

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

Financial Statements
with Independent Auditors' Reports

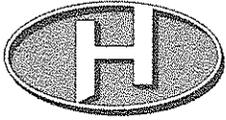
June 30, 2014



Oklahoma City Community College
A Component Unit of the State of Oklahoma
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Independent Auditors' Report

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma City Community College as of and for the year ended June 30, 2014, the related notes to the financial statements, which collectively, comprise the Oklahoma City Community 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 this financial statement 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 this financial statement 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, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma City Community College as of June 30, 2014, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

5028 E. 101st Street
Tulsa, OK 74137
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through xi be presented to supplement the basic financial statements. Such information, although not a 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. The required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplemental 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 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 Information

Our audit was performed for the purpose of forming an opinion on the financial statements of the Oklahoma City Community College taken as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the Oklahoma City Community 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 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* in considering the College's internal control over financial reporting and compliance.

Hill & Company, PC

Tulsa, Oklahoma
October 10, 2014



OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis
Years Ended June 30, 2014 and 2013

The following Management Discussion and Analysis (MD&A) of the activities and financial performance of Oklahoma City Community College (the "College") provides an overview of the College's financial activities for the fiscal years ended June 30, 2014 and 2013. This analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

June 30, 2014 compared to June 30, 2013

- During the year ended June 30, 2014, the College's net position increased by \$5,617,730 to \$80,574,435. Unrestricted net position increased by \$1,221,394. Net position invested in capital assets decreased by \$7,213,793 and expendable net position restricted for capital projects increased by \$11,598,964, primarily as a result of the increase in capital expenditures and the decrease in debt related to capital assets.
- Total operating revenues increased to \$30,244,185 in 2014 from \$26,920,080 in 2013 primarily due to increases in tuition and fees, bookstore revenue, food service revenue, grants and contracts revenue, and other operating revenues.
- Total operating expenses increased to \$80,690,282 in 2014 from \$78,936,139 primarily due to increases in compensation, contractual services, supplies and materials, depreciation expense, utilities and communication expense. However, scholarships and fellowships expense and other operating expenses decreased from prior year.
- Net non-operating revenues decreased to \$54,943,598 in 2014 from \$56,438,815 in 2013. Although there was an approximate \$2.6 million dollar reduction in federal and state grants and contracts revenue received in FY2014 as compared to FY2013, this reduction was offset by an approximate \$432,000 increase in state appropriations of which the majority was for capital lease obligations paid by OCIA on behalf of OCCC; increases in OTRS on-behalf contributions and ad valorem taxes, as well as a decrease in interest expense of approximately \$594,000.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

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

The Basic Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE

A comparative schedule of the College's net position, for the years ended June 30, 2014 and 2013 is shown below, to include the percentage of annual change. The amounts are from the statements of net position which are presented on an accrual basis of accounting, whereby capital assets are capitalized and depreciated.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Condensed Statements of Net Position

| | 2014 | 2013 | Increase (Decrease) | Change |
|----------------------------------|----------------------|----------------------|------------------------|------------|
| Current assets | \$ 21,133,206 | \$ 21,280,861 | \$ (147,655) | -1% |
| Noncurrent assets: | | | | |
| Capital assets, net | 100,270,999 | 91,922,709 | 8,348,290 | 9% |
| Other | 7,259,315 | 12,708,919 | (5,449,604) | -43% |
| TOTAL ASSETS | <u>128,663,520</u> | <u>125,912,489</u> | <u>2,751,031</u> | <u>2%</u> |
| Liabilities and Net Position | | | | |
| Current liabilities | 13,576,431 | 14,307,393 | (730,962) | -5% |
| Noncurrent liabilities | 34,512,654 | 36,648,391 | (2,135,737) | -6% |
| TOTAL LIABILITIES | <u>48,089,085</u> | <u>50,955,784</u> | <u>(2,866,699)</u> | <u>-6%</u> |
| Net position: | | | | |
| Invested in capital assets | 5,669,774 | 12,883,567 | (7,213,793) | -56% |
| Restricted for non-expendable | 307,740 | 296,574 | 11,166 | 4% |
| Restricted for expendable | 60,915,145 | 49,316,181 | 11,598,964 | 24% |
| Unrestricted | 13,681,776 | 12,460,382 | 1,221,394 | 10% |
| TOTAL NET POSITION | <u>\$ 80,574,435</u> | <u>\$ 74,956,704</u> | <u>\$ 5,617,731</u> | <u>7%</u> |

June 30, 2014 compared to June 30, 2013

Current Assets decreased \$147,655 in 2014, primarily due to a decrease in receivables.

As of fiscal year end 2014, net capital assets increased \$8,348,290 from the balance at June 30, 2013, primarily due to the completion of the Performing Arts Center Theater and Allee'. Additional discussion regarding capital assets is included later on in this document.

Other non-current assets decreased by \$5,449,604 primarily due to the expenditure of capital funds for construction of the Performing Arts Center Theater and Allee'.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Current liabilities decreased by \$730,962 primarily due to decreases in accounts payable and the current portion of long-term liabilities.

Non-current liabilities decreased by \$2,135,737 primarily due to debt service payments on the revenue bonds and the capital lease obligations and the partial refinancing of the OCIA 2005F Series Bonds which is discussed in further detail later on in this report.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | <u>2014</u> | <u>2013</u> | <u>Increase (Decrease)</u> | <u>% Change</u> |
|---|----------------------|----------------------|--------------------------------|---------------------|
| Operating Revenues: | | | | |
| Tuition and fees, net | \$ 17,861,121 | \$ 17,568,966 | \$ 292,155 | 2% |
| Grants and contracts | \$ 3,791,227 | \$ 2,533,902 | \$ 1,257,325 | 50% |
| Auxilliary enterprise charges | 4,554,621 | 4,304,408 | 250,213 | 6% |
| Other | <u>4,037,216</u> | <u>2,512,804</u> | <u>1,524,412</u> | 61% |
| TOTAL OPERATING REVENUES | 30,244,185 | 26,920,080 | 3,324,105 | 12% |
| Less operating expenses | <u>80,690,282</u> | <u>78,936,139</u> | <u>1,754,143</u> | 2% |
| OPERATING LOSS | (50,446,097) | (52,016,059) | 1,569,962 | -3% |
| Nonoperating revenues | | | | |
| State appropriations | 25,872,130 | 25,316,891 | 555,239 | 2% |
| State payments from | | | | |
| Federal ARRA revenues | - | - | - | 0% |
| OTRS on behalf contributions | 2,479,021 | 2,435,116 | 43,905 | 2% |
| Ad valorem taxes | 7,337,831 | 7,051,053 | 286,778 | 4% |
| Federal grants and contracts | 16,204,263 | 18,464,968 | (2,260,705) | -12% |
| State and local grants and contracts | 2,663,955 | 3,047,750 | (383,795) | -13% |
| Investment income | 223,404 | 387,237 | (163,833) | -42% |
| Net interest income (expense) | <u>(969,284)</u> | <u>(1,563,878)</u> | <u>594,594</u> | -38% |
| NET NONOPERATING REVENUES | <u>53,811,320</u> | <u>55,139,137</u> | <u>(1,327,817)</u> | -2% |
| State appropriations for capital OCIA on behalf | 838,105 | 838,105 | - | 0% |
| state appropriations | 1,132,277 | 1,299,678 | (167,401) | -13% |
| Net gain/loss on sale of capital assets | - | - | - | 100% |
| Capital gifts and donations | <u>282,125</u> | <u>1,612,000</u> | <u>(1,329,875)</u> | -82% |
| CHANGE IN NET POSITION | 5,617,730 | 6,872,861 | (1,255,131) | -18% |
| NET POSITION, | | | | |
| BEGINNING OF YEAR | 74,956,704 | 68,083,843 | 6,872,861 | 10% |
| NET POSITION, END OF YEAR | <u>\$ 80,574,434</u> | <u>\$ 74,956,704</u> | <u>\$ 5,617,730</u> | 7% |

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

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

June 30, 2014 compared to June 30, 2013

During the year ended June 30, 2014, operating revenues increased by \$3,324,105.

