# Financial Statements and Report of Independent Certified Public Accountants

## Tulsa Community College
**(A Component Unit of the State of Oklahoma)**

June 30, 2019 and 2018

**Contents**

OFFICE OF THE PRESIDENT & CEO
LEIGH B. GOODSON, Ph.D.

**Tulsa Community College**
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**Year Ended June 30, 2019**

Members of the Board of Regents:

I am pleased to submit to the Board and the citizens of Tulsa County the Annual Financial report for fiscal year 2019. This document presents the record of the College's financial operations.

Tulsa Community College annually provides outstanding higher educational opportunities for almost 23,000 students in Tulsa and the surrounding area through credit, transfer, workforce development, concurrent enrollment and continuing education, including 125 degree and certificate programs.

In May of 2019, TCC conferred degrees upon 2,449 students for its 49th graduating class. TCC continues to be a leader in providing higher education with the third largest first-time enrolling classes in the state, trailing only Oklahoma State University and the University of Oklahoma.

The College also adopted new Mission, Vision, Beliefs and Values. The new mission, "Building success through education," encompasses the College's continued dedication to not just enrolling new students, but seeing these students have the best chances to persevere in their educational and personal goals.

In an effort to ensure those students who want to continue their educational pursuits after completing their degree at TCC, the College took a leadership role in the Tulsa Transfer Project, which aims to evaluate and streamline the transfer student experience in the state. TCC collaborated with Langston University, Northeastern State University, Oklahoma State University, Rogers State University, the University of Oklahoma, and the University of Tulsa to improve transfer outcomes and increase baccalaureate attainment in the region.

TCC is a key resource in responding to the workforce preparation needs of Tulsa's business community, with more than 29 percent of our students choosing to enroll in one of numerous workforce development programs. The most popular areas of study include nursing, allied health, and business and information technologies. A robust collection of STEM-related degrees makes TCC a vital resource in preparing graduates for Oklahoma's growing science, technology, biotechnology, engineering, and aviation/aerospace sectors.

TCC offers an enriched and diverse academic environment designed to meet student needs. As part of the College's 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.

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In the years since, TCC students have contributed thousands of hours each year in community service to organizations in the Tulsa area. Tulsa Achieves students, who are required to perform 40 hours of community service annually to maintain program eligibility, have given more than 730,561 hours as volunteers in the community since 2007.

The TCC Foundation, an invaluable partner and ally for the College, provides more than $1 million in support of students, faculty and staff each year.

Much of the funding comes from the Foundation's annual Vision in Education Leadership Award Dinner. The 2019 Vision Dinner honored Karen Keith, Tulsa County Commissioner for District 2, and raised an event record $405,000. Funds raised from the dinner provides resources for scholarships, development opportunities and learning experiences.

In FY 2018, the Foundation kicked off the largest fundraising campaign in College history – Clearing the Pathway: The Campaign for Completion. In FY 2019, the campaign was completed, raising more than $20 million in private funds to support student scholarships, academic advisors, Student Success Centers, science lab renovations, and the expansion of diversity and inclusion outreach.

I would like to express my appreciation for the continued support of the community, members of the Board of Regents, Trustees of the TCC Foundation, and members of TCC's faculty and staff. Their dedication to Tulsa Community College will help us make our vision of an educated, employed, and thriving community a reality.

Sincerely,

Leigh B. Goodson, Ph.D
President and CEO

GRANT THORNTON LLP
1717 Main St., Suite 1800
Dallas, TX 75201-4657

D +1 214 561 2300
F +1 214 561 2370
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
Tulsa Community College

### Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Tulsa Community College (the "College") a component unit of the State of Oklahoma, as of and for the year ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Tulsa Community College as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters**

**Required supplementary information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 12, the Schedules of the College's Proportionate Share of the Net Pension Liability/Asset on page 56 and the Schedule of the College's Contributions on page 57 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary information**

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200,* Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards on page 63, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other information**
The Introductory Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 31, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Grant Thornton LLP

Dallas, Texas
October 31, 2019

## NOTE A - OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

This report consists of Management's Discussion and Analysis, the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, 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, 2019. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis. Comparative information for the year ended June 30, 2018 has also been provided.

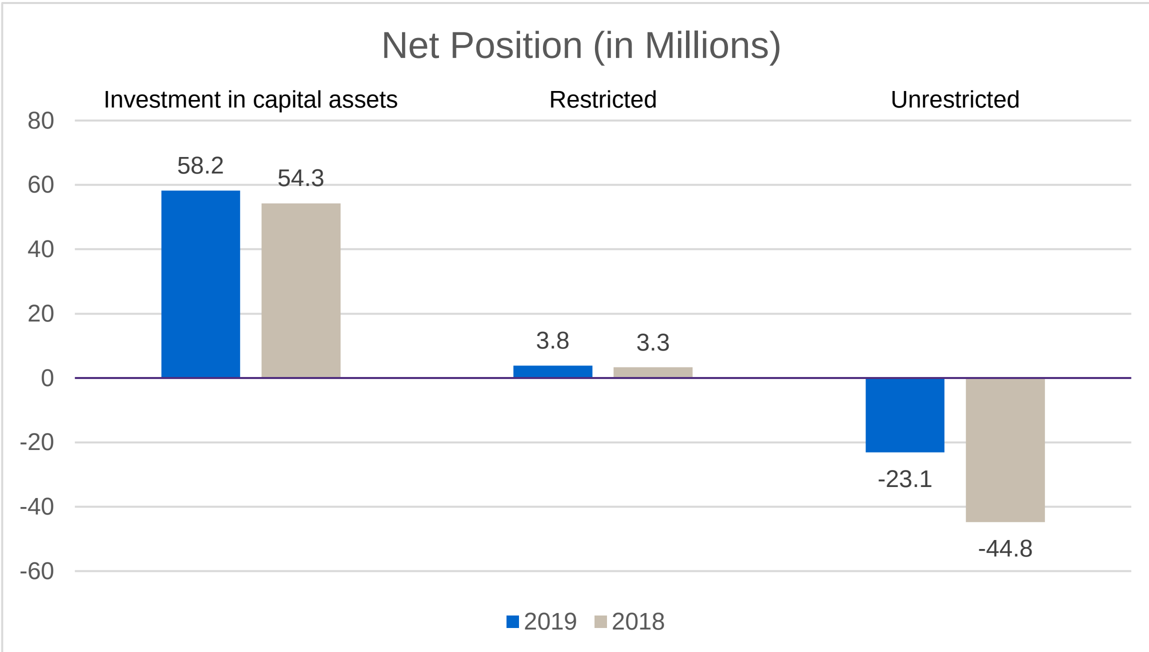
## NOTE B - STATEMENT OF NET POSITION

The Statements of Net Position present the assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) as of the end of the fiscal year. The purpose of the Statement of Net Position 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 position*** - the difference between assets, deferred outflows of resources, and liabilities and deferred inflows of resources is one way to measure the College's financial health, or position. Over time, changes in the College's net position 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 position is divided into three major categories. The first category, net investment in capital assets, provides the College's equity in property, plant, and equipment, net of related debt. The next category, restricted assets, provides the College's assets that must be spent for purposes as determined by donors and/or external entities. Unrestricted assets are available to the College for any lawful purpose of the institution.

The College's financial position, as a whole, increased during the fiscal year ended June 30, 2019. Net position increased approximately $26 million from June 30, 2018 to June 30, 2019.




The following table summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2019 and 2018 (in millions):

**Statements of Net Position**

| | 2019 | 2018 | $ Change |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $ 55.3 | $ 49.1 | $ 6.2 |
| Noncurrent assets: | | | |
| Capital assets, net | 87.1 | 88.0 | (0.9) |
| Other | 7.7 | 6.0 | 1.7 |
| Total assets | 150.1 | 143.1 | 7.0 |
| **Deferred Outflows of Resources** | 13.3 | 16.2 | (2.9) |
| **Liabilities** | | | |
| Current liabilities | 15.2 | 14.7 | 0.5 |
| Noncurrent liabilities | 102.8 | 107.1 | (4.3) |
| Total liabilities | 118.0 | 121.8 | (3.8) |
| **Deferred Inflows of Resources** | 6.5 | 24.8 | (18.3) |
| **Net Position** | | | |
| Net investment in capital assets | 58.2 | 54.3 | 3.9 |
| Restricted | 3.8 | 3.3 | 0.5 |
| Unrestricted | (23.1) | (44.8) | 21.7 |
| Total net position | $ 38.9 | $ 12.8 | $ 26.1 |

Total assets of the College increased $7.0 million from June 30, 2018. The College's non-restricted cash and cash equivalents for the current year totaled $39.8 million compared to $38.8 million in the prior year. Note 2 of the financial statements provides additional information regarding cash and cash equivalents asset activities and balances.

Total liabilities of the College decreased $3.8 million from June 30, 2018. Of this decrease, $1.7 million is related to the favorable change in the net pension liability from July 1, 2018 to June 30, 2019. This favorable change in the net pension liability also contributed to the $2.9 million decrease in deferred outflows of resources, the $18.3 million decrease in deferred inflows of resources and the $11.8 million decrease in compensation and employee benefits. Note 6 of the financial statements provides additional information regarding the OTRS pension plan.

## NOTE C - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position is used to display the sources and uses of funds of the College during the fiscal year. This information must be viewed over a period of time to determine if the goals of the institution are being met. Public institutions will normally not have an excess of operating revenues over operating expenses as state appropriations are considered non-operating revenues under generally accepted accounting principles.

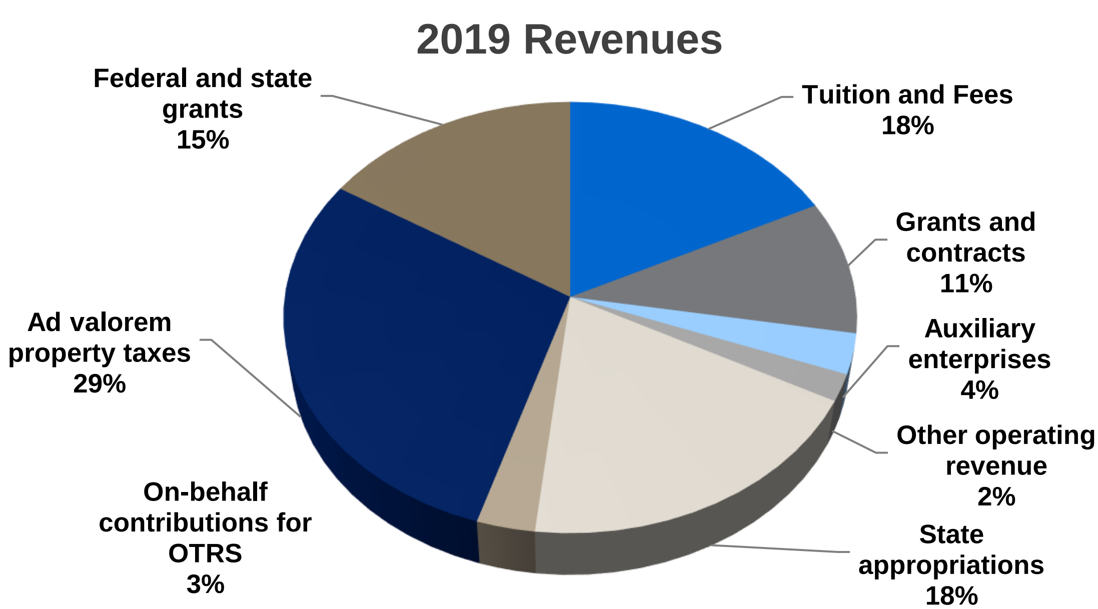
**Statements of Revenue, Expenses, and Changes in Net Position**

| | 2019 | 2018 | $ Change |
|---|---|---|---|
| Operating revenues | 53.9 | $ 49.5 | $ 4.4 |
| Operating expenses | 128.5 | 142.9 | (14.4) |
| Operating loss | (74.6) | (93.4) | 18.8 |
| Non-operating revenues and expenses | 97.5 | 94.1 | 3.4 |
| Income before other appropriations | 22.9 | 0.7 | 22.2 |
| Other appropriations | 3.2 | 3.2 | - |
| Change in net position | $ 26.1 | $ 3.9 | $ 22.2 |

## NOTE D - STATEMENT OF REVENUES

The following table and chart illustrate the revenue streams for the College. To highlight the major sources: 18% is comprised of state appropriations; 29% is ad valorem taxes; 15% is non-operating federal and state grants and contracts; and 35% is operating revenue including tuition and fees, auxiliary services and operating federal and state grants and contracts for the year ended June 30, 2019. The College continues to make revenue diversification an ongoing priority, along with cost containment. This is necessary as the College continues to face financial pressure with uncertain state budget projections, uncertain enrollment projections and increased compensation and benefit costs.

