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To the Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited the financial statements of Tulsa Community College as of and for the year ended June 30, 2012, and have issued our report thereon dated October 1, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated May 12, 2012, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the College solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the College's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read and determined all financial information contained in the management's discussion and analysis to be consistent with the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

We conducted preliminary auditing procedures including the planning of our audit, the documentation of the College's system of internal controls over both accounting systems and with respect to the procedures for compliance. We tested operation of the internal control systems by randomly selecting 80 general disbursements.

We conducted final auditing procedures, based upon the results of our preliminary auditing procedures. These auditing procedures consisted of determining whether the College's financial statements were in compliance with Generally Accepted Accounting Principles (GAAP).

Qualitative Aspects of the College's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the College is included in *Note 1* to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ending June 30, 2011. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of the College's Significant Accounting Practices (Continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the College's financial statements relate to:

- Summary of Significant Accounting Policies
- Notes Payable
- Retirement Plans

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

There were no uncorrected financial statement misstatements whose effects, as determined by management, are material, both individually and in the aggregate, to the financial statements taken as a whole.

Uncorrected and Corrected Misstatements (Continued)

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the College's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated October 1, 2012.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with Tulsa Community College, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the College, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the College's auditors.

This report is intended solely for the information and use of the Board of Regents and management of Tulsa Community College and is not intended to be, and should not be, used by anyone other than these specified parties.

Hinkle & Company, PC

Tulsa, Oklahoma
October 1, 2012

Tulsa Community College

Financial Statements
with Independent Auditors' Reports

June 30, 2012 and 2011

Tulsa Community College
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June 30, 2012 and 2011

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(Insert TCC Annual Financial Report transmittal letter)

TULSA COMMUNITY COLLEGE

Management's Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

This report consists of Management's Discussion and Analysis (this part), the Statements of Net Assets, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements of Cash Flows. These statements provide both long-term and short-term financial information on Tulsa Community College.

The objective of the Management's Discussion and Analysis is to help readers of the College's financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2012, with comparative information for the year ended June 30, 2011. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

Statements of Net Assets

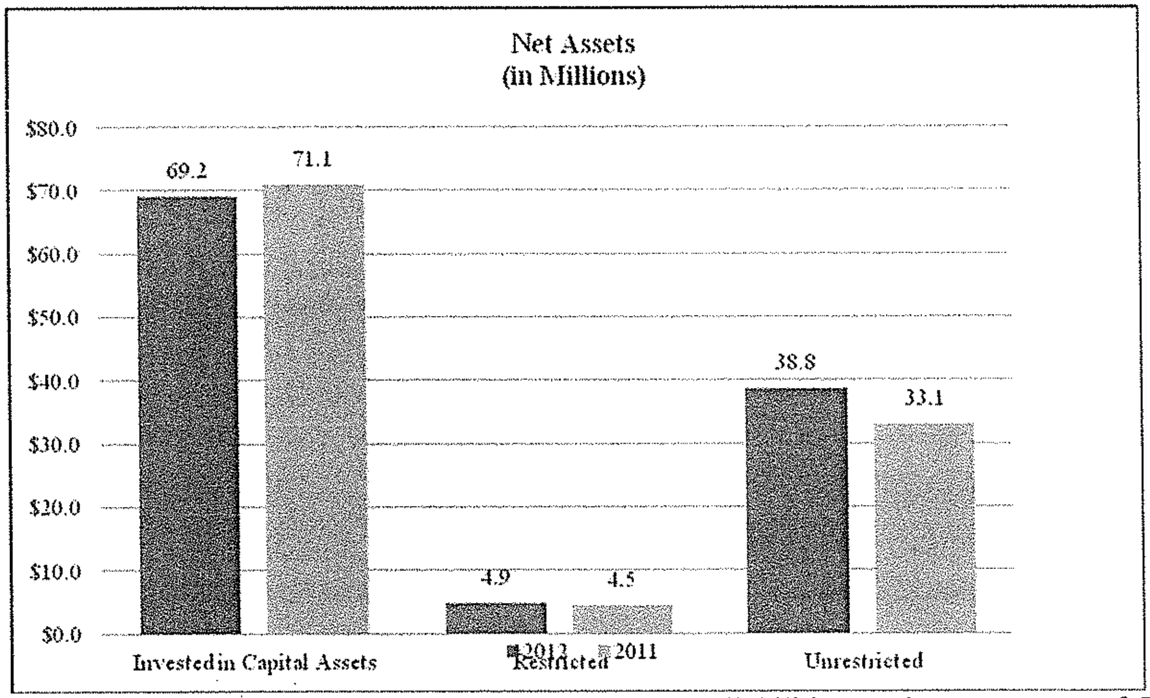
The Statements of Net Assets present the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) as of the end of the fiscal years audited. The purpose of the Statements of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The difference between current and noncurrent assets is discussed in the footnotes to the financial statements. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with the accounting method used by private-sector institutions.

Net assets - the difference between assets and liabilities - is one way to measure the College's financial health, or position. Over time, changes in the College's net assets are an indicator of its overall financial health. Non-financial factors are also important to consider, including student recruitment, enrollment, and retention and the condition of campus facilities.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the College's equity in property, plant, and equipment. The next category, restricted assets, provides the College's assets that must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Unrestricted assets are available to the College for any lawful purpose of the institution.

The College's financial position, as a whole, improved during the fiscal year ended June 30, 2012. Net assets increased approximately $4.2 million from June 30, 2011 to June 30, 2012.

The following graph illustrates the comparative change in net assets by the three major categories mentioned above for fiscal years 2012 and 2011:



The following table summarizes the College's assets, liabilities, and net assets as of June 30, 2012 and 2011 (in millions):

Net Assets, End of Year (in millions)	**2012**	**2011**
Assets		
Current Assets	$ 51.0	$
Capital assets, Net	108.7	112.6
Other Noncurrent Assets	7.0	6.0
Total Assets	166.7	162.2
Liabilities		
Current Liabilities	14.9	13.1
Noncurrent Liabilities	38.9	40.4
Total Liabilities	53.8	53.5
Net Assets		
Invested in capital assets, Net of related debts	69.2	71.1
Restricted	4.9	4.5
Unrestricted	38.8	38.8
Total Net Assets	$ 112.9	$ 104.5

Increase (Decrease) in Net Assets	$ 4.2	$ 4.2

Total assets of the College increased $4.5 million from June 30, 2011. This increase was primarily due to an increase in cash and cash equivalents of $8.5 million, due to improved collection of outstanding student accounts receivable in 2012, offset by a decrease in net capital assets and various decreases in other asset categories.

At June 30, 2012, the College had approximately $108.7 million invested in capital assets, net of accumulated depreciation of $99.0 million. Depreciation charges for the current year totaled $7.0 million compared to $8.5 million in the prior year. Note 4 of the financial statements can provide additional information regarding capital asset activities and balances.

Total liabilities of the College decreased $0.3 million from June 30, 2011. This decrease was primarily due to a decrease in long-term bond and capital lease obligations of $1.5 million, offset by an increase in accounts payable of $0.8 million and various increases in other liability categories. Note 5 of the financial statements can provide additional information regarding long-term liabilities activities and balances.

Statements of Revenues, Expenses, and Changes in Net Assets

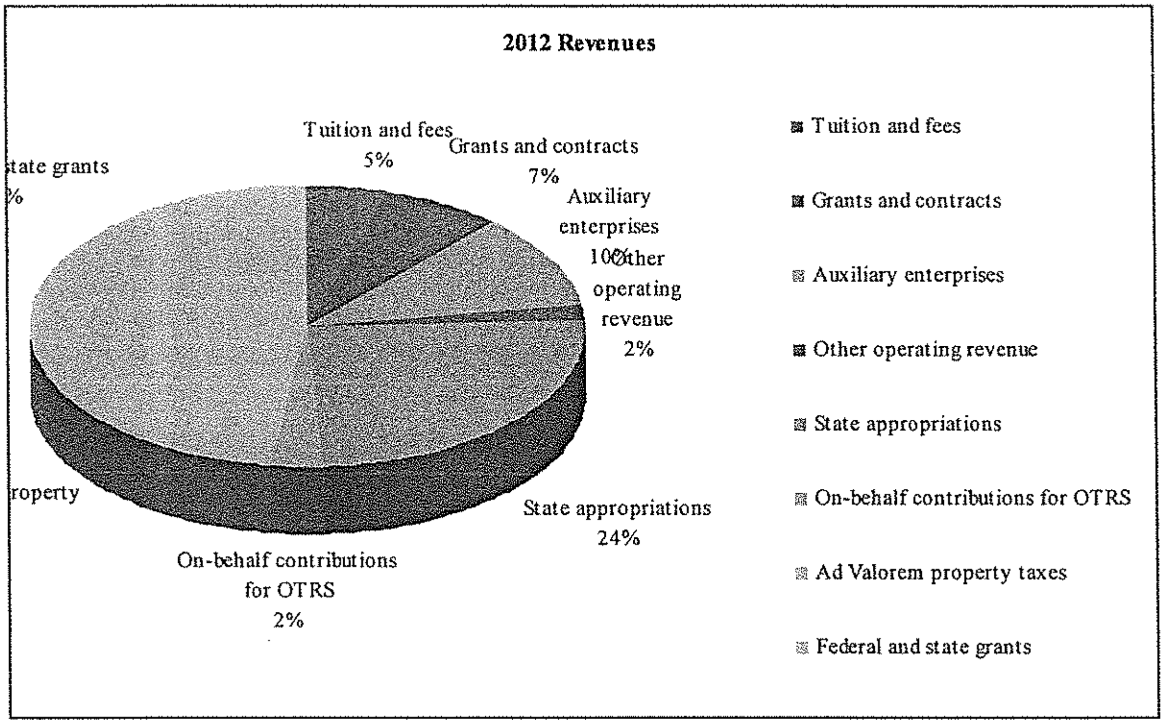
The following table summarizes the College's revenues, expenses and changes in net assets for the years ended June 30 2012 and 2011:

Revenues, Expenses, and Changes in Net Assets (in millions)	**2012**	**2011**
Operating Revenues	$ 35.0	$ 36.8
Operating Expenses	140.0	141.3
Operating Loss	(105.0)	(104.5)
Nonoperating revenues and expenses	107.7	106.7
Income before other revenues, expenses, gains or losses	2.7	2.2
Other revenues, expenses gains or losses	1.5	2.0
Increase in Net Assets	$ 4.2	$ 4.2

Statement of Revenues

The following table and chart illustrate the balanced revenue streams for the College. To highlight the major sources: 25% is comprised of state appropriations; 24% is ad valorem taxes; 23% is non-operating federal and state grants and contracts; and 28% is operating revenue including tuition and fees, auxiliary services and operating federal and state grants and contracts. The College continues to make revenue diversification an ongoing priority, along with cost containment. This is necessary as the College continues to face significant financial pressure with flat state budget projections, increased compensation and benefit costs, and volatile technology, energy, and water prices.