- Net tuition and fees increased by \$292,155 primarily due to a small increase in tuition and fee rates.
- Federal and state grants and contracts increased by \$1,257,325 due to increases in grant reimbursements for expenditures related to the federal grant for the Oklahoma Works! Consortium and the Adult Education and Literacy federal grant.
- Bookstore revenue, net of scholarship allowances, increased \$132,743 primarily as a result of increased sales of new textbooks, clothing, and supplies.
- Other Operating Revenues increased by \$1,524,412 primarily due to funds received for insurance claims related to storm damage.

Operating expenses increased \$1,754,143 in fiscal year 2014 compared to 2013.

- Employee compensation increased \$194,856 and benefit costs increased \$471,046. Adjunct faculty compensation decreased in the amount of \$114,822 and full-time faculty compensation increased by \$350,135. The primary increase in benefit costs is the result of an approximate 6% increase in the OCCC self-insured health plan insurance rates from FY2013 to FY2014.
- Contractual services increased by \$1,869,483 and materials and supplies expense increased by \$69,235 primarily as a result of increases in the custodial contract and other contract expenses related to the opening of the Performing Arts Center Theater and snow removal and supplies for the winter storms during FY2014. A portion of the increase in contractual expenses (\$231,695) is due to a change in how service fees paid to Aetna-Hartford for stop-loss insurance and plan administration were accounted for within the self-insured fund in FY2013 versus FY2014. This change was requested by the Office of Management and Enterprise Services (OMES) during a recent claims audit.
- Other operating expense decreased \$93,249 primarily due to decreases in bad debt expense, indirect costs, registration fees, travel expenses, memberships and a decrease in student expenses and stipends related to the Upward Bound program.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

- Scholarships and fellowships decreased \$1,628,718 due to a decrease in Pell grants primarily as a result of lower enrollment.

During the year ended June 30, 2014 net non-operating revenues decreased by 1,327,817.

- State appropriations, including on-behalf and capital contributions, increased by \$431,743 primarily due to increases in on-behalf payments for OCIA leases and concurrent enrollment payments.
- Ad valorem taxes increased by \$286,778, which is primarily due to timing differences in the receipt of tax revenue.
- Federal grants and contracts revenue decreased 2,260,705 primarily due to fewer Pell grants being awarded due to decreased enrollment.

Net position increased \$5,617,730 during fiscal year 2014. This is primarily due to increases in operating revenue and on-behalf contributions from OCIA and OTRS .

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

Condensed Statements of Cash Flows

| | <u>2014</u> | <u>2013</u> | <u>Increase (Decrease)</u> | <u>Change</u> |
|---|----------------------|----------------------|--------------------------------|---------------|
| Cash provided (used) by: | | | | |
| Operating activities | \$ (43,223,910) | \$ (43,120,764) | \$ (103,146) | 0% |
| Noncapital financial activities | 52,102,200 | 53,915,152 | (1,812,952) | -3% |
| Capital and related financing activities | (13,986,011) | (15,184,145) | 1,198,134 | -8% |
| Investing Activities | <u>300,102</u> | <u>5,831,992</u> | <u>(5,531,890)</u> | <u>-95%</u> |
| Net change in cash and cash equivalents | (4,807,619) | 1,442,235 | (6,249,854) | -433% |
| Cash and cash equivalents, beginning | <u>22,949,682</u> | <u>21,507,447</u> | <u>1,442,235</u> | <u>7%</u> |
| Cash and cash equivalents, ending | <u>\$ 18,142,063</u> | <u>\$ 22,949,682</u> | <u>\$ (4,807,619)</u> | <u>-21%</u> |

June 30, 2014 compared to June 30, 2013

The College's overall cash and cash equivalents decreased by \$4,807,619.

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

June 30, 2014 compared to June 30, 2013

Capital assets, net of accumulated depreciation increased \$8,348,290 due to a mixture of purchases for furniture and computer equipment of \$1.2 million; expenditures of \$7.1 million in capitalized projects which included the May 31, 2013 storm damage and construction costs for the Performing Arts Theater; improvements to landscaping and infrastructure; and additional accumulated depreciation. Current year depreciation expense totaled \$4,817,430 compared to depreciation expense of \$4,621,070 in the prior year.

Condensed Summary of Capital Assets

| | Years Ended June 30, | | Increase | % |
|-------------------------------|-----------------------|----------------------|---------------------|-----------|
| | 2014 | 2013 | (Decrease) | Change |
| Capital assets: | | | | |
| Land | \$ 2,937,133 | \$ 2,937,133 | \$ - | 0% |
| Construction in progress | 343,450 | 19,207,764 | (18,864,314) | -98% |
| Buildings and improvements | 117,082,503 | 89,305,152 | 27,777,351 | 31% |
| Infrastructure | 9,387,854 | 7,700,859 | 1,686,995 | 22% |
| Furniture and equipment | 23,868,228 | 22,654,177 | 1,214,051 | 5% |
| Library materials | 6,776,884 | 6,385,831 | 391,053 | 6% |
| TOTAL CAPITAL ASSETS | 160,396,052 | 148,190,916 | 12,205,136 | 8% |
| Less accumulated depreciation | (60,125,055) | (56,268,209) | (3,856,846) | 7% |
| CAPITAL ASSETS, NET | \$ 100,270,997 | \$ 91,922,707 | \$ 8,348,290 | 9% |

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE (Continued)

June 30, 2014 compared to June 30, 2013

At June 30, 2014, the College had total long-term liabilities of \$37,480,732 compared to \$40,340,535 at June 30, 2013. No additional debt was incurred during the fiscal year ended June 30, 2014, although a portion of the 2005F OCIA Bonds were refunded through the issuance of the OCIA 2014A Bonds. Further discussion of this refunding is included later on in this document.

Condensed Summary of Long Term Liabilities

| | <u>2014</u> | <u>2013</u> | <u>(Decrease)</u> | <u>Change</u> |
|---------------------------|----------------------|----------------------|-----------------------|---------------|
| Capital lease obligations | \$ 17,769,052 | \$ 19,505,502 | \$ (1,736,450) | -9% |
| Revenue bonds payable | 18,160,000 | 19,315,000 | (1,155,000) | -6% |
| Premium on bonds | 333,149 | 361,167 | (28,018) | -8% |
| Compensated absences | <u>1,218,531</u> | <u>1,158,866</u> | <u>59,665</u> | <u>5%</u> |
| TOTAL LONG-TERM | | | | |
| LIABILITIES | 37,480,732 | 40,340,535 | (2,859,803) | -7% |
| Less: current portion | <u>(3,405,493)</u> | <u>(3,692,143)</u> | <u>286,650</u> | <u>-8%</u> |
| NET LONG-TERM | | | | |
| LIABILITIES | <u>\$ 34,075,239</u> | <u>\$ 36,648,392</u> | <u>\$ (2,573,153)</u> | <u>-7%</u> |

OKLAHOMA CITY COMMUNITY COLLEGE
Management's Discussion and Analysis (Continued)
Years Ended June 30, 2014 and 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Oklahoma City Community College enrollment decreased approximately 4.9% in fiscal year 2014. In fiscal year 2015, as we approach the end of September 2014, fall semester enrollment is down by less than 1%. Fiscal year 2014 state appropriations for National Guard Waiver reimbursement and Concurrent Enrollment reimbursement were \$297,341 and \$110,125 respectively. This is a total decrease of 21% from fiscal year 2013. Total budgeted state appropriations for fiscal year 2014 increased approximately 2% including the decrease in the National Guard reimbursement.

