Redlands Community College

Financial Statements

June 30, 2019
(With Independent Auditors’ Report Thereon)

REDLANDS COMMUNITY COLLEGE

FINANCIAL STATEMENTS

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Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Redlands Community College
El Reno, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Redlands Community College (the College), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the College's discretely presented component unit, Redlands Community College Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards.*

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

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

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Opinion

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2019, and the respective changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to other postemployment benefits and pension liabilities and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis of Redlands Community College's (the "College") financial statements provides an overview by management of the financial activities for the fiscal year ended June 30, 2019. Since Management's Discussion and Analysis is designed to focus on current activities, resulting changes, and currently known facts, it should be read in conjunction with the basic financial statements and the notes to the financial statements. Where appropriate, year-to-year comparisons have been made and presented for discussion and analysis.

Financial Highlights

At June 30, 2019, the College's net position was $4,971,025, which reflects an increase of $2,510,370 over last year. Operating revenues including tuition and fees, federal and state grants and contracts, and auxiliary enterprises totaled $7,359,117 for the year ended June 30, 2019. Net non-operating revenues totaled $7,465,264 for the year ended June 30, 2019, which includes governmental appropriations, non-operating federal and state grants, interest earned, oil and gas revenue, and interest and miscellaneous expense. Operating expenses totaled $13,531,302 for the year ended June 30, 2019, including the provision for depreciation expense.

Overview of the Financial Statements

This report consists mainly of three basic financial statements: *The Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.*

Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and will reflect whether the institution is better off or worse off as a result of the year's activities. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses reflects the College's operating results.

These two statements report the College's net position and changes in it. Net position – the differences between assets and liabilities – reflects one way to measure the institution's financial health, or financial position. Over time, increases or decreases in the net position are one indicator of whether financial health is improving or deteriorating. Other nonfinancial factors, including freshmen class size, student retention, programmatic offerings, etc., must be considered as well to assess the overall health of the institution.

Overview of the Financial Statements, Continued

Statements of Cash Flows is another way to assess the financial health of an institution. The primary purpose of the statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statements of cash flows also help users assess an entity's ability to generate future net cash flows, to meet obligations as they come due, and its need for external financing.

Other statistical information from the audit report will be presented in this Management's Discussion and Analysis section for explanatory purposes.

The College has four major sources of revenue: (1) tuition and fees, (2) federal and state grants and contracts, (3) sales and services of auxiliary activities, and (4) state appropriations.

1. As a public college in the state system, tuition and fees are now set by the individual college under the guidance of the Oklahoma State Regents for Higher Education (OSRHE), in accordance with legislative policy. Because each public state college is restricted through legislative action to maximum amounts of increases, the opportunities to increase revenue from this source come from larger enrollment numbers rather than from increased costs to enroll.

2. The College explores every opportunity and has been successful in gaining many opportunities for federal and state grants and for contracts and other sources of revenue. Although many times restricted in expense use, these sources are a significant portion of the operational revenue for increasing the programs offered by the College, thereby offering increased incentive for enrollment.

3. Revenue opportunities in the auxiliary services area include the revenue generated by food service and the printing facility. As a governmental agency, the revenue generated from these two enterprises funds the operational expenses and is not designed to increase the overall revenue of the College.

4. One of the most important sources of revenue for a public college in the State of Oklahoma is the state appropriation allocated to the OSRHE, which in turn is allocated to each college in the state. Every year, the College campaigns for an increased allocation to support its continued growth and the various programs offered. For several years, the College was consistently funded at approximately ½ of 1 percent of the total budget appropriated to the OSRHE. For 2018, the College was funded at approximately ⅔ of 1 percent. For 2019, the College was funded at approximately ⅔ of 1 percent. Although this is a significant increase over prior years, it still leaves the College as one of the lowest funded colleges in the OSRHE system.

REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2019

This schedule is prepared from the College's statements of net position, which is presented on an accrual basis of accounting.

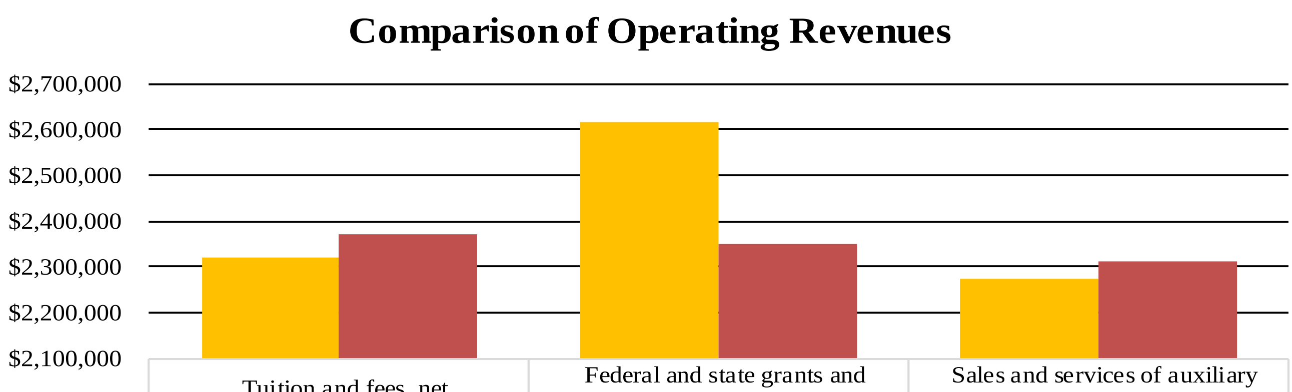
FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE
Comparison of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	$ 6,838,149	$ 5,915,317
Noncurrent assets:		
Capital assets, net of accumulated depreciation	28,398,962	29,143,283
Commissions receivable	-	-
Restricted Net OPEB Asset - OTRS	101,091	70,741
Total assets	35,338,202	35,129,341
Deferred Outflows of Resources		
Deferred outflows related to pensions	1,568,388	2,065,835
Deferred outflows related to OPEBs	9,868	10,639
Total deferred outflows of resources	1,578,256	2,076,474
Liabilities		
Current liabilities	1,643,355	2,493,511
Noncurrent liabilities:		
Long-term liabilities	16,886,163	17,375,976
Net OPEB liability - OKHEEI	100,959	100,651
Net pension liability	9,455,114	10,503,596
Total liabilities	28,085,591	30,473,734
Deferred Inflows of Resources		
Receipts from bookstore service concession arrangement	-	64,725
Deferred gain on OCIA lease restructure	139,579	152,173
Deferred inflow related to oil & gas	325,634	-
Deferred inflows related to pensions	3,324,576	3,996,735
Deferred inflows related to OPEBs	70,053	57,793
Total deferred inflows of resources	3,859,842	4,271,426
Net Position		
Invested in capital assets	10,904,312	10,371,665
Restricted	65,223	105,445
Unrestricted	(5,998,510)	(8,016,455)
Total net position	$ 4,971,025	$ 2,460,655

REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2019

Comparison of Operating Revenues
Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Tuition and fees, net	$ 2,319,236	$ 2,370,869
Federal and state grants and contracts	2,614,567	2,349,021
Sales and services of auxiliary activities	2,274,515	2,312,822
Other operating revenues	150,799	-
Total operating revenues	7,359,117	7,032,712
Operating expenses	(13,531,302)	(13,645,054)
Net operating losses	(6,172,185)	(6,612,342)
Non-operating revenues (expenses):		
State appropriations	4,872,024	4,548,753
On-behalf payments for OTRS	497,734	442,466
Federal and state grants—non-operating	2,534,335	2,530,542
Investment income	26,952	17,799
Oil and gas revenue	329,419	129,023
Interest on capital debt and miscellaneous expense	(795,200)	(823,626)
Net non-operating revenues	7,465,264	6,844,957
Other revenues	1,217,291	1,578,451
Net position:		
Change in net position	2,510,370	1,811,066
Net position at beginning of year	2,460,655	649,589
Net position at end of year	$ 4,971,025	$ 2,460,655



	Tuition and fees, net	Federal and state grants and contracts	Sales and services of auxiliary activities
2019	$2,319,236	2,614,567	2,274,515
2018	$2,370,869	2,349,021	2,312,822

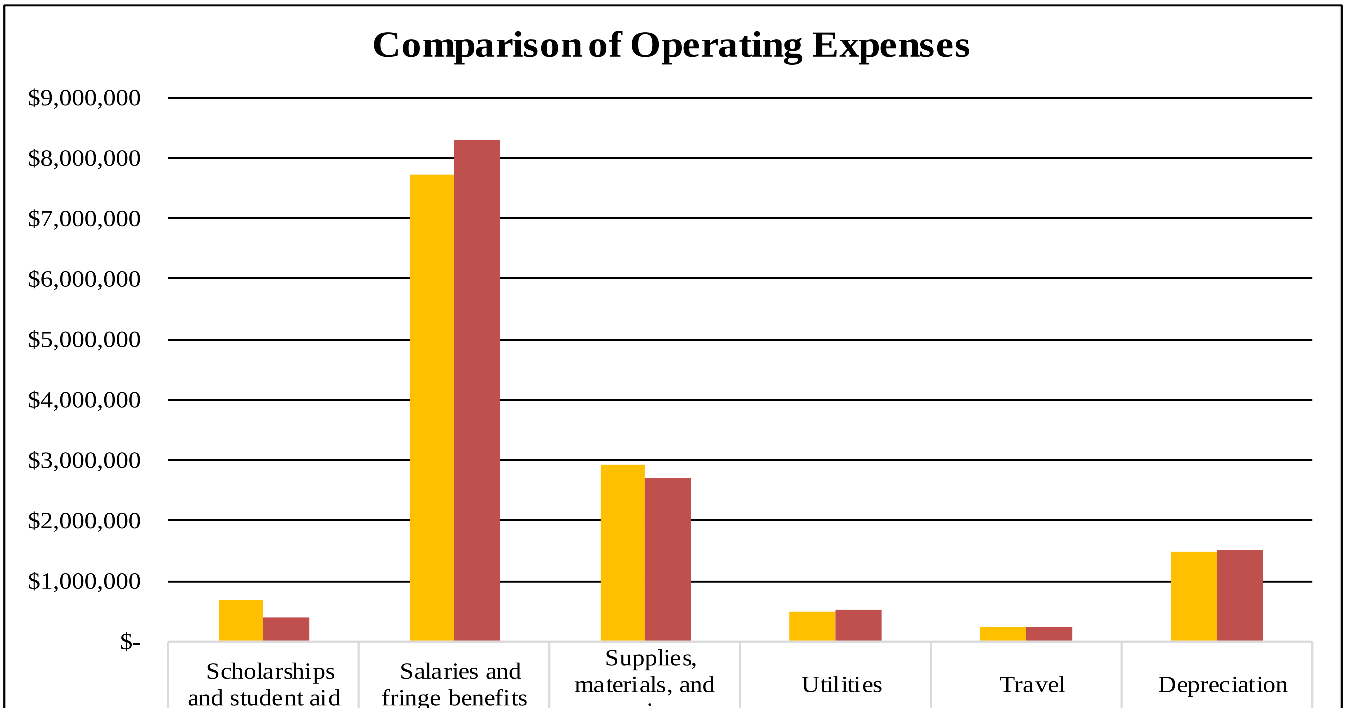
REDLANDS COMMUNITY COLLEGE
Year Ended June 30, 2019

Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash (used in) provided by:		
Operating activities	$ (5,576,033)	$ (6,038,762)
Noncapital financing activities	8,028,723	7,205,279
Capital and related financing	(1,436,566)	(1,018,122)
Investing activities	26,952	17,799
Net increase in cash	1,043,076	166,194
Cash at beginning of year	3,944,484	3,778,290
Cash at end of year	$ 4,987,560	$ 3,944,484

Comparison of Operating Expenses
Years Ended June 30, 2019 and 2018

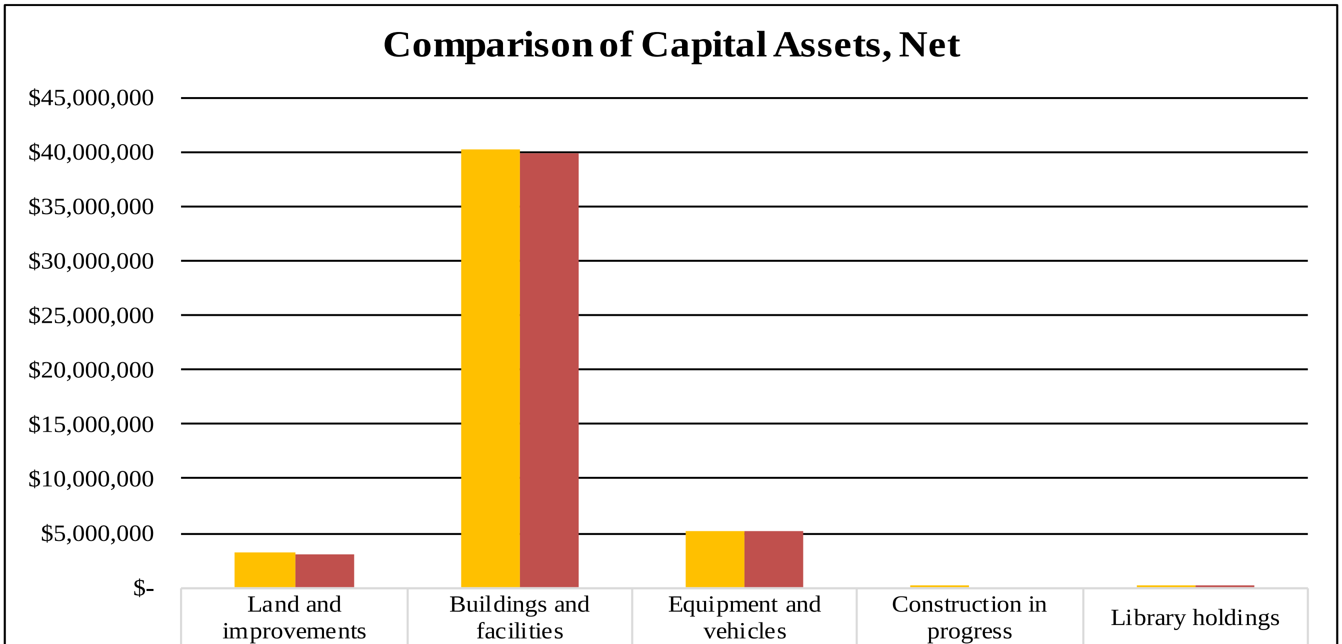
	2019	2018
Operating expenses:		
Scholarships and student aid	$ 679,795	$ 379,072
Salaries and fringe benefits	7,739,225	8,291,077
Supplies, materials, and services	2,907,769	2,687,570
Utilities	479,278	529,510
Travel	243,888	230,161
Depreciation	1,481,347	1,527,664
Total operating expenses	**$ 13,531,302**	**$ 13,645,054**



	Scholarships and student aid	Salaries and fringe benefits	Supplies, materials, and services	Utilities	Travel	Depreciation
2019	$679,795	7,739,225	2,907,769	479,278	243,888	1,481,347
2018	$379,072	8,291,077	2,687,570	529,510	230,161	1,527,664

Comparison of Capital Assets, Net
Years Ended June 30, 2019 and 2018

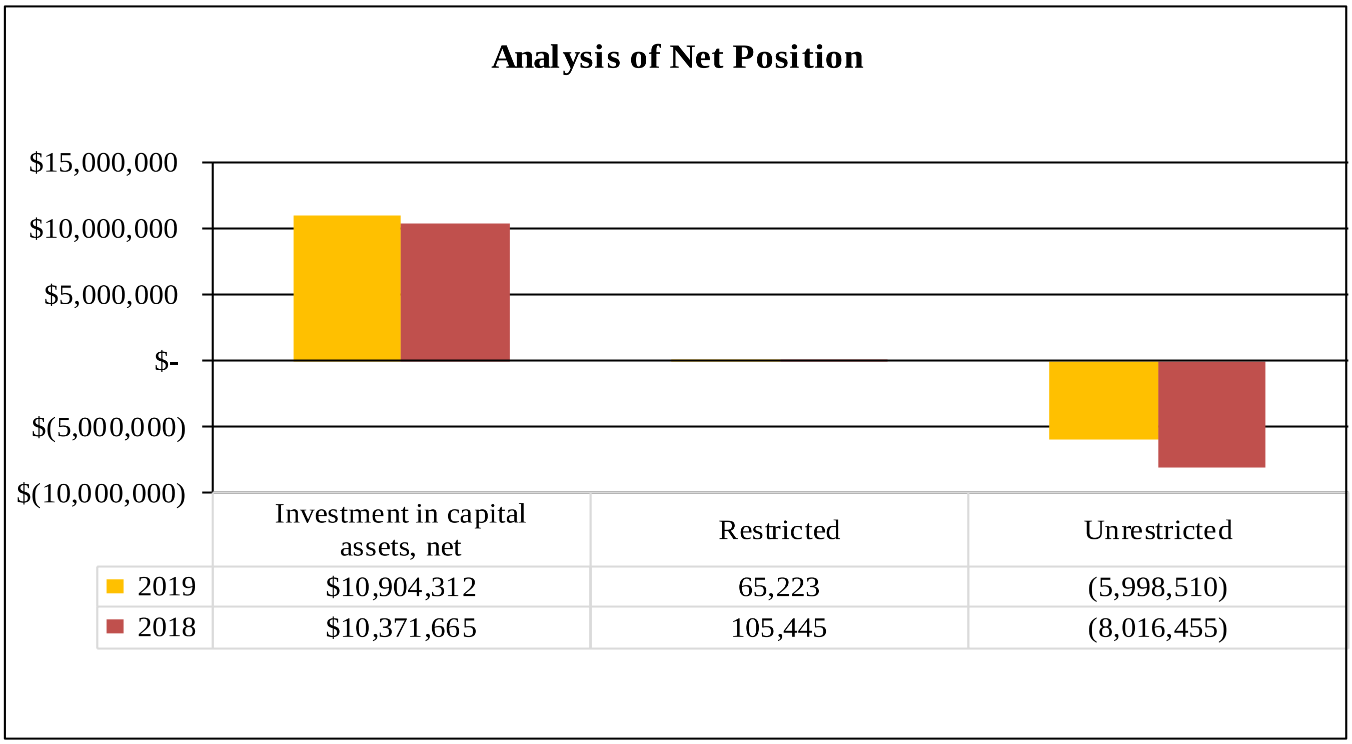
	2019	2018
Capital Assets		
Land and improvements	$ 3,142,726	$ 3,122,313
Buildings and facilities	40,229,229	39,862,161
Equipment and vehicles	5,104,371	5,159,790
Construction in progress	132,855	-
Library holdings	102,076	102,076
Total capital assets	48,711,257	48,246,340
Less accumulated depreciation	(20,312,295)	(19,103,057)
Capital assets, net	$ 28,398,962	$ 29,143,283



	Land and improvements	Buildings and facilities	Equipment and vehicles	Construction in progress	Library holdings
2019	$3,142,726	40,229,229	5,104,371	132,855	102,076
2018	$3,122,313	39,862,161	5,159,790	-	102,076

Analysis of Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Net Position		
Investment in capital assets, net	$ 10,904,312	$ 10,371,665
Restricted	65,223	105,445
Unrestricted	(5,998,510)	(8,016,455)
Net position	$ 4,971,025	$ 2,460,655



Contacting the College's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the College's finances and to show the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Vice President of Campus Administration and Finance at Redlands Community College, 1300 South Country Club Road, El Reno, Oklahoma 73036-5304.