Statement of Revenues (in millions)	**2012**	**2011**
Operating Revenues		
Tuition and fees	$ 6.7	$ 8.0
Grants and contracts	9.9	10.1
Auxiliary enterprises	15.8	15.3
Other operating revenue	2.6	3.5
Total Operating Revenues	$ 35.0	$ 36.9
Non-operating Revenues		
State appropriations	35.6	35.6
State Appropriations – ARRA	0.0	2.5
On-behalf contributions for OTRS	4.4	3.8
Ad Valorem property taxes	35.3	34.9
Federal and state grants	33.7	30.6
Investment on capital-related debt	0.0	0.9
Non-operating Revenues	109.0	108.3
Total Revenues	$ 144.0	$ 145.2



Statement of Expenses

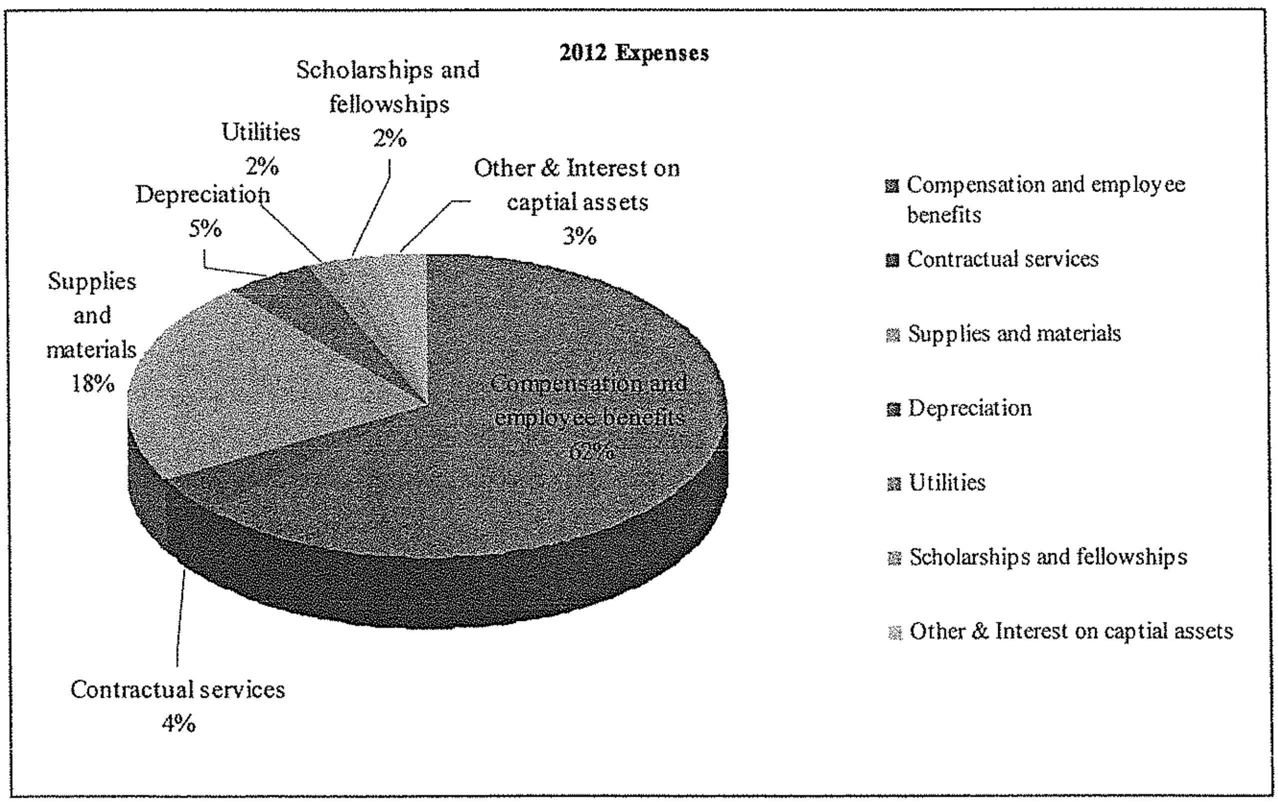
A summary of the College's expenses, for the year ended June 30, 2012, can be viewed below. Compensation and benefits accounted for approximately 63% total expenses compared to 65% of total expenses for the prior year. Depreciation made up 5% of this year total expenses compared to the prior year.

Operating Expenses (in millions)	**2012**	**2011**
Operating Expenses		
Compensation and employee benefits	$ 89.1	$ 91.1
Contractual services	5.5	4.8
Supplies and materials	30.4	25.9
Depreciation	7.0	8.5
Utilities	2.5	2.6
Scholarships and fellowships	2.6	8.2

TULSA COMMUNITY COLLEGE

Management's Discussion and Analysis

Other	2.9	.2
Total Operating Expenses	$ 140.0	$ 141.3
Nonoperating Expenses		
Interest on capital assets – related debt	1.3	0.6
Other	0.0	0.9
Total Nonoperating Expenses	1.3	1.5
Total Expenses	$ 141.3	$ 142.8



Statements of Cash Flows

The primary purpose of the Statements of Cash Flows is to provide information about the cash receipts and disbursements of the College during the year. It also aids in the assessment of the

College's ability to generate future net cash flows, ability to meet obligations as they come due, and needs for external financing.

The College's overall liquidity increased during the current year, with a net increase to cash and cash equivalents of $8.7 million. Overall liquidity increased for period ended June 30, 2011 with a net increase to cash and cash equivalents of $3.5 million. The following table summarizes the College's cash flows for the years ended June 30, 2012 and 2011:

Cash flows for the Year (in millions)	2012	2011
Cash provided (used) by:		
Operating activities	$ (90.7)	$ (93.3)
Noncapital financing activities	104.0	101.0
Capital and related financing activities	(4.7)	(5.0)
Investing activities	0.1	0.8
Net Change in Cash	8.7	3.5
Cash and equivalents, beginning of the year	30.5	27.0
Cash and equivalents, end of the year	$ 39.2	$ 30.5

Cash used by operating activities during fiscal year 2012 of $90.7 million decreased $2.6 million (2.7%) when compared to the prior year ($93.3 million). Major sources of operating funds were tuition and fees ($8.2 million), grants and contracts ($9.2 million) and auxiliary enterprises ($15.8 million), which were offset by the payment of compensation and benefits ($83.7 million) and payment to suppliers and other operating payments ($40.3 million).

Cash provided by noncapital financing activities during fiscal year 2012 of $104.0 million increased
$3.0 million (3.0%) compared to the prior year ($101.0 million). Major sources of noncapital financing activities were state appropriations ($35.6 million), Ad valorem property taxes received ($35.3 million) and Federal and state grants ($33.0 million).

Cash used in capital and related financing activities during fiscal year 2012 of $4.7 million decreased
$0.3 million (6.0%) when compared to the prior year ($5.0 million). Major sources of capital and related financing activities were proceeds from revenue bonds and capital leases ($9.0 million) and capital appropriation received ($1.2 million), which were offset by purchases of capital

assets ($3.2 million) and principal and interest payments on capital debt and leases ($10.6 million).

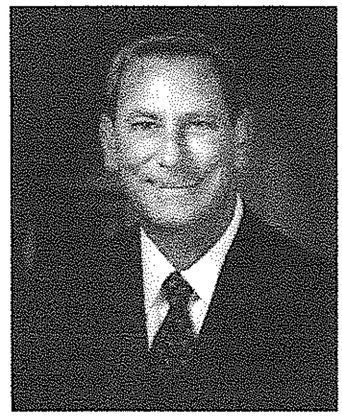
Cash used by investing activities during fiscal year 2012 of $0.1 million decreased $0.7 million when compared to cash provided in the prior year ($1.2 million).

Acknowledgements

The College's financial statements are the responsibility of the College's management. The preparation of the College's financial statements was made possible by the dedicated service of the Business Office personnel and others who have our sincere appreciation.

Tulsa Community College
Annual Financial Report
Year Ended June 30, 2012

Members of the Board of Regents:



I am pleased to submit to you and the citizens of the Greater Tulsa community the Annual Financial Report for fiscal year 2012. This document presents the record of the College's financial operations.

Tulsa Community College provides affordable, exceptional, accessible higher education opportunities for students in Tulsa and the surrounding area through credit, transfer, workforce development, corporate training, and continuing education, including 228 degree and certification programs. TCC serves 37,000 students in college credit and continuing education coursework each year.

In May 2012, Tulsa Community College conferred degrees on its 42nd graduating class. TCC graduates earned a total of 2,618 degrees and certificates in 2011-2012. Since 1970, the College has granted more than 55,600 degrees and certificates to 47,700 people in the Tulsa area. As one of Oklahoma's three largest higher education providers, TCC enrolls one of the largest first-time entering classes each fall (surpassed only by the University of Oklahoma and Oklahoma State University), admits the largest number of concurrent enrollment students taking college classes while still in high school, and records more than 35,000 enrollments in online/distance learning courses each year.

This fall, TCC welcomed a first-time entering class of 3,984 students who chose to begin their college career at TCC. Of those, more than 1,500 entered as Tulsa Achieves students. Since 2007, 9,000 high school graduates have entered college as part of the Tulsa Achieves initiative. The College is committed to encouraging those students to complete their degrees. To augment that effort, TCC has joined the Complete College America initiative to close Oklahoma's and America's college completion gap and has committed to increasing the number of TCC degrees and certificates granted each year by a minimum of 71 in order to help reach Oklahoma's goal of producing an additional 1,700 degrees and certificates annually by 2023.

As the state's largest feeder college for completion of baccalaureate degrees, TCC has developed 115 transfer program agreements with colleges and universities in Tulsa, throughout Oklahoma and in adjacent states, allowing TCC students to transfer more seamlessly to other institutions. TCC holds several national rankings as one of the nation's premier community colleges. According to *Community College Week*, TCC ranks 27th among the nation's nearly 1,200 two-year institutions for granting associate degrees, making it one of the nation's Top 50 two-year degree-granting institutions for well over a decade. In individual disciplines, TCC ranks 2nd in education degrees, 13th in business related degrees and 21st in health related degrees. The College continues to be a national leader in granting degrees to Native American students.