OCCC in its commitment to continue to provide quality education programs and continued services as expected by the student body modestly increased tuition rates by just over 4.2% for fiscal year 2014. The State budget outlook, although significantly improved, does not promise any additional appropriations to Higher Education. Although enrollment has fallen from prior year levels, the prior years' cumulative enrollment increases have established a higher base enrollment level. The additional South Oklahoma Area School District incentive levy tax also continues to enhance the economic outlook for the College. In addition, during fiscal year 2013 a building levy was assessed and collected by the County Tax Assessor and distributed to the South Oklahoma City Area School 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 Vice President for Business and Finance 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
Statements of Net Position
June 30, 2014

| | Oklahoma City Community College | Oklahoma City Community College Foundation |
|--|---------------------------------------|---|
| Assets | | |
| <i>Current Assets</i> | | |
| Cash and cash equivalents | \$ 15,537,985 | \$ 1,031,449 |
| Restricted cash and cash investments | 760,665 | — |
| Investments | — | — |
| Accounts receivable, net of allowance for doubtful accounts | 3,606,187 | — |
| Other receivables | 602,694 | — |
| Interest Receivable | 7,074 | — |
| Inventories | 618,601 | — |
| Total Current Assets | 21,133,206 | 1,031,449 |
| <i>Noncurrent Assets</i> | | |
| Restricted cash and cash equivalents | 1,843,413 | — |
| Investments | 4,640,451 | 224,694 |
| Other Assets | 294,100 | — |
| Capital assets, net of accumulated depreciation | 100,270,999 | — |
| Total Noncurrent Assets | 107,048,963 | 224,694 |
| Total Assets | 128,182,169 | 1,256,143 |
| Deferred Outflows of Resources | | |
| Deferred cost on OCIA lease restructure | 481,351 | — |
| Total Deferred Outflows of Resources | 481,351 | — |
| Liabilities | | |
| <i>Current Liabilities</i> | | |
| Accounts payable | 5,795,269 | — |
| Accrued liabilities | 529,670 | — |
| Unearned revenue | 2,989,484 | — |
| Due to student groups and organizations | 856,515 | — |
| Current portion of noncurrent liabilities | 3,405,493 | — |
| Total Current Liabilities | 13,576,431 | — |
| <i>Noncurrent Liabilities, net of current portion</i> | | |
| Accrued compensated absences | 496,246 | — |
| Premium on revenue bonds | 312,659 | — |
| Bonds payable | 17,025,000 | — |
| Capital lease obligations | 16,241,334 | — |
| Total Noncurrent Liabilities | 34,075,239 | — |
| Total Liabilities | 47,651,670 | — |
| Deferred Inflows of Resources | | |
| Deferred gain on OCIA lease restructure | 437,415 | — |
| Total Deferred Inflows of Resources | 437,415 | — |
| Net Position | | |
| Net investment in capital assets | 5,669,774 | — |
| Restricted for: | | |
| Restricted for scholarship endowments | 307,740 | — |
| Expendable for Scholarships and other | 182,187 | 808,513 |
| Capital projects | 60,732,958 | 340,618 |
| Unrestricted | 13,681,776 | 107,012 |
| Total Net Position | \$ 80,574,435 | \$ 1,256,143 |



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Statements of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

| | Oklahoma City Community College | Oklahoma city Community College Foundation |
|---|---------------------------------------|---|
| Operating Revenues | | |
| Tuition and fees, net of scholarship allowances of \$8,519,016 | \$ 17,861,121 | \$ — |
| Federal grants and contracts | 3,791,227 | — |
| State and local grants and contracts | 647,186 | — |
| Auxiliary enterprise charges, | | |
| Food services | 222,068 | — |
| Bookstore, net of scholarship allowances of \$1,990,729 | 3,153,532 | — |
| All other auxiliary enterprises | 1,179,021 | — |
| Other operating revenues | <u>3,390,030</u> | <u>264,441</u> |
| Total Operating Revenues | <u>30,244,185</u> | <u>264,441</u> |
| Operating Expenses | | |
| Compensation | 48,885,680 | — |
| Contractual services | 8,277,203 | — |
| Supplies and materials | 5,629,991 | — |
| Utilities | 1,913,065 | — |
| Communications | 274,266 | — |
| Other operating expenses | 2,871,275 | 1,802,238 |
| Scholarships and fellowships | 8,021,371 | 60,745 |
| Depreciation expense | <u>4,817,430</u> | <u>—</u> |
| Total Operating Expenses | <u>80,690,281</u> | <u>1,862,983</u> |
| Operating Loss | <u>(50,446,096)</u> | <u>(1,598,542)</u> |
| Non-operating Revenues (Expenses) | | |
| State appropriations | 25,872,130 | — |
| On-behalf contributions for Teachers' Retirement System | 2,479,021 | — |
| Ad valorem taxes | 7,337,832 | — |
| Federal grants – non-operating | 16,204,263 | — |
| State grants – non-operating | 2,663,955 | — |
| Investment income | 223,404 | 30,482 |
| Net unrealized and realized gain | — | — |
| Contributions and other nonoperating revenues | — | — |
| Interest expense | <u>(969,284)</u> | <u>—</u> |
| Net Non-operating Revenues | <u>53,811,321</u> | <u>30,482</u> |
| Income (Loss) Before Other Revenues, Expenses, Gains, Losses and Transfers | 3,365,225 | (1,568,060) |
| State appropriations restricted for capital purposes | 838,105 | — |
| OCIA On-behalf state appropriations | 1,132,277 | — |
| Capital gifts and donations | <u>282,124</u> | <u>96,581</u> |
| Net Increase (decrease) in Net Position | <u>5,617,731</u> | <u>(1,471,479)</u> |
| Net Position, Beginning of Year | <u>74,956,704</u> | <u>2,727,622</u> |
| Net Position, at End of Year | <u>\$ 80,574,435</u> | <u>\$ 1,256,143</u> |



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
For The Year Ended June 30, 2014

| | Oklahoma City Community College | Oklahoma City Community College Foundation |
|--|---------------------------------------|---|
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$ 17,994,329 | \$ — |
| Grants and contracts | 4,374,703 | — |
| Contributions | — | — |
| Auxiliary enterprises charges | 4,521,029 | — |
| Other operating receipts | 3,409,893 | (1,501,961) |
| Payments to employees for salaries and benefits, net on-behalf payments | (46,377,559) | — |
| Payments for scholarships | — | — |
| Payments to suppliers | <u>(27,146,305)</u> | <u>—</u> |
| Net Cash Provided by (Used) in Operating Activities | <u>(43,223,910)</u> | <u>(1,501,961)</u> |
| Cash Flows from Non-capital Financing Activities | | |
| Permanently restricted contributions | — | — |
| State appropriations | 25,872,130 | — |
| Ad valorem property taxes received | 7,361,852 | — |
| Non-operating grants | <u>18,868,218</u> | <u>—</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>52,102,200</u> | <u>—</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchases of capital assets | (5,027,659) | — |
| Capital appropriations received | 838,105 | — |
| Capital gifts and donations | 282,124 | — |
| Principal paid on capital leases and bonds | (10,924,581) | — |
| Interest paid on capital debt and leases | <u>846,000</u> | <u>—</u> |
| Net Cash Used in Capital and Related Financing Activities | <u>(13,986,011)</u> | <u>—</u> |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (2,079,278) | — |
| Proceeds from sales and maturities of investments | 2,297,803 | — |
| Certificate of Deposits | — | 252,511 |
| Interest received on investments | <u>81,577</u> | <u>5,551</u> |
| Net Cash Provided by (Used) by Investing Activities | <u>300,102</u> | <u>258,062</u> |
| Net Decrease in Cash and Cash Equivalents | (4,807,619) | (1,243,899) |
| Cash and Cash Equivalents, Beginning of Year | <u>22,949,682</u> | <u>2,275,348</u> |
| Cash and Cash Equivalents, End of Year | \$ <u>18,142,063</u> | \$ <u>1,031,449</u> |



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Statements of Cash Flows
Year Ended June 30, 2014

