U.S. Department of Health and Human Services Pass-through University of Oklahoma Idea Networks of Biomedical Research Excellence	93.389	5P20GM103447-15	<u>51,767</u>
<i>Total Research and Development Cluster</i>			<u><u>55,617</u></u>
U.S. Department of Agriculture			
Pass-through Oklahoma Department of Education Child and Adult Care Food Program	10.558	DC-55-076	<u>31,845</u>
<i>Total U.S. Department of Agriculture</i>			<u><u>31,845</u></u>
U.S. Department of Labor			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	<u>469,000</u>
<i>Total U.S. Department of Labor</i>			<u><u>469,000</u></u>
National Endowment for the Humanities			
Pass-through from the Oklahoma Humanities Council National Endowment for the Humanities	45.129	N/A	<u>4,500</u>
<i>Total National Endowment for the Humanities</i>			<u><u>4,500</u></u>
U.S. Department of Education			
Pass-Through Oklahoma Department of Career & Technology Education Adult Education – Basic Grants to States	84.002	V0002A150037	1,308,596
<i>Student Financial Assistance Cluster (Direct)</i>			
Federal Supplemental Educational Opportunities Grants	84.007	P033A133452	374,267
Federal Work Study Program	84.033	P007A133452	240,675
Federal Pell Grant Program	84.063	P063P133334	16,322,033
Federal Direct Loan Program	84.268	P268K143334	<u>10,597,813</u>
<i>Total Student Financial Assistance Cluster</i>			<u><u>27,534,788</u></u>
<i>Special Education Cluster (IDEA)</i>			
Pass-Through Oklahoma Department of Career & Technology Education Special Education – Grants to States (IDEA, Part B)	84.027	N/A	<u>13,766</u>
<i>Total Special Education Cluster (IDEA)</i>			<u><u>13,766</u></u>
Higher Education – Institutional Aid (Direct)	84.031A	N/A	234,783

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2015

Cluster/Program	CFDA Number	Grant or Identifying Number	Amount
<i>TRIO Cluster</i>			
TRIO Student Support Services	84.042A	P042A151040	\$ 218,875
Upward Bound	84.047	P047A121654	279,839
<i>Total TRIO Cluster</i>			<u>498,714</u>
Pass-Through Oklahoma Department of Career & Technology Education			
Career and Technical Education – Basic Grants to States	84.048	V048A150036; CP-PS-0565	211,754
College Access Challenge Grant (Direct)	84.378A	N/A	<u>39,542</u>
<i>Total U.S. Department of Education</i>			<u>29,841,943</u>
U.S. Department of Health and Human Services			
<i>TANF Cluster</i>			
Pass-through Oklahoma State University Temporary Assistance for Needy Families	93.558	933880924	<u>293,875</u>
<i>Total TANF Cluster</i>			<u>293,875</u>
<i>CCDF Cluster</i>			
Pass-through Oklahoma Department of Education Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	<u>73,287</u>
<i>Total CCDF Cluster</i>			<u>73,287</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>367,162</u>
Corporation for National and Community Service			
Pass-through from Red River Community Corps AmeriCorps	94.006	46-3341733	<u>15,613</u>
<i>Total Corporation for National and Community Service</i>			<u>15,613</u>
Total Expenditures of Federal Awards			<u><u>\$ 30,785,680</u></u>

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Notes to Schedule

1. This schedule includes the federal awards activity of the College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, the College provided no federal awards to subrecipients.

**Independent Auditor's 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and 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, 2015, 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 15, 2015, which contained an *Emphasis of Matter* paragraph regarding a change in accounting principle. 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.

Board of Regents
Oklahoma City Community College

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 15, 2015.

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.

BKD, LLP

Oklahoma City, Oklahoma
October 15, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

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 its major federal program for the year ended June 30, 2015. The College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 the College's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Student Financial Assistance Cluster

As described in item 2015-001 in the accompanying schedule of findings and questioned costs, the College did not comply with special tests and provisions requirements regarding Enrollment Reporting for its Student Financial Assistance Cluster program. Compliance with such requirements is necessary, in our opinion, for the College to comply with requirements applicable to that program.