REDLANDS COMMUNITY COLLEGE

STATEMENT OF NET POSITION

	Redlands Community College	Redlands Community College Foundation
	June 30, 2019	*January 31, 2019*
Assets		
Current assets:		
Cash and cash equivalents	$ 4,987,560	$ 359,458
Accounts receivable, net of allowance for doubtful accounts of $477,737 as of June 30, 2019	1,653,640	-
Grants receivable	161,857	-
Other receivables	29,302	-
Inventory	5,790	-
Total current assets	6,838,149	359,458
Noncurrent assets:		
Beneficial interests in assets held by others	-	776,599
Other assets	-	83,905
Restricted Net OPEB Asset - OTRS	101,091	-
Capital assets, net of accumulated depreciation	28,398,962	137,500
Total noncurrent assets	28,500,053	998,004
Total assets	35,338,202	1,357,462
Deferred outflows of resources:		
Deferred outflows related to pensions	1,568,388	-
Deferred outflows related to OPEB - OTRS	9,868	-
Total deferred outflows of resources	1,578,256	-

(Continued)

STATEMENT OF NET POSITION, CONTINUED

	Redlands Community College	Redlands Community College Foundation
	June 30, 2019	*January 31, 2019*
Liabilities		
Current liabilities:		
Accounts payable	356,667	-
Accrued expenses	22,366	-
Accrued compensated absences	198,232	-
Unearned revenues	355,236	-
Long-term liabilities, current portion	563,507	-
Deposits held in custody for others	147,347	80,914
Total current liabilities	1,643,355	80,914
Noncurrent liabilities:		
Long-term liabilities	16,886,163	-
Net OPEB liability - OKHEEI	100,959	
Net pension liability	9,455,114	-
Total noncurrent liabilities	26,442,236	-
Total liabilities	28,085,591	80,914
Deferred inflows of resources:		
Deferred gain on OCIA lease restructure	139,579	-
Deferred inflows related to oil and gas	325,634	
Deferred inflows related to pensions	3,324,576	-
Deferred inflows related to OPEB - OTRS	70,053	-
Total deferred inflows of resources	3,859,842	-
Net Position		
Net investment in capital assets	10,904,312	137,500
Restricted for:		
Endowments—nonexpendable	-	779,590
Donor restrictions—expendable	52,275	-
Scholarships—expendable	-	205,368
OPEB	12,948	
Unrestricted (deficit)	(5,998,510)	154,090
Total net position	$ 4,971,025	$ 1,276,548

See accompanying notes to financial statements.

REDLANDS COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Redlands Community College	Redlands Community College Foundation
	Year Ended June 30, 2019	*Year Ended January 31, 2019*
Operating revenues:		
Student tuition and fees, net of scholarship allowances of $3,238,000 as of June 30, 2019	$ 2,319,236	$ -
Federal and state grants and contracts	2,614,567	-
Sales and services of auxiliary activities	2,274,515	-
Other operating revenues	150,799	169,835
Total operating revenues	7,359,117	169,835
Operating expenses:		
Compensation	7,739,225	-
Supplies and materials	2,907,769	-
Depreciation	1,481,347	-
Utilities	479,278	-
Travel	243,888	-
Scholarships and fellowships	679,795	28,232
Other operating expenses	-	19,459
Total operating expenses	13,531,302	47,691
Operating (loss) income	(6,172,185)	122,144

(Continued)

REDLANDS COMMUNITY COLLEGE

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

	Redlands Community College	Redlands Community College Foundation
	Year Ended June 30, 2019	*Year Ended January 31, 2019*
Non-operating revenues (expenses):		
State appropriations	4,872,024	-
Federal and state grants	2,534,335	-
On-behalf Teachers' Retirement System contributions	497,734	-
Investment income (loss)	26,952	(14,217)
Other non-operating revenues (expenses)	(32,690)	-
Oil and gas revenues	329,419	-
Interest expense	(762,510)	-
Net non-operating revenues	7,465,264	(14,217)
Earnings before other revenues, expenses, gains, and losses	1,293,079	107,927
Other revenues, expenses, gains, and losses:		
On-behalf Oklahoma Capitol Improvement Authority contributions	886,499	-
Capital appropriations	330,792	-
Other revenues and losses	1,217,291	-
Change in net position	2,510,370	107,927
Net position (deficit) at beginning of year	2,460,655	1,168,621
Net position at end of year	$ 4,971,025	$ 1,276,548

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

	Redlands Community College	Redlands Community College Foundation
	Year Ended June 30, 2019	*Year Ended January 31, 2019*
Cash flows from operating activities:		
Tuition and fees	$ 2,337,393	$ -
Grants and contracts	2,629,390	-
Contributions and fundraising	-	115,960
Payments to employees	(8,482,505)	-
Payments to vendors	(4,333,127)	(47,691)
Auxiliary enterprise	2,272,816	-
Net cash (used in) provided by operating activities	(5,576,033)	68,269
Cash flows from noncapital financing activities:		
State appropriations	4,872,024	-
Federal and state grants	2,534,336	-
Oil and gas	655,053	-
Federal Direct Student Loan receipts	1,249,814	-
Federal Direct Student Loan disbursements	(1,249,814)	-
Other payments, net	(32,690)	-
Net cash provided by noncapital financing activities	8,028,723	-
Cash flows from capital and related financing activities:		
Capital appropriations received	330,792	-
Interest paid on capital debt and leases	(579,290)	-
Payments on capital debt and leases	(7,427,300)	-
Proceeds from capital lease obligations	6,874,686	-
Purchases of capital assets, net	(635,454)	-
Net cash used in capital and related financing activities	(1,436,566)	-
Cash flows from investing activities:		
Distributions from OCCF, net	-	36,757
Interest on investments	26,952	-
Net cash provided by investing activities	26,952	36,757
Net change in cash and cash equivalents	1,043,076	105,026
Cash and cash equivalents, beginning of year	3,944,484	254,432
Cash and cash equivalents, end of year	$ 4,987,560	$ 359,458

(Continued)

STATEMENT OF CASH FLOWS, CONTINUED

	Redlands Community College	Redlands Community College Foundation
	Year Ended June 30, 2019	*Year Ended January 31, 2019*
Reconciliation of net operating (loss) income to net cash (used in) provided by operating activities:		
Operating loss/change in net position, Foundation	$ (6,172,185)	$ 107,927
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	1,481,347	-
On-behalf Teachers' Retirement System contributions	497,734	-
Net loss on disposal of fixed assets	3,739	-
Changes in assets and liabilities:		
Receivables, net	57,373	-
Inventory	(1,854)	-
Restricted net OPEB asset	(30,350)	
Deferred outflows related to pensions	497,447	-
Deferred outflows related to OPEB - OTRS	771	
Accounts payable	(16,020)	-
Payables from custody accounts	(159,061)	-
Accrued expenses	(3,150)	-
Deferred inflows related to pensions	(672,159)	-
Deferred inflows related to OPEB - OTRS	12,260	
Compensated absences	2,341	-
Net OPEB liability	308	-
Net pension liability	(1,048,482)	
Unearned revenues	(26,092)	-
Net unrealized and realized gains on investments	-	(39,658)
Net cash (used in) provided by operating activities	$ (5,576,033)	$ 68,269
Supplemental cash flow information:		
Net accounts payable for purchase of capital assets	$ 105,311	$ -
Principal and interest paid by OCIA	$ 886,499	$ -

See accompanying notes to financial statements.

REDLANDS COMMUNITY COLLEGE

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	Fiduciary Funds
Assets	
Cash	$ 160,591
Interest receivable	321
Total assets	160,912
Liabilities	
Amounts held for the benefit of others—OKHEEI	160,912
Total liabilities	160,912
Net position	$ -

See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Redlands Community College (the "College") is a 2-year public college operating under the jurisdiction of the Board of Regents of Redlands 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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and 34*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete.

The accompanying financial statements include the accounts and funds of the College. The College is governed by the Board of Regents and is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education. 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.

Redlands Community College Foundation, Inc. (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, and for the benefit of, the College, the Foundation is considered a discretely presented component unit of the College, and its financial statements are separately presented in the College's financial statements. The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board's (FASB) *Accounting Standards Codification* (ASC) Topic 958, "Not-for-profit Entities." As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. In addition, the Foundation's fiscal year ends January 31; as such, the most recent period, for the year ended January 31, 2019, is being presented.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial Statement Presentation

The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34), and GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* (GASB 35).

Under GASB 34 and GASB 35, the College is required to present a statement of net position classified between current and noncurrent assets and liabilities; a statement of revenues, expenses, and changes in net position with separate presentation for operating and non-operating revenues and expenses; and a statement of cash flows using the direct method.

Fiduciary Funds—Fiduciary Funds are used to report assets held in a trustee or agency capacity for third parties and therefore are not available to support College programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. The College maintains a fiduciary fund in connection with its participation in the Oklahoma Higher Education Employee Interlocal Group (OKHEEI). OKHEEI is a group of colleges and universities which have collectively formed a risk pool for the purpose of providing health care benefits. OKHEEI assesses premiums for employees of member colleges. The premiums are then used to pay eligible health care claims. Funds held by the College are for the benefit and use of OKHEEI, as such, the funds are reflected as a fiduciary fund as the monies are not available for use by or for the College.

Agency Funds—Agency Funds are used to report resources held by the College in a purely custodial capacity (assets equal liabilities). Agency fund assets and liabilities are recognized using the accrual basis of accounting. The College has one agency fund for OKHEEI.