(Continued)

| | Oklahoma City Community College | Oklahoma City Community College Foundation |
|---|---------------------------------------|---|
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | |
| Operating loss | \$ (50,446,096) | \$ (1,501,961) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 4,817,430 | — |
| Permanently restricted contributions | — | — |
| Appreciation on investments | — | — |
| Gain on disposal of property | 246,225 | — |
| State of Oklahoma on-behalf contributions to teachers' retirement system | 2,479,021 | — |
| Changes in net assets and liabilities: | | |
| Accounts receivables | (495,614) | — |
| Other receivables | 578,672 | — |
| Inventories | (41,660) | — |
| Beneficial interest in remainder trust | — | — |
| Accounts payable and accrued expenses | (332,012) | — |
| Deferred revenue | (18,364) | — |
| Due to student groups and organizations | — | — |
| Compensated absences | 59,665 | — |
| Other asset | (71,177) | — |
| Net Cash Used in Operating Activities | <u>\$ (43,223,910)</u> | <u>\$ (1,501,961)</u> |
| Noncash Investing, Noncapital Financing and Capital and Related Financing Activities | | |
| Principal and interest on capital debt paid by state agency on behalf of the College | <u>\$ 1,132,277</u> | <u>\$ —</u> |
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 15,537,985 | \$ 1,031,449 |
| Restricted cash and cash equivalents | 760,665 | — |
| Noncurrent assets | | |
| Investments | — | 224,694 |
| Restricted cash and cash equivalents | <u>1,843,413</u> | <u>—</u> |
| | <u>\$ 18,142,063</u> | <u>\$ 1,256,143</u> |



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

The accompanying financial statements include the accounts and funds of the College. 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.

Oklahoma City Community College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Separate financial statements of the Foundation can be requested from the Foundation's controller.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board ("FASB") standards over accounting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Foundation has a fiscal year ended September 30.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies *(Continued)*

Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash Equivalents

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

Deposits and Investment

The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the 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 (first-in, first-out basis) or market.

Accounts Receivable and Other Receivables

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

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester. Interest and late charges are not generally assessed and, if they are assessed, are not included in income until received.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies *(Continued)*

Accounts Receivable and Other Receivables *(Continued)*

Other receivables include amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Other accounts receivable also include amounts due from the Oklahoma Development Finance Authority ("ODFA") and 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 statement of net assets.

Capital assets

Capital assets are stated at cost or fair value if acquired by gift, less accumulated depreciation. For equipment, the College's capitalization policy includes all items with a unit cost of \$500 or more and a useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value of 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.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service.

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.

Compensated Absences

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

Noncurrent Liabilities

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



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies *(Continued)*

Use of Estimates

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

Net Position

The College's net position is classified as follows:

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

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

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

Unrestricted net position: Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards unrestricted resources, and then towards restricted resources.

Income Taxes

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



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies *(Continued)*

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, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) federal, state and local grants and contracts, and (4) interest on institutional student loans.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Deferred Outflows of Resource

Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. June 30, 2014, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

Deferred Inflows of Resource

Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. June 30, 2014, the College's deferred inflows of resources were comprised of deferred charges on an OCIA lease restructure.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies *(Continued)*

New Accounting Pronouncement Adopted in Fiscal Year 2014

The College adopted the following new accounting pronouncement during the year ended June 30, 2014, as follows:

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and it is legally released, it should recognize revenue as a result of this release. The provisions of the Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. During the year ended June 30, 2014, the College did not have any such qualifying transactions.

The GASB has also issued several new accounting pronouncements which will be effective to the College in subsequent years. A description of the new pronouncements, the fiscal year in which they are effective, and the College's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2015

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the College has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 1: Summary of Significant Accounting Policies *(Continued)*

New Accounting Pronouncement Issued Not Yet Adopted *(Continued)*

Statement No. 69, Government Combinations and Disposals of Government Operations

GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions, and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

Subsequent Events

Subsequent events have been evaluated through October 10, 2014, which is the date the financial statements were issued.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned 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 Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the Treasurer may determine, in the State's name.

The College requires that balances on deposit with financial institutions be insured by Federal Deposit Insurance or 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, 2014

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

At June 30, 2014, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

| | 2014 |
|-----------------------------------|---------------|
| Deposits with the State Treasurer | \$ 15,429,650 |
| U.S. financial institutions | 2,688,213 |
| Petty cash and change funds | 24,200 |
| | \$ 18,142,063 |

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 participates 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, 2014, the bank balance of the College's deposits with the State Treasurer and U.S. Financial Institutions was \$17,649,461. Of funds on deposit with the OST, amounts invested in OK INVEST total \$3,580,486.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2014, the distribution of deposits in OK INVEST was as follows:

| OK INVEST Portfolio | Cost | Market Value |
|-----------------------------------|--------------|--------------|
| U.S. Agency securities | \$ 1,642,738 | \$ 1,639,544 |
| Money market mutual funds | 172,872 | 172,872 |
| End of day commercial paper sweep | 75,348 | 75,348 |
| Certificates of deposit | 92,944 | 92,944 |
| Mortgage backed agency securities | 1,470,897 | 1,501,248 |
| Municipal bonds | 54,931 | 60,835 |
| Foreign bonds | 28,128 | 28,128 |
| U.S. Treasury Obligations | 42,628 | 52,770 |
| TOTAL | \$ 3,580,486 | \$ 3,623,689 |



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives which establish the framework for the day to day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. OK INVEST maintains an overall weighted average maturity of less than 270 days.

Participants in OK INVEST maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that OK INVEST will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. Government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in OK INVEST is not insured or guaranteed by the State, the FDIC or any other government agency.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 2: Deposits and Investments (Continued)

Investments

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

At June 30, 2014, the College had the following investments:

| <u>Investment</u> | <u>2014</u> |
|--|---------------------|
| State Treasurer's Internal Investment Pool | \$ 192,693 |
| Other investments | |
| Bond funds- | |
| U.S. Treasury money market mutual funds | 3,520,643 |
| Prudential Financial, Inc. stock | 758,583 |
| Oklahoma State Regents Endowment | 168,532 |
| | <u>\$ 4,640,451</u> |

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, 2014:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> | | | | |
|---|---------------------|---|----------------------|--------------------|-------------------|----------------------|
| | | <u>Not Applicable</u> | <u>Less Than One</u> | <u>One to Five</u> | <u>Six to Ten</u> | <u>More Than Ten</u> |
| State Treasurer's Internal Investment Pool | \$ 192,693 | \$ 192,693 | \$ - | \$ - | \$ - | \$ - |
| Other investments | | | | | | |
| Bond funds- | | | | | | |
| U.S. Treasury money market mutual funds | 3,520,643 | - | 3,520,643 | - | - | - |
| South Oklahoma City Area School District (component unit) - | - | - | - | - | - | - |
| U.S. Treasury bill | - | - | - | - | - | - |
| Prudential Financial, Inc. stock | 758,583 | 758,583 | - | - | - | - |
| Oklahoma State Regents Endowment | 168,532 | 168,532 | - | - | - | - |
| | <u>\$ 4,640,451</u> | <u>\$ 1,119,808</u> | <u>\$ 3,520,643</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Interest Rate Risk

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

Concentration of Credit Risk

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



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 3: Student Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014:

| | 2014 |
|--|--------------|
| Student tuition and fees | \$ 3,472,075 |
| Auxiliary enterprises and other operating activities | 165,272 |
| | 3,637,347 |
| Less: Allowance for doubtful accounts | (31,160) |
| Net student accounts receivable | \$ 3,606,187 |

Note 4: Other Receivables

Other receivables consist of the following at June 30, 2014:

| | 2014 |
|-------------------------|------------|
| Due from grantors | \$ 583,476 |
| Taxes receivable | 24,021 |
| Other receivables | (4,803) |
| Total other receivables | \$ 602,694 |