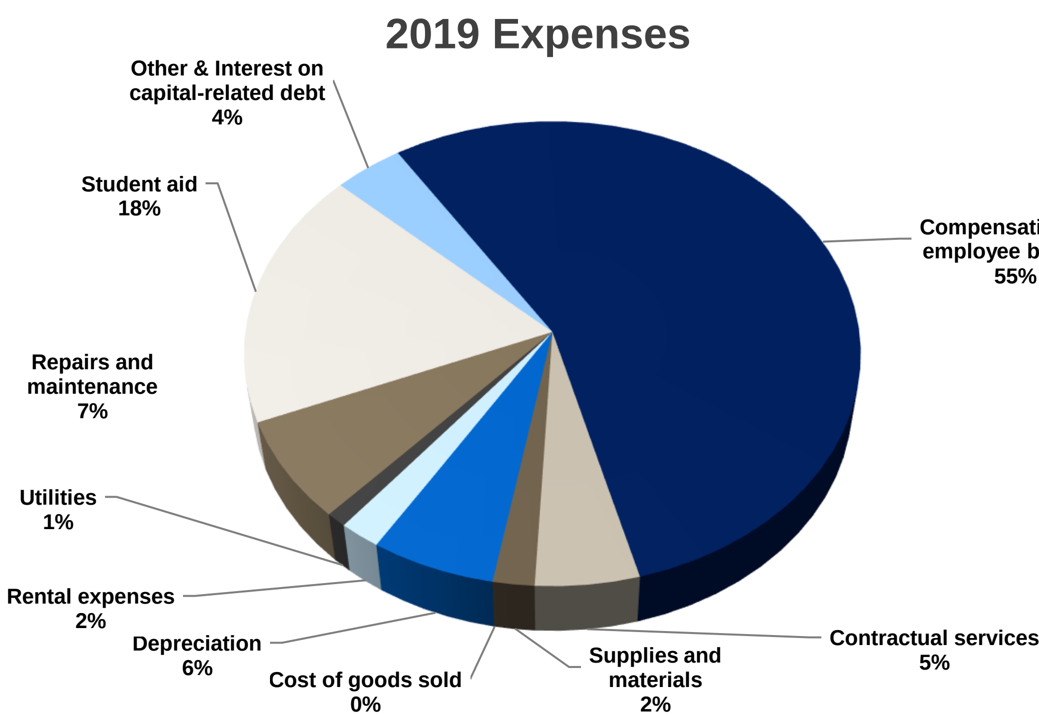
| | 2019 | 2018 | $ Change |
|---|---|---|---|
| **Operating revenues** | | | |
| Tuition and fees, net | 27.9 | $ 25.5 | $ 2.4 |
| Grants and contracts | 16.9 | 9.0 | 7.9 |
| Auxiliary enterprises | 5.4 | 11.6 | (6.2) |
| Other operating revenue | 3.7 | 3.4 | 0.3 |
| Total operating revenues | 53.9 | 49.5 | 4.4 |
| **Non-operating revenues** | | | |
| State appropriations | 28.0 | 28.1 | (0.1) |
| On-behalf contributions for OTRS | 4.0 | 3.3 | 0.7 |
| Ad valorem property taxes | 43.4 | 41.1 | 2.3 |
| Federal and state grants | 23.5 | 22.2 | 1.3 |
| Investment income (loss), net | (0.4) | 0.5 | (0.9) |
| Pension income - OPEB | 0.2 | 0.5 | (0.3) |
| Non-operating revenues | 98.7 | 95.7 | 3.0 |
| Total revenues | $ 152.6 | $ 145.2 | $ 7.4 |



## NOTE E - STATEMENT OF EXPENSES

A summary of the College's expenses, for the years ended June 30, 2019 and 2018, can be viewed below. Compensation and employee benefits accounted for approximately 55% of total expenses compared to 58% of total expenses for the prior year.

| | 2019 | 2018 | $ Change |
|---|---|---|---|
| **Operating expenses** | | | |
| Compensation and employee benefits | 71.3 | $ 83.3 | $ (12.0) |
| Contractual services | 6.1 | 4.9 | 1.2 |
| Supplies and materials | 2.6 | 2.2 | 0.4 |
| Cost of goods sold | 0.1 | 6.9 | (6.8) |
| Depreciation | 8.1 | 8.4 | (0.3) |
| Rental expenses | 2.0 | 1.9 | 0.1 |
| Utilities | 2.2 | 2.1 | 0.1 |
| Repairs and maintenance | 8.8 | 6.6 | 2.2 |
| Student aid | 23.4 | 22.3 | 1.1 |
| Other | 3.9 | 4.2 | (0.3) |
| Total operating expenses | 128.5 | 142.8 | (14.3) |
| **Non-operating expenses** | | | |
| Interest on capital-related debt | 1.3 | 1.7 | (0.4) |
| Total expenses | $ 129.8 | $ 144.5 | $ (14.7) |



## NOTE F - STATEMENT OF CASH FLOWS

The primary purpose of the Statement 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 $3.1 million. The increase is related to a decrease in cash used by operating activities compared to the prior year. The following table summarizes the College's cash flows for the years ended June 30, 2019 and 2018:

| | 2019 | 2018 | $ Change |
|---|---|---|---|
| **Cash (used in) provided by:** | | | |
| Operating activities | $ (79.6) | $ (82.5) | $ 2.9 |
| Noncapital financing activities | 95.2 | 92.0 | 3.2 |
| Capital and related financing activities | (10.1) | (5.4) | (4.7) |
| Investing activities | (2.4) | 0.2 | (2.6) |
| Net change in cash and cash equivalents | 3.1 | 4.3 | (1.2) |
| Cash and equivalents, beginning of the year | 39.6 | 35.3 | 4.3 |
| Cash and equivalents, end of the year | $ 42.7 | $ 39.6 | $ 3.1 |

Cash used in operating activities during fiscal year 2019 of $79.6 million decreased $2.9 million (3.5%) when compared to the prior year ($82.5 million). Major sources of operating funds were tuition and fees ($26.7 million), grants and contracts ($15.7 million) and auxiliary enterprises ($5.4 million), which were offset by payments for compensation and benefits ($83.1 million) and payments to suppliers and other operating payments ($44.2 million).

Cash provided by noncapital financing activities during fiscal year 2019 of $95.2 million increased by $3.2 million compared to the prior year ($92 million). Major sources of noncapital financing activities were State appropriations ($28.0 million), Ad valorem property taxes received ($43.4 million) and Federal and state grants ($23.5 million).

Cash used in capital and related financing activities during fiscal year 2019 of $10.1 million increased $4.7 million when compared to the prior year ($5.4 million). The major source of capital and related financing activities was capital appropriations received ($0.9 million), which was offset by purchases of capital assets ($7.2 million) and principal and interest payments on capital debt and leases ($3.8 million).

Cash used in investing activities during fiscal year 2019 of $2.4 million increased by $2.6 million when compared to the prior year.

## NOTE G - ECONOMIC OUTLOOK

Management believes that the College has a solid financial foundation by which to continue accomplishing its mission of improving our community through intellectual achievement, creative energy, and responsible citizenship of its students, faculty and staff by their engagement in teaching, learning and service opportunities that transform and enrich lives. Our financial foundation permits us to further our commitment to providing innovative, flexible and affordable public higher education that responds to a dynamic global environment. The College is not without its challenges, in the past several years there has been a significant shift in economic conditions which have caused changes in the revenue streams Tulsa Community College uses as operational funding sources. The College has sustained enrollment declines due largely to improved economy as the College’s enrollment is countercyclical to the local economy. However, in light of these challenges management believes that Tulsa Community College is well positioned to continue its focus through strategic investments that continue to improve student success in the form of better retention and graduation rates.

## *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 Controller’s Office personnel and others who have our sincere appreciation.

## Tulsa Community College

## STATEMENTS OF NET POSITION

### June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents (Note 2) | $ 39,762,688 | $ 38,790,989 |
| Cash and cash equivalents - restricted (Note 2) | 2,887,739 | 782,726 |
| Investments (Note 2) | 1,000,000 | 500,000 |
| Investments - restricted (Note 2) | 806,845 | 800,153 |
| Accounts receivable, net (Note 3) | 8,058,848 | 7,088,818 |
| Federal and state grants receivable | 2,327,084 | 1,164,232 |
| Prepaid expenses | 401,816 | - |
| Total current assets | 55,245,020 | 49,126,918 |
| Noncurrent assets | | |
| Investments (Note 2) | 6,126,311 | 3,531,883 |
| Investments - restricted (Note 2) | 767,991 | 766,500 |
| Deposits with the State Regents (Note 12) | - | 1,130,654 |
| Net pension asset - OPEB | 815,106 | 524,944 |
| Non-depreciable capital assets (Note 4) | 11,685,593 | 6,093,994 |
| Depreciable capital assets, net | 75,403,636 | 81,919,568 |
| Total noncurrent assets | 94,798,637 | 93,967,543 |
| Total assets | 150,043,657 | 143,094,461 |
| Deferred Outflows of Resources | | |
| Deferred pension expense - OTRS (Note 6) | 12,824,411 | 15,886,494 |
| Deferred pension expense - OPEB | 475,172 | 361,829 |
| Total deferred outflows of resources | 13,299,583 | 16,248,323 |
| Total assets and deferred outflows of resources | $ 163,343,240 | $ 159,342,784 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | $ 3,484,598 | $ 2,134,433 |
| Accrued liabilities | 3,296,130 | 1,949,874 |
| Accrued compensated absences | 1,771,716 | 1,550,090 |
| Net pension liability - SRP | 25,514 | 25,513 |
| Interest payable | 41,088 | 48,588 |
| Unearned revenues | 3,786,528 | 3,994,399 |
| Long term liabilities - current portion (Note 5) | 2,571,491 | 4,781,461 |
| Deposits held in custody for others | 199,076 | 187,029 |
| Total current liabilities | 15,176,141 | 14,671,387 |
| Noncurrent liabilities | | |
| ODFA bonds (Note 5) | 16,212,402 | 17,648,711 |
| Revenue bonds (Note 5) | 2,180,000 | 2,945,000 |
| OCIA capital lease obligation (Note 5) | 8,157,755 | 8,343,297 |
| Net pension liability - OTRS (Note 6) | 76,232,974 | 77,943,248 |
| Equipment capital lease obligation (Note 5) | - | 230,282 |
| Total noncurrent liabilities | 102,783,131 | 107,110,538 |
| Total liabilities | 117,959,272 | 121,781,925 |
| Deferred Inflows of Resources | | |
| Deferred pension expense - OTRS (Note 6) | 5,964,848 | 24,374,898 |
| Deferred pension expense - OPEB | 564,827 | 428,834 |
| Total deferred inflows of resources | 6,529,675 | 24,803,732 |
| Net Position | | |
| Net investment in capital assets | 58,182,505 | 54,276,535 |
| Restricted for | | |
| Expendable | 3,836,100 | 2,137,654 |
| Nonexpendable - scholarship endowment | - | 1,130,654 |
| Unrestricted | (23,164,312) | (44,787,716) |
| Total net position | 38,854,293 | 12,757,127 |
| Total liabilities, deferred inflows and net position | $ 163,343,240 | $ 159,342,784 |

See accompanying notes to financial statements.

