

Oklahoma City Community College

**Financial Statements
with Independent Auditors' Reports**

June 30, 2011 and 2010



Oklahoma City Community College
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Independent Auditors' Report

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

We have audited the accompanying statements of net assets of Oklahoma City Community College (the College) as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. Oklahoma City Community College Foundation (the Foundation), a not-for-profit Oklahoma corporation organized to support the College, is a component unit of the College as defined by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. The financial statements referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately. We did not audit the separately presented financial statements of the Foundation, which statements reflect total assets of \$1,846,841 and \$1,211,026 at September 30, 2010 and 2009, respectively. Those statements were audited by other auditors whose report has been included in that separate set of financial statements. Our opinion, insofar as it relates to the amounts included for the separately presented component unit, is based on the report of other auditors. The financial statements of Oklahoma City Community College as of June 30, 2010, were audited by other auditors whose report dated October 8, 2010, expressed an unqualified opinion on those statements.

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

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In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College and the separately presented component unit as of June 30, 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Hick & Company, P.C.

Tulsa, Oklahoma
October 14, 2011



**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

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, 2011, 2010 and 2009. 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, 2011 Compared to June 30, 2010**

- During the year ended June 30, 2011, the College's net assets increased by \$3,255,608, to \$67,600,167. Unrestricted net assets decreased by \$1,237,409. Net assets invested in capital assets, net of debt decreased by \$7,959,068 and expendable net assets restricted for capital projects increased by \$13,076,750.
- Total operating revenues increased to \$28,815,499 in 2011 from \$24,496,895 in 2010 primarily as a result of increased tuition and fees revenue.
- Total operating expenses increased to \$83,644,892 in 2011 from \$77,190,829 primarily due to increases in scholarships, contractual services, and materials and supplies.
- Net non-operating revenues increased to \$56,900,776 in 2011 from \$54,740,601 in 2010, primarily as a result of an increase in Federal grants and contracts. The increases in ad valorem taxes and the on-behalf contribution to the Oklahoma Teachers' Retirement System were also contributing factors.

June 30, 2010 Compared to June 30, 2009

- During the year ended June 30, 2010, the College's net assets increased by \$5,563,622, to \$64,344,559 from \$58,780,937 in 2009. Unrestricted net assets increased by \$2,378,207. Net assets invested in capital assets, net of debt increased by \$305,635 and expendable net assets restricted for capital projects increased by \$3,491,555.
- Total operating revenues increased to \$24,496,895 in 2010 from \$22,282,088 in 2009, primarily as a result of increased tuition and fees revenue.
- Total operating expenses increased to \$77,190,829 in 2010 from \$66,402,263 in 2009. This change is primarily due to increases in scholarships and compensation.
- Net non-operating revenues increased to \$54,740,601 in 2010 from \$45,234,390 in 2009, primarily as a result of an increase in Federal grants and contracts. The increase in ad valorem taxes was also a contributing factor.

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Overview of the Financial Statements and Financial Analysis

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

The Basic Financial Statements

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

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

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

A comparative schedule of the College's net assets, for the years ended June 30, 2011, 2010 and 2009, is shown below, to include the percentage of annual change. The amounts are from the statements of net assets which are presented on an accrual basis of accounting, whereby capital assets are capitalized and depreciated.

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole

Condensed Statements of Net Assets

	June 30, 2011	June 30, 2010	Increase (Decrease)	% Change	June 30, 2009	Increase (Decrease)	% Change
Current assets	\$ 27,743,482	\$ 28,664,196	\$ (920,714)	-3%	\$ 23,432,205	\$ 5,231,991	22%
Noncurrent assets:							
Capital assets, net	73,130,051	70,397,334	2,732,717	4%	70,282,154	115,180	0%
Other	19,377,921	4,186,658	15,191,263	363%	4,644,531	(457,873)	-10%
TOTAL ASSETS	<u>120,251,454</u>	<u>103,248,188</u>	<u>17,003,266</u>	<u>16%</u>	<u>98,358,890</u>	<u>4,889,298</u>	<u>5%</u>
Current liabilities	11,028,297	9,766,408	1,261,889	13%	9,054,014	712,394	8%
Noncurrent liabilities	41,625,990	29,137,221	12,488,769	43%	30,523,939	(1,386,718)	-5%
TOTAL LIABILITIES	<u>52,654,287</u>	<u>38,903,629</u>	<u>13,750,658</u>	<u>35%</u>	<u>39,577,953</u>	<u>(674,324)</u>	<u>-2%</u>
Net assets:							
Invested in capital assets, net of related debt	31,580,489	39,539,557	(7,959,068)	-20%	39,233,922	305,635	1%
Restricted for non-expendable	292,271	266,740	25,531	10%	263,835	2,905	1%
Restricted for expendable	22,309,525	9,882,970	12,426,555	126%	7,006,095	2,876,875	41%

June 30, 2011 Compared to June 30, 2010

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

As of fiscal year end 2011, net capital assets increased \$2,732,717 from the balance at June 30, 2010. Further discussion regarding capital assets is found on page 12.

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

Current liabilities increased by \$1,261,889 primarily due to increased deferred revenue and accounts payable.

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

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2011	2010	Increase (Decrease)	% Change	2009	Increase (Decrease)	% Change
Operating Revenues:							
Tuition and fees, net	\$ 19,315,788	\$ 17,871,495	\$ 1,444,293	8%	\$ 16,519,171	\$ 1,352,324	8%
Grants and contracts	\$ 3,167,432	\$ 2,729,685	-		-	-	-
Auxilliary enterprise charges	4,933,238	5,117,435	(184,197)	-4%	4,860,757	256,678	5%
Other	1,399,036	1,507,965	(108,929)	-7%	902,160	605,805	67%
TOTAL OPERATING REVENUES	28,815,499	27,226,580	1,151,167	4%	22,282,088	4,944,492	22%
Less operating expenses	83,644,892	77,190,829	6,454,063	8%	66,402,263	10,788,566	16%
OPERATING LOSS	(54,829,393)	(49,964,249)	(2,135,459)	4%	(44,120,175)	(5,844,074)	13%
Nonoperating revenues							
State appropriations	24,823,729	24,676,854	146,875	1%	26,551,943	(1,875,089)	-7%
State payments from							
Federal ARRA revenues	1,864,996	1,850,823	14,173	0%	-	1,850,823	0%
OTRS on behalf contributions	2,064,073	1,793,106	270,967	15%	1,983,347	(190,241)	-10%
Ad valorem taxes	5,201,822	4,984,414	217,408	4%	3,337,534	1,646,880	49%
Federal grants and contracts	21,088,334	16,831,048	4,257,286	25%	11,997,748	4,833,300	40%
State and local grants and contracts	2,871,904	2,941,918	(70,014)	-2%	2,394,002	547,916	23%
Investment income	381,383	298,838	82,545	28%	252,762	46,076	18%
Net interest income (expense)	(1,395,466)	(1,366,085)	(29,381)	2%	(1,282,946)	(83,139)	6%
NET NONOPERATING REVENUES	56,900,776	52,010,916	2,160,174	4%	45,234,390	6,776,526	15%
State appropriations for capital OCIA on behalf	889,168	896,272	(7,104)	-1%	896,272	-	0%
state appropriations	270,637	1,119,879	(849,242)	-76%	1,119,671	208	0%
Net gain/loss on sale of capital assets	-	808,416	(808,416)	100%	-	808,416	0%
Capital gifts and donations	24,420	692,388	(667,968)	-96%	75,531	616,857	817%
NET INCREASE IN NET ASSETS	3,255,608	5,563,622	(2,308,014)	-41%	3,461,642	2,101,980	61%
NET ASSETS, BEGINNING OF YEAR	64,344,559	58,780,937	5,563,622	9%	55,319,295	3,461,642	6%

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole (Continued)

Condensed Statements of Revenues, Expenses and Changes in Net Assets

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, 2011 Compared to June 30, 2010

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

- Net tuition and fees increased by \$1,444,293 primarily due to an approximate 12% increase in enrollment. Tuition increased and the rates for the fees remained the same.
- Bookstore revenue, net of scholarship allowances, decreased \$294,917 due to an increase in scholarship allowances and decreased sales of new textbooks in favor of used textbooks.
- Other Operating Revenues decreased \$108,927, due to decreased revenues from finance charges, indirect cost reimbursements and other miscellaneous income.