Qualified Opinion on the Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 the Student Financial Assistance Cluster program for the year ended June 30, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness. 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Oklahoma City, Oklahoma
October 15, 2015

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2015

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2015-001	<p style="text-align: center;">Student Financial Assistance Cluster CFDA Nos. 84.007, 84.033, 84.063, 84.268 Award Year 2014–2015 U.S. Department of Education Special Tests and Provisions: Enrollment Reporting</p> <p>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.</p> <p>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 7 out of 40 student enrollment status changes tested as required by OMB Circular A-133, <i>Special Test and Provision: Enrollment Reporting for the Student Financial Assistance Cluster</i>, and 34 CFR Section 690.83(b)(2); 34 CFR Section 682.610; and 34 CFR Section 685.309.</p> <p>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.</p> <p>Cause – The College did not have an effective means of reviewing enrollment status reporting to ensure it was in compliance with federal regulations.</p> <p>Effect – Material noncompliance with federal requirements for federal programs occurred and was not prevented or detected in a timely manner.</p> <p>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.</p>	None

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Schedule of Findings and Questioned Costs, continued
Year Ended June 30, 2015

Reference Number	Finding	Questioned Costs
2015-001, continued	Views of Responsible Officials and Planned Corrective Actions – With respect to the finding by BKD regarding the College’s timeliness of reporting of students’ enrollment changes, the office of the Registrar will do a review of the current process to identify circumstances and recommend changes as needed. The Clearinghouse reporting processes will be updated accordingly to ensure the Registrar will provide the student enrollment changes in a timeframe that complies with federal guidelines. The Associate Vice President of Enrollment Management will routinely monitor Enrollment Reports from the National Student Loan Data System (NSLDS) to ensure timely and accurate reporting.	

Oklahoma City Community College
(A Component Unit of the State of Oklahoma)
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Reference Number	Finding	Status
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No matters are reportable.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Independent Auditor's Reports and Financial Statements
June 30, 2015



South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
June 30, 2015

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**Independent Auditor’s 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*** 15

Independent Auditor's Report

Board of Education
South Oklahoma City Area School District
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the South Oklahoma City Area School District (the District), which is comprised of the statement of net position as of June 30, 2015, 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 financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Oklahoma City Area School District as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BKD, LLP

Oklahoma City, Oklahoma
October 15, 2015

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Management's Discussion and Analysis
Year Ended June 30, 2015

Introduction

The management's discussion and analysis of the activities and financial performance of South Oklahoma City Area School District (the District) provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the accompanying financial statements of the District.

Financial Highlights

- During the year ended June 30, 2015, the District's net position increased to \$8,893,176 from \$6,613,527 in 2014 primarily due to increases in cash balances as the result of the accumulation of building levy funds.
- Operating revenues remained the same, while nonoperating revenues increased by \$298,611. This increase is due primarily to the timing of tax receipts from the county tax assessor.
- Operating expenses increased to \$5,360,290 in 2015 from \$5,263,449 in 2014 primarily as a result of an increase in depreciation expense from the previous year.

Using this Annual Report

The District presents its financial statements in accordance with the business-type activities format as designated by the District's primary government, the Oklahoma City Community College. Accordingly, the financial statements include the 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 asked about any school district's finances is, "Is the district as a whole better or worse off as a result of the year's activities?" The statements of net position and revenues, expenses and changes in net position report information about the District as a whole and its activities in a way that helps answer this question. These statements include all assets and 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 District's net position and changes in it. The District's net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in requirements of the programs funded by the District, in addition to the condition of its physical facilities, should also be considered to assess the overall financial health of the District.

The District's Net Position

The District's net position is the difference between its assets and liabilities reported in the statement of net position. The District's net position increased in 2015 from 2014 as shown in Table 1.

Table 1: Assets, Liabilities and Net Position

	2015	2014	Increase (Decrease)	% Change
Assets				
Current assets	\$ 1,551,165	\$ 896,849	\$ 654,316	73%
Noncurrent assets				
Restricted cash and cash equivalents	3,061,100	1,815,385	1,245,715	69%
Investments in plant, net	<u>4,326,373</u>	<u>3,999,036</u>	<u>327,337</u>	8%
Total assets	<u>8,938,638</u>	<u>6,711,270</u>	<u>2,227,368</u>	33%
Liabilities				
Current liabilities	<u>45,462</u>	<u>97,743</u>	<u>(52,281)</u>	-53%
Total liabilities	<u>45,462</u>	<u>97,743</u>	<u>(52,281)</u>	-53%
Net Position				
Net investment in capital assets	4,280,911	3,901,293	379,618	10%
Restricted for capital expenditures	3,061,100	1,815,385	1,245,715	69%
Unrestricted	<u>1,551,165</u>	<u>896,849</u>	<u>654,316</u>	73%
Total net position	<u><u>\$ 8,893,176</u></u>	<u><u>\$ 6,613,527</u></u>	<u><u>\$ 2,279,649</u></u>	34%