Basis of Accounting

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

Cash Equivalents

For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of 3 months or less to be cash equivalents, except for deposits held by the College's trustee related to debt service payments on revenue bonds. Funds invested through the state treasurer are considered cash equivalents.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates

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

Deposits and Investments

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains (losses) on the carrying values of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as restricted assets in the statements of net position. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3* (GASB 40), the College has disclosed its deposit and investment policies related to the risks identified in GASB 40.

As noted above, investments are recorded at fair value, as determined by quoted market prices. In accordance with generally accepted accounting principles (GAAP) authoritative guidance on fair value measurements and disclosures, the College's investments measured and reported at fair value are classified according to the following hierarchal input levels:

1. Level 1—Unadjusted quoted prices in active markets for identical assets.

2. Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

3. Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the state of Oklahoma. Accounts receivable also include amounts due from federal, state, or local governments or private sources in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history, and the condition of the general economy and the industry as a whole. The College writes-off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables increase the allowance for doubtful accounts. 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. Interest and late charges are generally not assessed; however, if they are assessed, they are not included in income until received.

Grants Receivable

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

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, make long-term student loans, or purchase capital or other noncurrent assets are classified as noncurrent assets in the statement of net position. There were no noncurrent cash and investments at June 30, 2019.

Unearned Revenues

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. The College's capitalization policy for buildings includes all items with a unit cost of $25,000 or more and an estimated useful life of at least 10 years. The College's capitalization policy for improvements other than buildings includes all items with a unit cost of $5,000 or more. The College's capitalization policy for furniture and fixtures includes all items with a unit cost of $2,500 or more and an estimated useful life of greater than 1 year.

The College's capitalization policy for information technology equipment includes all items with a unit cost of $500 or more and an estimated useful life of greater than 1 year. Library books are capitalized at cost if the item becomes part of the volume count for the library. The College does not provide for depreciation of its library books.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for infrastructure and land improvements, and 3 to 7 years for equipment, or the duration of the lease term for capital leases.

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 expenses in the statement of net position and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than 1 year, (2) estimated amounts for accrued compensated absences that will not be paid within the next fiscal year, and (3) net pension liability and total OPEB liability.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets—This represents the College's capital assets, net of accumulated depreciation, reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

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

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

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Classification of Revenues

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

Operating Revenues—Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of educational departments and of auxiliary enterprises, and (3) certain federal, state, and nongovernmental grants and contracts.

Non-Operating Revenues—Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances—Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or 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.

Deferred Outflows of Resources and Deferred Inflow of Resources

Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30 2019, the College's deferred outflows and deferred inflows of resources were related to a deferred gain on an OCIA lease restructure, oil and gas, and pension and OPEB sources.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Pensions

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

Income Taxes

The College, as a political subdivision of the State of Oklahoma, is exempt from 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).

New Accounting Pronouncements

New Accounting Pronouncements Adopted

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 provides accounting and reporting requirements for certain asset retirement obligations (ARO) that arise from legally enforceable liabilities associated with the retirement of certain tangible capital assets. ARO's require an internal and external obligating event and the costs to be reasonable estimable for the incurrence of such a liability. The College adopted GASB 83 effective July 1, 2018, for the June 30, 2019, reporting year. The adoption had no significant impact on the College's financial statements.

New Accounting Pronouncements Not Yet Adopted

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Pronouncements, Continued

New Accounting Pronouncements Not Yet Adopted, Continued

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

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 provides certain clarifications regarding debt as a liability and identifies additional required disclosures related to debt, including direct borrowings and direct placements of debt. The College will adopt GASB 88 on July 1, 2019, for the June 30, 2020, reporting year. The College does not expect GASB 88 to have a significant impact on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 directs that interest costs incurred during the construction period of an asset be expensed in the period incurred. GASB 89 changed previous guidance regarding capitalized construction costs where such costs were typically included in the capitalized cost of the asset constructed and depreciated over time. The College will adopt GASB 89 on July 1, 2020, for the June 30, 2021, reporting year. The College does not expect GASB 89 to significantly impact the financial statements.

(2) DEPOSITS AND INVESTMENTS

Custodial Credit Risk—Deposits

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

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

The College requires that balances on deposit with financial institutions, including trustees related to the College's bond indenture and capital lease agreements, be insured by Federal Deposit Insurance or collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations in the College's name.

At June 30, 2019, the carrying amount of the College's deposits was $4,987,560. This amount consisted of deposits with the State Treasurer of $5,087,137 at June 30, 2019.

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool, *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in obligations of the U.S. government, its agencies and instrumentalities, including agency senior debt and mortgage-backed pass-through securities, tri-party repurchase agreements, money market mutual funds, collateralized certificates of deposit, commercial paper, obligations of state and local governments, and State of Israel Bonds. Various other investments, as allowed by law, may be added to the *OK INVEST* portfolio, as the State Treasurer determines, without formal revision to its policy statement. Amounts invested in *OK INVEST* totaled $1,652,145, which includes $160,591 of fiduciary funds at June 30, 2019. For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives which establish the framework for the day-to-day *OK INVEST* management, with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments. 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 10 years. *OK INVEST* maintains an overall weighted average maturity of no more than 4 years.

(2) DEPOSITS AND INVESTMENTS

Custodial Credit Risk—Deposits, Continued

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk.

- *Interest rate risk* is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

- *Credit/default risk* is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

- *Liquidity risk* is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

- *U.S. governmental securities risk* is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities, or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC, or any other government agency.

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.

Credit Risk

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

(2) DEPOSITS AND INVESTMENTS, CONTINUED

Credit Risk, Continued

The Board of Regents has authorized short-term funds to be invested in any security currently available through the Oklahoma State Treasurer's Office. Generally, these include direct obligations of the U.S. government and its agencies, certificates of deposit, and demand deposits. The Board of Regents has authorized endowment and similar funds to be invested in direct obligations of the U.S. government and its agencies, certificates of deposit, prime commercial paper, bankers' acceptances, demand deposits, corporate debt (no bond below a *Single A* rating by Moody's Investors Service or Standard & Poor's Corporation may be purchased), convertible securities, and equity securities.

(3) STUDENT ACCOUNTS RECEIVABLE, NET

Student accounts receivable consisted of the following at June 30, 2019:

Student tuition and fees	$ 2,131,377
Less allowance for doubtful accounts	(477,737)
	$ 1,653,640

(4) CAPITAL ASSETS, NET

Following are the changes in capital assets for the year ended June 30, 2019:

	Balance at June 30, 2018	Additions	Transfers	Retirements	Balance at June 30, 2019
Capital assets not being depreciated:					
Land	$ 939,917	-	-	-	939,917
Construction in progress	-	132,855	-	-	132,855
Library holdings	102,076	-	-	-	102,076
Total capital assets not being depreciated	1,041,993	132,855	-	-	1,174,848
Capital assets being depreciated:					
Land improvements	2,182,396	20,413	-	-	2,202,809
Building and facilities	39,862,162	367,067	-	-	40,229,229
Equipment and vehicles	5,159,790	220,430	-	(275,849)	5,104,371
Total capital assets being depreciated	47,204,348	607,910	-	(275,849)	47,536,409
Less accumulated depreciation:					
Land improvements	(1,607,925)	(58,607)	-	-	(1,666,532)
Building and facilities	(13,108,872)	(980,607)	-	-	(14,089,479)
Equipment and vehicles	(4,386,261)	(442,133)	-	272,110	(4,556,284)
Total accumulated depreciation	(19,103,058)	(1,481,347)	-	272,110	(20,312,295)
Total capital assets being depreciated, net	28,101,290	(873,437)	-	(3,739)	27,224,114
Capital assets, net	$ 29,143,283	(740,582)	-	(3,739)	28,398,962

At June 30, 2019, the costs and related accumulated depreciation of assets held under capital lease obligations and included in capital assets were $24,397,026 and $3,804,704, respectively.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. In 2019, total interest was $762,510. The College capitalizes interest as a component of capital assets constructed for its own use. There was no interest capitalized in 2019.

(5) LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Additions	Reductions	Balance at June 30, 2019	Due Within 1 Year
Bonds and capital lease obligations, net of bond premium or discount:					
OCIA capital lease obligations	$ 4,131,179	-	(680,627)	3,450,552	4,187
ODFA master lease revenue bonds	14,467,158	6,874,686	(7,342,726)	13,999,118	559,320
Total bonds and capital lease obligations	18,598,337	6,874,686	(8,023,353)	17,449,670	563,507
Other liabilities:					
Dell Capital lease obligations	94,632	-	(94,632)	-	-
Total OPEB liability - OKHEEI	100,651	308	-	100,959	-
Net pension liability	10,503,596	-	(1,048,482)	9,455,114	-
Total other liabilities	10,698,879	308	(1,143,114)	9,556,073	-
Total long-term liabilities	$ 29,297,216	6,874,994	(9,166,467)	27,005,743	563,507

Oklahoma Capitol Improvement Authority Lease Obligations

In November 2005, the OCIA issued its OCIA Bond Issues, 2005 Series F and G. Of the total bond indebtedness, the State Regents allocated $6,770,000 to the College. Concurrently with the allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds. The lease agreement provides for OCIA to make the required payments on behalf of the College over the respective terms of the agreement, which is for 25 years. The proceeds of the bonds and subsequent lease are to provide for capital improvements at the College.

(5) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Capitol Improvement Authority Lease Obligations, Continued

In August 2010, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The College has recorded a charge of $603,090 on restructuring as a deferred cost that was amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $29,806, which also approximates the economic cost of the lease restructuring.

On April 9, 2014, the College's remaining 2005F lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding over a period of 17 years. As a result, the total liability of the remaining 2005F bonds refunded and the amount of the 2014A bonds acquired was a gain on restructuring of $205,695, which was recorded as a deferred inflow of resources that is being amortized over a period of 18 years. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $480,173, which approximates the economic savings of the transaction.

Through June 30, 2010, the College has drawn its total allotment for expenditures incurred in connection with the project. The expenditures have been capitalized as investments in capital assets in accordance with College policy. The College has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made.

