TULSA COMMUNITY COLLEGE

FINANCIAL STATEMENTS

June 30, 2013

TULSA COMMUNITY COLLEGE
Tulsa, Oklahoma

FINANCIAL STATEMENTS
June 30, 2013

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Tulsa Community College
Annual Financial Report
Year Ended June 30, 2013

Members of the Board of Regents:

I am pleased to submit to you and the citizens of the Greater Tulsa community the Annual Financial Report for fiscal year 2013. This document presents the record of the College's financial operations.

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

In May 2013, Tulsa Community College conferred degrees on its 43rd graduating class. TCC graduates earned a total of 2,800 degrees and certificates in 2012-2013. This reflects an increase of 20.4% in overall graduates since TCC rolled out its college completion initiative in 2010. As one of Oklahoma's three largest higher education providers, TCC enrolls one of the largest first-time entering classes each fall (surpassed only by the University of Oklahoma and Oklahoma State University), admits the largest number of concurrent enrollment students taking college classes while still in high school, and records more than 35,000 enrollments in online/distance learning courses each year.

TCC welcomed 4,878 first-time entering college students during the 2012-2013 academic year. Of those, more than 1,511 entered as Tulsa Achieves students. Since 2007, 9,000 high school graduates have entered college as part of the Tulsa Achieves initiative. The College is committed to encouraging those students to complete their degrees. To augment that effort, TCC has joined the Complete College America initiative to close Oklahoma's and America's college completion gap and has committed to increasing the number of TCC degrees and certificates granted each year by a minimum of 71 in order to help reach Oklahoma's goal of producing an additional 1,700 degrees and certificates annually by 2023.

As the state's largest feeder college for completion of baccalaureate degrees, TCC has developed 115 transfer program agreements with colleges and universities in Tulsa, throughout Oklahoma and in adjacent states, allowing TCC students to transfer more seamlessly to other institutions. TCC holds several national rankings as one of the nation's premier community colleges. According to *Community College Week*, TCC ranks 29th among the nation's nearly 1,200 two-year institutions for granting associate degrees, making it one of the nation's Top 50 two-year degree-granting institutions for well over a decade. In individual disciplines, TCC ranks 2nd in education degrees, 6th in business related degrees, 14th in health related degrees and 16th in communications, journalism and related degrees. The College continues to be a national leader in granting degrees to Native American students.

Approximately 31 percent of our students choose to enroll in one of numerous workforce development programs designed to prepare students to step directly into careers. Of the more than 50 such programs, the most popular areas of study include nursing, allied health and business and information technologies. 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. Approximately 60 percent of TCC students are over 21 years of age, and many of those look to TCC for retraining in preparation for a different career. Nearly 6,000 additional students participate in education and training through TCC Continuing Education and Workforce Development classes each year. Students range from the youngest who attend College for Kids and Teens to the seasoned professional who benefits from a broad variety of high quality, economical, customized training and open enrollment programs throughout the year.

Distance learning at TCC continues to be a popular option for students striving to merge college, work, and family. With more than 36,000 annual enrollments in online and distance learning classes, TCC offers more online credit than any other college in Oklahoma. In fact, of the 228 degree and certificate programs offered at TCC, 136 are offered 50% or more online. Tulsa Community College has truly become a 24/7 college through its distance learning offerings.

TCC offers an enriched and diverse academic environment designed to meet student needs. As part of the College commitment to develop the whole student, student engagement with the community has become a priority. TCC has encouraged students to engage in service learning as part of their college experience since 1994. In the years since, TCC students have contributed thousands of hours each year to organizations and agencies throughout our service area. As part of the Tulsa Achieves program requirement, TA students must complete 40 hours of volunteer service each year. As of August 2013, TA students have contributed 317,003 hours of community service, with many of the students contributing far more than their requisite 40 hours annually.

The TCC Foundation stands as one of the College's most valued friends. The Foundation provides more than $1 million in support of students, faculty and staff each year. Much of that funding comes from the Foundation's annual Vision in Education Leadership Award Dinner. The 2013 Vision Dinner honored Don Walker, President and CEO of Arvest Bank Tulsa, for his enduring commitment to Tulsa, his leadership and wisdom in civic and economic issues, and his ever-present enthusiasm for making Tulsa one of the Nation's most livable communities. This year's dinner was the second most successful in history, raising $246,070 in gross revenue. Other donations to the Foundation throughout the year continue to benefit students, faculty, and staff. Foundation scholarships help students in a variety of academic areas, including art, business, engineering, honors, music, nursing, science, theatre, and veterinary technology.