**Tulsa Community College Foundation**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 11,769,508 | $ 6,014,715 |
| Investments (Note 14) | 9,010,533 | 7,891,031 |
| Contributions receivable, net (Note 14) | 4,604,998 | 5,090,663 |
| Total assets | $ 25,385,039 | $ 18,996,409 |
| Liabilities | | |
| Accrued expenses | $ 1,312,759 | $ 375,614 |
| Accounts payable | 6,859 | 53,861 |
| Total liabilities | 1,319,618 | 429,475 |
| Net assets (Note 14) | | |
| Without donor restrictions | 119,002 | 96,415 |
| With donor restrictions | 23,946,419 | 18,470,519 |
| Total net assets | 24,065,421 | 18,566,934 |
| Total liabilities and net assets | $ 25,385,039 | $ 18,996,409 |

See accompanying notes to financial statements.

**Tulsa Community College**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**For the years ended June 30, 2019 and 2018**

| | 2019 | 2018 |
|---|---|---|
| Operating revenues | | |
| Tuition and fees, net (Notes 1 and 5) | $ 27,894,086 | $ 25,513,728 |
| Federal grants and contracts | 6,956,174 | 4,979,187 |
| State and private grants and contracts | 9,948,790 | 4,041,451 |
| Sales and services of auxiliary enterprises | 5,354,004 | 11,587,575 |
| Other operating revenues | 3,700,528 | 3,385,412 |
| Total operating revenues | 53,853,582 | 49,507,353 |
| Operating expenses | | |
| Compensation and employee benefits (Note 6) | 71,341,515 | 83,315,010 |
| Contractual services | 6,123,573 | 4,897,539 |
| Supplies and materials | 2,578,176 | 2,210,830 |
| Cost of goods sold | 30,077 | 6,892,303 |
| Depreciation (Note 4) | 8,116,515 | 8,382,065 |
| Rental expenses | 2,007,118 | 1,945,300 |
| Utilities | 2,198,054 | 2,136,278 |
| Repairs and maintenance | 8,763,146 | 6,614,102 |
| Student aid | 23,411,822 | 22,331,603 |
| Other operating expenses | 3,888,243 | 4,152,055 |
| Total operating expenses | 128,458,239 | 142,877,085 |
| Operating loss | (74,604,657) | (93,369,732) |
| Non-operating revenues (expenses) | | |
| State appropriations | 27,995,998 | 28,142,943 |
| State appropriations - in-kind OTRS pension contributions (Note 6) | 4,013,039 | 3,283,372 |
| Ad valorem property taxes (Note 10) | 43,390,022 | 41,148,601 |
| Federal and state grants | 23,488,708 | 22,216,460 |
| Investment income (loss), net | (388,881) | 554,893 |
| Interest on capital-related debt | (1,265,607) | (1,710,366) |
| Pension income - OPEB | 267,512 | 457,939 |
| Net non-operating revenues | 97,500,791 | 94,093,842 |
| Income before other appropriations | 22,896,134 | 724,110 |
| State appropriations restricted for capital purposes (Note 11) | 945,575 | 951,290 |
| OCIA on-behalf state appropriations | 2,255,457 | 2,273,888 |
| Change in net position | 26,097,166 | 3,949,288 |
| Net position at beginning of year | 12,757,127 | 8,807,839 |
| Net position at end of year | $ 38,854,293 | $ 12,757,127 |

See accompanying notes to financial statements.

**Tulsa Community College Foundation**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and support | | | |
| Contributions | | | |
| Without donor restrictions | $ 430,037 | $ - | $ 430,037 |
| Purpose and time restrictions | - | 8,727,906 | 8,727,906 |
| Endowment funds | - | 1,130,654 | 1,130,654 |
| Contributions-in-kind | 1,800 | 48,631 | 50,431 |
| Interest and dividends, net | 144,993 | 107,382 | 252,375 |
| Net realized and unrealized gains on investments | - | 379,537 | 379,537 |
| Other income | 5,718 | - | 5,718 |
| Net assets released from restrictions (Note 14) | | | |
| Purpose and time | 4,918,210 | (4,918,210) | - |
| Total revenues and support | 5,500,758 | 5,475,900 | 10,976,658 |
| Expenses | | | |
| Program services | | | |
| College support | 5,113,030 | - | 5,113,030 |
| Support services | | | |
| Management and general | 207,806 | - | 207,806 |
| Fundraising | 157,335 | - | 157,335 |
| Total support services | 365,141 | - | 365,141 |
| Total expenses | 5,478,171 | - | 5,478,171 |
| Changes in net assets | 22,587 | 5,475,900 | 5,498,487 |
| Net assets at beginning of year | 96,415 | 18,470,519 | 18,566,934 |
| Net assets at end of year | $ 119,002 | $ 23,946,419 | $ 24,065,421 |

See accompanying notes to financial statements.

**Tulsa Community College Foundation**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenue and support | | | |
| Contributions | | | |
| Without donor restrictions | $ 440,616 | $ - | $ 440,616 |
| Purpose and time restrictions | - | 9,767,315 | 9,767,315 |
| Endowment funds | - | 55,100 | 55,100 |
| Contributions-in-kind | - | 28,082 | 28,082 |
| Interest and dividends, net | 43,630 | 96,697 | 140,327 |
| Net realized and unrealized gain on investments | - | 512,012 | 512,012 |
| Other income | 6,098 | - | 6,098 |
| Net assets released from restrictions (Note 14) | | | |
| Purpose and time | 2,168,596 | (2,168,596) | - |
| Total revenues and support | 2,658,940 | 8,290,610 | 10,949,550 |
| Expenses | | | |
| Program services | | | |
| College support | 2,363,522 | - | 2,363,522 |
| Support services | | | |
| Management and general | 171,867 | - | 171,867 |
| Fundraising | 208,554 | - | 208,554 |
| Total support services | 380,421 | - | 380,421 |
| Total expenses | 2,743,943 | - | 2,743,943 |
| Changes in net assets | (85,003) | 8,290,610 | 8,205,607 |
| Net assets at beginning of year | 181,418 | 10,179,909 | 10,361,327 |
| Net assets at end of year | $ 96,415 | $ 18,470,519 | $ 18,566,934 |

See accompanying notes to financial statements.

**Tulsa Community College Foundation**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the years ended June 30, 2019 and 2018**

| | College Support | Management and General | Fundraising | Total |
|---|---|---|---|---|
| June 30, 2019 | | | | |
| Grants | $ 4,532,583 | $ - | $ - | $ 4,532,583 |
| Community relations | 104,087 | - | - | 104,087 |
| Salaries and benefits | - | 91,645 | - | 91,645 |
| Scholarships | 345,668 | - | - | 345,668 |
| Signature Symphony | 130,692 | - | - | 130,692 |
| Other | - | 116,161 | 157,335 | 273,496 |
| | $ 5,113,030 | $ 207,806 | $ 157,335 | $ 5,478,171 |
| June 30, 2018 | | | | |
| Grants | $ 1,613,091 | $ - | $ - | $ 1,613,091 |
| Community relations | 50,932 | - | - | 50,932 |
| Salaries and benefits | - | 79,189 | - | 79,189 |
| Scholarships | 239,887 | - | - | 239,887 |
| Signature Symphony | 459,612 | - | - | 459,612 |
| Other | - | 92,678 | 208,554 | 301,232 |
| | $ 2,363,522 | $ 171,867 | $ 208,554 | $ 2,743,943 |

See accompanying notes to financial statements.

## Tulsa Community College

## STATEMENTS OF CASH FLOWS

### For the years ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Tuition and fees | $ 26,716,185 | $ 25,421,970 |
| Grants and contracts | 15,742,112 | 10,190,264 |
| Payments to suppliers and other operating payments | (44,163,617) | (45,424,434) |
| Payments to employees | (83,086,346) | (83,509,386) |
| Auxiliary enterprises sales and services | 5,354,004 | 11,587,575 |
| Other operating revenue | 3,700,528 | 3,385,412 |
| Other operating payments | (3,888,243) | (4,152,055) |
| Net cash used in operating activities | (79,625,377) | (82,500,654) |
| **Cash flows from noncapital financing activities:** | | |
| State appropriations | 27,995,998 | 28,142,943 |
| Ad valorem property taxes received | 43,390,022 | 41,148,601 |
| Federal and state grants | 23,488,708 | 22,216,460 |
| OPEB income | 267,512 | 457,939 |
| Deposits held in custody for others | 12,047 | 7,509 |
| Net cash provided by noncapital financing activities | 95,154,287 | 91,973,452 |
| **Cash flows from capital and related financing activities:** | | |
| Purchases of capital assets | (7,192,182) | (2,469,348) |
| Capital appropriations received | 945,575 | 951,290 |
| Principal paid on capital leases and bonds | (2,996,388) | (2,922,783) |
| Interest paid on capital leases and bonds | (848,365) | (930,330) |
| Net cash used in capital and related financing activities | (10,091,360) | (5,371,171) |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of investments | 1,354,168 | - |
| Purchases of investments | (4,456,779) | (284,760) |
| Interest received on investments | 741,773 | 516,876 |
| Net cash (used in) provided by investing activities | (2,360,838) | 232,116 |
| Net change in cash and cash equivalents | 3,076,712 | 4,333,743 |
| **Cash and cash equivalents, beginning of year** | 39,573,715 | 35,239,972 |
| **Cash and cash equivalents, end of year** | $ 42,650,427 | $ 39,573,715 |
| **Reconciliation of operating loss to net cash used in operating activities:** | | |
| Operating loss | (74,604,657) | (93,369,732) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation expense | 8,116,515 | 8,382,065 |
| Changes in operating assets and liabilities: | | |
| Receivables, net | (970,030) | (197,969) |
| Inventories | - | 1,419,157 |
| Prepaid expenses | 401,816 | - |
| Prepaid pension and other assets | (290,161) | (520,247) |
| Accounts payable and accrued liabilities | 2,696,421 | (846,212) |
| Compensated absences | 221,626 | 186,308 |
| Unearned revenues | (207,871) | 106,211 |
| Deferred outflows - pension liability | 2,948,740 | 16,805,002 |
| Deferred inflows - pension liability | (18,274,057) | 18,909,003 |
| Net pension liability | 2,302,765 | (34,543,866) |
| Other | (1,162,852) | 1,169,626 |
| Net cash used in operating activities | (78,821,745) | $ (82,500,654) |
| **Noncash investing and financing activities:** | | |
| OTRS contributions paid by state agency on behalf of the College | 4,013,039 | 3,283,372 |
| Principal and interest on capital debt paid by state agency on behalf of the College | 2,255,457 | 2,273,888 |
| | 6,268,496 | $ 5,557,260 |
| **Reconciliation of cash and cash equivalents to the statement of net position:** | | |
| Current assets | | |
| Cash and cash equivalents | 39,762,688 | 38,790,989 |
| Cash and cash equivalents - current, restricted | 2,887,739 | 782,726 |
| | $ 42,650,427 | $ 39,573,715 |

See accompanying notes to financial statements.