During the year ended June 30, 2019, OCIA made lease principal and interest payments totaling $886,499 on behalf of the College. These payments have been recorded as on-behalf OCIA contributions in the statements of revenues, expenses, and changes in net position.

(5) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Capitol Improvement Authority Lease Obligations, Continued

During the year ended June 30, 2019, the College recognized $12,594 of amortization on the deferred gain on lease restructuring on the OCIA Series 2014A lease obligation, leaving a balance of the unamortized deferred gain of $139,579. The unamortized deferred gain is included in the deferred inflows of resources in the accompanying financial statements.

Future minimum lease payments under the College's obligation to the OCIA are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 4,187	$ 164,228	$ 168,415
2021	-	164,145	164,145
2022	-	164,145	164,145
2023	321,262	164,145	485,407
2024	337,592	148,666	486,258
2025-2029	1,897,002	495,290	2,392,292
2030-2034	890,509	66,572	957,081
	$ 3,450,552	$ 1,367,191	$ 4,817,743

Oklahoma Development Finance Authority Master Lease

In December 2006, the College entered into a 15-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2006A. The College financed $806,783 to upgrade the College's real property. This lease was refunded with the proceeds from the ODFA Real Property Master Lease Revenue Bonds, Series 2016G in November 2016.

In December 2008, the College entered into a 15-year lease agreement with the ODFA and the State Regents as a beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority State Regents for Higher Education Master Lease Revenue Bonds, Series 2008A. The College received a net amount of $985,768 (includes $17,768 of bond premium) of the proceeds for improvements to the College's equipment.

(5) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Development Finance Authority Master Lease, Continued

In December 2009, the College entered into a 25-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2009C. The College financed $510,281 (includes $281 of bond premium) for improvements to the College's real property. This lease was refunded with the proceeds from the ODFA Real Property Master Lease Revenue Bonds, Series 2019A in May 2019.

In December 2009, the College entered into a 30-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Real Property Master Lease Revenue Bonds, Series 2009D. The College financed $8,190,000 for the purchase of real property. This lease was refunded with the proceeds from the ODFA Real Property Master Lease Revenue Bonds, Series 2019A in May 2019.

In September 2010, the College entered into a 25-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Real Property Equipment Master Lease Revenue Bonds, Series 2010A. The College financed $599,482 (includes $4,482 of bond premium) for improvements to the College's real property.

In September 2010, the College entered into a 25-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Oklahoma State Regents for Higher Education Taxable Real Property Equipment Master Lease Revenue Bonds, Series 2010B. The College financed $720,000 for improvements to the College's real property.

In September 2015, the College entered into a 30-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Master Real Property Lease Revenue Bonds, Series 2015D. The College financed $6,134,000 (includes $58,638 of bond premium) for the purchase of real estate, the Cougar Crossing student apartments.

In November 2016, the College entered into a 5-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Master Real Property Lease Revenue Bonds, Series 2016G. The College financed $309,000 (includes $17,437 of bond premium) for the refunding of the ODFA Series 2006A master lease.

(5) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Development Finance Authority Master Lease, Continued

In May 2019, the College entered into a 15-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Master Real Property Lease Revenue Bonds, Series 2019A. The College financed $315,000 (includes $48,820 of bond premium) for the refunding of the ODFA Series 2009C master lease.

In May 2019, the College entered into a 20-year lease agreement with the ODFA and the State Regents as beneficiary of a portion of the proceeds from the Oklahoma Development Finance Authority Master Real Property Lease Revenue Bonds, Series 2019A. The College financed $5,839,000 (includes $671,866 of bond premium) for the refunding of the ODFA Series 2009D master lease.

Lease payments made by the College are forwarded to the trustee bank by the State Regents for future principal and interest payments on the Master Lease bonds. The ODFA deposits the lease payments into an interest-bearing sinking fund and may use the interest earnings to reduce the College's future lease payments. During 2019, the College paid $7,332,668 in principal and $574,395 in related interest on these bonds.

The schedule of maturities of the bonds is as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 559,320	$ 527,860	$ 1,087,180
2021	594,988	498,348	1,093,336
2022	569,619	479,499	1,049,118
2023	551,083	459,427	1,010,510
2024	485,346	439,770	925,116
2025-2029	2,736,576	1,897,905	4,634,481
2030-2034	3,337,055	1,297,800	4,634,855
2035-2039	3,395,415	672,964	4,068,379
2040-2044	1,469,356	226,945	1,696,301
2045-2049	300,360	11,321	311,681
	$ 13,999,118	$ 6,511,839	$ 20,510,957

The ODFA Series 2008A bonds were issued at a premium. The College's pro rata portion of the premium was $17,768. During 2019, the College recognized $1,185 of amortization, leaving a balance of the unamortized bond premium of $4,936. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

(5) LONG-TERM LIABILITIES, CONTINUED

Oklahoma Development Finance Authority Master Lease, Continued

The ODFA Series 2009C bonds were issued at a premium. The College's pro rata portion of the premium was \$281. During 2019, the bonds were refunded and the College recognized \$182 of amortization and it was fully amortized.

The ODFA Real Property Series 2010A bonds were issued at a premium. The College's pro rata portion of the premium was \$4,482. During 2019, the College recognized \$179 of amortization, leaving a balance of the unamortized bond premium of \$2,913. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Master Real Property Lease Revenue Bonds, Series 2015D were issued at a premium. The College's pro rata portion of the premium was \$58,638. During 2019, the College recognized \$1,954 of amortization, leaving a balance of \$51,309. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Master Real Property Lease Revenue Bonds, Series 2016G were issued at a premium. The College's pro rata portion of the premium was \$17,437. During 2019, the College recognized \$3,487 of amortization, leaving a balance of \$8,428. The unamortized bond premium is included in the ODFA capital lease obligation in the accompanying financial statements.

The ODFA Master Real Property Lease Revenue Bonds, Series 2019A for the refunding of the ODFA Series 2009C master lease were issued at a premium. The College's pro rata portion of the premium was \$48,820. During 2019, the college recognized \$271 of amortization, leaving a balance of \$48,549.

The ODFA Master Real Property Lease Revenue Bonds, Series 2019A for the refunding of the ODFA Series 2009D master lease were issued at a premium. The College's pro rata portion of the premium was \$671,866. During 2019, the college recognized \$2,800 of amortization, leaving a balance of \$669,067.

Dell Capital Lease

During April 2016, the College entered into a capital lease with Dell Financial Services. The lease terms require payments of \$9,032 for the period from September 1, 2016, to May 1, 2019. During 2019, the College paid \$94,632 in principal and \$4,723 in related interest on the lease and the lease was paid in full.

(6) SERVICE CONCESSION ARRANGEMENT

On May 1, 2009, the College entered into an agreement with Follett Higher Education Group ("Follett"), under which Follett will operate the bookstore for the next 10 years. Follett will pay the College installment payments over the course of the arrangement; the present value of these installment payments was estimated to be $776,699 at the time of the transaction. Follett will also pay the College 8% of revenues up to $1.5 million and 10% of revenues over $1.5 million that it earns from the operation of the bookstore. Follett is required to operate and maintain the bookstore in accordance with the contract. The service concession arrangement expired during 2019.

On March 15, 2019, the College entered into a 14-month extension under which the prior agreement will continue in full force and effect in all respects until it expires on June 30, 2020.

(7) EMPLOYEE RETIREMENT PROGRAMS

Oklahoma Teachers' Retirement System

Substantially all of the College's academic and nonacademic personnel are covered by the Oklahoma Teachers' Retirement System (OTRS), which is a State of Oklahoma public employee retirement system. Certain eligible employees also participate in a 403(b) defined contribution benefit plan. The College does not maintain the accounting records of, hold the investments for, or administer the OTRS plan.

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

Benefits Provided – OTRS provides retirement, disability, and death benefits to members of the plan. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after 5 years of credited Oklahoma service. Members who joined the System on June 30, 1992, or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

(7) EMPLOYEE RETIREMENT PROGRAMS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Benefits Provided, Continued—

- Final compensation for members who joined the System prior to July 1, 1992, is defined as the average salary for the 3 highest years of compensation. Final compensation for members joining the System after June 30, 1992, is defined as the average of the highest 5 consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

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

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

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

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

(7) EMPLOYEE RETIREMENT PROGRAMS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Contributions – The contributions requirements of the plan are at an established rate determined by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.7% for any employees' salaries covered by federal funds. A portion of the contributions received by OTRS are allocated to the supplemental health insurance program; see Note 8. Contributions to the pension plan from the College were $682,006 for 2019. The State of Oklahoma also made on-behalf contributions to OTRS, of which $497,734 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the College reported a liability of $9,455,114 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The College's proportion of the net pension liability was based on the College's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2018. Based upon this information, the College's proportion was 0.1564%.

For the year ended June 30, 2019, the College recognized a pension benefit of $43,454. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 653,588
Changes of assumptions	886,382	484,287
Net difference between projected and actual earnings on pension plan investments	-	164,360
Changes in College's proportionate share of contributions		2,015,479
Differences between College contributions and proportionate share of contributions	-	6,862
College contributions subsequent to the measurement date	682,006	-
	$ 1,568,388	$ 3,324,576

(7) RETIREMENT PROGRAMS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

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

There was $682,006 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2020	$	(497,099)
2021		(700,155)
2022		(835,260)
2023		(384,008)
2024		(21,672)
	$	(2,438,194)

Actuarial Assumptions – The total pension liability as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2018, using the following actuarial assumptions:

- Actuarial cost method—Entry Age Normal
- Inflation—2.50%
- Future Ad Hoc cost-of-living increases—None
- Salary increases—Composed of 3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment rate of return—7.50%
- Retirement age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the 5-year experience study for the period ending June 30, 2014.
- Mortality rates after retirement—Males: RP-2000 Combined Healthy Mortality Table for Males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members—RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

(7) RETIREMENT PROGRAMS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Actuarial Assumptions, Continued –

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.50%	7.5%
International equity	19.00%	8.5%
Fixed income	23.50%	2.5%
Real estate*	9.00%	4.5%
Alternative Assets	10.00%	6.1%
	100.00%	

*The real estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value added Real Estate (unleveraged).