Table 2: Operating Results and Changes in Net Position

	Years Ended June 30,		Increase	%
	2015	2014	(Decrease)	Change
Operating Revenues	\$ 1	\$ 1	\$ -	0%
Operating Expenses	<u>5,360,290</u>	<u>5,263,449</u>	<u>96,841</u>	2%
Operating Loss	<u>(5,360,289)</u>	<u>(5,263,448)</u>	<u>(96,841)</u>	2%
Nonoperating Revenues (Expenses)				
Ad valorem taxes	5,708,536	5,515,208	193,328	4%
Building levy funds	1,929,691	1,822,624	107,067	6%
Investment income	<u>1,711</u>	<u>3,495</u>	<u>(1,784)</u>	-51%
Total nonoperating revenues (expenses)	<u>7,639,938</u>	<u>7,341,327</u>	<u>298,611</u>	4%
Change in Net Position	2,279,649	2,077,879	201,770	10%
Net Position, Beginning of Year	<u>6,613,527</u>	<u>4,535,648</u>	<u>2,077,879</u>	46%
Net Position, End of Year	<u>\$ 8,893,176</u>	<u>\$ 6,613,527</u>	<u>\$ 2,279,649</u>	34%

During the year ended June 30, 2015, nonoperating revenues increased by \$298,611. This increase is due to a modest increase in ad valorem taxes which is primarily due to timing differences in the receipt of the ad valorem tax. There was no change in the District's millage rate of 5.08 mills or the incentive levy of 2.5 mills.

Overall expenses increased by \$96,841 due primarily to an increase in depreciation expense as a result of the increase in capitalized assets. The operating revenues of \$1 represent the annual payment made to the District by Oklahoma City Community College for the lease of the District's facilities and equipment.

Table 3: Analysis of Net Position

	2015	2014	Increase	%
			(Decrease)	Change
Net Position				
Net investment in capital assets	\$ 4,280,911	\$ 3,901,293	\$ 379,618	10%
Restricted for capital expenditures	3,061,100	1,815,385	1,245,715	69%
Unrestricted assets	<u>1,551,165</u>	<u>896,849</u>	<u>654,316</u>	73%
Total net position	<u>\$ 8,893,176</u>	<u>\$ 6,613,527</u>	<u>\$ 2,279,649</u>	34%

The District's net position increased from \$6,613,527 in 2014 to \$8,893,176 in 2015. This increase was due primarily to construction costs for the Capitol Hill Center Renovation which were financed by the building levy funds and an increase in cash balances as a result of the building levy tax receipts which are being held for capital projects.

Table 4: Cash Flows

	Years Ended June 30,	2015	2014	Increase	%
				(Decrease)	Change
Cash Provided by (Used in)					
Operating activities	\$	(5,120,371)	\$ (4,992,969)	\$ (127,402)	3%
Noncapital financing activities		5,689,201	7,348,301	(1,659,100)	-23%
Capital and related financing activities		1,310,155	(1,673,549)	2,983,704	-178%
Investing activities		<u>1,711</u>	<u>3,495</u>	<u>(1,784)</u>	-51%
Increase in Cash and Cash Equivalents		1,880,696	685,278	1,195,418	174%
Cash and Cash Equivalents, Beginning of Year		<u>2,688,213</u>	<u>2,002,935</u>	<u>685,278</u>	34%
Cash and Cash Equivalents, End of Year	\$	<u>4,568,909</u>	<u>\$ 2,688,213</u>	<u>\$ 1,880,696</u>	70%

The District's overall cash and cash equivalents increased by \$1,880,696, which is primarily the result of the accrual of the building levy funds retained in the District's cash accounts for capital projects.

Capital Assets and Debt Administration

Table 5: Capital Assets, Net

	2015	2014	Increase	%
			(Decrease)	Change
Capital Assets				
Building and facilities	\$ 12,000,562	\$ 12,000,562	\$ -	0%
Other improvements	1,030,386	1,030,386	-	0%
Infrastructure	1,197,190	1,174,886	22,304	2%
Furniture and equipment	361,887	324,910	36,977	11%
Construction in progress	<u>595,512</u>	<u>37,323</u>	<u>558,189</u>	1,496%
Total capital assets	15,185,537	14,568,067	617,470	4%
Less accumulated depreciation	<u>(10,859,164)</u>	<u>(10,569,031)</u>	<u>(290,133)</u>	3%
Capital assets, net	<u>\$ 4,326,373</u>	<u>\$ 3,999,036</u>	<u>\$ 327,337</u>	8%

During 2015, the District's investment in capital assets increased by \$379,618. This change was primarily due to an increase in capital expenditures for renovation of the Capitol Hill Center of approximately \$550,000, offset by increases in accumulated depreciation.

The District had no long-term liabilities as of June 30, 2015 or 2014.