## Tulsa Community College Foundation

## STATEMENTS OF CASH FLOWS

### For the years ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Changes in net assets | $ 5,498,487 | $8,205,607 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Net realized and unrealized gains on investments | (379,537) | (512,012) |
| Contributions restricted for long-term investments | (1,130,654) | (55,100) |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | 485,665 | (5,042,109) |
| Accrued expenses | 937,145 | 342,382 |
| Accounts payable | (47,002) | 53,861 |
| Net cash provided by operating activities | 5,364,104 | 2,992,629 |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of investments | 7,039,291 | 2,154,328 |
| Purchases of investments | (7,779,256) | (1,662,662) |
| Net cash (used in) provided by investing activities | (739,965) | 491,666 |
| **Cash flows from financing activities:** | | |
| Proceeds from contributions restricted for long-term investments | 1,130,654 | 55,100 |
| Net cash provided by financing activities | 1,130,654 | 55,100 |
| Net change in cash and cash equivalents | 5,754,793 | 3,539,395 |
| **Cash and cash equivalents, beginning of year** | 6,014,715 | 2,475,320 |
| **Cash and cash equivalents, end of year** | $ 11,769,508 | $6,014,715 |
| **Noncash investing activities:** | | |
| Gift of investments | $ 103,126 | $ - |

See accompanying notes to financial statements.

## 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) 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 Controller and Chief Financial Officer.

The Tulsa Community College Foundation (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 Foundation's Board of Trustees are not appointed by the College. Due to the College's belief that it would be misleading to exclude, the Foundation is presented as a discretely presented component unit in the financial statements of the College. The Foundation is reported under Financial Accounting Standards Board ("FASB") Accounting Standards Codifications (ASC), including FASB ASC No. 958, *Not-for-Profit Entities.* As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial report for these differences. Separate financial statements are issued for the Foundation and requests for additional financial information related to the Foundation should be addressed to the Chief Financial Officer, Tulsa Community College, 6111 E. Skelly Drive, Tulsa, Oklahoma 74135.

### *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.

### *Use of Estimates*

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

### *Reclassifications*

The statements of cash flows for the prior year include reclassifications in proceeds from sales of investments, purchases of investments and interest received on investments to conform to the current presentation. Such reclassifications have no impact on previously reported change in net position.

### *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).

### *Cash and Cash Equivalents*

For the purposes of preparing the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less from the date of purchase 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, which consist of money market accounts and certificates of deposit, at amortized cost. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

### *Restricted Cash and Investments*

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

### *Accounts Receivable*

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. 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 allowance made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, using historical experience applied to an aging of accounts, and 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 are considered past due if any portion of the receivable balance is outstanding after the end of the respective semester to which it relates. Late fees are assessed one month after the end of the semester on any unpaid accounts. Interest may also be charged on unpaid accounts at an annual rate of 18%. Late charges and interest are included in other operating income and 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 grants and contracts.

### *Inventories*

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

### *Capital Assets*

Capital assets are recorded at cost at the date of acquisition or appraised value at the date of donation. For equipment, the College's capitalization policy includes all items with a unit cost of $2,500 or more and an estimated useful life 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.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Buildings | 40 years |
| Renovations, infrastructure and land improvements | 10 to 25 years |
| Furniture, fixtures and equipment | 3 to 20 years |

### *Impairment of Long-Lived Assets*

In accordance with US GAAP, the College reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for the years ended June 30, 2019 and 2018.

### *Compensated Absences*

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

### *Accumulated Sick Leave*

Sick leave benefits are not recognized as liabilities of the College. The College’s policy is to record sick leave as an operating expenditure or expense in the period taken, since such benefits do not vest nor is payment probable.

***Unearned Revenues***

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

***Pension***

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

***Noncurrent Liabilities***

Noncurrent liabilities include (1) principal amounts of revenue bonds payable, ODFA 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 Position***

GASB requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These net position classifications are defined as follows:

- Net Investment in Capital Assets – This represents the College's total investment in capital assets, net of outstanding debt obligations, including plant fund payables, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

- Restricted Net Position – Nonexpendable – Restricted nonexpendable net position includes resources which the donor has stipulated be maintained in perpetuity. Donor-imposed restrictions limiting the use of the resources or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

- Unrestricted Net Position – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. As of June 30, 2019 and 2018, the College's net position is in a deficit position as a direct result of the unfunded net pension liability, OTRS, which was required to be recognized by the College during fiscal 2015 following the adoption of GASB Statement No. 68.

  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.

Additionally, the School District levies an annual two mills general fund tax on all taxable property within the district. The proceeds of the general fund levy are transferred to the State Treasurer of the State of Oklahoma for deposit into a fund constituting the educational and operating budget of Tulsa Community College. The receipts of the current two mills general fund levy are to be used for the purposes of supplementing post-secondary vocational and technical or adult education programs offered by Tulsa Community College.

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, is now a permanent levy until it is repealed by a majority of the voters.

### *Classification of Revenues and Expenses*

The College has classified its revenues and expenses as either operating or nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB, including State appropriations, local property taxes, and investment income. Nearly all the College's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

- Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) most federal, state, and local grants and contracts, (3) sales and services of auxiliary enterprises, and (4) interest on institutional student loans. All expenses are considered operating expenses, except for interest expense on capital related debt.

- Nonoperating Revenues and Expenses – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, Pell grants, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting, and GASB Statement No. 34, such as state appropriations and investment income. Interest expense on capital-related debt is the only nonoperating expense.

***Scholarship Discounts and Allowances***

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or 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 totaled $14,111,347 and $14,817,963 for the years ended June 30, 2019 and 2018, respectively.

***Joint Venture***

In November 1993, the College became a participant in a joint venture with 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 the payment of maintenance and operating costs and the receipt of revenue generated from property leases or other income. Tulsa Vo-Tech 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, 2019 and 2018, respectively, the College expended approximately $176,222 and $220,329 to Tulsa Vo-Tech for maintenance and operating costs, net of revenues. Tulsa Vo-Tech paid the College $77,835 and $50,647 for security expenses for the years ended June 30, 2019 and 2018, respectively. The College is responsible for continuing to pay 50% of the operating costs of the building until 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.

***Recent Accounting Pronouncements***

In August 2018, GASB issued Statement No. 90, "*Majority Equity Interests – An amendment of GASB Statements No. 14 and No. 61*." The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In May 2019, GASB issued Statement No. 91, *"Conduit Debt Obligations."* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not yet determined the effect, if any, of adoption of the new GASB statements listed above on the College's financial statements.

## NOTE 2 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents, and investments included in the statements of net position consist of the following:

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents: | | |
| Current | $ 39,762,688 | $ 38,790,989 |
| Current, restricted | 2,887,739 | 782,726 |
| | $ 42,650,427 | $ 39,573,715 |
| Investments: | | |
| Current | $ 1,000,000 | $ 500,000 |
| Noncurrent | 6,126,311 | 3,531,883 |
| Current, restricted | 395,296 | 800,153 |
| Noncurrent, restricted | 767,991 | 766,500 |
| | $ 8,289,598 | $ 5,598,536 |

***Interest Rate Risk***

The College's management does not believe that it has significant 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 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 U.S. government and its agencies, certificates of deposit, and demand deposits.

***Concentration of Credit Risk***

There is no limit on the amount the College may invest in any one issuer. However, all of investments are in money market funds and non-negotiable certifications of deposit.

***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. The College's deposit policy for custodial credit risk is described as follows:

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

At June 30, 2019 and 2018, the carrying amounts of the College's deposits with the State Treasurer and other financial institutions are as follows:

| | 2019 | 2018 |
|---|---|---|
| Deposits with the State Treasurer | $ 7,759,501 | $ 7,635,693 |
| Deposits with the State Treasurer - OK INVEST | 756,293 | 1,030,475 |
| U.S. financial institutions | 34,134,633 | 30,907,547 |
| | $ 42,650,427 | $ 39,573,715 |

At June 30, 2019 and 2018, the related bank balances of the College's deposits totaled $43,450,430 and $40,085,010, respectively, of which $9,114,055 and $8,949,698 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. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST* and some deposits with the OST are placed in *OK INVEST*.

Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in *OK INVEST*. Preservation, liquidity, and return on investment are the objectives which establish the framework for the day to day *OK INVEST* management with an emphasis on preservation of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at *http://www.treasurer.state.ok.us/*. The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis.

*OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. *OK INVEST* maintains an overall weighted average maturity of less than 270 days. Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations. Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons. U.S. government securities risk is the risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

The deposits with the OST invested in *OK INVEST* are part of an investment pool that values the assets at amortized cost and for financial reporting purposes are classified as cash equivalents. The distribution of deposits in *OK INVEST* is as follows:

| | 2019 | 2018 |
|---|---|---|
| U.S. agency securities | $ 234,327 | $ 469,483 |
| Certificates of deposit | 16,722 | 38,739 |
| Money market mutual funds | 75,268 | 100,580 |
| Mortgage-backed agency securities | 303,887 | 407,061 |
| Foreign bonds | 3,133 | 3,726 |
| Municipal bonds | 1,344 | 6,227 |
| U.S. Treasury obligations | 121,612 | 4,659 |
| | $ 756,293 | $ 1,030,475 |

***Fair Value***

If applicable, the College categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. As of June 30, 2019 and 2018, there were no financial instruments required to be leveled.

The College has money market funds of $1,163,286 and $1,566,653 and non-negotiable CD's of $7,126,311 and $4,031,883 at June 30, 2019 and 2018, respectively, all of which are valued at amortized cost.

## NOTE 3 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at June 30:

| | 2019 | 2018 |
|---|---|---|
| Student tuition and fees | $ 13,208,494 | $ 11,715,099 |
| Auxiliary enterprises and other operating activities | 2,903,727 | 2,588,389 |
| Less allowance for doubtful accounts | (8,053,373) | (7,214,670) |
| Accounts receivable, net | $ 8,058,848 | $ 7,088,818 |

## NOTE 4 - CAPITAL ASSETS

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

| | Balance at July 1, 2018 | Additions | Disposals/ Transfers | Balance at June 30, 2019 |
|---|---|---|---|---|
| Non-depreciable: | | | | |
| Land | $ 5,150,241 | $ 684,167 | $ - | $ 5,834,408 |
| Collections | 200,000 | - | - | 200,000 |
| Construction in progress | 743,753 | 4,907,432 | - | 5,651,185 |
| | 6,093,994 | 5,591,599 | - | 11,685,593 |
| Depreciable: | | | | |
| Buildings and improvements | 201,253,304 | 575,950 | - | 201,829,254 |
| Land/infrastructure improvements | 9,265,638 | - | - | 9,265,638 |
| Furniture, fixtures and equipment | 21,883,791 | 1,024,633 | - | 22,908,424 |
| | 232,402,733 | 1,600,583 | - | 234,003,316 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (128,888,841) | (5,994,663) | - | (134,883,504) |
| Land/infrastructure improvements | (4,522,903) | (277,433) | - | (4,800,336) |
| Furniture, fixtures and equipment | (17,071,421) | (1,844,419) | - | (18,915,840) |
| Total | (150,483,165) | (8,116,515) | - | (158,599,680) |
| Total capital assets, net | $ 88,013,562 | $ (924,333) | $ - | $ 87,089,229 |

Following are the changes in capital assets for the year ended June 30, 2018:

| | Balance at July 1, 2017 | Additions | Disposals/ Transfers | Balance at June 30, 2018 |
|---|---|---|---|---|
| Non-depreciable: | | | | |
| Land | $ 5,150,241 | $ - | $ - | $ 5,150,241 |
| Collections | 200,000 | - | - | 200,000 |
| Construction in progress | 149,376 | 743,753 | (149,376) | 743,753 |
| | 5,499,617 | 743,753 | (149,376) | 6,093,994 |
| Depreciable: | | | | |
| Buildings and improvements | 200,105,816 | 998,112 | 149,376 | 201,253,304 |
| Land/infrastructure improvements | 9,092,608 | 173,030 | - | 9,265,638 |
| Furniture, fixtures and equipment | 21,329,338 | 554,453 | - | 21,883,791 |
| | 230,527,762 | 1,725,595 | 149,376 | 232,402,733 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | (122,780,485) | (6,108,356) | - | (128,888,841) |
| Land/infrastructure improvements | (4,235,450) | (287,453) | - | (4,522,903) |
| Furniture, fixtures and equipment | (15,085,165) | (1,986,256) | - | (17,071,421) |
| Total | (142,101,100) | (8,382,065) | - | (150,483,165) |
| Total capital assets, net | $ 93,926,279 | $ (5,912,717) | $ - | $ 88,013,562 |