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

- Employee compensation increased \$457,512 and Benefit costs increased by \$240,691. Adjunct faculty compensation increased in the amount of \$147,469 and full-time faculty compensation increased by \$464,212 while also increasing Student employment compensation in the amount of \$507,288 due to the availability of the American Reinvestment and Recovery Act (ARRA) funding that became available in fiscal year 2011.
- Other operating expense increased \$600,651 primarily due to an increase in bad debt expense and a write-off of credit card receivable.
- Scholarships and fellowships increased \$2,727,017 due to an increase in Pell grants.

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

- State appropriations, including on-behalf and capital contributions, increased by \$202,189 primarily due to an increase in on-behalf payments for OTRS.
- State Payments from Federal ARRA revenues were provided in fiscal year 2011 in the amount of \$1,734,793 to offset the College's decrease in State appropriations. The College was able to drawdown \$1,864,996 of ARRA funds by June 30, 2011, which included carryover funds from FY2010 in the amount of \$130,203.

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole (Continued)

June 30, 2011 Compared to June 30, 2010

- Ad valorem taxes increased by \$217,408 due primarily to an increase in fiscal year 2010 ad valorem taxes received due to a 5 mill District incentive levy in which the South Oklahoma City Area School District received 2.5 mills which was assessed in fiscal year 2010. Moore Norman Technology Center, Francis Tuttle Technology Center and Metro Tech Technology Center received the other 2.5 mills collectively.
- Federal grants and contracts revenue increased \$4,695,038 primarily due to increased Pell authorizations.
- State and local grants and contracts revenue decreased \$70,014 due to an increase in OHLAP, OTAG scholarships and Adult Education and Literacy grants.

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

June 30, 2010 Compared to June 30, 2009

During the year ended June 30, 2010, operating revenues increased by \$2,214,807.

- Net tuition and fees increased by \$1,352,324 primarily due to an approximate 12% increase in enrollment with tuition and fee rates remaining the same.
- Bookstore revenue, net of scholarship allowances increased \$407,903 due to increased sales of textbooks related to increased enrollment.
- Other Operating Revenues increased \$630,092, due to enhanced child development fees, antenna space rental, printing services, film and video production and other miscellaneous income.

Operating expenses increased \$10,788,566 in fiscal year 2010 compared to 2009.

- Employee compensation increased \$2,757,146. Benefit costs increased by just over \$917,000. Adjunct faculty compensation increased in the amount of \$658,387 to meet the needs of increased enrollment. The College added three full time faculty and two professional positions, while also increasing Student employment compensation in the amount of \$507,288 due to the availability of the American Reinvestment and Recovery Act (ARRA) funding that became available in fiscal year 2010.

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole (Continued)

June 30, 2010 Compared to June 30, 2009

- Other operating expense increased \$1,273,312 due to an increase in Bad Debt Expense.
- Scholarships and fellowships increased \$5,715,113 due to an increase in Pell grants.

During the year ended June 30, 2010 net non-operating revenues increased \$7,655,388.

- State appropriations, including on-behalf and capital contributions, decreased by \$1,875,089, primarily due to a budget reduction of \$1,995,832 created by State revenue shortfall.
- State payments from Federal ARRA revenues were provided in fiscal year 2010 to offset the College's decreased State appropriations of \$1,995,832. The College was able to drawdown \$1,850,823 of these funds by June 30, 2010.
- Ad valorem taxes increased by \$1,646,880 due primarily to an increase in fiscal year 2010 ad valorem taxes received due to a 5 mil District incentive levy in which the South Oklahoma City Area School District received 2.5 mils which was assessed in fiscal year 2010. Moore Norman Technology Center, Francis Tuttle Technology Center and Metro Tech Technology Center received the other 2.5 mils collectively.
- Federal grants and contracts revenue increased \$7,562,985 primarily due to increased Pell authorizations.
- State and local grants and contracts revenue increased \$547,916 primarily due to an increase in OHLAP, OTAG scholarships and Adult Education and Literacy grants.

Net assets increased \$5,563,622 during fiscal year 2010. This is primarily due to the increase in revenue from Federal and State grants and contracts and the sale of the John Massey Center Building. Increased tuition and fees and the South Oklahoma Area School District incentive levy revenue received also contributed to the increase in net assets.

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis for the College as a Whole (Continued)

Condensed Statements of Cash Flows

	Years Ended June 30, 2011	June 30, 2010	Increase (Decrease)	% Change	June 30, 2009	Increase (Decrease)	% Change
Cash provided (used) by:							
Operating activities	\$ (48,483,803)	\$ (42,975,389)	\$ (5,508,414)	13%	\$ (39,798,920)	\$ (3,176,469)	8%
Noncapital financial activities	55,850,785	52,388,020	3,462,765	7%	45,529,847	6,858,173	15%
Capital and related financing activities	969,802	(4,557,871)	5,527,673	-121%	(4,938,008)	380,137	-8%
Investing Activities	<u>(8,139,618)</u>	<u>725,937</u>	<u>(8,865,555)</u>	<u>-1221%</u>	<u>690,179</u>	<u>35,758</u>	<u>5%</u>
Net increase in cash and cash equivalents	197,166	5,580,697	(5,383,531)	-96%	1,483,098	4,097,599	276%
Cash and cash equivalents, beginning	<u>24,360,758</u>	<u>18,780,061</u>	<u>5,580,697</u>	<u>30%</u>	<u>17,296,963</u>	<u>1,483,098</u>	<u>9%</u>
Cash and cash equivalents, ending	<u>\$ 24,557,924</u>	<u>\$ 24,360,758</u>	<u>\$ 197,166</u>	<u>1%</u>	<u>\$ 18,780,061</u>	<u>\$ 5,580,697</u>	<u>30%</u>

June 30, 2011 Compared to June 30, 2010

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

June 30, 2010 Compared to June 30, 2009

The College's overall cash and cash equivalents increased by \$5,580,697. This change was primarily due to the increased cash flows related to the sale of the John Massey Center Building, the incentive tax levy revenue received, increased tuition and fees, and the increase in Federal grants and contracts revenue.