Note 5: Unearned Revenue

Unearned revenue consisted of the following at June 30, 2014:

| | 2014 |
|--|--------------|
| Student tuition and fees | \$ 1,755,930 |
| Auxiliary enterprises and other operating activities | 711,615 |
| Grants and contracts | 521,939 |
| Total unearned revenue | \$ 2,989,484 |



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 6: Capital Assets

Capital asset activity for the year ended June 30, 2014, 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 | 19,207,766 | 10,600,032 | (29,464,346) | - | 343,452 |
| Total not being depreciated | <u>\$ 22,144,899</u> | <u>\$ 10,600,032</u> | <u>\$ (29,464,346)</u> | <u>\$ -</u> | <u>\$ 3,280,585</u> |
| Other capital assets | | | | | |
| Buildings and improvements | \$ 89,305,152 | \$ - | \$ 27,777,351 | \$ - | \$ 117,082,503 |
| Infrastructure | 7,700,859 | - | 1,686,995 | - | 9,387,854 |
| Furniture and equipment | 22,654,177 | 2,420,860 | - | (1,206,809) | 23,868,228 |
| Library materials | 6,385,831 | 391,053 | - | - | 6,776,884 |
| Total other capital assets | 126,046,019 | 2,811,913 | 29,464,346 | (1,206,809) | 157,115,469 |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | (33,681,813) | (2,201,004) | - | - | (35,882,817) |
| Infrastructure | (3,247,691) | (241,083) | - | - | (3,488,774) |
| Furniture and equipment | (14,587,372) | (2,026,952) | - | 960,584 | (15,653,740) |
| Library materials | (4,751,333) | (348,391) | - | - | (5,099,724) |
| Total accumulated depreciation | <u>(56,268,209)</u> | <u>(4,817,430)</u> | <u>-</u> | <u>960,584</u> | <u>(60,125,055)</u> |
| Other capital assets, net | <u>\$ 69,777,810</u> | <u>\$ (2,005,517)</u> | <u>\$ 29,464,346</u> | <u>\$ (246,225)</u> | <u>\$ 96,990,414</u> |
| Capital Asset Summary: | | | | | |
| Capital assets not being depreciated | \$ 22,144,897 | \$ 10,600,032 | \$ (3,697,733) | \$ - | \$ 3,280,585 |
| Other capital assets, at cost | 126,046,019 | 2,811,913 | 29,464,346 | (1,206,809) | 157,115,469 |
| Total cost of capital assets | 148,190,916 | 13,411,945 | 25,766,613 | (1,206,809) | 160,396,054 |
| Less accumulated depreciation | <u>(56,268,209)</u> | <u>(4,817,430)</u> | <u>-</u> | <u>960,584</u> | <u>(60,125,055)</u> |
| Capital Assets, net | <u>\$ 91,922,707</u> | <u>\$ 8,594,515</u> | <u>\$ 25,766,613</u> | <u>\$ (246,225)</u> | <u>\$ 100,270,999</u> |

The cost and related accumulated depreciation of assets held under capital lease obligations at June 30, 2014, was as follows:

| | |
|-------------------------------|----------------------------------|
| Cost | Equipment <u>\$ 3,534,716</u> |
| Less accumulated depreciation | <u>(3,179,392)</u> |
| | <u>\$ 355,324</u> |



Oklahoma City Community College
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Notes to Financial Statements
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Note 7: Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

| | Interest Rates (In %) | Maturity Through | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
|---|-----------------------------|---------------------|----------------------|---------------------|------------------------|----------------------|---------------------|
| Revenue bonds payable and capital leases | | | | | | | |
| Revenue bonds payable | | | | | | | |
| Student Facility, Series 2005 | 3.00-5.00 | 7/1/2026 | 7,250,000 | - | (395,000) | \$ 6,855,000 | 410,000 |
| Student Facility, Series 2006 | 3.50-4.00 | 7/1/2022 | 4,710,000 | - | (455,000) | 4,255,000 | 405,000 |
| Student Facility, Series 2010 | 2.25-5.00 | 7/1/2030 | 7,355,000 | - | (305,000) | 7,050,000 | 320,000 |
| Total revenue bonds payable | | | 19,315,000 | - | (1,155,000) | 18,160,000 | 1,135,000 |
| Capital lease obligations | | | | | | | |
| OCIA Series 2004A | | 8/1/2019 | 495,981 | - | (70,925) | 425,056 | 74,351 |
| OCIA Series 2005F | | 7/1/2030 | 9,495,029 | - | (8,449,329) | 1,045,700 | 510,717 |
| OCIA Series 2010A (Refunding) | | 7/1/2017 | 3,957,214 | - | - | 3,957,214 | 253,850 |
| OCIA Series 2010B (Refunding) | | 7/1/2014 | 1,427,944 | - | (832,226) | 595,718 | 595,718 |
| OCIA Series 2014A (Refunding) | | 7/1/2031 | - | 8,005,116 | - | 8,005,116 | - |
| ODFA MRP lease 2010A | .45-4.25 | 6/1/2040 | 3,832,333 | - | (92,083) | 3,740,250 | 93,082 |
| ODFA master lease 2010B | .72-5.00 | 11/15/2013 | 59,583 | - | (59,583) | - | - |
| ODFA master lease 2011C | .45-5.00 | 5/15/2014 | 237,417 | - | (237,417) | - | - |
| Total capital lease obligations | | | 19,505,501 | 8,005,116 | (9,741,563) | 17,769,054 | 1,527,718 |
| Total revenue bonds payable and capital lease obligations | | | 38,820,501 | 8,005,116 | (10,896,563) | 35,929,054 | 2,662,718 |
| Other liabilities | | | | | | | |
| Premium | | | 361,167 | - | (28,018) | 333,149 | 20,490 |
| Accrued compensated absences | | | 1,158,864 | 781,950 | (722,285) | 1,218,529 | 722,285 |
| Total other liabilities | | | 1,520,031 | 781,950 | (750,303) | 1,551,678 | 742,775 |
| Total long-term liabilities | | | <u>\$ 40,340,532</u> | <u>\$ 8,787,066</u> | <u>\$ (11,646,866)</u> | <u>\$ 37,480,732</u> | <u>\$ 3,405,493</u> |

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



Oklahoma City Community College
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June 30, 2014

Note 7: Long-Term Liabilities (Continued)

Revenue Bonds (Continued)

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

The Student Facilities Program Revenue Bonds, Series 2010 (the "2010 Bonds") were issued in the original amount of \$8,000,000. Principal payments of \$295,000 to \$550,000 are due each July 1 through 2030. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees, the proceeds to be used to construct a Performing Arts 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, 2014, future aggregate maturities of principal and interest requirements on the College's various revenue bonds payable are as follows:

| Years Ending June 30: | Principal | Interest | Total |
|-----------------------|----------------------|---------------------|----------------------|
| 2015 | \$ 1,135,000 | \$ 690,976 | \$ 1,825,976 |
| 2016 | 1,175,000 | 653,212 | 1,828,212 |
| 2017 | 1,215,000 | 612,603 | 1,827,603 |
| 2018 | 1,250,000 | 569,826 | 1,819,826 |
| 2019 | 1,300,000 | 524,865 | 1,824,865 |
| 2020-2024 | 6,730,000 | 1,822,806 | 8,552,806 |
| 2025-2029 | 4,275,000 | 627,959 | 4,902,959 |
| 2030-2034 | 1,080,000 | 47,688 | 1,127,688 |
| | <u>\$ 18,160,000</u> | <u>\$ 5,549,935</u> | <u>\$ 23,709,935</u> |



Oklahoma City Community College
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June 30, 2014

Note 7: Long-Term Liabilities *(Continued)*

Capital Lease Obligation

Oklahoma Capital Improvement Authority Lease Obligations

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

In 2004, the OCIA issued bond series 2004A that refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in fiscal year 2010. The lease agreement no longer secures the 1999A bond issue but will now act as security for the 2004A bond issue over the term of the lease through the year 2020. In fiscal year 2014, lease principal and interest payments to OCIA totaling \$95,427 were made by the State of Oklahoma on behalf of the College for the 2004A bonds. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statements of revenues, expenses and changes in net assets.