## NOTE 5 - NONCURRENT LIABILITIES

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

| | Balance at July 1, 2018 | Additions | Reductions | Balance at June 30, 2019 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds, Series 2012 | $ 3,695,000 | $ - | $ (750,000) | $ 2,945,000 | $ 765,000 |
| Total revenue bonds | 3,695,000 | - | (750,000) | 2,945,000 | 765,000 |
| ODFA, Series 2009B | 6,986,916 | - | (861,583) | 6,125,333 | 485,917 |
| ODFA, Series 2010A | 1,370,834 | - | (182,334) | 1,188,500 | 186,500 |
| ODFA, Series 2011A | 1,055,166 | - | (70,166) | 985,000 | 72,333 |
| ODFA, Series 2014A | 2,424,917 | - | (121,417) | 2,303,500 | 126,417 |
| ODFA, Series 2014E | 1,321,000 | - | (204,500) | 1,116,500 | 210,417 |
| ODFA, Series 2015B | 5,489,750 | - | (243,500) | 5,246,250 | 249,833 |
| ODFA, Series 2019A | - | 319,000 | (4,917) | 314,083 | 59,250 |
| | 18,648,583 | 319,000 | (1,688,417) | 17,279,166 | 1,390,667 |
| Premium and discounts | 351,628 | 22,984 | (50,709) | 323,903 | - |
| Total ODFA bonds | 19,000,211 | 341,984 | (1,739,126) | 17,603,069 | 1,390,667 |
| OCIA, Series 2010A | 1,592,749 | - | (1,592,749) | - | - |
| OCIA, Series 2014A | 8,186,002 | - | (18,335) | 8,167,667 | 9,911 |
| OCIA, Series 2014B | 344,552 | - | (168,922) | 175,630 | 175,631 |
| Total OCIA bonds | 10,123,303 | - | (1,780,006) | 8,343,297 | 185,542 |
| Equipment capital lease obligation | 1,130,237 | - | (899,955) | 230,282 | 230,282 |
| Total long-term liabilities | $ 33,948,751 | $ 341,984 | $ (5,169,087) | $ 29,121,648 | $ 2,571,491 |

Long-term liability activity for the year ended June 30, 2018:

| | Balance at July 1, 2017 | Additions | Reductions | Balance at June 30, 2018 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Revenue bonds, Series 2012 | $ 4,435,000 | $ - | $ (740,000) | $ 3,695,000 | $ 750,000 |
| Total revenue bonds | 4,435,000 | - | (740,000) | 3,695,000 | 750,000 |
| ODFA, Series 2009B | 7,501,416 | - | (514,500) | 6,986,916 | 529,583 |
| ODFA, Series 2010A | 1,549,167 | - | (178,333) | 1,370,834 | 182,333 |
| ODFA, Series 2011A | 1,123,333 | - | (68,167) | 1,055,166 | 70,167 |
| ODFA, Series 2014A | 2,540,417 | - | (115,500) | 2,424,917 | 121,417 |
| ODFA, Series 2014E | 1,519,500 | - | (198,500) | 1,321,000 | 204,500 |
| ODFA, Series 2015B | 5,728,167 | - | (238,417) | 5,489,750 | 243,500 |
| | 19,962,000 | - | (1,313,417) | 18,648,583 | 1,351,500 |
| Premium and discounts | 386,022 | - | (34,394) | 351,628 | - |
| Total ODFA bonds | 20,348,022 | - | (1,347,811) | 19,000,211 | 1,351,500 |
| OCIA, Series 2010A | 3,151,303 | - | (1,558,554) | 1,592,749 | 1,592,748 |
| OCIA, Series 2014A | 8,186,002 | - | - | 8,186,002 | 18,336 |
| OCIA, Series 2014B | 506,950 | - | (162,398) | 344,552 | 168,922 |
| Total OCIA bonds | 11,844,255 | - | (1,720,952) | 10,123,303 | 1,780,006 |
| Equipment capital lease obligation | 1,999,603 | - | (869,366) | 1,130,237 | 899,955 |
| Total long-term liabilities | $ 38,626,880 | $ - | $ (4,678,129) | $ 33,948,751 | $ 4,781,461 |

### *Revenue Bonds Payable*

***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. $2,945,000 and $3,695,000 remained outstanding at June 30, 2019 and 2018. The College paid $750,000 and $740,000 in principal, and $89,675 and $106,425 in related interest, on these bonds during 2019 and 2018.

Future principal and interest payments required to be made in accordance with all of the revenue bond agreements at June 30, 2019, are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 765,000 | $ 73,569 | $ 838,569 |
| 2021 | 780,000 | 54,238 | 834,238 |
| 2022 | 795,000 | 31,588 | 826,588 |
| 2023 | 605,000 | 9,831 | 614,831 |
| Total | $ 2,945,000 | $ 169,226 | $ 3,114,226 |

For 2019 and 2018, revenues of $3,645,539 and $3,643,513 were pledged as security on the revenue bonds.

### *Oklahoma Development Finance Authority (ODFA) Master Lease Bonds*

***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. 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. Monthly payments continue through the maturity of the lease in November 2029. At June 30, 2019 and 2018, the outstanding balance was $6,125,333 and $6,986,916.

***Bond Series 2010A***: In December of 2010, the College entered into a 15-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2010A. The College received a net amount of $2,647,211 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2025. At June 30, 2019 and 2018, the outstanding balance was $1,188,500 and $1,370,834.

***Bond Series 2011A***: In July of 2011, the College entered into a 19-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2011A. The College received a net amount of $1,493,000 of the proceeds for energy efficiency modifications at all campus locations. Monthly payments are payable through the maturity of the lease in May 2030. At June 30, 2019 and 2018, the outstanding balance was $985,000 and $1,055,166.

***Bond Series 2014A***: In February of 2014, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2014A. The College received a net amount of $3,016,237 of the proceeds for renovation of the aviation center facility. Monthly payments are payable through the maturity of the lease in June 2033. At June 30, 2019 and 2018, the outstanding balance was $2,303,500 and $2,424,917.

***Bond Series 2014E***: In October of 2014, the College entered into a 10-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2014E. The College received a net amount of $2,261,559 of the proceeds for renovation of the student union facility at the southeast campus. Monthly payments are payable through the maturity of the lease in June 2024. At June 30, 2019 and 2018, the outstanding balance was $1,116,500 and $1,321,000.

***Bond Series 2015B***: In July of 2015, the College entered into a 20-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2015B. The College received a net amount of $6,279,975 of the proceeds for energy and conservation improvements campus wide. Monthly payments are payable through the maturity of the lease in June 2035. At June 30, 2019 and 2018, the outstanding balance was $5,246,250 and $5,489,750.

***Bond Series 2019A***: In May of 2019, the College entered into a 5-year lease agreement with ODFA and the State Regents for Higher Education Master Lease Revenue Bond Series 2019A. The College received a net amount of $341,984 of the proceeds for the refunding of Bond Series 2009C. Monthly payments are payable through the maturity of the lease in June 2024. At June 30, 2019, the outstanding balance was $314,083.

Future principal and interest payments to be made in accordance with the Master Lease Bond agreements at June 30, 2019 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 1,390,667 | $ 671,306 | $ 2,061,973 |
| 2021 | 1,441,000 | 623,253 | 2,064,253 |
| 2022 | 1,493,000 | 568,536 | 2,061,536 |
| 2023 | 1,555,917 | 509,201 | 2,065,118 |
| 2024 - 2028 | 6,607,667 | 1,679,789 | 8,287,456 |
| 2029 - 2033 | 3,990,083 | 546,031 | 4,536,114 |
| 2034 - 2035 | 800,832 | 44,641 | 845,473 |
| Total | $ 17,279,166 | $ 4,642,757 | $ 21,921,923 |

***Oklahoma Capital Improvement Authority Lease***

***Series 2010A***: In August 2010, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued Series 2010A bonds. 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 year 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues.

***Series 2014A and 2014B***: In September 2014, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of the remaining OCIA's 2005F bond debt. OCIA issued one new bond, Series 2014A. In June 2014, the College's 2004 Series A lease agreement with the OCIA was restructured through a refunding of the OCIA's 2004A bond debt. OCIA issued one new bond, Series 2014B. 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 year 2015 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues.

During the years ended June 30, 2019 and 2018, OCIA made lease principal and interest payments totaling $2,255,457 and $2,273,888, respectively, on behalf of the College for all outstanding OCIA Bond Issues. These on-behalf payments have been recorded as restricted state appropriations in the statements of revenues, expenses, and changes in net position.

The scheduled principal and interest payments related to the OCIA Capital Lease obligations at June 30, 2019 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 185,542 | $ 392,800 | $ 578,342 |
| 2021 | - | 388,540 | 388,540 |
| 2022 | - | 388,540 | 388,540 |
| 2023 | 760,446 | 388,540 | 1,148,986 |
| 2024 - 2028 | 4,306,466 | 1,374,887 | 5,681,353 |
| 2029 - 2031 | 3,090,843 | 306,973 | 3,397,816 |
| Total | $ 8,343,297 | $ 3,240,280 | $ 11,583,577 |

***Equipment Capital Lease Obligation***

The College has entered into lease agreements for various copiers and computers. These agreements extend through 2020 with interest rates that range from 2.89% to 6.00%. The total capitalized cost of the equipment was $3,479,846 and accumulated depreciation was $3,479,846 and $2,609,885 as of June 30, 2019 and 2018, respectively. Total principal and interest payments in 2019 and 2018 totaled $937,618 and $937,618. The remaining obligation at June 30, 2019 and 2018 was $230,282 and $1,130,237.

The scheduled principal and interest payments related to the equipment capital leases as of June 30, 2019 are as follows:

| Years Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 230,282 | $ 4,122 | $ 234,404 |

## 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 (the OTRS), 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. This plan is no longer open to new employees, but is still available to employees hired before the plan was frozen.

### *Oklahoma Teachers' Retirement System*

*Plan Description:* The College contributes to the OTRS, a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. 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.

*Benefits Provided*: Prior to July 1, 1995, contributions under this system were based on pay up to a maximum dollar amount. Members could choose between $40,000 maximum and a $25,000 maximum. The member’s Final Average Compensation was limited by the same maximum, so the member’s election affected both benefits and contributions. The maximum was removed for most members effective July 1, 1995. It no longer applies in determining the required member and employee contributions. It does still have an impact, however. Benefits based on service earned before July 1, 1995 are limited by the $40,000 or $25,000 maximum, which was elected. This cap may be modified for members in the Education Employees Service Incentive Plan (EESIP). In addition, the cap on salary continued to apply after June 30, 1995 to members employed by one of the comprehensive universities who entered the system before July 1, 1995. The cap on salary for contribution purposes is shown below. All caps were removed effective July 1, 2007.

*Contributions*: 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 2019 and 2018 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 2019 and 2018. The College's contributions to the OTRS for the years ended June 30, 2019 and 2018 were $5,677,847 and $5,528,843 which are equal to the required contributions for the year paid directly by the College.

The State of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2019 and 2018, the State of Oklahoma contributed 5% of state revenues from sales and use taxes, and individual income taxes, to the OTRS on behalf of participating employers. The College has estimated the amounts contributed to 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, 2019 and 2018, the total amounts contributed to the OTRS by the State of Oklahoma on behalf of the College were $4,013,039 and $3,283,372, respectively. For the year ended June 30, 2019, the State of Oklahoma contributed 5% of sales and use tax. These on-behalf payments have been recorded as nonoperating state appropriations revenues in the statement of revenues, expenses, and changes in net position.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions*: The amount recognized by the College as its proportionate share of the net pension liability was $76,232,974 and $77,943,248 at June 30, 2019 and 2018, respectively. The net impact of reporting this change in liability was to decrease compensation and employee benefits expense by approximately $13 million in 2019.