Approximately 33 percent of our students choose to enroll in one of numerous workforce development programs designed to prepare students to step directly into careers. Of the more than 50 such programs, the most popular areas of study include nursing, allied health and business and information technologies. In today's economic environment, many people are choosing TCC for retraining in preparation for a different career; approximately 60 percent of our students are over 21 years-of-age. Educational centers like the Health Sciences and Biotechnology Learning Center at the Southeast Campus, the Alfred M. Philips Health Sciences Center at Metro Campus, and the Science and Math Center at West Campus have made TCC a leader in developing science and math related programs to provide educated workers for emerging science- and health-related industries in Northeastern Oklahoma.

Over the past year, the Center for Creativity at Metro Campus has become a thriving creative environment for some of TCC's most engaging programs: distance learning, broadcast and radio production, mass communications, digital arts and visual arts. The production studios have been used by outside groups for televised forums, commercial production, video production, and other film projects. Most recently, the Journalism and Mass Communications Program launched TCC Online Student Radio – **The Grid** to its instructional array. The online station will provide instructional enrichment opportunities for students in the JMC program's Radio Production and Radio Laboratory classes.

Distance learning at TCC continues to be a popular option for students striving to merge college, work, and family. With more than 35,000 annual enrollments in online and distance learning classes, TCC offers more online credit than any other college in Oklahoma. In fact, of the 228 degree and certificate programs offered at TCC, 212 of those are offered in formats that are more than 50 percent online and 29 are offered 100 percent online. Tulsa Community College has truly become a 24/7 college through its distance learning offerings.

TCC offers an enriched and diverse academic environment designed to meet student needs. As part of the College commitment to develop the whole student, student engagement with the community has become a priority. TCC has encouraged students to engage in service learning as part of their college experience since 1994. In the years since, TCC students have contributed thousands of hours each year to organizations and agencies throughout our service area. As part of the Tulsa Achieves program requirement, TA students must complete 40 hours of volunteer service each year. Over the past five years, TA students have contributed 236,000 hours of community service, with many of the students contributing far more than their requisite 40 hours annually.

Tulsa Community College also offers a variety of innovative and responsive learning opportunities for students of all ages through Continuing Education and Workforce Development. Nearly 6,000 individuals take advantage of the diverse curriculum offered through Business and Career Solutions, Academic Family and Youth Enrichment, and Personal Growth course offerings each year. Students range from the youngest who attend College for Kids and Teens to the seasoned professional who benefits from a broad variety of high quality, economical, customized training and open enrollment programs throughout the year.

The TCC Foundation stands as one of the College's most valued friends. The Foundation provides more than $1 million in support of students, faculty and staff each year. Much of that funding comes from the Foundation's annual Vision in Education Leadership Award Dinner. The 2012 Vision Dinner honoring Tulsa Public Schools Superintendent Dr. Keith Ballard for his efforts to address community education needs and to implement education models focused on excellence raised $210,000 to support key college programs. Other donations to the Foundation throughout the year continue to benefit students, faculty, and staff. Foundation scholarships help students in a variety of academic areas, including art, business, engineering, honors, music, nursing, science, theatre, and veterinary technology. The Foundation is currently engaged in a capital campaign to secure funding for the TCC Physical Therapy Clinic, a $1.96 million, 8,000 sq. ft. learning laboratory and working clinic. Through this facility, patients will receive physical therapy care at a reduced cost, and TCC Physical Therapy Assistant students will be able to complete approximately 20 percent of their required 680 hours of clinical training onsite. The Physical Therapist Assistant program has graduated more than 500 working professionals since 1982.

Tulsa Community College has made a commitment to provide accessibility to people throughout its service area through four geographically dispersed campuses in Tulsa's northeast, southeast, western and downtown areas. TCC is also committed to providing accessible education for individuals who have traditionally been underrepresented in higher education, such as students with physical challenges, students requiring remedial assistance, students from minority populations, students with unusual work schedules, and students transitioning through difficult life circumstances.

I am grateful to the community that supports us, to the students who enroll with us and to the Board of Regents and faculty and staff who are dedicated to making Tulsa Community College a learning-centered environment.

Sincerely

Thomas K. McKeon

Thomas K. McKeon, Ed.D.
President

HINKLE &
COMPANY
PC
Strategic
Business Advisors

Independent Auditors' Report on Financial Statements

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited the accompanying statement of net assets of Tulsa Community College (the College) as of June 30, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. Tulsa Community College Foundation (the Foundation), a not-for-profit Oklahoma corporation organized to support the College, is a component unit of the College as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The financial statements referred to above do not include the financial statements of the Foundation. Rather, a complete set of financial statements of the Foundation are presented separately. We also audited the financial statements of the Foundation, and our opinion as it relates to our audit of those statements is included in the separate set of financial statements.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise the College's basic financial statements. The other information, listed in the Table of Contents under the Introductory Section, has not been audited by us and, accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2012, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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

Hinkle & Company, PC

Tulsa, Oklahoma
October 1, 2012

Tulsa Community College
Statements of Net Assets
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 38,294,782	$ 29,708,193
Restricted cash and cash equivalents	965,893	846,919
Restricted short-term investments	1,527,265	1,792,267
Accounts receivable, net	5,871,848	7,581,718
Federal and state grants receivable	1,981,768	1,293,891
Delinquent ad valorem property taxes receivable	900,000	900,000
Inventories	1,463,151	1,491,618
Total Current Assets	51,004,707	43,614,606
Noncurrent Assets		
Restricted investments	2,406,210	2,045,219
Deposits with the State Regents	2,522,833	2,522,833
Prepaid pension asset	1,075,753	956,063
Capital assets, net	108,683,090	112,626,829
Receivable from state agency	344,700	344,691
Other	641,820	83,331
Total Noncurrent Assets	115,674,406	118,578,966
Total Assets	166,679,113	162,193,572
Liabilities		
Current Liabilities		
Accounts payable	4,379,360	3,583,818
Accrued liabilities	2,661,287	1,660,307
Accrued compensated absences	1,564,662	1,438,096
Interest payable	170,144	312,266
Deferred revenues	2,790,238	2,920,896
Current maturities of noncurrent liabilities	3,156,395	3,040,666
Deposits held in custody for others	130,489	123,778
Total Current Liabilities	14,852,575	13,079,827
Noncurrent Liabilities		
OFDA bonds	12,987,832	12,202,583
OCIA capital lease obligation	15,296,954	16,006,604
Revenue bonds	10,627,679	12,170,662
Total Noncurrent Liabilities	38,912,465	40,379,849
Total Liabilities	53,765,040	53,459,676
Net Assets		
Invested in capital assets, net of related debt	69,185,274	71,097,400
Restricted for		
Nonexpendable scholarship endowment	2,522,833	2,522,833
Expendable		
Debt service	2,406,210	2,045,219
Unrestricted	38,799,756	33,068,444
Net Assets	$ 112,914,073	$ 108,733,896

Tulsa Community College
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
Operating Revenues		
Tuition and fees (revenues of $7,476,000 in 2012 and $7,545,000 in 2011 are pledged as security on College Student Center Series revenue bonds), net of scholarship discounts and allowances	$ 6,651,702	$ 7,851,661
Federal grants and contracts	7,351,784	6,370,791
State and private grants and contracts	2,579,679	3,762,129
Sales and services of auxiliary enterprises (revenues of $11,115,000 in 2012 and $10,532,000 in 2011 are pledged as security on College Student Center Series revenue bonds)	15,758,003	15,358,985
Other operating revenue	2,632,793	3,486,756
Total Operating Revenue	34,973,961	36,830,322
Operating Expenses		
Compensation and employee benefits	89,097,302	91,075,699
Contractual services	5,453,996	4,842,031
Supplies and materials	30,421,444	25,953,916
Depreciation	7,033,003	8,511,973
Utilities	2,505,800	2,604,850
Scholarships and fellowships	2,607,038	8,199,750
Other operating expenses	2,882,040	187,125
Total Operating Expenses	140,000,623	141,375,344
Operating Loss	(105,026,662)	(104,545,022)
Nonoperating Revenues (Expenses)		
State appropriations	35,569,790	35,649,382
State appropriations - ARRA	—	2,486,777
On-behalf contributions for OTRS	4,430,881	3,790,022
Ad valorem property taxes	35,336,650	34,926,470
Federal and state grants	33,651,499	30,584,170
Investment income	51,653	875,157
Interest on capital-related debt	(1,281,512)	(582,969)
Other nonoperating revenues (expenses)	—	(948,388)
Net Nonoperating Revenues	107,758,961	106,780,621
Income (Loss) Before Other Revenues, Expenses, Gains, and Losses	2,732,299	2,235,599
State appropriations restricted for capital purposes	1,249,003	1,312,025
OCIA on-behalf state appropriations	198,875	656,694
Change in Net Assets	4,180,177	4,204,318
Net Assets at Beginning of Year	108,733,896	104,529,578
Net Assets at End of Year	$ 112,914,073	$ 108,733,896