Discount Rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past 5 years of actual contributions.

(7) RETIREMENT PROGRAMS, CONTINUED

Oklahoma Teachers' Retirement System, Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employers' net pension liability	$ 13,444,603	9,455,114	6,115,238

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/OTRS .

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

The College participates in two employee OPEB plans as follows:

Name of Plan/System	Type of Plan
Supplemental Health Insurance Plan (OTRS)	Cost Sharing Multiple Employer – Defined Benefit Plan
RCC Retiree Benefits Plan	Single Employer – Defined Benefit Plan

Supplemental Health Insurance Plan (OTRS)

Plan description – The College, as the employer, participates in the Supplemental Health Insurance Program – a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O.S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Benefits provided – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between $100 and $105 per month, remitted to OMES Employees Group Insurance Division ("EGID"), provided the member has ten (10) years of Oklahoma service prior to retirement.

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

Supplemental Health Insurance Plan (OTRS), Continued

Contributions – Employer and employee contributions are made based upon the OTRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in Note 7; from this amount, OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.14% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were $4,600.

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the College reported an asset of $101,091 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2018. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2018. Based upon this information, the College's proportion was .1564%.

For the year ended June 30, 2019, the College recognized an OPEB benefit of $12,719. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 28,170
Net difference between projected and actual earnings on OPEB plan investments	-	41,881
Changes in College's proportionate share of contributions	151	-
Differences between College contributions and proportionate share of contributions	5,117	2
College contributions subsequent to the measurement date	4,600	-
Total	$ 9,868	$ 70,053

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

Supplemental Health Insurance Plan (OTRS), Continued

OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, Continued –

The $4,600 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2020	$	(17,772)
2021		(17,772)
2022		(17,770)
2023		(8,205)
2024		(2,828)
Thereafter		(438)
	$	(64,785)

Actuarial Assumptions – The total OPEB asset as of June 30, 2018 was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial cost method—Entry Age Normal
- Inflation—2.50%
- Future Ad Hoc cost-of-living increases—None
- Salary increases—Composed of 3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment rate of return—7.50%
- Retirement age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the 5-year experience study for the period ending June 30, 2014.
- Mortality rates after retirement—Males: RP-2000 Combined Healthy Mortality Table for Males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members—RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

Supplemental Health Insurance Plan (OTRS), Continued

Actuarial Assumptions, Continued –

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38.50%	7.5%
International equity	19.00%	8.5%
Fixed income	23.50%	2.5%
Real estate*	9.00%	4.5%
Alternative Assets	10.00%	6.1%
	100.00%	

*The real estate total expected return is a combination of US Direct Real Estate (unleveraged) and US Value added Real Estate (unleveraged).

Discount Rate – A single discount rate of 7.50% was used to measure the total OPEB asset as of June 30, 2018. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

Supplemental Health Insurance Plan (OTRS), Continued

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate – The following presents the net OPEB asset of the College calculated using the discount rate of 7.5%, as well as what the Plan's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's net OPEB asset	$ (35,505)	(101,091)	(157,133)

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/OTRS.

RCC Retiree Benefits Plan

Plan Description – The College's defined benefit OPEB plan, RCC Retiree Benefits Plan, provides OPEB to eligible retirees and their dependents. The College's Board of trustees has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The College provides medical, dental, and vision benefits to eligible retirees and their dependents through the Oklahoma Higher Education Employee Interlocal Group (OKHEEI). The retiree pays the full contribution rate for the retiree's coverages and for any other elected dependent dental and vision coverages. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees Covered by Benefit Terms – At June 30, 2019 the following employees were covered by the benefit terms:

Active Employees	89
Inactives or beneficiaries currently receiving benefit payments	2
	91

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

RCC Retiree Benefits Plan, Continued

Total OPEB Liability – The College's total OPEB liability of $100,959 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2019 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Inflation – 3.00%
- Salary Scale – 3.25%
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Retirement Age - Retirement rates are as shown below and they are based on the College's actual retirement experience in 2011 through 2016.

Age	Male - OTRS	Female – OTRS
55	12.00%	12.50%
60	12.00%	16.00%
61	15.00%	20.00%
62	21.00%	25.00%
63	19.00%	20.00%
64	15.00%	20.00%
65	25.00%	25.00%

- Turnover Rates – Developed from assumptions used in the actuarial valuation of the Oklahoma Teachers Retirement System.
- Healthcare cost trend rates – Level 5.50%
- Average per capita claim cost – Range from age 50 of $8,600 to age 65 of $13,008
- Mortality Rates – RPH-2014 Total Table with Projection MP-2017
- Coverage – 100% of all retirees who currently have healthcare coverage will continue with the same coverage. 10% of all actives who currently have individual coverage will continue with individual coverage upon retirement.

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

RCC Retiree Benefits Plan, Continued

Changes in Total OPEB Liability – The following table reports the components of changes in total OPEB liability for the year ended June 30, 2019:

	Total OPEB Liability
Balance beginning of year	$ 100,651
Changes for the year:	
Service cost	4,316
Interest expense	3,755
Benefits paid	(7,763)
Net changes	308
Balance end of year	$ 100,959

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the College calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage point higher (4.88%) than the current rate:

	1% Decrease (2.88%)	Current Discount Rate (3.88%)	1% Increase (4.88%)
College's total OPEB liability	$ 108,598	100,959	94,023

(8) OTHER POSTEMPLOYMENT BENEFIT PLANS

RCC Retiree Benefits Plan, Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the total OPEB liability of the College calculated using the healthcare cost trend rate of 5.50%, as well as what the Plan's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.50%) or 1-percentage point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
College's total OPEB liability	$ 92,631	100,959	110,844

OPEB Expense – For the year ended June 30, 2019, the College recognized OPEB expense of $8,071.

403(b) Plan

Effective on January 1, 2009, the College adopted a 403(b) plan for its employees. Each employee is eligible to participant in the 403(b) plan and elect to have deferrals made on his or her behalf immediately upon becoming employed by the College. For the year ended June 30, 2019, the College contributed $10,000 to the 403(b) plan. The College reserves the authority to amend or terminate the plan at any time.

(9) RELATED-PARTY TRANSACTIONS

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agreed to pay for certain administrative services incurred by the Foundation. The following transactions occurred between the College and the Foundation during the year ended June 30, 2019:

Scholarship funds awarded to the College	$ 20,750
Payment of services to the Foundation	$ 3,501

(10) COMMITMENTS AND CONTINGENCIES

Legal

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2019, that management believes would result in a material loss to the College in the event of an adverse outcome.

Grants and Contracts

The College conducts certain programs pursuant to various grants and contracts, which are subject to audit by various federal and state agencies. Costs questioned as a result of audits, if any, may result in refunds to these governmental agencies from various sources of the College.

The College participates in the Federal Direct Student Loan Program (“Direct Loan Program”). The Direct Loan Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the year ended June 30, 2019, approximately $1,250,000 of Direct Loan Program loans were provided to College students.

(11) RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. Settled claims have not exceeded this commercial coverage in any of the 3 preceding years.

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

The College also participates in the College Association of Liability Management (CALM) Workers' Compensation Plan for its workers' compensation coverage. CALM is an interlocal cooperative act agency that was organized to provide workers' compensation insurance coverage for participating colleges and universities through CompSource. CALM is a political subdivision of the State of Oklahoma and is governed by a board of trustees elected from members of the participating colleges and universities.

The College also began participating, during fiscal year 2017, in the Oklahoma Higher Education Employee Interlocal Group Health Insurance Pool ("OKHEEI"). College employees are provided health insurance coverage through OKHEEI. OKHEEI is an Interlocal Cooperative Act Agency organized as a public entity risk pool health insurance program for participating colleges and universities in the State. The College pays monthly health insurance premiums to OKHEEI for employee health insurance coverage based on the health coverage elected by the employee and the maximum benefit provide by the College for health coverage. Amounts of premiums exceeding benefits are payable by the employee. The governing agreement for OKHEEI specifies that the pool will be self-sustaining through premiums received and with additional stop-loss coverages obtained. If health care claims exceed reserves and reinsurance coverages, additional assessments may be made to participating colleges and universities. As of June 30, 2019, additional assessments did not occur.

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC.

The following are significant disclosures of the Redlands Community College Foundation, Inc. (the “Foundation”):

NOTE (A)—NATURE OF OPERATIONS

Redlands Community College Foundation, Inc. (the “Foundation”) is a nonprofit organization organized in 1977 and is located in El Reno, Oklahoma. The Foundation amended its certificate of incorporation from the State of Oklahoma during September 1991. The mission of the Foundation is to benefit, support, and enhance the development and priorities of the Redlands Community College (RCC). The primary purposes of the Foundation are to fund scholarships to students attending RCC and to provide resources to supplement college operations. The efforts of the Foundation are to generate funds which shall be in alignment with the academic needs and priorities of RCC. The Foundation shall ensure integrity to meet donor expectations.

NOTE (B)—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States, the Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

> Net Assets Without Donor Restrictions—Net assets that are not subject to donor-imposed stipulations. These funds represent resources over which the Foundation’s Board of Directors has discretionary control and are used to carry out operations in accordance with its bylaws.
>
> Net Assets With Donor Restrictions—Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or passage of time. When a restriction expires, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (B)—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with an original maturity of 3 months or less when purchased to be cash equivalents.

Investments

Investment purchases are recorded at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less investment management and custodial fees.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 3 to 10 years for equipment and furniture and fixtures and 20 years for buildings and related components.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended January 31, 2019.