Most recently, the Foundation concluded a capital campaign to secure funding for the TCC Physical Therapy Clinic, a $1.96 million, 8,000 sq. ft. learning laboratory and working clinic. The facility will provide clinical learning opportunities for students in the Physical Therapist Assistant program and act as a clinical affiliate for students in the Occupational Therapist Assistant, and Health Information Technology programs. The Clinic has been named after the late Nate Waters, a TCC graduate and community advocate for people with disabilities, who worked with therapists and students in the TCC Physical Therapist Assistant program as he learned to adjust to life as a quadriplegic and reach his education and life goals. Thanks to generous donations in Nate's name from community benefactors, the campaign exceeded its goal by more than $200,000. In recognition of his service to higher education and the community, Nate was honored with a posthumous recognition as the 2013 Stephen J. Jatras Award recipient at the 2013 Vision Dinner.

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

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

Sincerely

Thomas K. McKeon

Thomas K. McKeon, Ed.D.
President

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Tulsa Community College (the College), a component unit of the state of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Tulsa Community College, as of June 30, 2013, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and the Required Supplementary Information, such as the Schedule of Funding Progress on page 29 to be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of an forming opinion on the financial statements that collectively comprise the College's financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Irving, Texas
October 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

This report consists of Management's Discussion and Analysis (this part), the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement 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, 2013. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

STATEMENT OF NET POSITION

The Statement of Net Position present the assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities) as of the end of the fiscal years audited. 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.

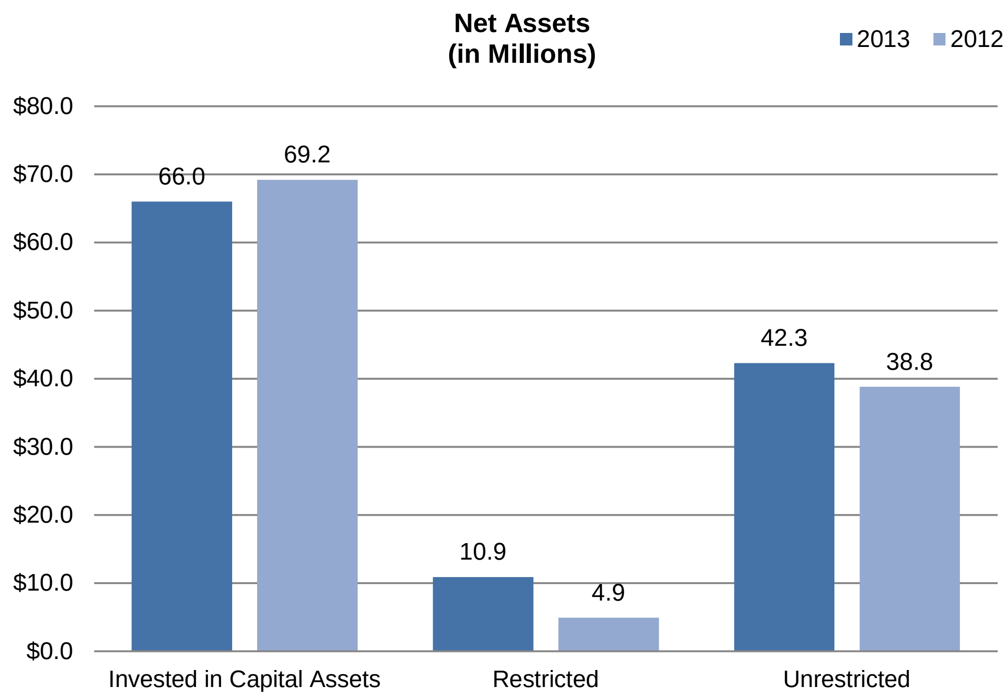
Net position - the difference between assets and liabilities - is one way to measure the College's financial health, or position. Over time, changes in the College's net position are an indicator of its overall financial health. Non-financial factors are also important to consider, including student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

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

The College's financial position, as a whole, improved during the fiscal year ended June 30, 2013. Net position increased approximately $6.4 million from June 30, 2012 to June 30, 2013.

(Continued)

The following graph illustrates the comparative change in net position by the three major categories mentioned above for fiscal year 2013 and 2012:



The following table summarizes the College's assets, liabilities, and net position as of June 30, 2013 and 2012 (in millions):

Net Position, End of Year

	2013	2012
Assets		
Current assets	$ 58.2	$ 51.0
Noncurrent assets:		
Capital assets, net	107.7	108.7
Other	6.7	7.0
Total assets	172.6	166.7
Liabilities		
Current liabilities	15.2	14.9
Noncurrent liabilities	38.1	38.9
Total liabilities	53.3	53.8
Net Position		
Invested in capital assets, net related debts	66.0	69.2
Restricted	10.9	4.9
Unrestricted	42.3	38.8
Total Net Position	$ 119.3	$ 112.9

(Continued)

Total assets of the College increased $5.9 million from June 30, 2012. This increase was primarily due to an increase in cash and cash equivalents, including restricted of $6.3 million, due to improved collection of outstanding student accounts receivable in 2013 and better budgetary controls over expenses.