Tulsa Community College
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Tuition and fees	$ 8,230,914	$ 9,481,860
Grants and contracts	9,243,586	9,638,762
Payments to suppliers and other operating payments	(40,332,177)	(33,811,875)
Payments to employees	(83,658,565)	(88,995,725)
Auxiliary enterprises sales and services	15,758,003	15,358,985
Other operating revenue	2,632,784	3,148,062
Other operating payments	(2,582,673)	(8,199,750)
Net Cash Used in Operating Activities	(90,708,128)	(93,379,681)
Cash Flows from Noncapital Financing Activities		
State appropriations	35,569,790	35,649,382
State appropriations - ARRA	—	2,486,777
Other student financial assistance received		30,015,480
Other student financial assistance payments		(30,015,480)
Ad valorem property taxes received	35,336,650	34,926,470
Federal and state grants	33,112,828	27,999,001
Net Cash Provided by Noncapital Financing Activities	104,019,268	101,061,630
Cash Flows from Capital and Related Financing Activities		
Purchases of capital assets	(3,189,466)	(7,328,563)
Capital appropriations received	1,249,003	2,077,535
Principal paid on capital leases and bonds	(10,551,673)	(3,748,804)
Interest paid on capital leases and bonds	(1,182,741)	(350,913)
Proceeds received from bond issue	9,018,608	4,349,121
Net Cash Used in Capital & Related Financing Activities	(4,656,269)	(5,001,624)
Cash Flows from Investing Activities		
Sales and purchases of investments	—	—
Interest received on investments	50,692	850,407
Net Cash Provided by Investing Activities	50,692	850,407
Net Change in Cash and Cash Equivalents	8,705,563	3,530,732
Cash and Cash Equivalents at Beginning of Year	30,555,112	27,024,380
Cash and Cash Equivalents at End of Year	$ 39,260,675	$ 30,555,112
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (105,026,662)	$ (104,545,022)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	7,033,003	8,511,973
On-behalf contributions for OTRS	4,430,881	3,790,022
Changes in operating assets and liabilities		
Receivables, net	1,021,993	394,805
Inventories	28,467	(248,572)
Accounts payable and accrued liabilities	1,796,522	(1,929,110)
Compensated absences	126,566	129,369
Deferred revenue	130,658	593,674
Other	(249,556)	(76,820)
Net Cash Used by Operating Activities	$ (90,708,128)	$ (93,379,681)

Tulsa Community College
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

(Continued)

	2012	2011
Noncash Investing and Capital and Related Financing Activities		
Principal and interest on capital debt paid by state agency on behalf of the College	$ 198,875	$ 656,694
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Current assets		
Cash and cash equivalents	$ 38,294,782	$ 29,708,193
Restricted cash and cash equivalents	965,893	846,919
Noncurrent assets		
Restricted cash and cash equivalents	—	—
	$ 39,260,675	$ 30,555,112

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Tulsa Community College (the College) is a two-year college operating under the jurisdiction of the Board of Regents and the Oklahoma State Regents for Higher Education (the State Regents). Under Oklahoma statutes, the College is the only state-supported institution of higher education that can offer lower division undergraduate courses in Tulsa County.

Reporting Entity

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

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

The Tulsa Community College Foundation, Inc. (the Foundation) is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the College as a whole, including both the College and the School District. While the resources received and held by the Foundation are entirely or almost entirely held for the benefit of the College, the net assets of the Foundation are not considered significant as compared to the net assets of the College. As a result, the Foundation has not been included as a discrete presentation in the financial statements of the College.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected to not apply FASB pronouncements issued after the applicable date.

Use of Estimates

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

Cash Equivalents

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

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 gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets.

Inventories

Inventories are carried at the lower of cost or market on the first-in, first-out (FIFO) method.

Restricted Cash and Investments

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

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists 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. Student accounts receivable are carried at the unpaid balance of the original amount billed to students, and student loans receivable are carried at the amount of unpaid principal. Both receivables are less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, by using historical experience applied to an aging of accounts, and by considering the general economy and the industry as a whole. Student accounts and loans receivable are written off when deemed uncollectible and student loans receivable may be assigned to the Department of Education (the Department). Recoveries of student accounts and loans receivable previously written off are credited to the allowance for doubtful accounts.

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding after the end of the semester. Interest and late charges are not generally assessed; however, if they are, they are not included in income or trade accounts receivables. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the Department.

Accounts receivable also include the distributable amount from the State Regents' endowment trust fund.

Federal and State Grants Receivable

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

Receivable from State Agency

Receivables from state agencies include funds raised by state agencies through bond issuances on behalf of the College to be used for capital improvements. Such funds have either been granted to the College or repayment of the bond issuance is expected to be paid by the state agency on behalf of the College.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $2,500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings; 10 to 25 years for renovations, infrastructure and land improvements; and 3 to 20 years for furniture, fixtures, and equipment.

Deferred Revenues

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

Compensated Absences

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

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and premiums associated with such obligations and (2) other liabilities that will not be paid within the next fiscal year.

Net Assets

The College's net assets are classified as follows:

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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

Ad Valorem Property Taxes

Annually, an Estimate of Needs report is submitted to the County Excise Board by the School District to determine the ad valorem tax levy. The county assessor is required to file a tax roll report on or before October 1 of each year with the county treasurer indicating the net assessed valuation of all real, personal, and public service property (public service property assessed valuations are determined by the Oklahoma Tax Commission). Ad valorem tax is levied each October 1 on the assessed valuation of nonexempt real property located in the School District as of the preceding January 1, the assessment date. Ad valorem taxes are due and become a legally enforceable lien on November 1 following the levy date, although they may be paid in two equal installments (if the first installment is paid prior to January 1, the second installment is not delinquent until April 1). Ad valorem taxes are collected by the county treasurer of Tulsa County, Oklahoma, and are remitted to the School District. Ad valorem taxes include interest earned on tax receipts held by the county prior to transfer to the School District.

In February 1994, the voters of Tulsa County approved a five mills local tax incentive levy, which became effective July 1, 1994, in addition to all other school tax levies on the assessed valuation of all taxable property within the School District. This special levy, which is for the general operations of the School District, became a permanent levy until such time as it is repealed by a majority of the voters.

Joint Venture

In November 1993, the College became a participant in a joint venture between the College and Tulsa County Technology Center School District (Tulsa Vo-Tech) (formerly Tulsa County Area Vocational Technical Center School District No. 18). The joint venture was created to administer and operate the building for which both parties purchased an undivided one-half interest. The operating committee is composed of six members, three selected by the College and three selected by Tulsa Vo-Tech. The operating committee has the authority to make decisions with respect to the day-to-day operations of the property. All operating expenses are shared on a 50-50 basis. Tulsa Vo-Tech is responsible for paying maintenance and operating costs and the receipt of revenue generated from property leases or other income, and bills the College for 50% of the net of these revenues and expenses on a quarterly basis. The College is responsible for the security functions, and bills Tulsa Vo-Tech quarterly for 50% of these expenses. During the years ended June 30, 2012 and 2011, the College expended approximately $240,626 and $350,874, respectively, to Tulsa Vo-Tech for maintenance and operating costs, net of revenues. Tulsa Vo-Tech paid the College approximately $37,604 and $89,347 for security expenses for the years ended June 30, 2012 and 2011, respectively. The College is responsible for continuing to pay 50% of the operating costs of the building until such time that it sells or transfers its interest in the building pursuant to the contract provisions. The joint venture does not issue a stand-alone report or financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

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

Classification of Revenues

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

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state, and local grants and contracts, and (4) interest on institutional student loans.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance, which total approximately \$6,635,334 and \$6,434,304 for the years ended June 30, 2012 and 2011, respectively.

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, in June 2004. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits expense and related liabilities or assets, not disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. GASB Statement No. 45 is effective for the College for the fiscal year beginning July 1, 2007, with earlier adoption encouraged. Management has not yet determined the effect, if any, this statement will have on the College's financial condition or results of operations.

GASB issued Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*, in 2007. GASB No. 50 establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions. This Statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB). The reporting changes required by this Statement amend applicable note disclosure and required supplementary information requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, with early implementation encouraged. Management has not yet determined the effect this Statement will have on the College's financial condition or results of operations.

Subsequent Events

Subsequent events have been evaluated through October 1, 2012, which is the date the financial statements were issued.

Note 2: Deposits and Investments

Custodial Credit Risk – Deposits

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

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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 indentures, 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, 2012 and 2011, the carrying amounts of the College's deposits with the State Treasurer and other financial institutions were as follows:

	2012	2011
Deposits with the State Treasurer	$ 13,350,151	$ 9,765,447
U.S. financial institutions	25,910,524	20,789,665
	$ 39,260,675	$ 30,555,112

At June 30, 2012 and 2011, the related bank balances of the College's deposits totaled $47,300,052 and $31,340,551, respectively, of which $21,389,527 and $30,788,143, respectively, were held with the State Treasurer.

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 banks or invested as the treasurer may determine, in the State's name. Some deposits with the OST are placed in the OST's internal investment pool *OK INVEST*. *OK INVEST* pools the resources of all state funds and agencies and invests them in (a) U.S. treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participates in investments, either directly or indirectly, in securities issued by the U.S. treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the OST. Of the funds on deposit with the OST, amounts invested in *OK INVEST* total $8,246,099 and $2,821,418 in 2012 and 2011, respectively.

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

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Interest Rate Risk

OK INVEST Portfolio	Cost	Market Value
U.S. Agency securities	$ 2,915,415	$ 2,923,984
Certificates of deposit	266,344	266,344
Money market mutual fund	1,128,729	1,128,729
Mortgage Backed Agency Securities	3,639,701	3,867,029
Foreign Bonds	41,496	41,496
Municipal Bonds	147,909	168,747
U. S. Treasury Obligations	106,505	132,872
Totals	$ 8,246,099	$ 8,529,201

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 United States 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.

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

At June 30, 2012 and 2011, the College had the following investments:

	2012	2011
Money market funds	$ 3,933,475	3,837,486
	$ 3,933,475	$ 3,837,486

Note 2: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

Investment maturities were as follows at June 30, 2012:

Investment Type	Fair Value	Investment Maturities (in Years) Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Market Funds	$ 3,933,475	$ 3,933,475	$ —	$ —	$ —	$ —
	$ 3,933,475	$ 3,933,475	$ —	$ —	$ —	$ —

Investment maturities were as follows at June 30, 2011:

Investment Type	Fair Value	Investment Maturities (in Years) Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Market Funds	$ 3,837,486	$ 3,837,486	$ —	$ —	$ —	$ —
	$ 3,837,486	$ 3,837,486	$ —	$ —	$ —	$ —

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 United States government obligations are held by the Federal Reserve Bank in the name of the College.

The Board 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 United States government and its agencies, certificates of deposit, and demand deposits.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. However, the majority of the investments are in money market funds.