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole (Continued)

Capital Assets and Debt Administration

June 30, 2011 Compared to June 30, 2010

Capital assets, net of accumulated depreciation increased \$2,732,718 due to a mixture of purchases for furniture and computer equipment of \$2.6 million, construction work in progress totaling over \$2.8 million including the Family and Community Education Center, Aquatics Center upgrades, Roof replacements, Health Professions Education Center improvements, and additional accumulated depreciation. Current year depreciation expense totaled \$4,592,662 compared to depreciation expense of \$4,004,373 in the prior year.

June 30, 2010 Compared to June 30, 2009

As of fiscal year end 2010, net capital assets increased \$115,180 from the balance at June 30, 2009. This change was primarily due to a mixture of purchases for furniture and computer equipment of \$2.6 million, the donation of the old John Glenn Elementary school which is being used for our new Family and Community Education Center at the appraised value of \$630,000, construction work in progress totaling over \$2.8 million including the Family and Community Education Center, Aquatics Center upgrades, Roof replacements, Health Professions Education Center improvements, offset by the sale of the John Massey Center for approximately \$2.6 million and additional accumulated depreciation. Current year depreciation expense totaled \$4,592,662 compared to depreciation expense of \$4,004,373 in the prior year.

Condensed Summary of Capital Assets

	2011	2010	(Decrease)	Change	2009	(Decrease)	Change
Capital assets:							
Land	\$ 2,937,133	\$ 2,937,133	\$ -	0%	\$ 2,767,133	\$ 170,000	6%
Construction in progress	3,965,624	154,984	3,810,640	2459%	974,142	(819,158)	-84%
Buildings and improvements	83,317,416	82,828,234	489,182	1%	80,896,593	1,931,641	2%
Infrastructure	5,508,466	5,156,324	352,142	7%	4,957,892	198,432	4%
Furniture and equipment	20,129,693	18,844,456	1,285,237	7%	17,079,396	1,765,060	10%
Library materials	5,573,742	5,211,176	362,566	7%	4,850,229	360,947	7%
TOTAL CAPITAL ASSETS	121,432,074	115,132,307	6,299,767	5%	111,525,385	3,606,922	3%
Less accumulated depreciation	<u>(48,302,023)</u>	<u>(44,734,974)</u>	<u>(3,567,049)</u>	<u>8%</u>	<u>(41,243,231)</u>	<u>(3,491,743)</u>	<u>8%</u>
CAPITAL ASSETS, NET	<u>\$ 73,130,051</u>	<u>\$ 70,397,333</u>	<u>\$ 2,732,718</u>	<u>4%</u>	<u>\$ 70,282,154</u>	<u>\$ 115,179</u>	<u>0%</u>

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole (Continued)

Capital Assets and Debt Administration

June 30, 2011 Compared to June 30, 2010

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

June 30, 2010 Compared to June 30, 2009

At June 30, 2010, the College had total long-term liabilities of \$31,707,150 compared to \$32,996,724 at June 30, 2009. Debt incurred during the current year included the issuance of ODFA master lease 2009B, which was used to purchase computer equipment to be used for instruction in the amount of \$509,808.

Condensed Summary of Long Term Liabilities

	<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>	<u>Change</u>	<u>2009</u>	<u>(Decrease)</u>	<u>Change</u>
Capital lease obligations	\$ 20,589,574	\$ 15,251,078	\$ 5,338,496	35%	\$ 15,640,276	\$ (389,198)	-2%
Revenue bonds payable	21,975,000	14,930,000	7,045,000	47%	15,855,000	(925,000)	-6%
Premium on bonds	401,801	387,642	14,159	4%	413,218	(25,576)	-6%
Compensated absences	<u>1,163,644</u>	<u>1,138,430</u>	<u>25,214</u>	<u>2%</u>	<u>1,088,230</u>	<u>50,200</u>	<u>5%</u>
TOTAL LONG-TERM LIABILITIES	44,130,019	31,707,150	12,422,869	39%	32,996,724	(1,289,574)	-4%
Less: current portion	<u>(2,507,029)</u>	<u>(2,569,929)</u>	<u>62,900</u>	<u>-2%</u>	<u>(2,472,785)</u>	<u>(97,144)</u>	<u>4%</u>
NET LONG-TERM LIABILITIES	<u>\$ 41,622,990</u>	<u>\$ 29,137,221</u>	<u>\$ 12,485,769</u>	<u>43%</u>	<u>\$ 30,523,939</u>	<u>\$ (1,386,718)</u>	<u>-5%</u>

**Oklahoma City Community College
Management's Discussion and Analysis
Years Ended June 30, 2011, 2010 and 2009**

Financial Analysis of the College as a Whole (Continued)

Economic Factors and Next Years' Budgets

Oklahoma City Community College continued to experience an increase in enrollment in fiscal year 2011. In fiscal year 2012 as we approach the end of September 2011, fall semester enrollment is up by 6.1%. Fiscal year 2011 state appropriations for National Guard Waiver reimbursement and Concurrent Enrollment reimbursement were \$159,088 and \$175,524 respectively. Federal State Fiscal Stabilization Award from American Reinvestment and Recovery Act funds (ARRA) decreased from \$1,995,832 in 2010 to \$1,734,793 in 2011. Total budgeted state appropriations for fiscal year 2011 decreased approximately 5.26%, including ARRA.

While the College elected to leave tuition and fee rates level for fiscal year 2010, decreased state appropriations and increased expenses during the fiscal year made it necessary to raise tuition rates by just under 5.5% for fiscal year 2011. The State budget outlook although improving does not promise any increased appropriations to Higher Education. However, enrollment levels continue to hold and the additional South Oklahoma Area School District incentive levy tax enhances the economic outlook for the College. The College will continue a conservative budgeting approach which utilizes a contingency methodology to ensure the College's financial viability.

Contacting the College's Financial Management

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

Oklahoma City Community College
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 18,023,124	\$ 20,224,820
Restricted cash and cash equivalents	896,503	3,997,010
Investments	—	133,895
Student accounts receivable, net of allowance for Doubtful accounts	3,327,435	3,187,156
Other receivables	4,826,343	561,727
Interest receivables	29,318	17,128
Inventories	640,759	542,460
Total Current Assets	<u>27,743,482</u>	<u>28,664,196</u>
Noncurrent Assets		
Restricted cash and cash equivalents	5,638,297	138,928
Investments	11,949,635	3,306,930
Receivables from state agency for bond proceeds	—	305,148
Other assets	1,789,989	435,652
Capital assets, net of accumulated depreciation	73,130,051	70,397,334
Total Noncurrent Assets	<u>92,507,972</u>	<u>74,583,992</u>
Total Assets	<u>120,251,454</u>	<u>103,248,188</u>
Liabilities		
Current Liabilities		
Accounts payable	4,552,191	3,678,686
Deferred revenues	3,249,382	2,665,104
Due to student groups and other organizations	291,204	337,602
Due to other governments	—	218,938
Accrued interest payable	428,491	296,149
Current portion of noncurrent liabilities	2,507,029	2,569,929
Total Current Liabilities	<u>11,028,297</u>	<u>9,766,408</u>
Noncurrent Liabilities, net of current portion		
Accrued compensated absences	485,671	451,746
Revenue bonds payable	20,635,000	13,975,000
Premium on revenue bonds	377,442	362,400
Capital lease obligations	20,124,877	14,348,075
Total Noncurrent Liabilities	<u>41,622,990</u>	<u>29,137,221</u>
Total Liabilities	<u>52,651,287</u>	<u>38,903,629</u>
Net Assets		
Invested in capital assets, net of debt	31,580,489	39,539,557
Restricted for	—	—
Nonexpendable scholarship endowment	292,271	266,740
Expendable	—	—
Scholarships, research, instruction and other	160,704	195,659
Capital projects	22,148,821	9,365,314
Debt service	—	321,997
Unrestricted	13,417,882	14,655,292
Total Net Assets	<u>\$ 67,600,167</u>	<u>\$ 64,344,559</u>