At June 30, 2013, the College had approximately $107.7 million invested in capital assets, net of accumulated depreciation of $99.2 million. Depreciation charges for the current year totaled $7.9 million compared to $7.0 million in the prior year. Note 4 of the financial statements can provide additional information regarding capital asset activities and balances.

Total liabilities of the College decreased $0.5 million from June 30, 2012. This decrease was primarily due to a decrease in long-term debt and capital leases by $0.5 million. Note 5 of the financial statements can provide additional information regarding long-term liabilities activities and balances.

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.

Statement of Revenue, Expenses, and Changes in Net Position

	2013	2012
Operating revenues	$ 62.1	$ 35.0
Operating expenses	161.9	140.0
Operating loss	(99.8)	(105.0)
Non-operating revenues & expenses	104.5	107.7
Income before other revenues, expenses, gains and losses	4.7	2.7
Other revenues, expenses gains or losses	1.6	1.5
Increase in net position	$ 6.3	$ 4.2

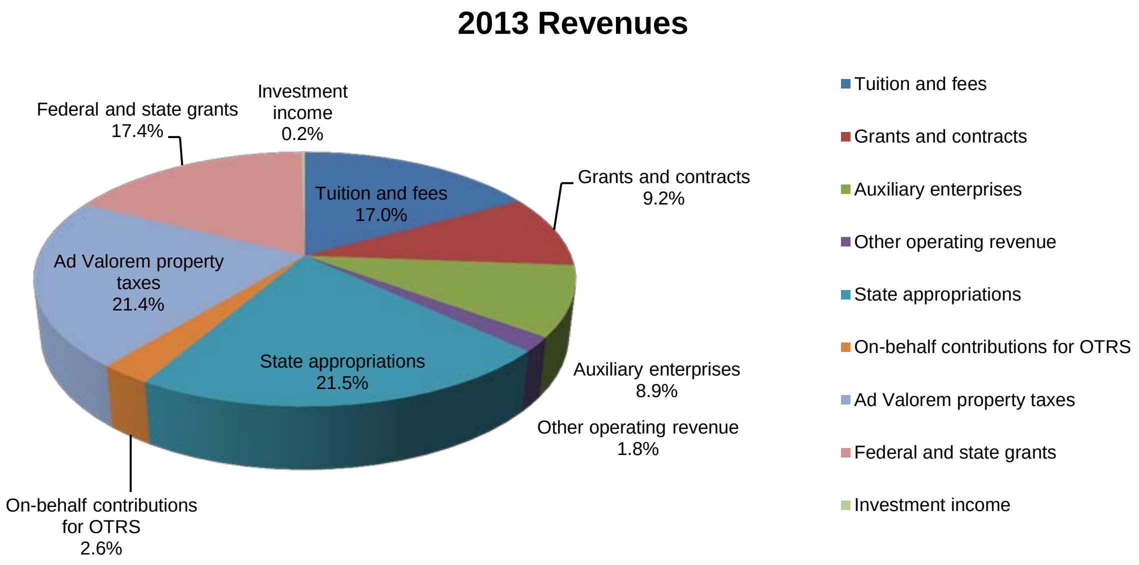
(Continued)

STATEMENT OF REVENUES

The following table and chart illustrate the revenue streams for the College. To highlight the major sources: 24% is comprised of state appropriations; 21% is ad valorem taxes; 18% is non-operating federal and state grants and contracts; and 37% is operating revenue including tuition and fees, auxiliary services and operating federal and state grants and contracts. The College continues to make revenue diversification an ongoing priority, along with cost containment. This is necessary as the College continues to face significant financial pressure with flat state budget projections, increased compensation and benefit costs, and volatile technology, energy, and water prices.

Statement of Revenues (in millions)

	2013	2012
Operating Revenues		
Tuition and fees	$ 28.6	$ 6.7
Grants and contracts	15.5	9.9
Auxiliary enterprises	15.0	15.8
Other operating revenue	3.0	2.6
Total Operating Revenues	$ 62.1	$ 35.0
Non-operating Revenues		
State appropriations	36.1	35.6
On-behalf contributions for OTRS	4.4	4.4
Ad Valorem property taxes	35.9	35.3
Federal and state grants	29.3	33.7
Investment income	0.2	0.0
Non-operating Revenues	105.9	109.0
Total Revenues	$ 168.0	$ 144.0