Note 3: Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2012	2011
Student tuition and fees	$ 13,642,538	$ 12,327,827
Auxiliary enterprises and other, operating activities	1,981,768	1,293,891
State Regents' endowment trust fund	50,000	50,000
	13,252,787	13,671,718
Less allowance for doubtful accounts	(7,380,939)	(6,090,000)
Net accounts receivable	$ 5,871,848	$ 7,581,718

Note 4: Capital Assets

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance at July 1, 2011	Additions	Transfers	Retirements	Balance at June 30, 2012
Capital assets not being depreciated					
Land	$ 5,150,241	$	$ —	$ —	$ 5,150,241
Construction in progress	—	—	—	—	—
Total capital assets not being depreciated	5,150,241		—	—	5,150,241
Other capital assets					
Buildings and improvements	177,340,723	2,256,078	—	—	179,596,801
Land/infrastructure improvements	5,600,357		—	—	5,600,357
Furniture, fixtures, and equipment	16,705,268	858,088	—	(200,493)	17,362,863
Total other capital assets	199,646,348	3,114,166		(200,493)	202,560,021
Accumulated depreciation					
Buildings and improvements	(76,709,226)	(6,042,049)	—	—	(82,751,275)
Land/Infrastructure improvements	(2,812,661)	(146,455)	—	—	(2,959,116)
Furniture, fixtures, and equipment	(12,647,873)	(844,499)	—	175,591	(13,316,781)
Total accumulated depreciation	(92,169,760)	(7,033,003)	—	175,591	(99,027,172)
Capital assets, net	$ 112,626,829	$ (3,918,837)	$ —	$ (24,902)	$ 108,683,090

Note 4: Capital Assets (Continued)

Following are the changes in capital assets for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Transfers	Retirements	Balance at June 30, 2011
Capital assets not being depreciated					
Land	$ 4,737,741	$ 412,500	$ —	$ —	$ 5,150,241
Construction in progress	—	—	—	—	—
Total capital assets not being depreciated	4,737,741	412,500	—	—	5,150,241
Other capital assets					
Buildings and improvements	172,056,316	5,284,407	—	—	177,340,723
Land/infrastructure improvements	5,575,987	24,370	—	—	5,600,357
Furniture, fixtures, and equipment	15,097,982	1,607,286	—	—	16,705,268
Total other capital assets	192,730,285	6,916,063			199,646,348
Accumulated depreciation					
Buildings and improvements	(70,772,860)	(5,936,366)	—	—	(76,709,226)
Land/infrastructure improvements	(2,610,951)	(201,710)	—	—	(2,812,661)
Furniture, fixtures, and equipment	(10,273,976)	(2,373,897)	—	—	(12,647,873)
Total accumulated depreciation	(83,657,787)	(8,511,973)	—	—	(92,169,760)
Capital assets, net	$ 113,810,239	$ (1,183,410)	$ —	$ —	$ 112,626,829

Note 5: Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30,2012	Amounts Due Within One Year
Revenue bonds, series 2002	$ 8,415,000	$ —	(7,855,000)	$ 560,000	$ 560,000
Revenue bonds, series 2005	5,435,000	—	(945,000)	4,490,000	965,000
Revenue bonds, series 2012	—	7,665,000	—	7,665,000	405,000
	13,850,000	7,665,000	(8,800,000)	12,715,000	1,930,000
Premium & discounts	(199,338)	—	42,017	(157,321)	—
Total Revenue Bonds	13,650,662	7,665,000	(8,757,983)	12,557,679	1,930,000
ODFA, Series 2007F	979,000	—	(979,000)	—	—
ODFA, Series 2009B	10,254,916	—	(429,333)	9,825,583	435,250
ODFA, Series 2010A	2,529,333	—	(152,333)	2,377,000	156,417
ODFA, Series 2011A	—	1,493,000	(56,917)	1,436,083	59,167
Total ODFA Bonds	13,763,249	1,493,000	(1,617,583)	13,638,666	650,834
OCIA, Series 1999 & 2004	1,308,085	—	(134,090)	1,173,996	140,702
OCIA, Series 2005F	10,627,654	—	—	10,627,654	434,859
OCIA, Series 2010A	4,285,037	—	—	4,285,037	—
OCIA, Series 2010B	1,272,559	—	—	1,272,559	—
Total OCIA Bonds	17,493,335	—	(134,090)	17,359,246	575,561
Premiums and discounts	(1,486,731)	—	—	(1,486,731)	—
Total OCIA Bonds	16,006,604	—	(134,090)	15,872,515	—
Total long-term liabilities	$ 43,420,515	$ 9,158,000	$ (10,509,656)	$ 42,068,860	$ 3,156,395

Note 5: Long-term Liabilities (Continued)

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

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amounts Due Within One Year
Revenue bonds, series 2002	$ 8,925,000	$ —	$ (510,000)	$ 8,415,000	$ 535,000
Revenue bonds, series 2005	6,355,000	—	(920,000)	5,435,000	945,000
	15,280,000	—	(1,430,000)	13,850,000	1,480,000
Premiums & discounts	(241,354)	—	42,016	(199,338)	—
Total Revenue Bonds	15,038,646	—	(1,387,984)	13,650,662	1,480,000
ODFA, Series 2007F	2,094,900		(1,115,900)	979,000	979,000
ODFA, Series 2009B	10,688,926		(434,010)	10,254,916	429,333
ODFA, Series 2010A	—	2,650,000	(120,667)	2,529,333	152,333
Total ODFA Bonds	12,783,826	2,650,000	(1,670,577)	13,763,249	1,560,666
OCIA Series 1999 & 2004	1,435,902	—	(127,817)	1,308,085	—
OCIA, Series 2005F	14,757,699	—	(4,130,045)	10,627,654	—
OCIA, Series 2010A	—	4,285,037	—	4,285,037	—
OCIA Series 2010B	—	1,272,559	—	1,272,559	—
	16,193,601	5,557,596	(4,257,862)	17,493,335	—
Premium & discounts	—	(1,699,121)	212,390	(1,486,731)	—
Total OCIA Bonds	16,193,601	3,858,475	(4,045,473)	16,006,604	—
Total bonds and capital leases	$ 44,016,073	$ 6,508,475	$ (7,104,034)	$ 43,420,515	$ 3,040,666

Revenue Bonds Payable

Revenue Bonds, Series 2002: The Board of Regents authorized the College to issue Revenue Bonds, Series 2002 (the Series 2002 Bonds) dated January 1, 2002, in the amount of $12,000,000. The total serial bonds of $6,520,000 matured on July 1 of each year beginning July 1, 2003 through July 1, 2015, in annual amounts ranging from $395,000 to $645,000, interest rates ranging from 2.55% to 4.90%. The total term bonds of $5,480,000 bear interest at 5.50% and had a final maturity on July 1, 2022. The Series 2002 Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system.

The Series 2002 Bonds are subject to mandatory redemption prior to maturity, on 30 days' notice in part on July 1, 2016 and on each July 1 thereafter to and including July 1, 2022, out of required payments to the principal account at the principal amount thereof plus accrued interest to the date for fixed redemption. At June 30, 2012 and 2011, $560,000 and $8,415,000 remained outstanding, respectively. The College paid $7,855,000 and $510,000 in principal, and $280,440 and $450,835 in related interest, on these bonds during 2012 and 2011, respectively.

Revenue Bonds, Series 2005: The Board of Regents authorized the College to issue Revenue Bonds, Series 2005 (the Series 2005 Bonds) dated July 1, 2005, in the amount of $9,725,000 which mature on July 1 of each year beginning July 1, 2006 through July 1, 2016, in annual amounts ranging from $795,000 to $1,005,000, interest rates ranging from 3.05% to 4.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2005 Bonds are subject to redemption prior to maturity as set forth in Sixth Supplemental Bond Resolution. At June 30, 2012 and 2011, $4,490,000 and $5,435,000

Note 5: Long-term Liabilities (Continued)

Revenue Bonds Payable (Continued)

remained outstanding, respectively. The College paid $945,000 and $920,000 in principal, and $184,916 and $212,976 in related interest, on these bonds during 2012 and 2011, respectively. The Series 2005 Bonds are net of $0 and $218,885 of deferred refunding costs resulting from the refunding of the Series 1996 Bonds at June 30, 2012 and 2011, respectively. Deferred refunding costs are amortized as a component of interest expense over the life of the Series 2005 Bonds. During 2012 and 2011, $31,270 and $31,270 of the deferred refunding costs was amortized into interest expense each year.

Revenue Bonds, Series 2012: The Board of Regents authorized the College to issue Revenue Bonds, Series 2012 (the Series 2012 Bonds) dated January 1, 2012, in the amount of $7,665,000 which mature on July 1 of each year beginning July 1, 2012 through July 1, 2022, in annual amounts ranging from $405,000 to $795,000, interest rates ranging from 2.00% to 3.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2012 Bonds are subject to mandatory redemption prior to maturity, on 30 days' notice at any time in inverse order of maturity, out of required payments to the principal account at the principal amount thereof plus accrued interest to the date for fixed redemption. At June 30, 2012 and 2011, $7,665,000 and $0 remained outstanding, respectively. The College made no payments to principal and related interest to these bonds during 2012 and 2011, respectively.

Future principal and interest payments required to be made in accordance with all of the revenue bond agreements at June 30, 2012, are as follows:

	Principal	Interest	Total
Years Ending June 30,			
2013	$ 1,930,000	$ 725,399	$ 2,655,399
2014	1,690,000	292,736	1,982,736
2015	1,525,000	244,968	1,769,968
2016	1,590,000	201,943	1,791,943
2017	1,545,000	139,703	1,684,703
2018 – 2022	3,830,000	352,494	4,182,494
2023 – 2024	605,000	9,830	614,830
	$ 12,715,000	$ 1,967,073	$ 14,682,073

Note 5: Long-term Liabilities (Continued)

Oklahoma Development Finance Authority Master Lease Bonds

Bond Series 2007B

In August 2007, the College entered into a 5-year lease agreement with the Oklahoma Development Finance Authority (ODFA) and the State Regents as a beneficiary of a portion of the proceeds from the ODFA State Regents for Higher Education Master Lease Revenues Bonds, Series 2007B (Master Lease 2007B). The College received a net amount of $4,779,000 of the proceeds for the implementation of the purchase and training of the Banner Software System. Lease payments made by the College are forwarded to the trustee bank of 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 future lease payments. The trust agreements for all the Revenue Bond Series provide that bond proceeds and pledged revenues be used to establish various bond sinking funds and reserve funds (see *Note* 2).

Bond Series 2009B

In December of 2009, the College entered into a 20 year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2009B. The College received a net amount of $10,067,000 of the proceeds for energy efficiency modifications at all campus locations. In September of 2009, the College also entered into a 15 year lease agreement and received $859,000 to purchase a building and related activities for the Metro Campus. Lease payments made by the College are forwarded to the trustee bank of the State Regents for future principal and interest payments on the Master Lease Board.

Bond Series 2010A

In December of 2010, the College entered into a 20 year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2009B. The College received a net amount of $2,647,211 of the proceeds for energy efficiency modifications at all campus locations.