See Notes to Financial Statements

Oklahoma City Community College
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Tuition and fees, net of scholarship allowances of \$7,571,000 and \$6,269,000 in 2011 and 2010, respectively	\$ 19,315,787	\$ 17,871,495
Grants and contracts	3,167,437	2,729,685
Sales and services of educational departments	492,936	461,501
Auxiliary enterprise charges		
Food services	158,128	154,845
Bookstore, net of scholarship allowances of \$1,893,000 and \$1,567,000 in 2011 and 2010, respectively	3,894,599	4,189,516
All other auxiliary enterprises	880,511	773,074
Other operating revenues	<u>906,101</u>	<u>1,046,464</u>
Total Operating Revenue	<u>28,815,499</u>	<u>27,226,580</u>
Operating Expenses		
Compensation and employee benefits	45,971,614	45,273,412
Contractual services	6,964,269	5,643,956
Supplies and materials	6,881,811	5,806,648
Utilities	1,586,107	1,601,671
Communications	249,099	285,497
Other operating expenses	2,869,273	2,268,622
Scholarships and fellowships	14,445,378	11,718,361
Depreciation expense	<u>4,677,341</u>	<u>4,592,662</u>
Total Operating Expenses	<u>83,644,892</u>	<u>77,190,829</u>
Operating Loss	<u>(54,829,393)</u>	<u>(49,964,249)</u>
Nonoperating Revenues (Expenses)		
State appropriations	24,823,729	24,676,854
State payments from federal ARRA revenues	1,864,996	1,850,823
On-behalf contributions for OTRS	2,064,073	1,793,106
Ad valorem taxes	5,201,822	4,984,414
Federal grants and contracts	21,088,334	16,831,048
State and local grants and contracts	2,871,904	2,941,918
Investment income	381,383	298,838
Other nonoperating revenues (expenses)	<u>(1,395,465)</u>	<u>(1,366,085)</u>
Net Nonoperating Revenues	<u>56,900,776</u>	<u>52,010,916</u>
Income before other revenues, expenses, gains and losses	2,071,383	2,046,667
State appropriations restricted for capital purposes	889,168	896,272
OCIA on-behalf state appropriations	270,637	1,119,879
Gain on sale of capital assets	—	808,416
Capital gifts and donations	<u>24,420</u>	<u>692,388</u>
Net Increase in Net Assets	3,255,608	5,563,622
Net Assets at Beginning of Year	<u>64,344,559</u>	<u>58,780,937</u>
Net Assets at End of Year	<u>\$ 67,600,167</u>	<u>\$ 64,344,559</u>



Oklahoma City Community College
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Tuition and fees	\$ 20,252,722	\$ 17,951,682
Grants and contracts	2,902,821	2,729,685
Payments to suppliers and other operating payments	(30,363,451)	(27,000,328)
Payments to employees	(43,882,327)	(43,430,106)
Auxiliary enterprises sales and services	4,834,939	5,367,072
Other operating revenue	906,101	1,406,606
Other operating payments	(3,134,608)	—
Net Cash Used in Operating Activities	(48,483,803)	(42,975,389)
Cash Flows from Noncapital Financing Activities		
State appropriations	24,823,279	25,796,733
State appropriations - ARRA	1,864,996	1,825,897
Other student financial assistance received	22,194,147	19,784,750
Other student financial assistance payments	(22,194,147)	(19,784,750)
Ad valorem property taxes received	5,201,822	4,979,061
Federal and state grants	23,960,238	19,786,329
Net Cash Provided by Noncapital Financing Activities	55,850,785	52,388,020
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(6,299,767)	(5,821,599)
Proceeds from sales of capital assets	—	2,614,558
Capital appropriations received	913,588	508,953
Principal paid on capital leases and bonds	(5,519,517)	(1,437,879)
Interest paid on capital leases and bonds	(992,486)	(1,398,941)
Proceeds received from bond issue	12,867,984	977,037
Net Cash Used in Capital and Related Financing Activities	969,802	(4,557,871)
Cash Flows from Investing Activities		
Sales and purchases of investments	(8,401,207)	581,061
Interest received on investments	261,589	144,876
Net Cash Provided by Investing Activities	(8,139,618)	725,937
Net Change in Cash and Cash Equivalents	197,166	5,580,697
Cash and Cash Equivalents at Beginning of Year	24,360,758	18,780,061
Cash and Cash Equivalents at End of Year	\$ 24,557,924	\$ 24,360,758
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (54,829,393)	\$ (49,964,249)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	3,567,049	4,592,662
On-behalf contributions for OTRS	2,064,073	1,793,106
Changes in operating assets and liabilities		
Receivables, net	(404,895)	(226,645)
Inventories	(98,299)	95,544
Accounts payable and accrued liabilities	873,505	228,882
Compensated absences	25,214	50,200
Other assets	(265,335)	—
Deferred revenue	584,278	455,111
Net Cash Used by Operating Activities	\$ (48,483,803)	\$ (42,975,389)



Oklahoma City Community College
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

(Continued)

	2011	2010
Noncash Investing and Capital and Related Financing Activities		
Principal and interest on capital debt paid by state agency on behalf of the College	\$ <u>270,637</u>	\$ <u>1,119,879</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Current assets		
Cash and cash equivalents	\$ 18,023,124	\$ 20,224,820
Restricted cash and cash equivalents	896,503	3,997,010
Noncurrent assets		
Restricted cash and cash equivalents	<u>5,638,297</u>	<u>138,928</u>
	<u>\$ 24,557,924</u>	<u>\$ 24,360,758</u>



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

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

Discretely Presented Component Unit

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

Basis of Accounting

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



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

Note 1: Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Deposits and Investments

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

Inventories

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

Student Accounts Receivable and Other Receivables

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

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

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



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

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Cash and Investments

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

Capital Assets

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

Deferred Revenues

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

Compensated Absences

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

Noncurrent Liabilities

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

Use of Estimates

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

Net Assets

The College's net assets are classified as follows:



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

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

Invested in capital assets, net of related debt

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

Restricted net assets – expendable

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

Restricted net assets – nonexpendable

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

Unrestricted net assets

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

Income Taxes

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

Classification of Revenues

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

Operating revenues

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



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

Note 1: Summary of Significant Accounting Policies (Continued)

Classification of Revenues (Continued)

Nonoperating revenues

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

Scholarship Discounts and Allowances

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

Custodial Credit Risk – Deposits

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

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



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

Note 1: Summary of Significant Accounting Policies (Continued)

Custodial Credit Risk – Deposits (Continued)

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

At June 30, 2011 and 2010, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

	<u>2011</u>	<u>2010</u>
Deposits with the State Treasurer	\$ 23,839,974	\$ 23,985,797
U.S. financial institutions	302,044	359,961
Petty cash and change funds	15,000	15,000
	<u>\$ 24,157,018</u>	<u>\$ 24,360,758</u>

At June 30, 2011, the bank balance of the College's deposits with the State Treasurer and U.S. Financial Institutions was \$24,157,018. Of funds on deposit with the OST, amounts invested in OK INVEST total \$4,798,401 in 2011 and \$4,411,649 in 2010.