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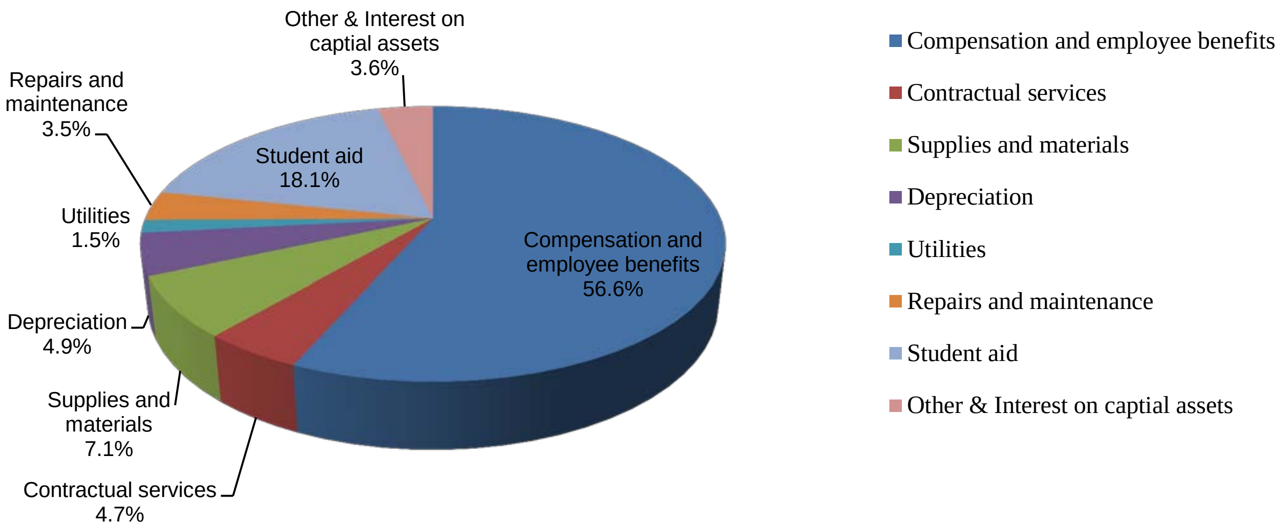
STATEMENT OF EXPENSES

A summary of the College's expenses, for the year ended June 30, 2013, can be viewed below. Compensation and benefits accounted for approximately 56% of total expenses compared to 63% of total expenses for the prior year. Depreciation made up 5% of total expenses for both years ended.

Operating Expenses (in millions)

	2013	2012
Operating Expenses		
Compensation and employee benefits	$ 91.7	$ 89.1
Contractual services	7.6	5.5
Supplies and materials	3.7	30.4
Cost of goods sold	7.8	
Depreciation	7.9	7.0
Rental expenses	1.3	
Utilities	2.4	2.5
Repairs and maintenance	5.6	
Student aid	29.3	2.6
Other	4.6	2.9
Total Operating Expenses	$ 161.9	$ 140.0
Nonoperating Expenses		
Interest on capital assets – related debt	1.4	1.3
Other	0.0	0.0
Total Nonoperating Expenses	1.4	1.3
Total Expenses	$ 163.3	$ 141.3

2013 Expenses



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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 $6.3 million. Overall liquidity increased for period ended June 30, 2012 with a net increase to cash and cash equivalents of $8.7 million. The following table summarizes the College's cash flows for the year ended June 30, 2013:

Cash flows for the Year (in millions)

	2013	2012
Cash provided (used) by:		
Operating activities	$ (88.1)	$ (90.7)
Noncapital financing activities	101.3	104.0
Capital and related financing activities	(7.4)	(4.7)
Investing activities	0.5	0.1
Net Change in Cash	6.3	8.7
Cash and equivalents, beginning of the year	39.2	30.5
Cash and equivalents, end of the year	$ 45.5	$ 39.2

Cash used by operating activities during fiscal year 2013 of $88.1 million decreased $2.6 million (2.9%) when compared to the prior year ($90.7 million). Major sources of operating funds were tuition and fees ($29.0 million), grants and contracts ($13.9 million) and auxiliary enterprises ($15.0 million), which were offset by the payment of compensation and benefits ($86.6 million) and payment to suppliers and other operating payments ($57.8 million).

Cash provided by noncapital financing activities during fiscal year 2013 of $101.3 million decreased $2.7 million (2.6%) compared to the prior year ($104.0 million). Major sources of noncapital financing activities were state appropriations ($36.1 million), Ad valorem property taxes received ($35.9 million) and Federal and state grants ($29.2 million).

Cash used in capital and related financing activities during fiscal year 2013 of $7.4 million increased $2.7 million (57.4%) when compared to the prior year ($4.7 million). The major source of capital and related financing activities was capital appropriation received ($1.2 million), which was offset by purchases of capital assets ($7.1 million) and principal and interest payments on capital debt and leases ($1.4 million).