Endowment Funds

The Foundation's endowments consist of 13 individual funds established for a variety of purposes. The endowments are comprised of donor-restricted endowment funds. As required by authoritative guidance, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowments represent only those net assets that are under the control of the Foundation.

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (B)—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Endowment Funds, Continued

Interpretation of Relevant Law—The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of endowed gifts and any subsequent gifts to the donor-restricted endowment. Investment earnings from the donor-restricted endowment are classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the donor-stipulated purpose within the standard of prudence prescribed by UPMIFA.

Underwater Endowments—The Foundation considers an endowment fund to be underwater if the fair value of the fund is less than the sum of the original value of initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation complies with UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under law.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of January 31, 2019 and 2018, there were no underwater funds.

The Foundation invests its endowment funds with the Oklahoma City Community Foundation (OCCF). In doing so, the Foundation has inherently accepted the investment policies of the OCCF. The Foundation believes the investment policies of the OCCF, when applied to the endowment funds, facilitate the Foundation’s ability to provide funding for programs and provide adequate returns for invested funds. Under the OCCF’s investment policy, the endowment assets are invested in a manner that is intended to provide acceptable investment returns, while assuming a moderate level of investment risk. This investment policy expects its endowment funds, over time, to provide an average rate of return that is consistent with historical returns of assets allocated 65% equity and 35% fixed-income and non-equity investments. Actual returns in any given year are dependent on market conditions and other factors, and they may vary from the expected investment return. To satisfy its long-term rate of return objectives, the Foundation relies on the OCCF’s investment policy, which has a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (B)—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions

All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE (C)—ASSETS HELD FOR OTHERS

Assets held for others represent the monies from a grant being held for RCC. The Foundation has recorded an asset and an offsetting liability to record these funds. The asset consisted of cash of $80,914 as of January 31, 2019.

NOTE (D)—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of January 31, 2019:

Land	$	137,500
Building		118,753
Equipment		29,458
Furniture and fixtures		17,844
		303,555
Less accumulated depreciation		(166,055)
Total property and equipment, net	$	137,500

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (E)—BENEFICIAL INTERESTS IN ASSETS HELD BY OTHERS

Endowed funds are held at the OCCF. The OCCF is a nonprofit entity that provides for endowed contributions to be pooled to maximize return on investments for the benefit of area nonprofit organizations. Contributions into the endowment fund are permitted by the Foundation, as well as by individual donors in the community who designate the beneficiary of their contributions. Distributions from the endowment earnings are paid annually to the Foundation according to the OCCF's spending policy. The Foundation has authorized the OCCF to manage the endowment, effectively giving variance power to the OCCF. As the Foundation designated itself as beneficiary for the endowment, the endowed funds contributed by the Foundation and the earnings thereon, net of distributions received, are reflected as beneficial interests in assets held by others in the amount of $776,599 as of January 31, 2019. The endowed funds contributed by third-party donors held by the OCCF designated for the benefit of the Foundation were $191,746 as of January 31, 2019, and are not reflected in the Foundation's statements of financial position.

NOTE (F)—FAIR VALUE MEASUREMENTS

Inputs used to measure fair value are organized into a fair value hierarchy based on how observable the inputs are. Level 1 inputs consist of quoted prices in active markets for identical assets. Level 2 inputs are inputs other than quoted prices for similar assets that are observable. Level 3 inputs are unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

- The fair values of investments in mutual funds are based upon quoted market prices for identical assets and are classified within Level 1.

- The fair values of beneficial interests in assets held by the OCCF are based on the fair values of fund investments as reported by the OCCF. These are considered to be Level 3 measurements.

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (F)—FAIR VALUE MEASUREMENTS, CONTINUED

Certain of the Foundation's assets are reported at fair value in the accompanying statements of financial position on a recurring basis. The Foundation's assets reported at fair value on a recurring basis are summarized as follows:

		Fair Value Measurements at Reporting Date Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interests in assets held by the OCCF (Note E)	$ 776,599	$ -	$ -	$ 776,599
	$ 776,599	$ -	$ -	$ 776,599

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (G)—ENDOWMENT FUNDS

At January 31, 2019, the endowment funds were composed of donor-restricted mutual funds and beneficial interests in assets held by the OCCF and other investment companies.

Changes in donor-restricted endowments were as follows for the year ended January 31, 2019:

Endowment net assets at beginning of year	$ 776,689
Contributions	53,875
Investment (loss) income:	
Net (depreciation) appreciation (realized and unrealized)	(14,217)
Total investment (loss) income	(14,217)
Appropriation of endowment assets:	
Distribution of earnings	(36,757)
Total appropriation of endowment assets	(36,757)
Endowment net assets at end of year	$ 779,590

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (H)—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available to be used for the following purposes as of January 31, 2019:

Scholarships	$	205,368
Beneficial interest endowment funds—with income restricted for scholarships		779,590
Total net assets with donor restrictions	$	984,958

Net assets with donor restriction were released from donor restrictions by incurring expenses satisfying the restricted purposes of scholarships.

NOTE (I)—TAX-EXEMPT STATUS

The Foundation has qualified as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) under a final ruling by the Internal Revenue Service dated May 1977. Donations, bequests, legacies, transfers, or gifts to the Foundation are deductible for federal income tax purposes. The Foundation has no excise or unrelated business income and therefore no provision is necessary for income taxes.

Management has reviewed the Foundation's tax positions and concluded that there are no uncertain tax positions that require accrual in the financial statements or disclosure in the footnotes to be in compliance with authoritative literature. Generally, the Foundation is no longer subject to income tax examination by federal, state, or local tax authorities for years prior to the fiscal year ended January 31, 2016.

NOTE (J)—CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. As of January 31, 2019, the Foundation had approximately $192,000 in excess of federally insured limits that was subject to credit risk. The Foundation places its cash and cash equivalents with a high credit quality financial institution and, therefore, does not believe significant credit risk exists with these deposits.

(12) REDLANDS COMMUNITY COLLEGE FOUNDATION, INC., CONTINUED

NOTE (K)—RELATED-PARTY TRANSACTIONS

The Foundation leased certain properties to RCC for the year ended January 31, 2019. Lease income derived from these properties totaled $7,002.

NOTE (L)—LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's financial assets available within one year of the statements of financial position date for general expenditure are as follows at January 31, 2019:

Financial assets	$ 1,219,962
Less: amounts unavailable for general expenditures within one year, due to:	
Assets held for others	(80,914)
Donor-restricted scholarships	(205,368)
Donor-restricted beneficial interests in endowment funds	(779,590)
Total amounts unavailable for general expenditures within one year	(1,065,872)
Total financial assets available to management for general expenditure within one year	$ 154,090

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

REDLANDS COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit I

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Oklahoma Teachers' Retirement System
Last 5 Fiscal Years*

	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.1564%	0.1586%	0.1700%	0.1787%	0.2265%
College's proportionate share of the net pension liability	$ 9,455,114	$ 10,503,596	14,184,250	10,851,783	12,184,933
College's covered payroll	5,142,922	4,915,830	5,431,289	5,632,784	5,656,253
College's proportionate share of the net pension liability as a percentage of its covered payroll	183.85%	213.67%	261.16%	192.65%	215.42%
Plan fiduciary net position as a percentage of the total pension liability	72.74%	69.32%	62.24%	70.31%	72.43%

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

Only the last 5 fiscal years are presented because 10-year data is not yet available.

Exhibit II

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
Oklahoma Teachers Retirement System
Last 5 Fiscal Years

	2019	2018	2017	2016	2015
Contractually required contribution	$ 682,006	$ 670,043	660,787	722,497	745,488
Contributions in relation to the contractually required contributions	682,006	670,043	660,787	722,497	745,488
Contribution deficiency (excess)	$ -	$ -	-	-	-
College's covered payroll	$ 5,163,293	$ 5,142,922	4,915,830	5,431,289	5,632,784
Contributions as a percentage of covered payroll	13.21%	13.03%	13.44%	13.30%	13.23%

Only the last 5 fiscal years are presented because 10-year data is not yet available.

Exhibit III

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
Supplemental Health Insurance Program - OTRS
Last 2 Fiscal Years*

	2019	2018
College's proportion of the net OPEB asset	0.1564%	0.1586%
College's proportionate share of the net OPEB asset	$ (101,091)	$ (70,741)
College's covered-employee payroll	5,142,922	4,915,830
College's proportionate share of the net OPEB asset as a percentage of its covered-employee payroll	-1.97%	-1.44%
Plan fiduciary net position as a percentage of the total OBEP asset	115.41%	110.40%

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

Only the last 2 fiscal years are presented because 10-year data is not yet available.

Exhibit IV

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
Supplemental Health Insurance Program - OTRS
Last 2 Fiscal Years

	2019	2018
Contractually required contribution	$ 4,600	$ 10,639
Contributions in relation to the contractually required contributions	4,600	10,639
Contribution deficiency (excess)	$ -	$ -
College's covered payroll	$ 5,163,293	$ 5,142,922
Contributions as a percentage of covered payroll	0.09%	0.21%

Only the last 2 fiscal years are presented because 10-year data is not yet available.

Exhibit V

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RCC Retiree Benefits Plan
Last 2 Fiscal Years*

	2019	2018
Total OPEB liability		
Service cost	$ 4,316	$ 4,155
Interest	3,755	3,904
Benefit payments, including refunds of member contributions	(7,763)	(7,763)
Net change in total OPEB liability	308	296
Total OPEB liability - beginning	100,651	100,355
Total OPEB liability - ending	$ 100,959	$ 100,651
Covered-employee payroll	4,237,839	4,237,839
Total OPEB liability as a percentage of covered-employee payroll	2.38%	2.38%

Only the last 2 fiscal years are presented because 10-year data is not yet available.