Economic Factors and the District's Future

The District experienced an approximate average increase of 4.7% in the value of the property in the District during calendar year 2014, which is used to calculate the ad valorem tax receipts for fiscal year 2015. There was no change in the District's operational millage of 5.08 mills or the incentive levy of 2.5 mills during fiscal year 2015. During fiscal year 2013, the District began receiving allocation of funds from the assessment of the Building Fund Levy by the county tax assessor. This levy is required to be used solely for expenditures for capital projects, which include furniture, fixtures and equipment. This building levy is a permanent assessment and will continue into future fiscal years. The total millage applicable to the Building Fund Levy is 2.5 mills for the area including Metro Tech Technology Center and Francis Tuttle Technology Center and 2 mills for the Moore/Norman Technology Center.

Contacting the District's Financial Management

This financial report is designed to provide our stakeholders, including taxpayers, customers, investors and creditors, with a general overview of the District's finances and to demonstrate the District'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.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Statement of Net Position
June 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 1,507,809
Ad valorem property taxes receivable	<u>43,356</u>
Total current assets	<u>1,551,165</u>

Noncurrent Assets

Restricted cash and cash equivalents	3,061,100
Capital assets, net of accumulated depreciation	<u>4,326,373</u>
Total noncurrent assets	<u>7,387,473</u>
Total assets	<u>8,938,638</u>

Liabilities and Net Position

Current Liabilities

Accounts payable	<u>45,462</u>
Total current liabilities	<u>45,462</u>

Net Position

Net investment in capital assets	4,280,911
Restricted for capital expenditures	3,061,100
Unrestricted	<u>1,551,165</u>
Total net position	<u>\$ 8,893,176</u>

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Operating Revenues	
Lease revenue	\$ <u>1</u>
Total operating revenues	<u>1</u>
Expenses	
Technical education	5,000,000
Professional fees and other expenses	68,091
Depreciation expense	<u>292,199</u>
Total operating expenses	<u>5,360,290</u>
Operating Loss	<u>(5,360,289)</u>
Nonoperating Revenues	
Ad valorem property taxes	5,708,536
Building levy funds	1,929,691
Interest income	<u>1,711</u>
Total nonoperating revenues	<u>7,639,938</u>
Change in Net Position	2,279,649
Net Position, Beginning of Year	<u>6,613,527</u>
Net Position, End of Year	<u><u>\$ 8,893,176</u></u>

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Statement of Cash Flows
Year Ended June 30, 2015

Operating Activities	
Operating receipts	\$ 1
Payments to suppliers and others	(120,372)
Payments to the College	<u>(5,000,000)</u>
Net cash used in operating activities	<u>(5,120,371)</u>
Noncapital Financing Activities	
Ad valorem property taxes received	<u>5,689,201</u>
Net cash provided by noncapital financing activities	<u>5,689,201</u>
Investing Activities	
Interest received on investments	<u>1,711</u>
Net cash provided by investing activities	<u>1,711</u>
Capital and Related Financing Activities	
Ad valorem property taxes received – building levy funds	1,929,691
Purchases of capital assets	<u>(619,536)</u>
Net cash provided by capital and related financing activities	<u>1,310,155</u>
Increase in Cash and Cash Equivalents	1,880,696
Cash and Cash Equivalents, Beginning of Year	<u>2,688,213</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,568,909</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (5,360,289)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	292,199
Accounts payable and other accrued liabilities	<u>(52,281)</u>
Net cash used in operating activities	<u><u>\$ (5,120,371)</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Current cash and cash equivalents	\$ 1,507,809
Noncurrent restricted cash and cash equivalents	<u>3,061,100</u>
Total cash and cash equivalents	<u><u>\$ 4,568,909</u></u>

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Notes to Financial Statements
June 30, 2015

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The South Oklahoma City Area School District (the District) was formed in 1970 to provide post-secondary technical education to the residents of the District. The District's primary source of revenue is the ad valorem tax which is assessed on all real property located within the District. The District together with Oklahoma City Community College (the College) use these tax funds to build facilities and pay other expenses to provide technical education.

The Board of Trustees for the District consists of the same members as the Board of Regents of the College with the exception of the treasurer. The District has no employees of its own; however, the District provides funds, along with those of the College, to construct facilities and pay other costs associated with providing technical education to the residents of the District.

Reporting Entity

The District is a component unit of the College and is included in the financial statements of the College using the blended method. The College is a component unit of the State of Oklahoma and is included in the financial statements of the State of Oklahoma as part of the higher education fund.