Cash used by investing activities during fiscal year 2013 of $0.5 million increased $0.4 million when compared to cash provided in the prior year ($0.1 million).

(Continued)

ECONMONIC 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, however. In the past several years there has been a significant shift in state appropriations and economic conditions which have caused changes in the revenue streams Tulsa Community College uses as operational funding sources. First, changes in federal Pell eligibility have impacted how many and when students can attend college. Second, recent reductions in state appropriations have resulted in a realignment of the proportions of state, tuition and local tax revenues we have for operations. In the past decade, our appropriations from the state have been a smaller percentage of our total revenue and tuition and fees income has become a larger portion of our revenue. Adapting to change is critical if we are going to fulfill our mission and operate soundly. Over the next few years the College will need to have a greater emphasis on enrollment, both from recruitment and a retention standpoint, and its increasing role in our overall financial health.

The cost of health care and costs related to the changes brought forth from the Affordable Care Act continues to rise at a pace that is becoming increasingly difficult to manage within the constraints of the resources available to address it. The College has taken steps to try to minimize the impact of the very large increases that have been occurring, but there does not seem to be an end in sight for this trend of high annual increases in premiums.

Given the challenges that exist, Tulsa Community College believes that it is well positioned to weather changing financial conditions and to make the investments that will secure accessibility to education for the Tulsa community.

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 Comptroller Office personnel and others who have our sincere appreciation.

TULSA COMMUNITY COLLEGE
STATEMENT OF NET POSITION
June 30, 2013

Assets	
Current assets	
Cash and cash equivalents (Note 2)	$ 42,865,178
Cash and cash equivalents – restricted (Note 2)	2,725,818
Investments – restricted (Note 2)	1,839,796
Accounts receivable, net (Note 3)	7,100,255
Federal and state grants receivable	1,565,478
Delinquent ad valorem property taxes receivable	900,000
Inventories	1,209,901
Total current assets	58,206,426
Noncurrent assets	
Investments – restricted (Note 2)	1,833,782
Deposits with the State Regents (Note 12)	4,543,581
Prepaid pension asset (Note 6)	226,291
Non-depreciable capital assets (Note 4)	5,377,934
Depreciable capital assets, net (Note 4)	102,272,490
Other assets	103,672
Total noncurrent assets	114,357,750
Total assets	$ 172,564,176
Liabilities	
Current liabilities	
Accounts payable	$ 3,700,181
Accrued liabilities	2,596,021
Accrued compensated absences	1,419,838
Interest payable	149,793
Unearned revenues	3,660,490
Long term liabilities – current portion (Note 5)	3,554,414
Deposits held in custody for others	146,705
Total current liabilities	15,227,442
Noncurrent liabilities	
ODFA bonds (Note 5)	12,250,855
Revenue bonds (Note 5)	8,916,200
OCIA capital lease obligation (Note 5)	15,646,922
Equipment capital lease obligation (Note 5)	1,269,108
Total noncurrent liabilities	38,083,085
Total liabilities	53,310,527
Net Position	
Net investment in capital assets	66,012,925
Restricted for:	
Expendable	6,399,396
Nonexpendable – scholarship endowment	4,543,581
Unrestricted	42,297,747
Total net position	119,253,649
Total liabilities and net position	$ 172,564,176

See notes to financial statements.

TULSA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2013

Operating revenues	
Tuition and fees (revenues of $4,519,050 in 2013 are pledged as security on College Student Center Series revenue bonds), net of $11,001,900 of scholarship discounts and allowances	$ 28,537,890
Federal grants and contracts	9,500,596
State and private grants and contracts	6,037,300
Sales and services of auxiliary enterprises	15,013,107
Other operating revenue	2,970,669
Total operating revenue	62,059,562
Operating expenses	
Compensation and employee benefits (Note 6)	91,710,083
Contractual services	7,631,827
Supplies and materials	3,659,326
Cost of goods sold	7,801,695
Depreciation (Note 4)	7,861,598
Rental expenses	1,359,431
Utilities	2,360,201
Repairs and maintenance	5,588,096
Student aid	29,282,938
Other operating expenses	4,606,152
Total operating expenses	161,861,347
Operating loss	(99,801,785)
Non-operating revenues (expenses)	
State appropriations	36,116,944
On-behalf contributions for OTRS (Note 6)	4,422,087
Ad valorem property taxes (Note 10)	35,929,841
Federal and state grants	29,235,079
Investment income	222,825
Interest on capital-related debt	(1,452,239)
Net non-operating revenues	104,474,537
Income before other revenues, expenses, gains, and losses	4,672,752
State appropriations restricted for capital purposes (Note 14)	1,249,002
OCIA on-behalf state appropriations	417,822
Change in net position	6,339,576
Net position at beginning of year	112,914,073
Net position at end of year	$ 119,253,649

See notes to financial statements.