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

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



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

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

At June 30, 2010

OK INVEST Portfolio	Cost	Market Value
U.S. agency securities	\$ 1,690,365	\$ 1,718,746
Money market mutual fund	386,155	386,155
Certificates of Deposit	250,928	250,928
Tri-party repurchase agreements	282,925	282,925
Mortgage Backed Agency Securities	1,560,747	1,628,561
Municipal Bonds	95,054	101,919
Foreign Bonds	17,683	17,485
U.S. treasury obligations	127,792	135,267
Totals	<u>\$ 4,411,649</u>	<u>\$ 4,521,986</u>

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

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



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

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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

Investments

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

At June 30, 2011 and 2010, the College had the following investments:

<u>Investment</u>	<u>2011</u>	<u>2010</u>
State Treasurer's Internal Investment Pool	\$ 7,456,589	\$ 17,736
Other investments		
Bond funds-		
U.S. Treasury money market mutual funds	3,799,458	2,837,104
Prudential Financial, Inc. stock	543,395	458,533
Oklahoma State Regents Endowment	150,193	127,452
	<u>\$ 11,949,635</u>	<u>\$ 3,440,825</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, 2011:

<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	\$ 7,456,589	\$ 7,456,589	\$ -	\$ -	\$ -	\$ -
Other investments						
U.S. Treasury money market mutual funds	3,799,458	-	3,799,458	-	-	-
Prudential Financial, Inc. stock	543,395	543,395				
Oklahoma State Regents Endowment	150,193	150,193	-	-	-	-

Interest Rate Risk

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

Concentration of Credit Risk

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



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

Note 3: Student Accounts Receivable

Accounts receivable consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Student tuition and fees	\$ 3,399,649	\$ 3,270,120
Auxiliary enterprises and other operating activities	18,835	(19,397)
	<u>3,418,484</u>	<u>3,250,723</u>
Less: Allowance for doubtful accounts	<u>(91,049)</u>	<u>(63,567)</u>
Net student accounts receivable	<u>\$ 3,327,435</u>	<u>\$ 3,187,156</u>

Note 4: Other Receivables

Other receivables consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Due from grantors	\$ 759,764	\$ 373,509
Taxes receivable	36,211	11,169
Other receivables	<u>4,030,368</u>	<u>177,049</u>
Total other receivables	<u>\$ 4,826,343</u>	<u>\$ 561,727</u>



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

Note 5: Capital Assets

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

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 2,937,133	\$ -	\$ -	\$ -	\$ 2,937,133
Construction in Progress	154,984	4,651,964	(841,324)	-	3,965,624
Total not being depreciated	<u>\$ 3,092,117</u>	<u>\$ 4,651,964</u>	<u>\$ (841,324)</u>	<u>\$ -</u>	<u>\$ 6,902,757</u>
Other capital assets					
Buildings and improvements	\$ 82,828,234	\$ -	\$ 489,182	\$ -	\$ 83,317,416
Infrastructure	5,156,324	-	352,142	-	5,508,466
Furniture and equipment	18,844,456	2,489,490	-	(1,204,253)	20,129,693
Library materials	5,211,176	362,566	-	-	5,573,742
Total other capital assets	<u>112,040,190</u>	<u>2,852,056</u>	<u>841,324</u>	<u>(1,204,253)</u>	<u>114,529,317</u>
Less accumulated depreciation for					
Buildings and improvements	(27,143,960)	(2,179,925)	-	-	(29,323,885)
Infrastructure	(2,776,694)	(133,138)	-	-	(2,909,832)
Furniture and equipment	(11,040,239)	(2,054,877)	-	1,111,371	(11,983,745)
Library materials	(3,774,081)	(310,480)	-	-	(4,084,561)
Total accumulated depreciation	<u>(44,734,974)</u>	<u>(4,678,420)</u>	<u>-</u>	<u>1,111,371</u>	<u>(48,302,023)</u>
Other capital assets, net	<u>\$ 67,305,216</u>	<u>\$ (1,826,364)</u>	<u>\$ 841,324</u>	<u>\$ (92,882)</u>	<u>\$ 66,227,294</u>
Capital Asset Summary:					
Capital assets not being depreciated	\$ 3,092,117	\$ 4,651,964	\$ (3,697,733)	\$ -	\$ 6,902,757
Other capital assets, at cost	112,040,190	2,852,056	841,324	(1,204,253)	114,529,317
Total cost of capital assets	115,132,307	7,504,020	(2,856,409)	(1,204,253)	121,432,074
Less accumulated depreciation	<u>(44,734,974)</u>	<u>(4,678,420)</u>	<u>-</u>	<u>1,111,371</u>	<u>(48,302,023)</u>
Capital Assets, net	<u>\$ 70,397,333</u>	<u>\$ 2,825,600</u>	<u>\$ (2,856,409)</u>	<u>\$ (92,882)</u>	<u>\$ 73,130,051</u>

At June 30, 2011 and 2010, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	2011	2010
Equipment	\$ 4,034,290	\$ 4,329,396
Less: accumulated depreciation	<u>(2,907,825)</u>	<u>(3,126,231)</u>
	<u>\$ 1,126,465</u>	<u>\$ 1,203,165</u>



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

Note 5: Capital Assets (Continued)

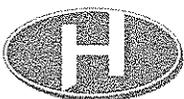
Capital asset activity for the year ended June 30, 2010 were as follows:

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Capital assets not being depreciated					
Land	\$ 2,767,133	\$ 240,000	\$ -	\$ (70,000)	\$ 2,937,133
Construction in Progress	974,142	2,878,575	(3,697,733)	-	154,984
Total not being depreciated	<u>\$ 3,741,275</u>	<u>\$ 3,118,575</u>	<u>\$ (3,697,733)</u>	<u>\$ (70,000)</u>	<u>\$ 3,092,117</u>
Other capital assets					
Buildings and improvements	\$ 80,896,593	\$ 390,000	\$ 3,499,301	\$ (1,957,660)	\$ 82,828,234
Infrastructure	4,957,892	-	198,432	-	5,156,324
Furniture and equipment	17,079,396	2,644,465	-	(879,404)	18,844,457
Library materials	4,850,229	360,947	-	-	5,211,176
Total other capital assets	<u>107,784,110</u>	<u>3,395,412</u>	<u>3,697,733</u>	<u>(2,837,064)</u>	<u>112,040,191</u>
Less accumulated depreciation for					
Buildings and improvements	(25,340,307)	(2,133,205)	-	329,552	(27,143,960)
Infrastructure	(2,646,737)	(129,957)	-	-	(2,776,694)
Furniture and equipment	(9,782,798)	(2,028,808)	-	771,367	(11,040,239)
Library materials	(3,473,389)	(300,692)	-	-	(3,774,081)
Total accumulated depreciation	<u>(41,243,231)</u>	<u>(4,592,662)</u>	<u>-</u>	<u>1,100,919</u>	<u>(44,734,974)</u>
Other capital assets, net	<u>\$ 66,540,879</u>	<u>\$ (1,197,250)</u>	<u>\$ 3,697,733</u>	<u>\$ (1,736,145)</u>	<u>\$ 67,305,217</u>
Capital Asset Summary:					
Capital assets not being depreciated	\$ 3,741,275	\$ 3,118,575	\$ (3,697,733)	\$ -	\$ 3,092,117
Other capital assets, at cost	107,784,110	3,395,412	3,697,733	(2,837,064)	112,040,191
Total cost of capital assets	111,525,385	6,513,987	-	(2,837,064)	115,132,308
Less accumulated depreciation	(41,243,231)	(4,592,662)	-	1,100,919	(44,734,974)
Capital Assets, net	<u>\$ 70,282,154</u>	<u>\$ 1,921,325</u>	<u>\$ -</u>	<u>\$ (1,736,145)</u>	<u>\$ 70,397,334</u>