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

Net Position

The District's net position is classified as follows:

Net Investment in Capital Assets – Represents the District's total investment in capital assets, net of outstanding obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted for Capital Expenditures – Represents unexpended building levy fund taxes that are restricted for use in capital projects, which include furniture, fixtures and equipment.

Unrestricted Net Position – Represents resources derived from ad valorem taxes that are available to fund the operations of the District.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Notes to Financial Statements
June 30, 2015

Use of Estimates

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

Cash and Cash Equivalents

The District considers all cash on hand, demand deposits and interest-bearing checking accounts to be cash and cash equivalents.

Receivables

The District considers all ad valorem taxes receivable to be fully collectible and, accordingly, has recorded no allowance for uncollectible accounts as of June 30, 2015.

Capital Assets

Capital assets are stated at cost or fair value, if acquired by gift, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and improvements and 7 to 20 years for furniture and equipment. The investment in capital assets in the accompanying statement of net position represents the capital assets or portions thereof, which were paid for by the District's ad valorem tax revenues.

Income Taxes

The District is, by way of the College, a component unit of the State of Oklahoma, and is, therefore, exempt from federal income taxes under the Internal Revenue Code.

Note 2: Deposits

Custodial Credit Risk – Deposits

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

Oklahoma Statutes require the State Treasurer to ensure that all state funds either be insured by Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Notes to Financial Statements
June 30, 2015

The District 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 District's name.

Deposits and Investments

The District's carrying amount of deposits was \$4,568,909 as of June 30, 2015. Deposits are carried at cost. The increase in cash reserves is primarily due to the assessment of the building levy funds by the county tax assessor in fiscal year 2015, which was paid to the District. The cash reserves are restricted for construction projects.

Note 3: Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital Assets Not Being Depreciated					
Construction in progress	\$ 37,323	\$ 580,493	\$ (22,304)	\$ -	\$ 595,512
Depreciable Capital Assets					
Buildings and facilities	12,000,562	-	-	-	12,000,562
Other improvements	1,030,386	-	-	-	1,030,386
Infrastructure	1,174,886	-	22,304	-	1,197,190
Furniture and equipment	324,910	39,043	-	(2,066)	361,887
Total capital assets	14,530,744	39,043	22,304	(2,066)	14,590,025
Accumulated Depreciation					
Buildings and facilities	(9,792,990)	(174,549)	-	-	(9,967,539)
Other improvements	(669,752)	(25,759)	-	-	(695,511)
Infrastructure	-	(63,640)	-	-	(63,640)
Furniture and equipment	(106,289)	(28,251)	-	2,066	(132,474)
Total accumulated depreciation	(10,569,031)	(292,199)	-	2,066	(10,859,164)
Capital Assets, Net	\$ 3,999,036	\$ 327,337	\$ -	\$ -	\$ 4,326,373

Note 4: Related-Party Transactions

All buildings owned by the District which are situated on the campus of the College are leased to the College for \$1 under a year-to-year lease renewed annually. The College provides for all maintenance, insurance and operating costs related thereto.

South Oklahoma City Area School District
(A Component Unit of Oklahoma City Community College)
Notes to Financial Statements
June 30, 2015

The District provides funding to the College for post-secondary vocational technical education for students in the District. During the year ended June 30, 2015, the District provided \$5,000,000 to the College to provide technical education to students of the District.

Note 5: Ad Valorem Tax Levies

Pursuant to Oklahoma Statutes, the District may cause taxes to be levied on all taxable property in the District. For the year ended June 30, 2015, the operational levy was 5.08 mills. There was no change in the District's operational millage of 5.08 mills or the incentive levy of 2.5 mills during fiscal year 2015. The total millage applicable to the incentive levy is for the area including Moore/Norman Technology Center and the Francis Tuttle Technology Center. Such levies are collectible on December 31 and March 31 of each year by the Oklahoma County Treasurer with subsequent remittance to the District. During fiscal year 2013, the South Oklahoma City Area School District began receiving allocation of funds from the assessment of the Building Fund Levy by the County Assessor. This levy is required to be used solely for expenditures for capital projects, which include furniture, fixtures and equipment. This building levy is a permanent assessment and will continue into future fiscal years. The total millage applicable to the Building Fund Levy is 2.5 mills for the area including Metro Tech Technology Center and Francis Tuttle Technology Center and 2 mills for Moore/Norman Technology Center.

**Independent Auditor's 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 Education
South Oklahoma City Area School District
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the South Oklahoma City Area School District (the District), which comprise the statement of net position as of June 30, 2015, 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 15, 2015.

Internal Control over Financial Reporting

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

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

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

Board of Education
South Oklahoma City Area School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Oklahoma City, Oklahoma
October 15, 2015