Future principal and interest payments to be made in accordance with the Master Lease Bond agreements at June 30, 2012 are as follows:

	Principal	Interest	Total
Years Ending June 30,			
2013	650,834	499,702	1,150,536
2014	666,667	971,588	1,638,255
2015	691,166	459,277	1,150,443
2016	715,667	437,222	1,152,889
2017	740,416	413,911	1,154,327
2018-2022	4,056,833	1,700,714	5,757,547
2023-2027	4,460,416	939,115	5,399,531
2028-2031	1,656,667	128,461	1,785,128
	$ 13,638,666	$ 5,549,990	$ 19,188,656

Note 5: Long-term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations

1999 Series A, B, and C

In September 1999, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents allocated $2,500,000 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 the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for 20 years. The proceeds of the bonds and subsequent lease are to provide for capital improvements at the College.

The College has drawn down all of its allotment during the year ended June 30, 2002, for expenses incurred in connection with the specific project. These expenses have been capitalized as investment in fixed assets in accordance with the College's policy. The College has recorded a lease obligation payable to OCIA for the total amount of the allotment, less repayments made through June 30, 2007. The College expensed its pro rata share of the bond issuance costs during the year ended June 30, 2002.

During the years ended June 30, 2012 and 2011, OCIA made lease principal and interest payments totaling $198,875 and $656,694, respectively, on behalf of the College. These on-behalf payments have been recorded as restricted state appropriations in the statements of revenues, expenses, and changes in net assets.

2005 Series F

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately $16,025,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006 through July 1, 2030, will be $27,991,770. Payments will be made annually ranging from $439,337 to $1,210,340, by the state of Oklahoma on behalf of the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds.

The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

Through June 30, 2012, the College has drawn down $10,309,602 of its total allotment for expenses incurred in connection with the specific projects. The College has recorded a receivable totaling $344,691 at June 30, 2012 and 2012, for its allotment not drawn down as of that date (inclusive of $18,687 and $33,107 of interest earned during 2012 and 2011, respectively).

Note 5: Long-term Liabilities (Continued)

Oklahoma Capital Improvement Authority Lease Obligations (Continued)

In August 2010 the College's 2005 Series F lease agreement with the Oklahoma Capital Improvement Authority (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 $1,486,731 on restructuring as a deferred cost that will be 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 $1,486,731 also approximates the economic cost of the lease restructuring.

The OCIA Series 2005 bonds were issued at a premium. The College's pro rata portion of the premium was $464,934. During 2010, the College recognized $8,124 of amortization, leaving a balance of the unamortized bond premium of $441,502. During 2011, the unamortized bond premium was eliminated. The unamortized bond premium for 2010 is included in the OCIA capital lease obligation in the accompanying financial statements.

During the year ending June 30, 2012, the College recognized $1,699,121 of amortization on the deferred cost of lease restructuring on the OCIA Series 2005F lease obligation, leaving a balance of the unamortized deferred costs of $212,390. The unamortized deferred cost is included in the OCIA capital lease obligation in the accompanying financial statements.

The scheduled principal and interest payments related to the OCIA Capital Lease obligations at June 30, 2012, are as follows:

	Principal	Interest	Total
Years Ending June 30,			
2013	$ 575,561	$ 702,061	$ 1,277,622
2014	1,345,965	707,862	2,053,827
2015	1,386,775	661,987	2,048,762
2016	1,653,996	681,860	2,335,866
2017	1,728,870	607,065	2,335,935
2018 – 2022	2,839,381	2,238,834	5,078,205
2023 – 2027	4,531,205	1,519,871	6,051,076
2028– 2032	3,297,493	333,152	3,630,645
	$ 17,359,246	$ 7,452,692	$ 24,811,938

Note 6: Retirement Plans

The College's academic and nonacademic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System, which is a state of Oklahoma public employee's retirement system, and a 403(b) annuity plan, which is a privately administered plan. The College does not maintain the accounting records, hold the investments for, or administer these plans. If the previously mentioned plans do not provide a computed minimum benefit amount, the College provides the difference under a Supplemental Retirement Plan, a privately administered plan, for those employees meeting certain eligibility requirements.

Oklahoma Teachers' Retirement System

Plan Description

The College contributes to the Oklahoma Teachers' Retirement System (the OTRS), a cost-sharing multiple-employer defined benefit pension plan sponsored by the state of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the state of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. The OTRS does not provide for a cost-of-living adjustment. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to the Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy

The authority to define or amend employer contribution rates is given to the Board of Trustees of OTRS by Oklahoma statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate for 2012, 2011 and 2010 was 9.5%, and is applied to annual compensation and is determined by state statute.

Employee's contributions are also determined by state statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2012, 2011, and 2010. The College's contributions to the OTRS for the years ended June 30, 2012, 2011, and 2010, were approximately $9,801,031, $10,917,369, and $8,612,049, respectively, equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

Note 6: Retirement Plans (Continued)

Oklahoma Teachers' Retirement System (Continued)

The state of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2007 and 2006, the state of Oklahoma contributed 3.54% of state revenues from sales and use taxes, and individual income taxes, to the OTRS on behalf of participating employers. The College has estimated the amounts contributed to the OTRS by the state of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the OTRS for the year by the applicable percentage of taxes collected during the year. For the years ended June 30, 2012 and 2011, the total amounts contributed to the OTRS by the state of Oklahoma on behalf of the College were approximately $4,430,851 and $3,790,022, respectively. These on-behalf payments have been recorded as both nonoperating state appropriations revenues and operating compensation and employee benefits expenses in the statements of revenues, expenses, and changes in net assets.

403(b) Annuity Plan

All eligible employees of the College can elect to participate in a 403(b) tax-deferred annuity plan [the 403(b) Plan], a defined contribution pension plan administered by an independent fiduciary. Pension expense is recorded for the amount of the College's required contributions determined in accordance with the terms of the 403(b) Plan. Eligible employees who elect to participate are required to make a minimum contribution to the 403(b) Plan in an amount equal to 1% of total annual compensation, as defined by the 403(b) Plan. The 403(b) Plan provides retirement benefits to participating employees and their beneficiaries. Benefit provisions and contribution requirements are contained in the 403(b) Plan document and were established and can be amended by action of the College's Board of Regents. The College's contribution rate for the years ended June 30, 2012 and 2011, was 3% of an eligible employee's annual base salary, as defined in the 403(b) Plan document. Contributions made by the College and participants during 2012 and 2011 totaled approximately $2,889,686 and $2,937,323 respectively.

Supplemental Retirement Plan

Plan Description

The College's Supplemental Retirement Plan (SRP) is a single-employer, defined-benefit pension plan administered by an administrative committee appointed by the College's Board of Regents. The SRP was established by the College's Board of Regents to provide supplemental retirement and death benefits to College employees who meet certain eligibility requirements (i.e., were hired prior to July 1, 1987), or to those eligible employees' beneficiaries. The authority to amend the SRP's benefit provisions rests with the College's Board of Regents. The SRP does not issue a stand-alone financial report nor is it included in the financial report of another entity.

Note 6: Retirement Plans (Continued)

Funding Policy

The authority to establish and amend eligible employees' and employer contribution obligations to the SRP rests with the College's Board of Regents. Eligible employees are not required to make contributions to the SRP. The College is required to contribute to the SRP an actuarially determined amount on an annual basis. The SRP's assets are primarily invested in debt and equity securities, common trust funds, and mutual funds.

Annual Pension Cost and Net Pension Obligation (Asset)

Annual pension cost and net pension obligation (asset) of the SRP were as follows:

	2012	2011
Annual required contribution	$ —	$ —
Interest on net pension obligation (asset)	(76,485)	(52,017)
Adjustment to annual required contribution	(43,204)	279,393
Annual pension cost	(119,689)	227,376
Contributions made	—	—
Increase (decrease) in net pension obligation		227,376
Net pension obligation (asset) at beginning of year	(956,064)	(1,183,440)
Net pension obligation (asset) at end of year	$ (1,075,753)	$ (956,064)

Supplemental Retirement Plan

Annual Pension Cost and Net Pension Obligation (Asset)

The annual required contributions for 2012 and 2011 were determined as part of an actuarial valuation on June 30, 2007 and 2006, using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a social security wage base increase of 3% annually plus a cost-of-living adjustment of 2.5% annually; (b) normal retirement at age 65 with at least 10 years of service; (c) an 8% rate of return on investments; and (d) project salary increases of 3.5% per year. The value of the SRP assets is based on each investment's fair value. The unfunded actuarial accrued liability is being amortized over 15 years at a level dollar amount on a closed basis.

The following is required supplemental information for the years ended June 30, 2012, 2011, and 2010.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
June 30, 2012	$ 897,217	$ 978,402	$ 81,185	91.70%	$22,265,584	-0.36%
June 30, 2011	$ 1,164,009	$ 981,152	$ (182,857)	118.64%	$24,415,290	-0.75%
June 30, 2010	$ 1,316,026	$ 1,315,372	$ (654)	100.05%	$27,557,882	-0.002%

The actuarial accrued liability is based on the projected unit credit method.

Note 7: Related Party Transactions

The Foundation provides support for the College by way of scholarships and other direct resources. Scholarships awarded by the Foundation are remitted to the College after the College pays the award recipient and amounted to $123,666 and $135,451 in 2012 and 2011, respectively. The Foundation provided the College with funds to be used for equipment purchases and other special projects during 2012 and 2011 of approximately $759,132 and $1,223,000, respectively.

Note 8: Commitments and Contingencies

The College conducts certain programs pursuant to various grants and contracts that are subject to financial and compliance audits by the grantors, their representatives, or federal and state agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies can be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

The College participates in the Federal Family Education Loan Program (the FFEL Program), which includes the Federal Stafford Loan Program and Federal Parents Loan for Undergraduate Students programs. The FFEL Program does not require the College to draw down cash; however, the College is required to perform certain administrative functions under the FFEL Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. For the years ended June 30, 2012 and 2011, approximately $34,507,768 and $30,015,480, respectively, of FFEL Program loans were provided to students of the College.

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, 2012, that management believes would result in a material loss to the College in the event of an adverse outcome. The College is a defendant in various lawsuits, and is vigorously defending those lawsuits. Although the outcome of these lawsuits is not presently determinable, the College's management believes the resolution of these matters will not have a material impact on the financial condition of the College.