Note 6: Deferred Revenue

Deferred revenue consisted of the following at June 30:

	2011	2010
Student tuition and fees	\$ 1,965,610	\$ 1,594,107
Auxiliary enterprises and other operating activities	344,128	661,583
Grants and contracts	939,644	409,414
Total deferred revenue	<u>\$ 3,249,382</u>	<u>\$ 2,665,104</u>



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

Note 7: Long-Term Liabilities

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

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



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

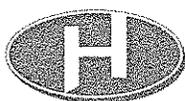
Note 7: Long-Term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Interest Rates (In %)	Maturity Through	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable and capital leases							
Revenue bonds payable							
Student Facility, Series 2000	4.30-5.55	7/1/2010	\$ 585,000	\$ -	\$ (285,000)	\$ 300,000	\$ 300,000
Student Facility, Series 2005	3.00-5.00	7/1/2026	8,710,000	-	(350,000)	8,360,000	360,000
Student Facility, Series 2006	3.50-4.00	7/1/2022	6,560,000	-	(290,000)	6,270,000	295,000
Total revenue bonds payable			15,855,000	-	(925,000)	14,930,000	955,000
Capital lease obligations							
OCIA capital lease obligation		8/1/2019	747,672	-	(58,438)	689,234	61,353
OCIA Series 2005F		7/1/2030	14,252,521	-	(328,881)	13,923,640	448,696
ODFA master lease 2006C	4.00	11/15/2009	99,167	-	(99,167)	-	-
ODFA master lease 2007C	4.00-4.50	11/15/2010	245,416	-	(172,500)	72,916	72,916
ODFA master lease 2008A	4.00-4.625	5/15/2011	295,500	-	(150,667)	144,833	144,833
ODFA master lease 2009B	1.00-2.00	11/15/2012	-	511,000	(90,545)	420,455	175,205
Total capital lease obligations			15,640,276	511,000	(900,198)	15,251,078	903,003
Total revenue bonds payable and capital lease obligations			31,495,276	511,000	(1,825,198)	30,181,078	1,858,003
Other liabilities							
Premium			413,218	1,665	(27,241)	387,642	25,242
Accrued compensated absences			1,088,230	761,061	(710,861)	1,138,430	686,684
Total other liabilities			1,501,448	762,726	(738,102)	1,526,072	711,926
Total long-term liabilities			\$ 32,996,724	\$ 1,273,726	\$ (2,563,300)	\$ 31,707,150	\$ 2,569,929

Revenue Bonds

The Student Facilities Program Revenue Bonds, Series 2000 (the "2000 Bonds") were issued in the original amount of \$7,600,000. A total of \$5,165,000 was refunded by the Student Facilities Program Revenue Bonds (the "2006 Bonds") in fiscal year 2006. Principal payments of \$200,000 to \$315,000 are due each July 1 through 2010. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, a student service facility fee of \$10.30 per credit hour, a student activity fee of \$5.15 per credit hour, and unencumbered monies in the funds and accounts pertaining to the bonds for the repayments. The 2000 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes. These bonds were fully paid during fiscal year 2011.



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

Note 7: Long-Term Liabilities (Continued)

Revenue Bonds (Continued)

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

The Student Facilities Program Revenue Bonds, Refunding Series 2006 (the "2006 Bonds") were issued in the original amount of \$7,455,000. Principal payments of \$270,000 to \$645,000 are due each July 1 through 2022. The proceeds received from the 2006 Bonds were used to refund the 1993 Bonds in the amount of \$2,055,000, advance refund a portion of the 2000 Bonds in the amount of \$5,165,000, establish a Bond Fund Reserve and pay costs of issuance of the Bonds. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees. The 2006 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes. In conjunction with the refunding of said debt, an irrevocable trust was established with the trustee for the remaining payments required. At June 30, 2011, amounts held in escrow amounted to \$5,201,607.

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



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

Note 7: Long-Term Liabilities (Continued)

Revenue Bonds (Continued)

At June 30, 2011, future aggregate maturities of principal and interest requirements on the College's various revenue bonds payable are as follows:

Years Ending June 30:			
2012	\$ 1,340,000	\$ 831,338	\$ 2,171,338
2013	1,320,000	780,276	2,100,276
2014	1,155,000	732,103	1,887,103
2015	1,135,000	690,976	1,825,976
2016	1,175,000	653,212	1,828,212
2017-2021	6,510,000	2,607,950	9,117,950
2022-2026	6,130,000	1,295,938	7,425,938
2027-2031	3,210,000	301,859	3,511,859
	<u>\$ 21,975,000</u>	<u>\$ 7,893,652</u>	<u>\$ 29,868,652</u>

Capital Lease Obligations

Oklahoma Capital Improvement Authority Lease Obligations

In September 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents allocated approximately \$1,200,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College. Lease principal and interest payments to OCIA totaling \$95,517 and \$95,523 during the years ended June 30, 2011 and 2010, respectively, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statements of revenues, expenses and changes in net assets.

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

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



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

Note 7: Long-Term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

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

In 2010, the OCIA partially refinanced its Series 2005F Bonds by issuing

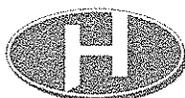
Through June 30, 2010, the College has drawn down \$16,569,663 of its total allotment, including \$463,808 and \$3,443,144 of draw downs during the years ended June 30, 2010 and 2009, respectively, for expenses incurred in connection with the specific projects. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the College's policy. The College has recorded a receivable totaling \$305,148 and \$748,037 at June 30, 2010, and 2009, respectively, for its allotment not drawn down as of those dates, plus interest allocated by OSRHE in fiscal year 2010 in the amount of \$20,919, which is also available for draw downs. Lease payments to OCIA totaling \$1,024,356 and \$1,024,154 during the years ended June 30, 2010 and 2009, respectively, were made by the State of Oklahoma on behalf of the College. These on-behalf payments have been recorded as OCIA on-behalf state appropriations in the statements of revenues, expenses and changes in net assets.

ODFA Master Lease Obligations

On December 1, 2006, the College entered into a capital lease obligation for the ODFA Master Lease Revenue Bonds, Series 2006C in the amount of \$688,000. Total lease payments over the term of the agreement, beginning December 15, 2006 through November 15, 2009, are \$741,935. Payments are made monthly ranging from \$20,577 to \$20,660. This obligation was repaid in full during the fiscal year ended June 30, 2010.