TULSA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year ended June 30, 2013

Cash flows from operating activities	
Tuition and fees	$ 29,062,583
Grants and contracts	13,933,438
Payments to suppliers and other operating payments	(57,808,658)
Payments to employees	(86,648,624)
Auxiliary enterprises sales and services	15,013,107
Other operating revenue	2,970,669
Other operating payments	(4,318,207)
Net cash used in operating activities	(87,795,692)
Cash flows from noncapital financing activities	
State appropriations	36,116,944
Ad valorem property taxes received	35,929,841
Federal and state grants	29,235,079
Deposits held in custody for others	16,216
Net cash provided by noncapital financing activities	101,298,080
Cash flows from capital and related financing activities	
Purchases of capital assets	(3,438,299)
Capital appropriations received	1,249,002
Principal paid on capital leases and bonds	(4,410,724)
Interest paid on capital leases and bonds	(1,054,768)
Net cash used in capital and related financing activities	(7,654,789)
Cash flows from investing activities	
Sales and purchases of investments	259,897
Interest received on investments	222,825
Net cash provided by investing activities	482,722
Net change in cash and cash equivalents	6,330,321
Cash and cash equivalents at beginning of year	39,260,675
Cash and cash equivalents at end of year	$ 45,590,996
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (99,801,785)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	7,861,598
Amortization expense	287,945
On-behalf contributions for OTRS	4,422,087
Changes in operating assets and liabilities	
Receivables, net	(1,228,407)
Inventories	253,250
Prepaid pension and other assets	849,462
Accounts payable and accrued liabilities	(744,445)
Compensated absences	(144,824)
Deferred revenue	870,252
Other	(420,825)
Net cash used by operating activities	$ (87,795,692)
Noncash investing and capital and related financing activities	
Principal and interest on capital debt paid by state agency on behalf of the College	$ 417,822
Capital asset purchases financed through capital lease obligations	3,691,418
	$ 4,109,240
Reconciliation of cash and cash equivalents to the statement of net position	
Current assets	
Cash and cash equivalents	$ 42,865,178
Cash and cash equivalents – restricted	2,725,818
	$ 45,590,996

See 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) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* 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 Comptroller and Chief Financial Officer.

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

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

The College follows GASB pronouncements as codified under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was adopted in the current year.

The College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective on January 1, 2012. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, which are distinct from assets and liabilities. This Statement amends the net asset reporting requirements in previous statements and pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The disclosures required by this Statement have no effect on the College's beginning net position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, the College also adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions,* which had no impact on the financial statements.

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

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

Investments: The College accounts for its investments at fair value. 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.

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

Restricted Cash and Investments: Cash and investments that are externally restricted to make debt service payments, 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 semester. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair 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 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 during the year ended June 30, 2013.

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.

Noncurrent Liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, OFDA 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 related to those capital assets. To the extent debt has been incurred by not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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.

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.

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year ended June 30, 2013, the College expended approximately $281,225 to Tulsa Vo-Tech for maintenance and operating costs, net of revenues. Tulsa Vo-Tech paid the College approximately $48,019 for security expenses for the year ended June 30, 2013. 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.

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) sales and services of auxiliary enterprises, (3) most federal, state, and local grants and contracts, 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 nonexchange 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 $11,001,900 for the year ended June 30, 2013.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents, and investments included in the statement of net position at June 30, 2013, consist of the following:

Cash and cash equivalents:	
Current	$ 42,865,178
Current, restricted	2,725,818
	$ 45,590,996
Investments:	
Current, restricted	$ 1,839,796
Noncurrent, restricted	1,833,782
	$ 3,673,578

The following schedule reports the fair value and maturities for the College's investments at June 30, 2013:

	Fair Value	Less Than One Year	One to Five Years	More Than Five Years
Money market funds	$ 3,673,578	$ 3,673,578	$ -	$ -
	$ 3,673,578	$ 3,673,578	$ -	$ -

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

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

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.

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2013, the carrying amounts of the College's deposits with the State Treasurer and other financial institutions were as follows:

Deposits with the State Treasurer	$ 10,988,174
Deposits with the State Treasurer – OK INVEST	7,160,554
U.S. financial institutions	27,442,268
	$ 45,590,996

At June 30, 2013, the related bank balances of the College's deposits totaled $49,860,858, of which $22,418,590 was 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. Of the funds on deposit with the OST, amounts invested in OK INVEST total $7,160,554 in 2013.