In 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.

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, Series 2014A, to accomplish the refunding. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A acquired was 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, 2014, the unamortized gain totaled \$437,415. 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 restricted 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.



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 7: Long-Term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

Through June 30, 2014, 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 2014, lease principal and interest payments to OCIA totaling \$1,132,277 were made by the State of Oklahoma on behalf of the College for the OCIA bonds. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statements of revenues, expenses and changes in net assets.

Oklahoma Development Finance Authority 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 Theater, along with the issuance costs of the obligation.

On December 16, 2010, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2010B in the amount of \$413,000. Total lease payments over the term of the agreement, beginning January 15, 2011 through November 15, 2014 are \$437,508. Payments are made monthly ranging from \$12,280 to \$12,957. Proceeds from the obligation were used for various capital projects, along with the issuance costs of the obligation.

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

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

| | Principal | Interest | Total |
|-----------------------|---------------|--------------|---------------|
| Years Ending June 30: | | | |
| 2015 | \$ 1,527,719 | \$ 458,332 | \$ 1,986,051 |
| 2016 | 1,535,703 | 730,409 | \$ 2,266,112 |
| 2017 | 2,140,694 | 646,815 | \$ 2,787,509 |
| 2018 | 1,643,144 | 563,509 | \$ 2,206,653 |
| 2019 | 213,035 | 488,571 | \$ 701,606 |
| 2020-2024 | 2,019,343 | 2,333,661 | \$ 4,353,004 |
| 2025-2029 | 4,763,880 | 1,562,600 | \$ 6,326,480 |
| 2030-2034 | 2,729,451 | 498,549 | \$ 3,228,000 |
| 2035-2039 | 989,833 | 173,741 | \$ 1,163,574 |
| 2040 | 206,250 | 8,766 | \$ 215,016 |
| | \$ 17,769,052 | \$ 7,464,953 | \$ 25,234,005 |



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Notes to Financial Statements
June 30, 2014

Note 8: Retirement Plans

The College's academic and non-academic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System (the "OTRS"), which is a State of Oklahoma public employee's retirement system. The College also sponsors a 403(b) annuity plan, a defined contribution plan. The College does not maintain the accounting records, hold the investments for, or administer these plans.

Oklahoma Teachers' Retirement System

Plan Description

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

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

Funding Policy

The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5%, is applied to annual compensation, and is determined by state statute.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2014. These employees' share contributions were paid directly by the College.

The College's contributions to OTRS for the year ended June 30, 2014 was approximately \$5,610,000. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2014, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the OTRS on behalf of participating employers.



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 8: Retirement Plans *(Continued)*

Funding Policy (Continued)

The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2014, the total amount contributed to OTRS by the State of Oklahoma on behalf of the College was approximately \$2,479,000. This on-behalf payment has been recorded as non-operating state appropriations revenues and operating compensation and employee benefits expenses in the statements of revenues, expenses and changes in net assets.

Defined Contribution Plan

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

Funding Policy

The College contributed approximately \$990,000 for the year ended June 30, 2014. Prior to January 1, 2009 Plan participants were responsible for selecting a qualified program for their Defined Contribution Plan contributions. However, due to a change in IRS regulations, the College made a decision to choose a single provider for contributions and ING (now Voya) was selected as the sole provider effective January 1, 2009. All contributions are now electronically transmitted to ING (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 South Oklahoma City Area School District (the District) provide higher education instruction and post-secondary vocational (Vo-tech Ed) related services to their respective students. The District is governed by the Board of Trustees and by law consists of the same individuals, with the exception of the Treasurer as the Board of Regents for the College. There are no restrictions governing the College with respect to student enrollment. Generally, an in-District student will also participate in non-District courses offered by the College, such that the students are common to both entities. The District levies ad valorem taxes on owners of real property to provide funding for Vo-tech Ed.



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 9: Related Party Transactions *(Continued)*

The operation levy was 5.08 mills the fiscal year ended June 30, 2014, 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, 2014, 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 2014 to provide technical education to District students. This amount has been eliminated in the accompanying financial statements as inter-fund transfers. In 2014, the District also disbursed approximately \$1.3 million towards the construction of the Performing Arts Theater Center and Allee'. These funds were provided by the building levy assessed in fiscal year 2014. Ad valorem taxes received by the District for the year ended June 30, 2014, totaled approximately \$7,338,000, including the building levy of \$1,780,000.

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, 2014 was approximately \$3,962,000. The lease is for a period of one year and was renewed July 1, 2014. Maintenance, insurance, and operating costs related thereto are paid for by the College.

Oklahoma City Community College Foundation

The Oklahoma City Community College Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, bequests, and payment of services for the benefit of the College. During the year ended September 30, 2013, the Foundation awarded scholarships to College students totaling approximately \$75,500. Goods and services were provided on behalf of the College of approximately \$145,000 for the year ended September 30, 2013.

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 agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

In July 2010, the College began participating in the Federal Direct Student Loan Program (Direct Lending Program) that 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.



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 10: Commitments and Contingencies *(Continued)*

For the year ended June 30, 2014, approximately \$10,900,000 of Direct Loan Program loans was provided to College students.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2014, 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, workers' compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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

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

Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, workers' compensation, and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc.

The following are significant disclosures of the Foundation:

Note A: Organization and Summary of Accounting Policies

Nature of Organization

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

Basis of Presentation

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

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



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note A: Organization and Summary of Accounting Policies (Continued)

Basis of Accounting

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

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

Interest income earned on money market and operating accounts are recognized as unrestricted income on the cash basis. Interest income earned on certificate of deposits and endowment fund are recognized on the cash basis with the appropriate pro rata share of earnings going to their respective funds.

Per Foundation investment policy (Note 6), funds may be commingled with other funds for investment purposes with the appropriate pro rata share of earnings going to their respective funds. Dividend income is recognized on the cash basis with the appropriate pro rata share of earnings going to their respective funds.

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



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note A: Organization and Summary of Accounting Policies (Continued)

Summary of Significant Accounting Policies

Financial Management Policies were approved at board meeting held on October 26, 2000. In August 2009, amended policy to include the Director of Development as authorized signer on account. Policies include:

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

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

Investments were held in Retirement Investment advisors Accounts. Investments held at year end are recorded at their fair market values as of September 30, 2013 and 2012.

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

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



Oklahoma City Community College
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Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note A: Organization and Summary of Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note B: Checking and Money Market Accounts

The Foundation has a checking/operating account at Prosperity Bank and money market accounts at Prosperity Bank and CrossFirst Bank. The accounts are covered by F.D.I.C.

| | 2013 | 2012 |
|----------------------------------|-----------------|-----------------|
| Checking Account-Prosperity Bank | \$ 723,068.27 | \$ 610,518.50 |
| Mutual funds-fixed income | 57,268.61 | 1,664,829.66 |
| Mutual funds-equity | 251,111.61 | - |
| Total investments | \$ 1,031,448.49 | \$ 2,275,348.16 |

Note C: Certificate of Deposit

The Foundation established certificate of deposit at First United Bank totaling \$250,000 in May 2012 earning interest at 1% annually. Certificate of deposit matured and was cashed in on May 9, 2013 for total amount of \$252,511.48.

Interest earned was \$1,042.04 and \$1,469.44 for years ending September 30, 2013 and 2012 respectively.

Note D: Endowment Fund

The Foundation currently holds an Endowment FAS136 Fund at the Oklahoma City Community Foundation (OKCCF).



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note D: Endowment Fund (Continued)

Investments into OKCCF

In January 2012, the Foundation received donations for endowment fund totaling \$1,235. This amount will need to be transferred to OKCCF.