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

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



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

Note 7: Long-Term Liabilities (Continued)

ODFA Master Lease Obligations (Continued)

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years Ending June 30:			
2012	\$ 464,696	\$ 395,206	\$ 859,902
2013	856,792	895,093	\$ 1,751,885
2014	1,565,535	860,284	\$ 2,425,819
2015	1,551,985	811,936	\$ 2,363,921
2016	1,533,324	742,803	\$ 2,276,127
2017-2021	3,738,730	2,835,490	\$ 6,574,220
2022-2026	4,545,839	2,141,001	\$ 6,686,840
2027-2031	4,635,005	941,293	\$ 5,576,298
2032-2036	869,250	287,584	\$ 1,156,834
2037-2040	828,417	88,680	\$ 917,097
	<u>\$ 20,589,573</u>	<u>\$ 9,999,370</u>	<u>\$ 30,588,943</u>

Note 8: Retirement Plans

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

Oklahoma Teachers' Retirement System

Plan Description

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



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

Note 8: Retirement Plans (Continued)

Plan Description (Continued)

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

Funding Policy

The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5%, is applied to annual compensation, and is determined by state statute. The contribution rate was 9.0%-9.5% in fiscal year 2010 and 8.5%-9% in fiscal year 2009.

Employees' contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2011, 2010, and 2009. These contributions were made directly by the College for 2011, 2010 and 2009.

The College's contributions to OTRS for the years ended June 30, 2010, 2009, and 2008, were approximately \$3,011,000, \$2,920,000 and \$2,636,000, respectively, equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

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

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



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

Note 8: Retirement Plans (Continued)

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.

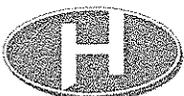
Funding Policy

The College contributed approximately \$955,000, \$966,000 and \$912,000 respectively, for the years ended June 30, 2011, 2010, and 2009. Prior to January 1, 2009 Plan participants were responsible for selecting a qualified program for their Defined Contribution Plan contributions. However, due to a change in IRS regulations, the College made a decision to choose a single provider for contributions and ING was selected as the sole provider effective January 1, 2009. All contributions are now electronically transmitted to ING on a monthly basis. Participants continue to be responsible, however, for monitoring the performance of their individual accounts.

Note 9: Related Party Transactions

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

The operation levy was 5.08 mills for both years ended June 30, 2011 and 2010, 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, 2011, which was also collectible on December 31 and March 31 each year. The cost of providing the respective instruction and related services is to be borne by each entity. Pursuant to the terms of the agreement, the District allocated the College \$5,200,000 and \$5,200,000 in 2011 and 2010, respectively, to provide technical education to District students. These amounts have been eliminated in the accompanying financial statements as interfund transfers. Ad valorem taxes received by the District for the years ended June 30, 2011 and 2010, totaled approximately \$5,201,000 and \$4,984,000 respectively.



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

Note 9: Related Party Transactions (Continued)

Since its inception in 1970, the District has constructed buildings and purchased equipment which is leased to the College for instructional and other ancillary purposes at a cost of \$1 per year. The book value of the leased property at June 30, 2011 and 2010 was approximately \$2,890,000 and \$3,210,000, respectively. The lease is for a period of one year and was renewed July 1, 2011. Maintenance, insurance, and operating costs related thereto are paid for by the College.

Oklahoma City Community College Foundation

The Oklahoma City Community College Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, bequests, and payment of services for the benefit of the College. During the years ended June 30, 2010 and 2009, the Foundation awarded scholarships to College students totaling approximately \$75,000 and \$100,000, respectively. Goods and services were provided on behalf of the College of approximately \$117,000 and \$162,000, for the years ended June 30, 2010 and 2009, respectively.

Note 10: Commitments and Contingencies

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

The College participates in the Federal Family Education Loan Program (the "Program"), which includes the Federal Stafford Loan Program and the Federal Parents Loans for Undergraduate Students Program. The Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the years ended June 30, 2010 and 2009, approximately \$19,785,000 and \$13,025,000, respectively, of program loans were provided to College students.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2011 or 2010 that management believes would result in a material loss to the College in the event of an adverse outcome.



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

Note 11: Risk Management

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

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

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





**HINKLE &
COMPANY** PC
*Strategic
Business Advisors*

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

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

We have audited the financial statements of Oklahoma City Community College (the College) as of June 30, 2011, and for the year then ended, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

4500 S. Garnett, Ste. 800

Tulsa, OK 74146

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Compliance and Other Matters

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

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

Hilch & Company, PC

Tulsa, Oklahoma
October 14, 2011



Exhibit





**HINKLE &
COMPANY**
PC
*Strategic
Business Advisors*

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

Board of Regents
Oklahoma City Community College
Oklahoma City, Oklahoma

Compliance

We have audited Oklahoma City Community College's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of the College based on our audit.

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

In our opinion, Oklahoma City Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

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Internal Control over Compliance

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

A control 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 non-compliance 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 more than a reasonable possibility that non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Oklahoma City Community College as of and for the year ended June 30, 2011, and have issued our report thereon dated October 14, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hitch & Company, P.C.

Tulsa, Oklahoma
October 14, 2011



**Oklahoma City Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011**

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Amount Expended
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant	84.063	\$ 20,905,499
Federal Work Study	84.033	232,535
Federal Supplemental Education Opportunity Grant	84.007	225,827
Federal Family Education Loans	84.032	383,433
Federal Direct Student Loan Program	84.268	22,519,988
Academic Competitiveness Grant	84.375	111,444
Total Student Financial Aid		<u>44,378,726</u>
Other Programs		
U.S. Department of Education		
Upward Bound	84.047A	281,868
TRIO Student Support Services	84.042A	209,225
U.S. Department of Education Pass-Through		
State of Oklahoma Office of the Governor		
ARRA Stimulus Funds	84.394 ARRA	1,866,972
U.S. Department of Education Pass-Through		
Oklahoma State Department of Education		
Adult Education & Family Literacy Act	84.002	453,243
ESL / Civics	84.002	8,650
Speech / Language Pathology Program	84.027	2,390
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	177,528
Basic Grants to States – Carl D Perkins – Consortium	84.048	51,891
Metro Tech Soar	84.243	4,278
Moore Norma Tech Prep Focus	84.243	4,916
Oklahoma State Regents for Higher Education		
Tech-Prep Education	84.243	16,672
Total U. S. Department of Education – Other Programs		<u>3,077,633</u>
U.S. Department of Health and Human Services Pass Through		
Oklahoma Department of Human Services		
Child Development – DHS Daycare Reimbursement	93.575	34,632
Child Development – DHS Scholars for Excellence	93.575	56,458
Administration for Children and Families		
OSHRE – TANF		
Career Transition Project – Pass-through Entity ID – 633	93.558	435,082
U.S. Department of Agriculture Pass Through		
Food and Nutrition Service – Oklahoma Department of Education		
Child and Adult Care Food Program	10.558001	14,850
U.S. Department of Labor – Pass Through		
Community Based Job Training Grant	17.269	582,478
National Science Foundation Pass - Through		
University of Tulsa		
UT/NSF Forensics Education Partnership	47.076	8,733
UT/NSF South Africa Team Project	47.076	559

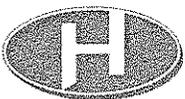
continued



**Oklahoma City Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011**

(Continued)

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Amount Expended
National Institute of Health Pass - Through NIH – SEPA Biotechnology	93.389	6,176
Regents of the University of Oklahoma Health Science & Technology		
Idea Networks of Biomedical Research Excellence	93.389	45,619
Clinical Equipment – HRSA	93.887	224,299
East Central University		
NIH-ECU Minority	93.389	18,061
U.S. Environmental Protection Agency Pass - Through Oklahoma City		
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818	<u>191,286</u>
Total Expenditures of Federal Awards		<u>\$ 49,074,591</u>



Oklahoma City Community College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Note 1: Summary of Significant Accounting Policies

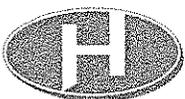
The schedule of expenditures of federal awards includes the federal awards activity of Oklahoma City Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments,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

Note 2: Federal Family Education Loan Program

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

Note 3: Subrecipients

During the year ended June 30, 2011, the College did not provide any federal awards to subrecipients.