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

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

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

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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

U.S. agency securities	$ 2,705,973
Certificates of deposit	176,150
Money market mutual funds	763,315
Mortgage backed agency securities	2,897,876
Foreign bonds	54,420
State bonds	126,742
Municipal bonds	116,001
U. S. treasury obligations	320,077
Total	$ 7,160,554

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2013:

Student tuition and fees	$ 12,944,614
Auxiliary enterprises and other, operating activities	1,929,871
	14,874,485
Less allowance for doubtful accounts	(7,774,230)
Accounts receivable, net	$ 7,100,255

NOTE 4 - CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Non-depreciable:				
Land	$ 5,150,241	$ 200,000	$ -	$ 5,350,241
Construction in progress	-	27,693	-	27,693
Total	5,150,241	227,693	-	5,377,934
Depreciable:				
Buildings and improvements	179,596,801	2,593,262	-	182,190,063
Land/infrastructure improvements	5,600,357	75,300	(75,300)	5,600,357
Furniture, fixtures, and equipment	17,362,863	4,194,563	(7,868,734)	13,688,692
Total	202,560,021	6,863,125	(7,944,034)	201,479,112
Accumulated depreciation:				
Buildings and improvements	(82,751,275)	(6,252,027)	-	(89,003,302)
Land/Infrastructure improvements	(2,959,116)	(146,456)	7,530	(3,098,042)
Furniture, fixtures, and equipment	(13,316,781)	(1,463,115)	7,674,618	(7,105,278)
Total	(99,027,172)	(7,861,598)	7,682,148	(99,206,622)
Total capital assets, net	$ 108,683,090	$ (770,780)	$ (261,886)	$ 107,650,424

(Continued)

NOTE 5 - NONCURRENT LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Amounts Due Within One Year
Revenue bonds, series 2002	$ 560,000	$ -	$ (560,000)	$ -	$ -
Revenue bonds, series 2005	4,490,000	-	(965,000)	3,525,000	1,005,000
Revenue bonds, series 2012	7,665,000	-	(405,000)	7,260,000	685,000
	12,715,000	-	(1,930,000)	10,785,000	1,690,000
Bond issue costs	(107,463)	-	10,746	(96,717)	(10,746)
Premium & discounts	(157,321)	-	32,246	(125,075)	(32,246)
Total revenue bonds	12,450,216	-	(1,887,008)	10,563,208	1,647,008
ODFA, Series 2009B	9,825,583	-	(435,250)	9,390,333	444,167
ODFA, Series 2010A	2,377,000	-	(156,415)	2,220,585	161,417
ODFA, Series 2011A	1,436,083	-	(59,167)	1,376,916	61,083
	13,638,666	-	(650,832)	12,987,834	666,667
Bond issue costs	(83,337)	-	3,002	(80,335)	-
Premium & discounts	16,936	8,998	(15,911)	10,023	-
Total ODFA Bonds	13,572,265	8,998	(663,741)	12,917,522	666,667
OCIA, Series 2004A	1,173,996	-	(140,701)	1,033,295	147,761
OCIA, Series 2005F	10,627,654	-	-	10,627,654	434,859
OCIA, Series 2010A	4,285,037	-	-	4,285,037	-
OCIA, Series 2010B	1,272,559	-	-	1,272,559	-
	17,359,246	-	(140,701)	17,218,545	582,620
Premiums and discounts	(1,486,731)	-	248,864	(1,237,867)	(248,864)
Total OCIA bonds	15,872,515	-	108,163	15,980,678	333,756
Equipment capital lease obligation	-	3,691,418	(1,515,327)	2,176,091	906,983
Total long-term liabilities	$ 41,894,996	$ 3,700,416	$ (3,957,913)	$ 41,637,499	$ 3,554,414

Revenue Bonds Payable

Revenue Bonds, Series 2002: The Board of Regents authorized the College to issue Revenue Bonds, Series 2002 (the Series 2002 Bonds) dated January 1, 2002, in the amount of $12,000,000. The total serial bonds of $6,520,000 matured on July 1 of each year beginning July 1, 2003, in annual amounts ranging from $395,000 to $645,000: interest rates ranging from 2.55% to 4.90%. The total term bonds of $5,480,000 bear interest at 5.50%. The Series 2002 Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2002 Bonds were fully repaid as of June 30, 2013.

Revenue Bonds, Series 2005: The Board of Regents authorized the College to issue Revenue Bonds, Series 2005 (the Series 2005 Bonds) dated July 1, 2005, in the amount of $9,725,000 which mature on July 1 of each year beginning July 1, 2006 through July 1, 2016, in annual amounts ranging from $795,000 to $1,005,000, interest rates ranging from 3.05% to 4.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2005 Bonds are subject to redemption prior to maturity as set forth in Sixth Supplemental Bond Resolution. At June 30, 2013, $3,525,000 remained outstanding. The College paid $965,000 in principal, and $139,468 in related interest, on these bonds during 2013. The Series 2005 Bonds at June 30, 2013, are net of $125,075 of deferred refunding costs resulting from the refunding of the Series 1996 Bonds. Deferred refunding costs are amortized as a component of interest expense over the life of the Series 2005 Bonds. During 2013, $32,246 of the deferred refunding costs was amortized into interest expense.