The discount rate used for 2019 is 3.88%.

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents
Redlands Community College
El Reno, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Redlands Community College (the "College"), a component unit of the State of Oklahoma, that comprise the statement of net position, as of June 30, 2019, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 4, 2019. Our report includes a reference to Redlands Community College Foundation, Inc. (the "Foundation"), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of Redlands Community College Foundation, Inc. have not been audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associate with the Foundation.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Arledge + Associates, P.C.

October 4, 2019

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Regents
Redlands Community College
El Reno, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Redland Community College's (the "College"), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as findings 2019-001, 2019-002, and 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 4, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

October 4, 2019

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number/Pass-Through Entity Identifying Number	Passed Through to Subrecipients (No Subrecipients)	Total Federal Expenditures
U.S. Department of Education:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	P063P182035	$ -	2,108,394
Federal Supplemental Educational Opportunity Grant	84.007	P007A183416	-	36,848
Federal Direct Student Loans Program	84.268	P268K192035	-	1,249,814
Federal Work Study Program	84.033	P003A183416	-	24,904
Total Student Financial Assistance Cluster			-	3,419,960
TRIO Cluster:				
Upward Bound	84.047A	P047A120394	-	338,552
Veterans Upward Bound	84.047V	P047V180098	-	291,821
Student Support Services	84.042A	P042A150619/P042A100128-14	-	268,067
Total TRIO Cluster			-	898,440
United States Department of Education—Other Programs:				
Strengthening Minority-Serving Institutions (NASNTI)	84.382	P382C160001	-	197,452
New Program Development: Environmental Science Technology (NASNTI-STEM)	84.031	P031X150011	-	503,476
Total Other Programs			-	700,928
Total U.S. Department of Education			-	5,019,328

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number/Pass-Through Entity Identifying Number	Passed Through to Subrecipients (No Subrecipients)	Total Federal Expenditures
National Institute for Health:				
Research Cluster:				
Passed through Board of Regents of the University of Oklahoma, Health Sciences Center				
Oklahoma IDeA Network of Biomedical Research Excellence (INBRE)	93.859	RS20132225-173	-	19,997
Total Research Cluster			-	19,997
Total National Institute for Health			-	19,997
U.S. Department of Health and Human Services:				
Passed through OSHRE:				
Temporary Assistance to Need Families	93.558	0310559	-	255,268
AHEC—Scholars for Excellence in Child Care	93.596	1936002309	-	71,860
Total OSHRE			-	327,128
Passed through Area Agency on the Aging:				
Title III-B	93.044	34079136	-	74,047
Title III-C	93.045	34079136	-	219,587
Title III-E	93.052	34079136	-	4,128
NSIP	93.053	34079136	-	15,041
Total Area Agency on the Aging			-	312,803
Total U.S. Department of Health and Human Services			-	639,931

(Continued)

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number/Pass-Through Entity Identifying Number	Passed Through to Subrecipients (No Subrecipients)	Total Federal Expenditures
National Science Foundation:				
Passed through Missouri State University:				
VESTA	47.076	1501974	-	21,398
Total National Science Foundation			-	21,398
U.S. Department of Agriculture:				
Southern Plains Climate and Agriculture Initiative	10.001	58-6218-4-012	-	137,270
Climate Hubs Communication Strategy	10.902	68-3A75-14-301	-	88,315
Total U.S. Department of Agriculture			-	225,585
National Aeronautic and Space Administration:				
Passed through University of Oklahoma:				
Project UR NASA	43.008	NNX14AR51A	-	-
NASA Oklahoma Space Grant 2015-2018	43.008	NNX15AK02H	-	2,500
Total National Aeronautic and Space Administration			-	2,500
U.S. Department of the Interior, Fish & Wildlife Service:				
Pollinator Habitat and Milkweed Restoration Project	15.631	F15AP00970	-	29
Total U.S. Department of the Interior, Fish & Wildlife Service			-	29
Total expenditures of federal awards			$ -	5,928,768

See Independent Auditor's Report.

See accompanying notes to schedule of expenditures of federal awards.

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of Redlands Community College (the "College") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the net position, changes in net position, or cash flows of the College.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(3) FEDERAL DIRECT STUDENT LOAN PROGRAM

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

(4) SUBRECIPIENTS

During the year ended June 30, 2019, the College did not provide federal awards to subrecipients.

(5) INDIRECT COST RATE

The College has a Negotiated Indirect Cost Rate Agreement issued by the U.S. Department of Health and Human Services issued as of June 15, 2017. The negotiated rates were applied in accordance with the Agreement for the year ended June 30, 2019, except that certain grants limited the rate charged.

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	X no
• Significant deficiency(ies) identified?	_____ yes	X no
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	_____ yes	X no
• Significant deficiency(ies) identified?	_____ yes	X no
Type of auditor's report issued on compliance for major federal programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X yes	_____ no

Identification of major federal programs:

Program	CFDA Number
Student Financial Assistance Cluster	*
TRIO Cluster	*

*Refer to the Schedule of Expenditures of Federal Awards for CFDA numbers related to these programs.

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

Auditee qualified as low-risk auditee? X yes _____ no

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

None to report for the June 30, 2019 period.

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

Finding 2019-001 Special Tests and Provisions - Return of Title IV Funds

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.033, 84.038 – Student Financial Assistance Cluster

Criteria: The total number of calendar days in a payment or enrollment period includes all days within the period except for institutionally scheduled breaks of at least five consecutive calendar days including days in which the student was on an approved leave of absence are excluded from the total number of calendar days in a payment period or period of enrollment. (34 CFR Section 668.22(f)). The Federal Student Aid Handbook (Handbook) provides an example of how the enrollment period is calculated. The Handbook states, "…the break is calculated using the first day after the last day of class scheduled and the last day of the scheduled break is the day before the next class held." (2018 Federal Student Aid Handbook, Volume 5).

Condition: We recalculated the scheduled breaks to determine the number of days to exclude for return calculation purposes. We calculated the Spring 2019 semester to consist of 113 days in the term. The College calculated 121 days in the term. In our sample selection of 8, we noted two instances in which the date error resulted in an increase in the amount of funds to be returned totaling $95 & $224.

Questioned Costs: None.

Cause and Effect: The College incorrectly calculated the number of days associated with being closed for spring break 2019. This resulted in the incorrect calculation of the amount of funds to be returned when preparing the R2T4.

Recommendation: We recommend the College correct its calculation within their automated system and implement procedures to periodically review these calculations.

Management's response:

We have corrected our calculation within our automated system and from here on out the financial aid counselor along with the director of financial aid will go over the number of days that should be calculated for each semester.

Finding 2019-002: Special Tests and Provisions – Enrollment Reporting

Federal Program: CFDA # 84.063, 84.007, 84.033, 84.268 – Student Financial Assistance Cluster

Criteria: The College must complete the Enrollment Reporting roster file that is placed in their Student Aid Internet Gateway (SAIG) and return the file to the U.S. Department of Education (DOE) within 15 days. At a minimum, the College must receive the file every 60 days, update the file for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date and submit the changes back to DOE either electronically through the batch method or through the NSLDS website. (FPL, 34 CFR § 674.19; Pell, 34 CFR §690.83(b)(2); FFEL, 34 CFR § 682.610; and Direct Loan 34 CFR § 685.309).80

Condition: In our graduate testing, in a sampling population of six students, we noted six graduated students that did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NCS) within sixty days.

Questioned Costs: None

Cause and Effect: The Institutional Research Office is responsible for reporting all students' enrollment status. The reporting error was caused by the inadvertent exclusion of the CIP code required to be included for each student being reported.

Recommendation: We recommend the institution review its policies and procedures regarding the submission of enrollment changes to the NSLDS.

Management's response:

At the time the student sample list was distributed from the External Auditor to the institution on Monday, July 15, the institution found the error and self-reported to the External Auditor that there was an issue with the technology programming that left off the required CIP Code in submission of the graduate information to the National Student Clearinghouse. The institution worked with the technology vendor to correct the programming issue for all of the graduated students for the 07/01/2018 to 06/30/2019 audit year and has verified that the error continues to be resolved for the graduate files submitted since. This was corrected 7/16/2019 after the issue was identified.

Finding 2019-003: Special Tests and Provisions – Direct Loan Awards

Federal Program: CFDA # 84.063, 84.007, 84.033, 84.268 – Student Financial Assistance Cluster

Criteria: In accordance with 34 CFR 682.604(h), if before the delivery of any Direct loan disbursement, the institution learns that the borrower will receive or has received financial aid for the period of enrollment for which the loan was made that exceeds the amount of assistance for which the student is eligible, the school shall reduce or eliminate the over-award by either (1) using the student's PLUS or unsubsidized Direct loan to cover the expected family contribution, if not already done; (2) returning the entire undelivered disbursement to the lender and providing the lender with a written statement describing the reason for the return of the funds, if any, setting forth the student's revised financial need, and directing the lender to re-disburse a reviewed amount and, if necessary, revise subsequent disbursements to eliminate the over-award; or (3) returning to the lender any portion of the disbursement for which the student is ineligible and providing the lender with a written statement return of funds.

Condition: Within our student file testing, in a sample of forty students, we noted that the institution certified and disbursed a subsidized direct loan to a student in an amount exceeding the financial assistance for which the student was eligible, thus creating an over-award in the amount of $428.

Questioned Costs: None.

Cause and Effect: The student was awarded additional non-federal aid that inadvertently was not considered when determining the overall financial need, resulting in an over-award.

Recommendation: We recommend the institution review its policies and procedures related to the student financial aid packaging process.

Management's response:

The director of financial aid will go over the policies and procedures for packaging awards with all financial aid staff members before each semester and reinforce the importance of following all procedures. This should eliminate any future over awards from happening.

REDLANDS COMMUNITY COLLEGE

SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2019

None to report for the June 30, 2019 period.