Assets/Money transferred to OKCCF is reported as such:

Transfers from Foundation are "Reciprocal Funds" and;
 Transfers from Others for the benefit of the Foundation are "Third-party Funds"

Market Value of Assets held at OKCCF on behalf of Foundation is:

| | Reciprocal Funds | Third-Party Funds | Total Funds |
|--|---------------------|----------------------|---------------------|
| Market Value at June 30, 2013 (Audited) | \$111,738.43 | \$ 127,928.36 | \$ 239,666.79 |
| Reciprocal Transfers | - | - | - |
| Contributions | - | - | - |
| Net Investment Income | 4,961.32 | 5,706.68 | 10,668.00 |
| Administrative Fees and Expenses | (174.50) | (200.72) | (375.22) |
| Distributions | - | - | - |
| Market Value at September 30, 2013 (Unaudited) | <u>\$116,525.25</u> | <u>\$133,434.32</u> | <u>\$249,959.57</u> |
| Market Value at June 30, 2012 (Audited) | \$105,745.82 | \$121,632.17 | \$227,377.99 |
| Reciprocal Transfers | - | - | - |
| Contributions | - | - | - |
| Net Investment Income | 4,155.65 | 4,779.89 | 8,935.54 |
| Administrative fees and Expenses | (165.17) | (189.98) | (355.15) |
| Distributions | - | - | - |
| Market Value at September 30, 2012 (Unaudited) | <u>\$109,736.30</u> | <u>\$126,222.08</u> | <u>\$235,958.38</u> |

Distributions from OKCCF

Foundation received distributions from OKCCF in the amount of \$9,387 and \$10,600 at end of September 30, 2013 and 2012 respectively.

The OKCCF is required to report an offsetting liability representing the present value of future distributions to be made to the Foundation under ASC 958-605 (formerly SFAS No. 136).



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note D: Endowment Fund (Continued)

Distributions from OKCCF (Continued)

Distributions are calculated using the OKCCF's approved spending policy which states that 5% of the average market value over the previous twelve (12) quarters will be distributed each year. This spending policy was change in fiscal year 2011 from eight (8) to twelve (12) quarters in order to smooth out the market fluctuations to provide more consistent distributions from year to year. Distributions are accrued at OKCCF year-end (June 30) and generally made available to organizations after year-end audit has been finalized.

Future distributions/liability reported by OKCCF at end of their audit period June 30, 2013 were:

| | Reciprocal Funds | Third-Party Funds | Total Funds |
|---|---------------------|----------------------|----------------|
| Future Distributions Liability at June 30, 2013 | \$4,595 | \$5,882 | \$10,477 |

These Funds were distributed to Foundation in October 2013

Funds were deposited in Foundation's account on October 15, 2013 and reported as "Unrestricted Funds"

Future distributions/liability reported by OKCCF at end of their audit period June 30, 2012 were:

| | Reciprocal Funds | Third-Party Funds | Total Funds |
|---|---------------------|----------------------|----------------|
| Future Distributions Liability at June 30, 2012 | \$5,021 | \$4,366 | \$ 9,387 |

These Funds were distributed to Foundation in October 2012

Funds were deposited in Foundation's account on October 24, 2012 and reported as "Unrestricted Funds"

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

The Foundation makes checks payable to OCCC for student scholarships. At times students do not complete the semester in which they are awarded the scholarships or students are in the military and had to be deployed during semester. The balance held in the Bursar's office was \$1,620.84 and \$5,124.82 at end September 30, 2013 and 2012 respectively.

Note F: Investments and Fair Value Measurements

Investments

Investments are currently held at Retirement Investment advisors, Inc. Funds totaling \$130,000 were originally invested with Vanguard in 2001. In September 2006, a portion of funds were transferred from Vanguard to Retirement Investment Advisors. In April 2007, the balance of funds was transferred from Vanguard to Retirement Investment Advisors. Breakdown of fund investments is as follows:



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note F: Investments and Fair Value Measurements (Continued)

Investments (Continued)

- a. Funds for OKC-Go Program were contributed by general donations (\$33,500), Bishop (\$30,500), Rapp Foundation (\$5,000), Reynolds (\$15,000) and Sonic (\$25,000).

| | |
|--|-------------------|
| Total OKC-Go Investment | \$ 109,000 |
| b. Fund-Library Completion Investment | \$ 6,500 |
| c. Fund-Sorosis Scholarship Investment | \$ 10,000 |
| d. Fund-Technology Fund | \$ 4,500 |
| Total Original Investment: | <u>\$ 130,000</u> |

Earnings for Investments during year:

| | <u>2013</u> | <u>2012</u> |
|-----------------|--------------|--------------|
| Dividend Income | \$ 4,378.64 | \$ 3,898.32 |
| Unrealized Gain | \$ 19,510.16 | \$ 27,899.35 |

Balance by fund is as follows:

| | <u>2013</u> | <u>2012</u> |
|---------------------|----------------------|----------------------|
| OKC-Go Program | \$ 188,396.90 | \$ 168,367.06 |
| Library Completion | \$ 11,234.69 | \$ 10,040.25 |
| Sorosis Scholarship | \$ 17,284.12 | \$ 15,446.52 |
| Technology Fund | \$ 7,777.86 | \$ 6,950.94 |
| Total | <u>\$ 224,693.57</u> | <u>\$ 200,804.77</u> |

Balance by Asset Allocation is as follows:

| | <u>2013</u> | <u>2012</u> |
|----------------------------|----------------------|----------------------|
| Domestic Equities | \$ 98,642.84 | \$ 84,992.06 |
| Domestic Fixed Income | \$ 83,681.86 | \$ 81,226.67 |
| International Equities | \$ 40,965.04 | \$ 33,118.49 |
| International Fixed Income | - | - |
| Cash & Equivalents | \$ 1,403.83 | \$ 1,467.55 |
| Total | <u>\$ 224,693.57</u> | <u>\$ 200,804.77</u> |



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note F: Investments and Fair Value Measurements (Continued)

Fair Value Measurements

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

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



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note F: Investments and Fair Value Measurements (Continued)

Fair Value Measurements (Continued)

Within the fair value hierarchy, the Foundation's investments fair value is as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|----------------|----------------|----------------|---------------|
| Mutual Funds at 9/30/2013 | \$ 224,693.57 | - | - | \$ 224,693.57 |
| Mutual Funds at 9/30/2012 | \$ 200,804.77 | - | - | \$ 200,804.77 |

Note G: Assets/Equipment

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

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

Software totaling \$1,949.84 was purchased on 4/17/2007. Software was amortized over 3 years using the Straight-Line method. Software is fully amortized.

Note H: Contingent Liabilities

OKC-Go Program

Scholarships are approved but not paid until approximately a year later. Scholarships are approved to allow students to get all necessary supplies to begin course work. Payments are made to OCCC after all the student's funds/grants/scholarships are exhausted in each semester. The estimated contingent liability is \$1,091.42 and \$1,531.71 at September 30, 2013 and 2012 respectively.