The net pension liability at June 30, 2019 was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019, the College's proportion was 1.26%. This represents a slight increase from the College's proportionate share at June 30, 2018, which was 1.18%.

For the year ended June 30, 2019, the College recognized pension expense of $5,937,948, and revenue of $4,013,039, for support provided by the State of Oklahoma. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual investment earnings on pension plan investments | $ - | $ 1,325,172 |
| Changes in proportion and differences between OTRS contributions and proportionate share of contributions | - | (4,534,577) |
| Change in assumptions | 7,146,564 | 3,904,620 |
| Differences between expected and actual experience | - | 5,269,633 |
| Contributions subsequent to the measurement date | 5,677,847 | - |
| Total | $ 12,824,411 | $ 5,964,848 |

For the year ended June 30, 2018, the College recognized pension expense of $8,196,815, and revenue of $3,283,372, for support provided by the State of Oklahoma. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between projected and actual investment earnings on pension plan investments | $ 1,107,930 | $ - |
| Changes in proportion and differences between OTRS contributions and proportionate share of contributions | - | 14,394,205 |
| Change in assumptions | 9,249,721 | 4,659,301 |
| Differences between expected and actual experience | - | 5,321,392 |
| Contributions subsequent to the measurement date | 5,528,843 | - |
| Total | $ 15,886,494 | $ 24,374,898 |

At June 30, 2019 and 2018, the College reported $5,677,847 and $5,528,843, respectively, as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the following fiscal year. Deferred outflows and inflows of resources at June 30, 2019, related to pensions will be recognized in pension expense as follows:

| | Amount |
|---|---|
| 2020 | $ 3,315,480 |
| 2021 | 1,678,317 |
| 2022 | (2,913,647) |
| 2023 | (1,202,806) |
| 2024 | 304,371 |
| Total | $ 1,181,715 |

*Actuarial assumptions*: The total pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017, using the following actuarial assumptions, applied to all periods included in the measurement;

| | |
|---|---|
| Actuarial Cost Method: | Entry Age Normal |
| Inflation: | 2.50% |
| Cost of Living Increases: | None |
| Salary Increases: | 3.25% wage inflation, including 2.50% price inflation, plus a service-related component ranging from 0-8.00% based on years of service |
| Investment Rate of Return: | 7.50% |

| | |
|---|---|
| Retirement Age: | Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014. |
| Mortality Rates after Retirement: | Males: RP-2000 Combined Healthy mortality table for males with White Collar adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012. |
| Mortality Rates for Active Members: | RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50% |

The following changes in assumptions were noted in the June 30, 2018 valuation from the June 30, 2017 valuation.

- Beginning with the fiscal year ending June 30, 2017, an actuarially determined portion of the employers' contributions (0.07% of pay for FY 2018 and 0.16% of pay for FY 2017) is allocated to the OPEB Subaccount and reported under GASB 74. As a result, these contributions are not included in either the actual or actuarially determined contributions.

*Changes Since Measurement Date*: There were no changes between the measurement date of the collective net pension liability and the College's reporting date that are expected to have a significant effect on the College's proportionate share of the collective net pension liability.

The long-term expected return on plan assets was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic expected real rates of return for each major class as of June 30, 2019, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Nominal Rate of Return |
|---|---|---|
| Domestic equity | 38.5% | 7.5% |
| International equity | 19.0% | 8.5% |
| Fixed income | 23.5% | 2.5% |
| Real estate | 9.0% | 4.5% |
| Alternative assets | 10.0% | 6.1% |
| Total | 100.0% | |

*Discount rate*: The discount rate used to measure the total pension liability was 7.50% for 2019. The discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine the discount rate assumed that a plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

S*ensitivity of the College's proportionate share of the net pension liability to changes in the discount rate:* The following table presents the net pension liability of the College, calculated using the discount rate of 7.50%, as well as what the College's net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | 1% Decrease (6.50) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Proportionate share of the collective net pension liability: | | | |
| June 30, 2019 | $108,529,110 | $ 76,324,685 | $ 49,364,144 |
| June 30, 2018 | 110,052,824 | 78,109,142 | 53,347,979 |

The difference between the proportionate share of the collective net pension liability in this table as compared to the statements of net position is due to the Alternative Retirement Plan pension liability allocation.

*Pension plan fiduciary net position*: Detailed information about the pension plan's fiduciary net position is available in the separately issued OTRS financial report.

***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 year ended June 30, 2018, 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 fiscal years 2019 and 2018 totaled $868,837 and $847,888, 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 is a closed-plan. The SRP does not issue a standalone financial report nor is it included in the financial report of another entity. Management deemed the SRP to not be material to the overall financial statements of the College and elected not to disclose GASB Statement No. 68 related information in the notes or required supplemental information as it relates to the SRP. The College has a net pension liability of $25,514 and $25,513 for this plan as of June 30, 2019 and 2018, respectively.

## NOTE 7 - 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 those 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. For the years ended June 30, 2019 and 2018, the Foundation paid the College $115,645 and $172,334, respectively, as a result of this agreement. For the years ended June 30, 2019 and 2018, the Foundation also awarded scholarships totaling $345,668 and $239,886, respectively, to students of the College and contributed $4,767,362 and $2,123,636, respectively, as other college support, which included such items as capital projects, expenses relating to the Signature Symphony orchestra, academic support and campaign-related activities.

## 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 cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2019 and 2018 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 statements of the College.

Noncancellable operating leases for building space rental, aircraft rental and access to airport facilities expire in various years through 2032. Rent expense under these leases was $596,201 and $641,519 during the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments under agreements are:

| | Amount |
|---|---|
| 2020 | $ 651,471 |
| 2021 | 57,972 |
| 2022 | 46,797 |
| 2023 | 35,270 |
| 2024 | 35,270 |
| Thereafter | 282,160 |
| Total | $ 1,108,940 |

## 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 coverage. 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. During fiscal years 2019 and 2018, there were no significant reductions in insurance coverage from the previous 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 general operations for the years ended June 30, 2019 and 2018 totaled $43,390,022 and $41,148,601, respectively.

For the years ended June 30, 2019 and 2018, the College did not have any abated property taxes. Based on abatement agreements currently in place, the total abated taxes for the College will be approximately $141,000 over the next six years. The terms of each abatement vary based on the agreements with each entity.

## NOTE 11 - SECTION 13 OFFSET PROGRAM

The State Regents allocate 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 $945,575 and $951,290, respectively, under this program for the years ended June 30, 2019 and 2018.

## 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 $3,928,000 and $3,363,000 at June 30, 2019 and 2018, 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 fair 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 are available for distribution. With regards to institutional funds, $0 and $1,130,654 as of June 30, 2019 and 2018, respectively, are included in the deposits with the State Regents in the statement of net position.

## NOTE 13 - CONDENSED COMBINING INFORMATION

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements. The following summarizes the combining information for the statement of net position as of June 30, 2019:

| | 2019 | | |
|---|---|---|---|
| | College | School District | Combined |
| Current assets | $ 20,110,387 | $ 35,134,633 | $ 55,245,020 |
| Capital assets | 87,089,229 | - | 87,089,229 |
| Other assets | 1,583,096 | 6,126,312 | 7,709,408 |
| Total assets | 108,782,712 | 41,260,945 | 150,043,657 |
| Deferred outflows of resources | 13,299,583 | - | 13,299,583 |
| Total assets and deferred outflows of resources | $ 122,082,295 | $ 41,260,945 | $ 163,343,240 |
| Current liabilities | $ 15,176,141 | $ - | $ 15,176,141 |
| Long-term liabilities | 102,783,131 | - | 102,783,131 |
| Total liabilities | 117,959,272 | - | 117,959,272 |
| Deferred inflows of resources | 6,529,675 | - | 6,529,675 |
| Net investment in capital assets | 58,182,505 | - | 58,182,505 |
| Restricted: | | | |
| Expendable | 3,836,100 | - | 3,836,100 |
| Non-expendable | - | - | - |
| Unrestricted | (64,425,257) | 41,260,945 | (23,164,312) |
| Total net position | (2,406,652) | 41,260,945 | 38,854,293 |
| Total liabilities and deferred inflows of resources and net position | $ 122,082,295 | $ 41,260,945 | $ 163,343,240 |

The following summarizes the combining information for the statement of net position as of June 30, 2018:

| | 2018 | | |
|---|---|---|---|
| | College | School District | Combined |
| Current assets | $ 17,719,370 | $ 31,407,548 | $ 49,126,918 |
| Capital assets | 88,013,562 | - | 88,013,562 |
| Other assets | 2,422,098 | 3,531,883 | 5,953,981 |
| Total assets | 108,155,030 | 34,939,431 | 143,094,461 |
| Deferred outflows of resources | 16,248,323 | - | 16,248,323 |
| Total assets and deferred outflows of resources | 124,403,353 | 34,939,431 | 159,342,784 |
| Current liabilities | 14,671,387 | - | 14,671,387 |
| Long-term liabilities | 107,110,538 | - | 107,110,538 |
| Total liabilities | 121,781,925 | - | 121,781,925 |
| Deferred inflows of resources | 24,803,732 | - | 24,803,732 |
| Net investment in capital assets | 54,276,535 | - | 54,276,535 |
| Restricted: | | | |
| Expendable | 2,137,654 | - | 2,137,654 |
| Non-expendable | 1,130,654 | - | 1,130,654 |
| Unrestricted | (79,727,147) | 34,939,431 | (44,787,716) |
| Total net position | (22,182,304) | 34,939,431 | 12,757,127 |
| Total liabilities and deferred inflows of resources and net position | $ 124,403,353 | $ 34,939,431 | $ 159,342,784 |

The following summarizes the combining information for the statement of revenues, expenses, and changes in net position for the year ended June 30, 2019:

| | 2019 | | |
|---|---|---|---|
| | College | School District | Combined |
| Operating revenues: | | | |
| Tuition and fees, net | $ 27,894,086 | $ - | $ 27,894,086 |
| Grants and contracts and other operating revenue | 16,904,964 | - | 16,904,964 |
| Sales and services of auxiliary enterprises | 5,354,004 | - | 5,354,004 |
| Other operating revenue | 3,700,528 | - | 3,700,528 |
| Total operating revenue | 53,853,582 | - | 53,853,582 |
| Operating expenses: | | | |
| Depreciation | 8,116,515 | - | 8,116,515 |
| Other operating expenses | 120,341,724 | - | 120,341,724 |
| Total operating expenses | 128,458,239 | - | 128,458,239 |
| Operating loss | (74,604,657) | - | (74,604,657) |
| Nonoperating revenues (expenses): | | | |
| State appropriations | 27,995,998 | - | 27,995,998 |
| Ad valorem property taxes | - | 43,390,022 | 43,390,022 |
| Federal and state grants | 23,488,708 | - | 23,488,708 |
| Other nonoperating revenues (expenses) | 39,694,571 | (37,068,508) | 2,626,063 |
| Total nonoperating revenues (expenses) | 91,179,277 | 6,321,514 | 97,500,791 |
| Gain before other appropriations | 16,574,620 | 6,321,514 | 22,896,134 |
| Appropriations | 3,201,032 | - | 3,201,032 |
| Change in net position | 19,775,652 | 6,321,514 | 26,097,166 |
| Beginning net position | (22,182,304) | 34,939,431 | 12,757,127 |
| Ending net position | $ (2,406,652) | $ 41,260,945 | $ 38,854,293 |