**Oklahoma City Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Summary of Auditors' Results

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

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

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

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

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

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

7. The College's major program was:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	84.007, 84.033,
ARRA Stimulus	84.032, 84.268
Adult Education & Family Literacy Act	84.063, 84.375
Career Transition Project	84.394 ARRA
Community Based Job Training Grant	84.002
	93.558
	17.269

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

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



**Oklahoma City Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Findings Required to be Reported by Government Auditing Standards

Finding 2011-1

Condition

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

Criteria

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

Cause

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

Recommendation

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

Management Comment

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

Findings Required to be Reportable by OMB Circular A-133

No matters are reportable.



**Oklahoma City Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

Findings Required to be Reported by Government Auditing Standards (Continued)

Finding 2010-01

Program CFDA No:84.032

CFDA Program Title: Federal Family Education Loan Program

Federal Award Year: June 30, 2010

Finding

We noted that two students, both of whom were first year, first time borrowers of Stafford loans in the Spring 2010 semester, received loans prior to 30 days after the first day of classes. This is the first year that the 30 day restriction has applied to OCCC, due to the fact that their published 2007 Cohort Default rate was 10.5%. As a result of the two students identified in our testing above, we requested that OCCC review first year, first time borrowers to quantify the magnitude of the exception. Of the 436 first year, first time borrowers of Stafford loans in Spring 2010, 262 students were disbursed early. Of these students, five (5) students withdrew or fell below half time status prior to the 30 day disbursement delay period. The total amount of the FFEL program loans made to these students was \$15,616.

Cause

There was confusion when interpreting the SFA handbook regarding the Cohort Default rate and the 30 day restriction. It was thought that because it took three consecutive years to reach the exemption, the advantage of that exception would last three years.

Criteria

In accordance with 34 CFR 682.604 (5), the institution may not release the first installment of a Stafford loan for endorsement to a student who is enrolled in the first year of an undergraduate program of study and who has not previously received a Stafford, SLS, Direct Subsidized, or Direct Unsubsidized loan until 30 days after the first day of classes unless the school has a Cohort default rate of less than 10% for each of the three most recent fiscal years for which data is available.



**Oklahoma City Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

Findings Required to be Reported by Government Auditing Standards (Continued)

Finding 2010-01 (Continued)

Effect

First year, first time borrowers who received their Stafford loans earlier than they should have, could have resulted in refunds due to students earlier than expected.

Context

The institution was notified that their 2007 Cohort rate was above 10% in September 2009 and they were no longer exempt from the 30 day restriction; however, the parameters were already set in Datatel to disburse loans prior to 30 days after classes started. Because of misinterpreting the exemption rule, OCCC did not realize that it had to make the adjustments for the Spring 2010 disbursements.

Recommendation

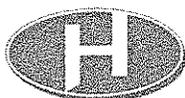
Prior to the school year, parameters should be constructed in Datatel to flag first year, first time borrowers so that OCCC is aware of all students that will require a later disbursement date. In addition, when the school receives notification of their Cohort rate, the parameters in Datatel should be reviewed to make sure no further changes are needed.

Institution Response

The Financial Aid Office acknowledges a misinterpretation of the regulation leading to early release of some Spring Semester 2010 loan funds. Once this error was identified, the Financial Aid Office took all necessary steps to insure that summer 2010 and fall 2010 first year, first time borrower disbursements were scheduled after 30 days of the semester has elapsed. The College has made the necessary corrections to Datatel, and is fully compliant with 34CFR 682.604 (5).

Status

The College returned all funds to the U.S. Department of Education for those students identified as being first time borrowers who received their funds prior to 30 days after the first day of classes. The College also made the necessary corrections to the institution's financial system, Datatel, to ensure that the College is fully compliant with 34CFR 682.604 (5).



**Oklahoma City Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

Findings Required to be Reported by Government Auditing Standards (Continued)

Finding 2010-02

Program CFDA No: 84.394 ARRA

CFDA Program Title: Governor's ARRA Backfill Stimulus Funds

Federal Award Year: June 30, 2010

Finding

The College entered into construction contracts that did not have the required Davis-Bacon Act language. As a result, the College did not obtain certified payrolls from the contractor or subcontractor, in a timely manner, to verify that prevailing wages were paid.

Cause

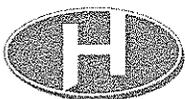
The College was unaware of the Davis-Bacon Act requirement.

Criteria

When required by the Davis-Bacon Act, the Department of Labor's (DOL) government wide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL. The College shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the College weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Effect

Employees of the contractors and subcontractors used by the College may not have been paid a prevailing wage.



**Oklahoma City Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011**

Findings Required to be Reported by Government Auditing Standards (Continued)

Finding 2010-02 (Continued)

Context

The College had no previous experience with federal construction contracts in which the Davis-Bacon Act was applicable. In addition, the College was a subrecipient of the ARRA funds and did not receive any guidance from the primary recipient regarding the applicability of the Davis-Bacon Act. As a result, the College did not have an adequately designed system of internal control to ensure that the requirements of the Davis-Bacon Act were being followed.

Recommendation

Prior to entering into a contract for construction, the College determines whether or not the Davis-Bacon Act applies, and includes the proper requirements in the contract. All ARRA monies used to fund construction projects are subject to the Davis-Bacon Act.

Questioned Cost

The total ARRA expenditures were \$1,850,823. Of this amount, total labor costs of \$90,909 were subject to the Davis-Bacon Act. Labor costs totaling \$30,948 did not appear to meet the prevailing wage requirements of the Davis-Bacon Act. Therefore total questioned costs are \$30,948.

Institution Response

The College has contacted all contractors and subcontractors from whom construction services were provided and to whom ARRA funds were paid requesting the certification of payroll information as required by the Davis-Bacon Act. The College has received certified payroll information from all applicable contractors and subcontractors that were paid with ARRA funds. All information received subject to the Davis-Bacon Act requirements has been provided to the auditors for their review. The College has fully implemented the auditors' recommendation and has put in place an internal control that will require any and all construction contracts funded with federal funds to be reviewed prior to execution to determine the applicability of the Davis-Bacon Act.

Status

The College has fully implemented the auditors' recommendation and put in place internal controls that will require all construction contracts funded with federal funds to be reviewed prior to execution to determine the applicability of the Davis-Bacon Act. During FY2011 there were no funds disbursed for construction contracts that were funded by federal funds.