Stobble Design

Foundation contracted with Stobble Design to design performing arts donor wall in theater for total price of \$34,100. Foundation paid 50% (\$17,050) of contract at August 21, 2013. The balance (\$17,050) was paid on January 13, 2014.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note I: Theater Campaign

In 2007, the Foundation launched a campaign to raise money to build a theater for OCCC. Balances are as follows:

| | 2013 | 2012 |
|-------------------------------|---------------|-----------------|
| Theater campaign | \$ 195,296.03 | \$ 1,756,237.49 |
| Theater Campaign-Best Seat | \$ 103,493.74 | \$ 95,852.54 |
| Theater campaign-WOS Art | \$ 39,316.55 | \$ 23,604.00 |
| Interest Income-CD-1st United | \$ 2,511.48 | \$ 1,469.44 |
| Total | \$ 340,617.80 | \$ 1,877,163.47 |

The Performing Arts Theaters was completed in January 2014. Foundation transferred \$1,612,000 to Oklahoma City Community College on April 17, 2013 for Theater Construction Costs. In addition, Foundation paid \$17,050 to Stobble Design for 50% of contract to design performing arts donor wall in theater.

| | 2013 | 2013 | 2012 | 2012 |
|-----------------------------------|-------------|----------------|--------------|---------------|
| Name | Donations | Disbursements | Donations | Disbursements |
| Theater Campaign (Other) | \$68,108.54 | \$1,629,050.00 | \$235,119.86 | \$480.00 |
| Theater campaign (Best Seat) | 7,641.20 | | 7,500.00 | |
| Theater Campaign (WOS Art) | 15,712.55 | | 10,459.00 | |
| Interest Earned on CD- 1st United | 1,042.04 | | 1,469.44 | |
| Totals: | \$92,504.33 | \$1,629,050.00 | \$254,548.30 | \$480.00 |

Note J: Capitol Hill Center Renovation Campaign

In May 2012, the board approved a \$5,000,000 Capitol Hill Renovation Campaign.

In 2012, Foundation received a \$1,000,000 TIF grant from the City of Oklahoma City and \$100 donation.

In 2013, Foundation received \$3,950 in donations.

Note K: Donated and Reduced-Fee Services

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

Estimated fair value of donated professional services is \$7,600 and \$5,200 for years ending September 30, 2013 and 2012 respectively.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Notes to Financial Statements
June 30, 2014

Note 12: Oklahoma City Community College Foundation, Inc. (Continued)

Note K: Donated and Reduced-Fee Services (Continued)

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

Note L: Federal Income Taxes

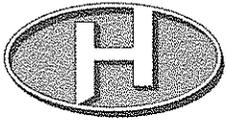
The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue code and corresponding provisions of Oklahoma law and, accordingly, is not subject to federal or state income taxes. There are no unrelated business activities that would trigger a tax liability. The tax years ending 2010, 2011, 2012, and 2013 are still open to audit for both federal and state purposes. Contributions to the organization are tax deductible to donors under code section 170 of the internal revenue code.

Note M: Subsequent Events

Subsequent events have been evaluated through July 22, 2014, which is the date the financial statements were available to be issued. No events occurred up to July 22, 2014, that required a change to the financial statements.

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





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*Strategic
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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with
Government Auditing Standards**

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma City Community College and the separately presented component units as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Oklahoma City Community College's basic financial statements, and have issued our report thereon dated October 10, 2014, 2014. Our report includes a reference to other auditors who audited the financial statements of Oklahoma City Community College Educational Foundation, Inc., the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

5028 E. 101st Street
Tulsa, OK 74137
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oklahoma City Community College'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*.

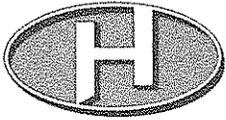
Purpose of this Report

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.

Hill & Company

Tulsa, Oklahoma
October 10, 2014





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**Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control over Compliance Required
By OMB Circular A-133**

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the Oklahoma City Community College compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a material effect on each of the Oklahoma City Community College's major federal award programs for the year ended June 30, 2014. The College's major federal programs are 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 each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Oklahoma City Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

5028 E. 101st Street

Tulsa, OK 74137

TEL: 918.492.3388

FAX: 918.492.4443

www.SBAAdvisors.com



Report on Internal Control Over Compliance

Management of the Oklahoma City Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Oklahoma City Community College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Oklahoma City Community College as of and for the year ended June 30, 2014, and have issued our report thereon dated October 10, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hick & Company PC

Tulsa, Oklahoma
October 10, 2014



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

| Federal Grantor/Pass-through Grantor/ Program Title | CFDA Number | Amount Expended |
|--|----------------|--------------------|
| U.S. Department of Education | | |
| Student Financial Aid Cluster | | |
| Federal Pell Grant | 84.063 | \$ 15,235,424 |
| Federal Work Study | 84.033 | 222,560 |
| Federal Supplemental Education Opportunity Grant | 84.007 | 249,010 |
| Federal Family Education Loans | 84.032 | 439,264 |
| Federal Direct Student Loan Program | 84.268 | 10,623,281 |
| College Access Challenge Grant | 84.378A | 46,000 |
| Total Student Financial Aid | | <u>26,815,539</u> |
| Other Programs | | |
| U.S. Department of Education | | |
| Upward Bound | 84.047 | 243,880 |
| TRIO Student Support Services | 84.042A | 216,849 |
| U.S. Department of Education Pass-Through | | |
| Oklahoma State Department of Education | | |
| Adult Education & Family Literacy Act | 84.002 | 856,867 |
| ESL / Civics | 84.002 | 98,398 |
| Speech / Language Pathology Program | 84.027 | 21,114 |
| U.S. Department of Education Pass-Through | | |
| Oklahoma Department of Career and Technology Education | | |
| Office of Vocational and Adult Education | | |
| Basic Grants to States -- Carl D Perkins | 84.048 | 162,218 |
| Basic Grants to States -- Carl D Perkins -- Consortium | 84.048 | 52,310 |
| Total U. S. Department of Education -- Other Programs | | <u>1,651,636</u> |
| U.S. Department of Health and Human Services Pass Through | | |
| Oklahoma Department of Human Services | | |
| Child Development -- DHS Scholars for Excellence | 93.575 | 75,152 |
| DHS Scholars for Excellence | 93.596 | 1,844 |
| Administration for Children and Families | | |
| OSHRE -- | | |
| TANF | 93.558 | 44,774 |
| Career Transition Project -- Pass-through Entity ID -- 633 | 93.558 | 291,766 |
| U.S. Department of Agriculture Pass Through | | |
| Food and Nutrition Service -- Oklahoma Department of Education | | |
| Child and Adult Care Food Program | 10.558 | 40,693 |

(continued)



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

| Federal Grantor/Pass-through Grantor/ Program Title | CFDA Number | Amount Expended |
|---|----------------|----------------------|
| U. S. Department of Labor | | |
| Pass-Through Program from: | | |
| Traditional Leadership Academy | 17.261 | 56,982 |
| Trade-Adjustment Career Training | 17.282 | 1,464,207 |
| National Institute of Health | | |
| Pass-Through Program From: | | |
| Regents of University of Oklahoma Health Science & Technology | | |
| Idea Networks of Biomedical Research Excellence | 93.389 | 65,373 |
| Pass-Through Program From: | | |
| East Central University | | |
| NIH-ECU Minority | 93.859 | 9,847 |
| | | |
| Total Expenditures of Federal Awards | | <u>\$ 30,517,813</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, 2014

Note 1: Summary of Significant Accounting Policies

This schedule includes the federal awards activity of Oklahoma City Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of 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.

Note 2: Subrecipients

Oklahoma City Community College provided no federal awards to subrecipients.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I--Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

Noncompliance material to the financial statements? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditors' Results (Continued)

- Identification of major programs:

| <u>Cluster/Program</u> | <u>CFDA Number</u> |
|--|--------------------|
| <i>Student Financial Aid Cluster</i> | |
| Federal Supplemental Education Opportunity Grants | 84.007 |
| Federal Family Education Loans | 84.032 |
| Federal Work Study | 84.033 |
| Federal Pell Grant | 84.063 |
| Academic Competitiveness Grant | 84.375 |
| <i>TRIO Cluster</i> | |
| Upward Bound | 84.047 |
| Student Support Services | 84.042A |
| <i>Adult Education Basic Grants to States</i> | 84.002 |
| <i>Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants</i> | 17.282 |

- The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$584,000.
- Auditee qualified as a low-risk auditee as that term is defined in OMB Circular A-133. Yes No

Section II--Findings Required to be Reported in Accordance with Government Auditing Standards

None to report for the June 30, 2014 period.

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133

None to report for the June 30, 2014 period.



Oklahoma City Community College
A Component Unit of the State of Oklahoma
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

No Items Reportable.