Note 9: Risk Management

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life, and accident benefits. The College pays an annual premium to the Risk Management Division of the State of Oklahoma Department of Central Services for its tort liability, vehicle liability, property loss, and general liability insurance coverages. Commercial insurance coverage is purchased for claims arising from such matters other than torts, property, and workers' compensation. The College, as a state agency, participates in the Oklahoma State and Education Employee's Group Insurance Board (the Plan), a public entity risk pool. The College pays an annual premium to the Plan through member premiums. The College carries insurance with the State Insurance Fund for other risks of loss including workers' compensation and employee accident and health insurance. The College has purchased commercial medical malpractice insurance, which covers substantially all faculty and students participating in the College's medical services curriculum. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

Note 10: Ad Valorem Property Taxes

The voters of Tulsa County have approved a local tax levy (in addition to all other school tax levies) on the assessed valuation of all taxable property within the School District. This tax levy, which is for the general operations of the College through the School District, is a permanent levy until such time as it is repealed by a majority of the voters of Tulsa County.

Ad valorem property tax revenue for the years ended June 30, 2012 and 2011, were as follows:

	2012	2011
General operations	$ 34,959,326	$ 34,926,470
Debt service on the General Obligation Bonds	—	—
	$ 34,959,326	$ 34,926,470

Note 11: Section 13 Offset Program

The State Regents allocates funds to institutions who are not beneficiaries of the "Section 13" and "New College Trust Funds" under the Section 13 Offset Program. These funds are to be used by an institution for projects which are on the approved campus master plan. The College has been allotted funds under this program to use for capital repairs or expansions. The College was allotted and expended approximately $1,249,003 and $1,312,025 under this program for each of the years ended June 30, 2012 and 2011, respectively.

Note 12: Deposits with Oklahoma State Regents

In connection with the State Regents' Endowment Program (the Endowment Program), the state of Oklahoma has matched contributions received under the Endowment Program. The state match amounts, plus any retained accumulated earnings, totaled approximately $2,522,833 and $2,522,833 at June 30, 2012 and 2011, respectively, and is invested by the State Regents on behalf of the College. The College is entitled to receive an annual distribution of 5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the State Regents, the funds available for distribution, or approximately $0 and $114,628 at June 30, 2012 and 2011, respectively, are included in accounts receivable in the statements of net assets. With regard to institutional funds, approximately $2,522,833 and $2,522,833 as of June 30, 2012 and 2011, respectively, are included in deposits with the State Regents in the statements of net assets.

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Independent Auditors' Report on Supplemental Information

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited the financial statements of Tulsa Community College (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 1, 2012. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule of revenues and expenditures for the College's student center systems and schedule of expenditures of state awards for the year ended June 30, 2012, is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in the accompanying schedule of revenues and expenditures and schedule of expenditures of state awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Hinkle & Company, pc

Tulsa, Oklahoma
October 1, 2012

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Tulsa Community College
Schedule of Expenditures of State Awards
Year Ended June 30, 2012

State Grantor/Program Title	CFDA Number	Contract Period	Total Award or Contract Amount	State Expenditures
Oklahoma Department of Health and Human Services				
AHEC Rural Health	N/A	7/1/10 – 6/30/11	$ 66,858	$ 59,341
Oklahoma State Regents for Higher Education				
AHEC MASH	N/A	7/1/10 – 6/30/11	21,450	21,880
AHEC State	N/A	7/1/10 – 6/30/11	70,500	70,500
AHEC IMPACT	N/A	7/1/10 – 6/30/11	50,000	50,000
Regents, other	N/A	7/1/10 – 6/30/11	4,500	4,500
State of Oklahoma				
Gear-up	N/A	7/1/10 – 6/30/11	50,000	—
Total State Awards			$ 263,308	$ 206,221

Tulsa Community College
Schedule of Revenues and Expenses – Student Center Systems
Year Ended June 30, 2012

	2012	2011
Revenues		
Campus store	$ 11,010,495	$ 10,435,055
Student activities	2,872,109	2,649,679
Student center fee	2,884,880	3,433,595
Parking fees, game room, and other	1,719,312	1,461,761
Food services	104,190	96,950
Total Revenues	18,590,986	18,077,040
Expenses		
Cost of sales	8,049,705	7,503,200
Salaries and benefits	3,557,746	3,629,325
General, administrative, and other	3,066,783	4,073,772
Equipment	81,761	115,533
Total Expenses	14,755,995	15,321,830
Excess of Revenues over Expenses	$ 3,834,991	$ 2,755,210

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

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited the financial statements of Tulsa Community College (the College) as of and for the year then ended June 30, 2012, and have issued our report thereon dated October 1, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Compliance and Other Matters

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

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

Hinkle & Company, PC

Tulsa, Oklahoma
October 1, 2012

Exhibit

Tulsa Community College Foundation

Financial Statements
with Independent Auditors' Report

June 30, 2012 and 2011

Tulsa Community College Foundation
Financial Statements
June 30, 2012 and 2011
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Independent Auditors' Report on Financial Statements

Board of Trustees
Tulsa Community College Foundation
Tulsa, Oklahoma

We have audited the statements of financial position – modified cash basis of Tulsa Community College Foundation (the Foundation) as of June 30, 2012 and 2011, and the related statements of activities – modified cash basis and statements of cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, the Foundation's policy is to prepare its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended on the basis of accounting described in Note 1.

Hinkle & Company, PC

Tulsa, Oklahoma
November 26, 2012

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Tulsa Community College Foundation
Statements of Financial Position
Modified Cash Basis
June 30, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 1,145,299	$ 883,537
Short-term loans receivable from students	3,149	—
Investments	5,243,565	5,341,654
Total Assets	$ 6,392,013	$ 6,225,191
Liabilities		
Accrued expenses	$ 11,374	$ —
Total Liabilities	11,374	—
Net Assets		
Unrestricted net assets	37,362	30,568
Temporarily restricted net assets	1,099,712	1,326,184
Permanently restricted net assets	5,243,565	4,868,439
	6,380,639	6,225,191
Total Net Assets	$ 6,392,013	$ 6,225,191

See Notes to Financial Statements

Tulsa Community College Foundation
Statements of Activities
Modified Cash Basis
Years Ended June 30, 2012 and 2011

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	$ 330,972	$ 1,162,980	$ 50,000	$ 1,543,952
Interest and dividends	1,454	12,656	133,878	147,988
Other income	1,050	—	—	1,050
Net realized and unrealized gains/(losses) on Investments	—	(38,641)	(330,982)	(369,623)
Net assets released from restrictions satisfaction of program restrictions	842,908	(842,908)	—	—
	1,176,384	294,087	(147,104)	1,323,367
Expenses and Grants				
Signature Symphony	188,100	—	—	188,100
Grants to TCC – scholarships	123,666	—	—	123,666
Textbook Trust	30,072	—	—	30,072
Administrative	132,626	—	—	132,626
Fund-raising	86,526	—	—	86,526
Academic programs support	354,582	—	—	354,582
Capital projects and equipment	100,887	—	—	100,887
Community relations	65,336	—	—	65,336
College activity support	74,523	—	—	74,523
Employee recognition	11,201	—	—	11,201
Other	400	—	—	400
	1,167,919	—	—	1,167,919
Change in Net Assets	8,465	294,087	(147,104)	155,448
Transfers	(1,671)	(520,559)	522,230	—
Net Assets at Beginning of Year	30,568	1,326,184	4,868,439	6,225,191
Net Assets at End of Year	$ 37,362	$ 1,099,712	$ 5,243,565	$ 6,380,639

Tulsa Community College Foundation
Statements of Activities
Modified Cash Basis
Years Ended June 30, 2012 and 2011

(Continued)

	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support				
Contributions	$ 315,906	$ 1,557,396	$ —	$ 1,873,302
Interest and dividends	2,088	3,846	55,339	61,273
Other Income	4,350	—	—	4,350
Net realized and unrealized gains on Investments	—	47,644	780,158	827,802
Net assets released from restrictions Satisfaction of program restrictions	1,171,812	(1,171,812)	—	—
	1,494,156	437,074	835,497	2,766,727
Expenses and Grants				
Signature Symphony	157,843	—	—	157,843
Grants to TCC – scholarships	135,451	—	—	135,451
Textbook Trust	27,669	—	—	27,669
Administrative	135,829	—	—	135,829
Fund-raising	91,327	—	—	91,327
Academic programs support	430,000	—	—	430,000
Capital projects and equipment	377,949	—	—	377,949
Community relations	54,436	—	—	54,436
College activity support	71,816	—	—	71,816
Employee recognition	11,201	—	—	11,201
Other	537	—	—	537
	1,494,058	—	—	1,494,058
Change in Net Assets	98	437,074	835,497	1,272,669
Transfers	—	(44,064)	44,064	—
Net Assets at Beginning of Year	30,470	933,174	3,988,878	4,952,522
Net Assets at End of Year	$ 30,568	$ 1,326,184	$ 4,868,439	$ 6,225,191

Tulsa Community College Foundation
Statements of Cash Flows
Modified Cash Basis
Years Ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	$ 155,448	$ 1,272,669
Contributions restricted for endowments	(50,000)	
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains on investments	369,623	(827,802)
Change in:		
Loans receivable	(3,149)	—
Accrued expenses	11,374	—
Net Cash Provided by Operating Activities	483,296	444,867
Cash Flows from Investing Activities		
Proceeds from sales of investments	10,459,719	18,720
Purchases of investments	(10,731,253)	(397,466)
Net Cash Used in Investing Activities	(271,534)	(378,746)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for endowments	50,000	—
Net Cash Provided by Investing Activities	50,000	—
Net Change in Cash and Cash Equivalents	261,762	66,121
Cash and Cash Equivalents at Beginning of Year	883,537	817,416
Cash and Cash Equivalents at End of Year	$ 1,145,299	$ 883,537

See Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Tulsa Community College Foundation (the Foundation) was established for the benefit of Tulsa Community College (the College). The Foundation awards scholarships to students of the College and provides other general support to the College.

The Board of Trustees, which governs the Foundation, is separate and distinct from the Board of Regents, the governing body of the College.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Modifications include recording of investments at fair market value. Consequently, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

Description of Net Assets

The net assets of the Foundation are reported in the following categories:

Unrestricted Net Assets – Net assets for which no donor has imposed a restriction that the assets be used for a specific purpose or held for a certain period of time.