The following summarizes the combining information for the statement of revenues, expenses, and changes in net position for the year ended June 30, 2018:

| | 2018 | | |
|---|---|---|---|
| | College | School District | Combined |
| Operating revenues: | | | |
| Tuition and fees, net | $ 25,513,728 | $ - | $ 25,513,728 |
| Grants and contracts and other operating revenue | 9,020,638 | - | 9,020,638 |
| Sales and services of auxiliary enterprises | 11,587,575 | - | 11,587,575 |
| Other operating revenue | 3,385,412 | - | 3,385,412 |
| Total operating revenue | 49,507,353 | - | 49,507,353 |
| Operating expenses: | | | |
| Depreciation | 8,382,065 | - | 8,382,065 |
| Other operating expenses | 134,495,020 | - | 134,495,020 |
| Total operating expenses | 142,877,085 | - | 142,877,085 |
| Operating loss | (93,369,732) | - | (93,369,732) |
| Nonoperating revenues (expenses): | | | |
| State appropriations | 28,142,943 | - | 28,142,943 |
| Ad valorem property taxes | - | 41,148,601 | 41,148,601 |
| Federal and state grants | 22,216,460 | - | 22,216,460 |
| Other nonoperating revenues (expenses) | 39,083,605 | (36,497,767) | 2,585,838 |
| Total nonoperating revenues (expenses) | 89,443,008 | 4,650,834 | 94,093,842 |
| (Loss) gain before other appropriations | (3,926,724) | 4,650,834 | 724,110 |
| Appropriations | 3,225,178 | - | 3,225,178 |
| Change in net position | (701,546) | 4,650,834 | 3,949,288 |
| Beginning net position | (21,480,758) | 30,288,597 | 8,807,839 |
| Ending net position | $ (22,182,304) | $ 34,939,431 | $ 12,757,127 |

The following summarizes the combining information for the statement of cash flows for the years ended June 30, 2019 and 2018:

| | 2019 | | |
|---|---|---|---|
| | College | School District | Combined |
| Cash flows from operating activities | $ (79,625,377) | $ - | $ (79,625,377) |
| Cash flows from noncapital financing activities | 87,685,834 | 7,468,453 | 95,154,287 |
| Cash flows from capital and related financing activities | (8,368,126) | (1,723,234) | (10,091,360) |
| Cash flows from investing activities | 157,296 | (2,518,134) | (2,360,838) |
| Net change in cash and cash equivalents | (150,373) | 3,227,085 | 3,076,712 |
| Cash and cash equivalents at beginning of year | 8,666,167 | 30,907,548 | 39,573,715 |
| Cash and cash equivalents at the end of year | $ 8,515,794 | $ 34,134,633 | $ 42,650,427 |

| | 2018 | | |
|---|---|---|---|
| | College | School District | Combined |
| Cash flows from operating activities | $ (82,500,654) | $ - | $ (82,500,654) |
| Cash flows from noncapital financing activities | 86,743,319 | 5,230,133 | 91,973,452 |
| Cash flows from capital and related financing activities | (5,371,171) | - | (5,371,171) |
| Cash flows from investing activities | 194,506 | 37,610 | 232,116 |
| Net change in cash and cash equivalents | (934,000) | 5,267,743 | 4,333,743 |
| Cash and cash equivalents, at beginning of year | 9,600,167 | 25,639,805 | 35,239,972 |
| Cash and cash equivalents, at the end of year | $ 8,666,167 | $ 30,907,548 | $ 39,573,715 |

## NOTE 14 - TULSA COMMUNITY COLLEGE FOUNDATION – ACCOUNTING POLICIES AND DISCLOSURES

### *Description of the Organization*

Tulsa Community College Foundation (the Foundation) is a public non-profit institution and was established for the benefit of Tulsa Community College (the College). The Foundation awards scholarships to students of the College and provides other support to the College, including funds for textbooks for qualified students, college and community activities and events, capital projects, recognized academic programs, and the concert series and educational classes of the College's Signature Symphony orchestra.

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 Presentation*

The financial statements of the Foundation have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Trustees.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions for the years ended June 30, 2019 and 2018 totaled $4,918,210 and $2,168,596, respectively and were to support various programs.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Foundation prepares its financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

***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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Income Taxes***

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) of 1986, as amended, as an organization described in Section 501(c)(3) of the Code. Thus, no provision for income taxes is included in the accompanying financial statements.

The Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Foundation applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. The Foundation does not believe there is any uncertainty with respect to its tax position which would result in a material change to the financial statements.

The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation is no longer subject to examination by federal authorities for years prior to June 30, 2016. For state authorities, the statute of limitations is generally three or four years; however, the statute of limitations will remain open for any state returns not filed.

On December 22, 2017, tax reform legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the Act) was passed; resulting in significant modifications to existing tax law. While there were no material effects on the Foundation's financial statements as a result of the Act, management is evaluating the impact of the Act on the Foundation.

### *Cash and Cash Equivalents*

The Foundation considers all liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents, except for such financial instruments included in the Foundation's investment accounts. At June 30, 2019 and 2018, cash equivalents consisted primarily of Insured Cash Sweep and checking accounts. 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. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to $250,000 per financial institution.

### *Investments and Investment Return*

Investments are stated at fair value. The fair values of investments are based on quoted market prices as of the reporting date. Investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

### *Contributions Receivable*

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate commensurate with the risks involved. Amortization of discounts is included in contribution revenue.

### *Contributions*

Contributions are recorded upon receipt of cash or upon pledge of an unconditional promise to give. The gifts are reported as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions. Contributions are received primarily from organizations and residents in Tulsa County and surrounding geographic areas.

### *Allowance for Uncollectible Contributions*

The allowance for uncollectible contributions is determined by management based upon the Foundation's historical losses, specific circumstances and economic conditions. Management of the Foundation has estimated the allowance for uncollectible promises to give at June 30, 2019 and 2018 to be $2,030 and $1,447, respectively.

### *Donated Services*

The Foundation received donated goods and services totaling $50,431 and $28,082 for the years ended June 30, 2019 and 2018, respectively. Such amounts are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses.

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. These services are not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under US GAAP.

### *Fair Value of Financial Instruments*

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying value of the Foundation's financial instruments, which includes cash and cash equivalents, pledges receivable, investments, accounts payable, and accrued expenses, approximate fair value.

### *Functional Expenses*

Expenses have been classified as program services, management and general, and fundraising based on the actual direct expenditure.

### *Reclassifications*

Certain prior year amounts have been reclassified to conform to the current year presentation.

### *New Accounting Pronouncements*

On August 18, 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of its financial statements accordingly to reflect the adoption of this standard. The ASU has been applied retrospectively to all periods presented.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended by subsequent pronouncements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method. The new standard is effective for the Foundation for annual reporting periods beginning after December 15, 2018. The Foundation is evaluating the effect that this standard will have on its financial statements and related disclosures, but does not expect it to have a material impact on its financial condition, results of activities, or cash flows.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this new standard, lessees record a right-of-use asset and a lease liability for leases with terms longer than 12 months. The standard is effective for fiscal years beginning after December 15, 2020. The Foundation is evaluating the impact this standard will have on its financial statements and related disclosures, but does not expect it to have a material impact on its financial condition, results of activities, or cash flows.

On June 21, 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update intends to clarify and improve the scope and accounting guidance for contributions received and made. The update assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance as well as determining whether a contribution is conditional. The update is effective for not-for-profit entities that are not conduit bond obligors nor have issued conduit bonds for securities for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Foundation is currently evaluating the new guidance, but does not expect it to have a material impact on its financial condition, results of activities, or cash flows.

***Availability and Liquidity***

The following represents the Foundation's financial assets available for general expenditure within one year of the statements of financial position date at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents | $ 11,769,508 | $ 6,014,715 |
| Investments | 9,010,533 | 7,891,031 |
| Contributions receivable | 4,604,998 | 5,090,663 |
| Total financial assets | 25,385,039 | 18,996,409 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | 19,760,169 | 15,246,302 |
| Financial assets available to meet general expenditures of the next twelve months | $ 5,624,870 | $ 3,750,107 |

Management's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately $140,000). As part of its liquidity plan, excess cash is held in the Investment Cash Sweep account.

***Investments***

The accounting basis followed by the Foundation establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1: Inputs include quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Inputs include significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Inputs include significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The reported fair value of money market and mutual funds is based on quoted prices in active markets as of the measurement date (Level 1 inputs).

The following is a summary of investments at June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Money market funds | $ 368,582 | $ 372,915 |
| Mutual funds: | | |
| Equity securities | 5,694,264 | 4,944,023 |
| Debt securities | 1,604,959 | 1,469,159 |
| Marketable alternative investments: | | |
| Registered investment companies | 1,342,728 | 1,104,934 |
| | $ 9,010,533 | $ 7,891,031 |

As of June 30, 2019 and 2018, all investments were considered level 1 investments to include quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

***Contributions Receivable, Net***

Unconditional promises to give consist of the following at June 30:

| | 2019 | | |
|---|---|---|---|
| | Less than 1 Year | 1 - 5 Years | Total |
| Contributions receivable | $ 1,829,253 | $ 2,849,493 | $ 4,678,746 |
| Less allowance for uncollectible pledges | (2,030) | - | (2,030) |
| Unamortized discount on pledges | - | (71,718) | (71,718) |
| Contributions receivable, net | $ 1,827,223 | $ 2,777,775 | $ 4,604,998 |

| | 2018 | | |
|---|---|---|---|
| | Less than 1 Year | 1 - 5 Years | Total |
| Contributions receivable | $ 2,658,828 | $ 2,505,000 | $ 5,163,828 |
| Less allowance for uncollectible pledges | (1,447) | - | (1,447) |
| Unamortized discount on pledges | - | (71,718) | (71,718) |
| Contributions receivable, net | $ 2,657,381 | $ 2,433,282 | $ 5,090,663 |

As of June 30, 2019 and 2018, the Foundation has received verbal unconditional intentions to give totaling approximately $2,500,000 and $3,167,000, respectively, related to the Clearing the Pathway multi-year Campaign (the Campaign). These amounts are in addition to the pledged amounts noted above. The Campaign goal is to help remove the primary barriers to student completion by securing targeted philanthropic investments. The financial goal of the Campaign was to secure $20 million by June 30, 2019, of which approximately $17 million has been pledged as of June 30, 2019. The Foundation also received $789,720 and $140,500 at June 30, 2019 and 2018, respectively, in support of a conditional promise to give related to a challenge grant in support of the Campaign. This challenge grant stipulates that if the Foundation can obtain an aggregate donation amount of $1 million in first-time donor amounts not to individually exceed $100,000, specifically identified to the challenge grant by June 30, 2020, the donor will match the $1 million. For donors who have previously donated to the Campaign, only the difference in the challenge grant contribution and their highest amount donated to the Campaign will be counted towards the match. The conditional promises to give discussed above are not included as revenue until the conditions on which they depend are substantially met.

***Net Assets***

Net assets with donor restrictions as of June 30, 2019 and 2018 are for the following purposes:

| | 2019 | 2018 |
|---|---|---|
| Endowed chairs | $ 3,427,553 | $ 3,549,563 |
| Scholarships | 2,628,931 | 1,530,126 |
| Lectureships | 553,917 | 51,807 |
| Signature Symphony | 312,294 | 170,885 |
| TCC Textbook Trust | 928,207 | 1,204,825 |
| Sam S. Miller Student Emergency Fund | 84,666 | 91,068 |
| Planned Physical Therapy Facility | - | 29,460 |
| Clearing the Pathway Multi-Year Campaign | 12,761,046 | 8,687,211 |
| Nursing and Allied Health Services | 400,938 | 542,538 |
| Bridging the Gap program | 1,241,814 | 1,919,425 |
| Professorships | 305,445 | - |
| Other | 1,301,608 | 693,611 |
| | $ 23,946,419 | $ 18,470,519 |

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2019 or 2018.

Net assets without donor restrictions as of June 30, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Undesignated | $ 119,002 | $ 96,415 |

The Foundation's endowments consist of approximately 30 individual funds established for a variety of purposes. Net assets associated with endowment funds 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 (or depreciation) from the endowed funds that have not been appropriated for spending. Accumulated investment earnings from endowed funds are recorded as net assets with donor restrictions and are available for spending in accordance with the Foundation's spending policy.