Temporarily Restricted Net Assets – Net assets which result from donor-imposed restrictions that permit the Foundation to expend the donated assets as specified and are satisfied by either the passage of time or by actions of the Foundation.

Permanently Restricted Net Assets – Net assets which result from donor-imposed restrictions that such assets be maintained permanently but permit the Foundation to pay investment management fees and to expend all or a portion of the income and gains derived from the donated assets.

Contributions

Contributions are recorded at estimated fair value on the date received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets which include any amounts released whether received in the current year or prior years.

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Contributions are received primarily from organizations and residents in Tulsa County and surrounding geographic areas.

Donated Services

No revenues have been recognized in the statements of activities for donated services. The Foundation pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with special projects, committee assignments, and service on the Board of Trustees.

Income Taxes

The Internal Revenue Service has recognized the Foundation as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) of the Code. The Foundation is also exempt from state income taxes under a similar provision of Oklahoma state statutes. However, the Foundation is subject to federal income tax on unrelated business income.

Cash and Cash Equivalents

The Foundation considers all liquid investments which have original maturities of three months or less to be cash equivalents, except for such financial instruments included in the Foundation's investment accounts. At June 30, 2012, cash equivalents consisted primarily of certificates of deposit, and business savings and checking accounts.

Investment and Investment Return

Investments in equity securities have a readily determinable fair value and all debt securities are carried at fair value. Investment income and realized and unrealized gains and losses are reflected in the statements of activities as an increase to unrestricted net assets unless donor stipulations restrict such earnings.

Use of Estimates

The preparation of financial statements in conformity with the Foundation's basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosed contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

The Foundation maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on cash.

Subsequent Events

Subsequent events have been evaluated through November 26, 2012, which is the date the financial statements were issued.

Note 2: Related Party Transactions

The Foundation has an agreement with the College whereby the Foundation has agreed to forego its rights to independently acquire office space, hire support personnel, and otherwise provide for independent support services for its activities, so these monies may instead be used for scholarships or other forms of support for the College. In addition, the financial records of the Foundation are administered by individuals who are employees of the College. In consideration of the College providing the staff and clerical support and other services to be performed by the College pursuant to this agreement, the Foundation has agreed to pay the College $24,000 per year plus a portion of certain College employees' salaries and benefits. During the years ended June 30, 2012 and 2011, the Foundation paid the College $132,626 and $103,575, respectively, as a result of this agreement. During the years ended June 30, 2012 and 2011, the Foundation awarded scholarships totaling $123,666 and $135,451 to students of the College and contributed $825,101 and $1,131,451, respectively, for other college support activities.

Note 3: Investments

Investments at June 30, 2012 and 2011, were as follows:

	June 30, 2012		
	Fair Value	Cost	Unrealized Gain/(Loss)
Money market mutual funds	$ 121,032	$ 121,032	$ —
Equity securities mutual funds	3,340,592	3,490,371	(149,779)
Debt securities mutual funds	1,054,968	1,044,367	10,601
Real Estate and other mutual funds	726,973	748,722	(21,749)
	$ 5,243,565	$ 5,404,492	$ (160,927)

	June 30, 2011		
	Fair Value	Cost	Unrealized Gain/(Loss)
Money market mutual funds	$ 31,111	$ 31,111	$ —
Equity securities mutual funds	5,266,529	4,844,696	421,833
Debt securities mutual funds	44,014	42,883	1,131
	$ 5,341,654	$ 4,918,690	$ 422,964

Note 4: Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 and 2011, are available for the following purposes.

	2012	2011
Scholarships	$ 261,921	$ 251,049
Lectureships	12,372	11,009
Signature Symphony	192,902	78,032
TCC Textbook Trust	258,782	743,015
Sam S. Miller Student Emergency Fund	87,100	70,000
Planned Physical Therapy Facility	85,875	—
First Chair Society	67,108	72,658
Other	133,652	100,421
	$ 1,099,712	$ 1,326,184

Note 4: Restricted Net Assets (Continued)

Permanently restricted net assets at June 30, 2012 and 2011, are restricted to investment in perpetuity in accordance with donor stipulations. The donors have also stipulated that a portion of the income from these assets is expendable to support the following:

	2012	2011
Scholarships and textbook assistance	$ 1,232,116	$ 680,048
Endowed Chairs	3,985,565	4,161,570
Lectureships	25,884	26,821
	$ 5,243,565	$ 4,868,439

Note 5: Endowments

The Foundation's permanent endowment consists of approximately 20 individual funds established for a variety of purposes. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions. The Foundation defines endowed funds as the corpus of the endowed gift, plus any appreciation required to be added to the corpus as documented in the gift documents.

Interpretation of Relevant Law: In accordance with the requirements of FAS 117-1, and the Oklahoma Uniform Prudent Management of Institutional Funds Act (OUPMIFA), the Foundation will report the market value of an endowment as perpetual in nature. As a result, the Foundation classifies as permanently restricted (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts donated to the endowment, (3) all realized and unrealized gains and losses of the endowment, and (4) less any amounts distributed in accordance with the spending policy which will be classified as temporarily restricted. In accordance with OUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purpose of the Foundation and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of the Foundation;
(7) The investment policies of the Foundation.

Note 5: Endowments (Continued)

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results which generate a dependable, increasing source of income and appreciation while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this plan.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives while reducing risk to acceptable levels.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year based upon the gift document which varies by gift. The majority of gifts allow an annual distribution of up to 5% of its endowment fund's fair value as of the immediately preceding December 31. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Actual growth and growth in any given year may vary from this plan.

Permanently Endowment Net Asset Composition as of June 30, 2012 and 2011:

	2012	2011
Donor-restricted endowment funds	$ 5,243,565	$ 4,868,439
Board-designated endowment funds	—	—
Total endowment funds	$ 5,243,565	$ 4,868,439

Note 5: Endowments (Continued)

Changes in Permanently Restricted Endowment Net Assets for the year ending June 30, 2012 and 2011:

	2012	2011
Endowment net assets - beginning	$ 4,868,439	$ 3,988,878
Investment return	(197,104)	835,497
Contributions/Reclassifications	50,000	—
Transfer	522,230	44,064
Appropriations for expenditure	—	—
Total endowment funds	$ 5,243,565	$ 4,868,439

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

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Compliance

We have audited Tulsa Community College's (the College) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the compliance of the College based on our audit.

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

In our opinion, Tulsa Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

4500 S. Garnett, Ste. 800
Tulsa, OK 74146
TEL: 918.492.3388
FAX: 918.492.4443
www.SBAdvisors.com

Internal Control over Compliance

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

A deficiency in internal control over compliance exist 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is more than a reasonable possibility that non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Tulsa Community College as of and for the year ended June 30, 2012, and have issued our report thereon dated October 1, 2012. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hinkle & Company, PC

Tulsa, Oklahoma
October 1, 2012

Tulsa Community College
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Amount Expended
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Pell Grant	84.063	$ 31,486,908
Federal Work Study	84.033	280,295
Federal Supplemental Education Opportunity Grant	84.007	379,975
Federal Family Education Loans	84.032	34,507,768
Total Student Financial Aid		66,654,946
Trio Cluster		
Educational Opportunity Center	84.066A	237,395
Upward Bound	84.047A	177,765
TRIO Student Support Services	84.042A	208,031
Total Trio Cluster		630,191
Other Programs		
Passed through Oklahoma Department of Vocational Education		
Carl Perkins	84.048	260,883
Total U.S. Department of Education		67,539,020
U.S. Department of Health and Human Services		
Passed Through Oklahoma Department of Health and Human Services		
Area Health Education Centers	93.107	63,285
Geriatric Education Centers	93.969	12,100
Hit-Pitt Community College	93.271 ARRA	282,400
H-POG Pitt Community College	93.093	227,518
Passed through Oklahoma State Regents for Higher Education		
Child Development Scholar Mentor Program	93.575	167,208
AHEC ORU/Retention – Diversity	93.178	50,575
TANF Youth Program	93.558	
U.S. Department of Commerce		
Oklahoma Manufacturing Alliance	11.611	42,000
U.S. Center for Disease Control		
Passed through Oklahoma State Department of Health		
MEDBEd	93.701 ARRA	99,394
National Center for Research		
Passed through University of Oklahoma Health Sciences Center		
Idea Network for Biomedical Research Excellence (NBRE)	93.389	54,142
(SOLEBEd)	93.389	33,096
U.S. Department of Labor		
DOL IT Grant	17.269	234,075
Passed through Oklahoma Employment Security Commission		
Worker Investment Act – Adult Program	17.258	1,031,689
Worker Investment Act – DLW Program	17.260	613,636
Worker Investment Act – Youth Program	17.259	1,189,636
Worker Investment Act – NEG-OJT Program	17.277	70,930
TAA	17.245	373,617
Passed through Oklahoma State Department of Commerce		
OK Green Training Grant	17.279	244,556
Passed through Oklahoma City Community College		
TAACCCT OK Works	17.282	14,024
National Science Foundation		
NSF Physics	47.076	39,549
Pipestems	47.076	63,229
Total Expenditures of Federal Awards		$ 72,445,679

Tulsa Community College
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1: Summary of Significant Accounting Policies

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

Note 2: Federal Family Education Loan Program

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

Note 3: Subrecipients

During the year ended June 30, 2012, the College did not provide any federal awards to subrecipients.

Tulsa Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

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

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

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

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

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

7. The College's major program was:

Cluster/Program	CFDA Number
Student Financial Aid Cluster	
Federal Pell Grant Program	84.063
Federal Supplemental Education Opportunity Grants	84.007
Federal Work Study Program	84.033
Federal Family Education Loan Program	84.032
Trade Assistance Adjustment	17.245

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

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

Tulsa Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable

Findings Required to be Reportable by OMB Circular A-133

No matters are reportable.

Tulsa Community College
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Findings Required to be Reported by *Government Auditing Standards*

Finding 2011-1

Condition
The College was unable to close their books and prepare their financial statements on a timely basis.

Criteria
Statement on Auditing Standards (SAS) 115 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified during an audit of financial statements.

Cause
By not performing regular monthly account reconciliation on various general ledger accounts.

Management Comment
Management agreed with the finding and stated that there was not enough staff to complete the closing cycle along with everyone is still in the learning processes of the new Banner software.

Recommendation
To have controls and staff in place to review the financials on a monthly basis and to make the necessary adjustments as needed to keep the books current.

Findings Required to be Reportable by OMB Circular A-133

No matters are reportable.