Changes in endowment net assets for the year ended June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Net assets, beginning of year | $ 276,998 | $ 7,614,033 | $ 7,891,031 |
| Investment gain | - | 486,918 | 486,918 |
| Contributions | - | 1,681,439 | 1,681,439 |
| Appropriation for expenditures | (276,998) | (771,857) | (1,048,855) |
| Net assets, end of year | $ - | $ 9,010,533 | $ 9,010,533 |

Changes in endowment net assets for the year ended June 30, 2018:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Net assets, beginning of year | $ - | $ 7,870,685 | $ 7,870,685 |
| Investment gain | - | 608,708 | 608,708 |
| Contributions | - | 55,100 | 55,100 |
| Appropriation for expenditures | 276,998 | (920,460) | (643,462) |
| Net assets, end of year | $ 276,998 | $ 7,614,033 | $ 7,891,031 |

***Major Contributors/Concentration***

For the years ended June 30, 2019 and 2018, the Foundation received pledges from two sources totaling approximately 56% and 92% of the total receivable balance of $4,604,998 and $5,090,663, respectively. For the years ended June 30, 2019 and 2018, there were three sources and two sources totaling approximately 31% and 58% of the total contribution revenue balance of $10,288,597 and $10,263,031, respectively.

***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 those 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. For the years ended June 30, 2019 and 2018, the Foundation paid the College $115,645 and $172,334, respectively, as a result of this agreement.

For the years ended June 30, 2019 and 2018, the Foundation also awarded scholarships totaling $345,668 and $239,886, respectively, to students of the College, and contributed $4,767,362 and $2,123,636, respectively, as other college support, which included such items as capital projects, expenses relating to the Signature Symphony orchestra, academic support, and campaign-related activities.

Additionally, the Foundation utilizes Bank of Oklahoma to manage its investments. For the years ended June 30, 2019 and 2018, the Foundation paid Bank of Oklahoma $38,386 and $39,404, respectively, for investment services.

## NOTE 15 - SUBSEQUENT EVENTS

The College has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments or disclosures to the audited financial statements for the years ended June 30, 2019 and 2018. Management has performed their analysis through October 31, 2019, the date the financial statements were available to be issued.

# REQUIRED SUPPLEMENTARY INFORMATION

## Tulsa Community College

### REQUIRED SUPPLEMENTAL INFORMATION
### SCHEDULE OF THE COLLEGE’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET
### (in thousands)

### June 30, 2019 and 2018

| OTRS | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| College's proportion of the net pension liability | 1.26% | 1.18% | 1.39% | 1.45% | 1.34% |
| College's proportionate share of the net pension liability | $ 76,233 | $ 77,943 | $ 115,770 | $ 88,130 | $ 72,076 |
| College's covered payroll | $ 56,259 | $ 54,830 | $ 55,406 | $ 58,775 | $ 59,988 |
| College's proportionate share of the net pension liability as a percentage of its covered payroll | 135.50% | 142.15% | 208.95% | 149.94% | 120.15% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.74% | 69.32% | 62.24% | 70.31% | 72.43% |

| OPEB | 2019 | 2018 |
|---|---|---|
| College's proportion of the net pension asset | 1.26% | 1.18% |
| College's proportionate share of the net pension asset | $ 815 | $ 525 |
| College's covered payroll | $ 56,259 | $ 54,830 |
| College's proportionate share of the net pension asset as a percentage of its covered payroll | 1.45% | 0.96% |
| Plan fiduciary net position as a percentage of the total pension asset | 115.41% | 110.40% |

***Notes to the Schedule (as applicable):***

The following changes in assumptions were noted in the June 30, 2018 valuation as compared to the June 30, 2017 valuation:

- Beginning with the fiscal year ending June 30, 2018, an actuarially determined portion of the employers’ contributions (0.07% of pay for FY 2018 and 0.16% of pay for FY 2017) is allocated to the OPEB Subaccount and reported under GASB 74. As a result, these contributions are not included in either the actual or actuarially determined contributions.

* The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Tulsa Community College**

**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS**
**(in thousands)**

**June 30, 2019 and 2018**

| **OTRS** | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Contractually required contribution | 5,678 | $ 5,529 | $ 5,598 | $ 5,893 | $ 6,059 |
| Contributions in relation to the contractually required contribution | (5,678) | (5,529) | (5,598) | (5,893) | (6,059) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| College's covered payroll | 56,259 | 54,830 | 55,406 | 58,775 | 59,998 |
| Contributions as a percentage of covered payroll | 10.09% | 10.08% | 10.10% | 10.03% | 10.10% |

***Notes to the Schedule:***

** This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

# SUPPLEMENTARY INFORMATION

GRANT THORNTON LLP
1717 Main St., Suite 1800
Dallas, TX 75201-4657

D +1 214 561 2300
F +1 214 561 2370
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Regents
Tulsa Community College

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tulsa Community College (the "College"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

**Internal control over financial reporting**

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

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

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

Grant Thornton

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

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

Grant Thornton LLP

Dallas, Texas
October 31, 2019

GRANT THORNTON LLP
1717 Main St., Suite 1800
Dallas, TX 75201-4657

D +1 214 561 2300
F +1 214 561 2370
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Regents
Tulsa Community College

**Report on compliance for each major federal program**

We have audited the compliance of Tulsa Community College (the “College”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

Grant Thornton

**Report on internal control over compliance**

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

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

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

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

Grant Thornton LLP

Dallas, Texas
October 31, 2019

## Tulsa Community College

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## For the year ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/ Program Title | CFDA Number | Pass Through Number | Total Federal Expenditures |
|---|---|---|---|
| **National Endowment for Humanities** | | | |
| Promotion of the Humanities Teaching and Learning Resources and Curriculum Development | 45.162 | n/a | $ 29,231 |
| **U.S. Department of Commerce** | | | |
| Passed through Oklahoma Alliance for Manufacturing Excellence, Inc. | | | |
| Manufacturing Extension Partnership | 11.611 | NIST-MEP | 23,000 |
| **U.S. Department of Labor** | | | |
| Passed through Oklahoma Employment Security Commission | | | |
| Trade Adjustment Assistance (TAA) | 17.245 | 170-030 | 14,600 |
| Workforce Innovation and Opportunity Act (WIOA) | | | |
| Passed through Oklahoma State University - Oklahoma City | | | |
| WIOA - Adult Program | 17.258 | 6-555267, 6-555818 6-556048 | 1,038,113 |
| WIOA - Youth Activities | 17.259 | 6-554706, 6-555598 | 909,105 |
| WIOA - Dislocated Workers Program | 17.278 | 6-554897, 6-555377 6-555728, 6-555958 | 1,104,217 |
| Total WIOA cluster | | | 3,051,435 |
| Total U.S. Department of Labor | | | 3,066,035 |
| **U.S. Department of Justice** | | | |
| Office of Violence Against Women | 16.525 | n/a | 93,279 |
| **U.S. Department of Transportation** | | | |
| FAA TTHP Grant/Start | 20.109 | PM011 | 2,118 |
| Total U.S. Department of Transportation | | | 2,118 |
| **National Science Foundation** | | | |
| Passed through University of Tulsa | | | |
| TU TOA Bird Grant | 47.074 | Unknown | 6,554 |
| Passed through Finger Lakes Community College | | | |
| CCURI Project Finger Lakes | 47.076 | Unknown | 25,224 |
| Passed through Emory University | | | |
| Mentor Connect ATE Grant | 47.076 | PO 0020278 | 1,849 |
| Total National Science Foundation | | | 33,627 |
| **U.S. Department of Education** | | | |
| Student Financial Assistance Cluster | | | |
| Federal Supplemental Educational Opportunity Grant | 84.007 | n/a | 548,582 |
| Federal Work-Study | 84.033 | n/a | 412,719 |
| Federal Pell Grant | 84.063 | n/a | 22,521,981 |
| Federal Direct Student Loan Programs | 84.268 | n/a | 21,046,067 |
| Total Student Financial Assistance cluster | | | 44,529,349 |
| TRIO Cluster | | | |
| Student Support Services | 84.042A | n/a | 240,264 |
| Educational Opportunity Centers | 84.066A | n/a | 265,492 |
| Total TRIO cluster | | | 505,756 |
| Passed through Oklahoma Department of Career and Technology Education | | | |
| Carl Perkins | 84.048 | CP-PS-1074 | 331,334 |
| Carl Perkins Supplemental CD | 84.048 | CP-CD Supplemental 424 | 22,096 |
| Carl Perkins Supplemental NT | 84.048 | CP-NT 424 | 12,640 |
| Total U.S. Department of Education | | | 45,401,175 |
| **U.S. Department of Health and Human Services** | | | |
| Passed through Oklahoma State Regents for Higher Education | | | |
| Refugee and Entrant Assistance Discretionary Grant | 93.576 | unknown | 106,469 |
| Passed through Oklahoma University Health Sciences Center | | | |
| Biomedical Research and Research Training | 93.859 | RS20132225-58-58A | 92,985 |
| Idea Network for Biomedical Research and Research Training | 93.859 | RS20181585-03 | 186 |
| Passed through U.S. Department of Health and Human Services | | | |
| SAMHSA Mental Health Awareness | 93.243 | 1H79SM081006-01 | 71,149 |
| Total U.S. Department of Health and Human Services | | | 270,789 |
| **Total Expenditures of Federal Awards** | | | $ 48,919,254 |

Subrecipient expenditures for the year ending June 30, 2019 are as follows:

| Program Title | CFDA Number | Amount |
|---|---|---|
| Trade Adjustment Assistance (TAA) | 17.245 | $ 14,600 |
| WIOA - Adult Program | 17.258 | 1,038,113 |
| WIOA - Youth Activities | 17.259 | 909,105 |
| WIOA - Dislocated Workers Program | 17.278 | 1,104,217 |
| | | $ 3,066,035 |

See accompanying notes.

**Tulsa Community College**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2019**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## NOTE 2 - FEDERAL LOANS DISBURSED

The College also participates in the Federal Direct Student Loan Programs, including Federal Stafford Loans (Stafford) and Federal PLUS Loans (PLUS). The dollar amounts are listed in the schedule of federal awards although the College is not the recipient of the funds. Such programs are considered a component of the student financial assistance cluster. Loans processed by the College under this Loan Program for the year ended June 30, 2019 included:

| | 2019 | 2018 |
|---|---|---|
| Federal Direct Student Loan Programs | | |
| Stafford | | |
| Subsidized | $ 9,616,573 | $ 10,742,124 |
| Unsubsidized | 11,336,240 | 12,657,809 |
| PLUS | 93,254 | 60,468 |
| | $ 21,046,067 | $ 23,460,401 |

**Tulsa Community College**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2019**

**Section I – Summary of Auditor's Results**

***Financial Statements***

| | |
|---|---|
| Type of auditor's report issued on whether the financial statements audited were prepared In accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Noncompliance material to financial statements noted? | No |

***Federal Awards***

| | |
|---|---|
| Internal Control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | Yes |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| | Student Financial Assistance Cluster: |
| 84.007 | Federal Supplemental Educational Opportunity Grant |
| 84.033 | Federal Work-Study Program |
| 84.063 | Federal Pell Grant Program |
| 84.268 | Federal Direct Student Loan Programs |

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

Auditee qualified as low-risk auditee? Yes

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings and Questioned Costs**

None noted.

**Tulsa Community College**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**For the year ended June 30, 2019**

**Prior Year Federal Award Findings and Questioned Costs**

| Finding # | Program Name/Cluster Title | Summary of Findings | Status |
|---|---|---|---|
| **2018-001** | Special Tests and Provisions – Enrollment Reporting | Change in status was not reported to the NSLDS in the appropriate time frame. | In Process |
| **2018-002** | Procurement and Suspension and Debarment | Tulsa Community College did not have the necessary internal control procedures in place to monitor compliance with the federal suspension and debarment requirements for contracts exceeding $25,000. | Resolved |