(Continued)

NOTE 5 – NONCURRENT LIABILITIES (Continued)

Revenue Bonds, Series 2012: The Board of Regents authorized the College to issue Revenue Bonds, Series 2012 (the Series 2012 Bonds) dated January 1, 2012, in the amount of $7,665,000 which mature on July 1 of each year beginning July 1, 2012 through July 1, 2022, in annual amounts ranging from $405,000 to $795,000, interest rates ranging from 2.00% to 3.25%. The Series Bonds are payable from pledged revenues derived from a student center fee, a student activity fee, and the net revenues from the operation of the student center system. The Series 2012 Bonds are subject to mandatory redemption prior to maturity, on 30 days' notice at any time in inverse order of maturity, out of required payments to the principal account at the principal amount thereof plus accrued interest to the date for fixed redemption. At June 30, 2013, $7,260,000 remained outstanding. The College paid $405,000 in principal, and $167,590 in related interest, on these bonds during 2013.

Future principal and interest payments required to be made in accordance with all of the revenue bond agreements at June 30, 2013, are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	$ 1,690,000	$ 275,777	$ 1,965,777
2015	1,525,000	230,530	1,755,530
2016	1,590,000	186,411	1,776,411
2017	1,545,000	139,703	1,684,703
2018	740,000	106,425	846,425
2019-2023	3,695,000	258,900	3,953,900
	$ 10,785,000	$ 1,197,746	$ 11,982,746

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. In September of 2009, the College also entered into a 15-year lease agreement and received $859,000 to purchase a building and related activities for the Metro Campus. Lease payments made by the College are forwarded to the trustee bank of the State Regents for future principal and interest payments on the Master Lease Board. Monthly payments continue through the maturity of the lease in November 2029. At June 30, 2013, the outstanding balance was $9,390,333.

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, 2013, the outstanding balance was $2,220,585.

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 Mast 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, 2013, the outstanding balance was $1,376,916.

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Future principal and interest payments to be made in accordance with the Master Lease Bond agreements at June 30, 2013 are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	$ 666,667	$ 481,587	$ 1,148,254
2015	691,166	459,277	1,150,443
2016	715,667	437,222	1,152,889
2017	740,416	413,911	1,154,327
2018	761,000	391,935	1,152,935
2019-2023	4,197,417	1,559,320	5,756,737
2024-2028	4,020,333	746,489	4,766,822
2029-2030	1,195,168	70,133	1,265,301
	$ 12,987,834	$ 4,559,874	$ 17,547,708

Oklahoma Capital Improvement Authority Lease

Series 2004A: In 2004, the Oklahoma Capital Improvement Authority (OCIA) issued its OCIA Bond Issues, 2004 Series A. This bond was a refunding of the 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents allocated $1,542,248 to the College, which was the outstanding balance of the 1999 Series.

Concurrently with the original allocation, the College entered into an individual lease agreement with OCIA, representing the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, of which seven years remain as of June 30, 2013. The proceeds of the bonds and subsequent lease were to provide for capital improvements at the College.

During the year ended June 30, 2013, OCIA made lease principal and interest payments totaling $417,822 on behalf of the College. These on-behalf payments have been recorded as restricted state appropriations in the statement of revenues, expenses, and changes in net position.

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

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

Through June 30, 2013, the College has drawn down all of its total allotment for expenses incurred in connection with the specific projects.

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Series 2010A and B: In August 2010, the College's 2005 Series F lease agreement with the OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The College's lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal year 2012 by extending and restructuring debt service. Consequently, the College's lease agreement with OCIA automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a charge or cost on restructuring. The College has recorded a charge of $1,486,731 on restructuring as a deferred cost that will be amortized over a period of 6 years. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $1,486,731 also approximates the economic cost of the lease restructuring.

During the year ending June 30, 2013, the College recognized $248,864 of amortization on the deferred cost of lease restructuring on the OCIA Series 2005F lease obligation, leaving a balance of the unamortized deferred costs of $1,237,867. The unamortized deferred cost is included in the OCIA capital lease obligation in the accompanying financial statements.

The scheduled principal and interest payments related to the OCIA Capital Lease obligations at June 30, 2013 are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	$ 582,620	$ 727,410	$ 1,310,030
2015	1,353,102	700,474	2,053,576
2016	1,394,221	654,548	2,048,769
2017	1,661,968	673,811	2,335,779
2018	1,737,397	598,549	2,335,946
2019-2023	2,660,537	2,236,858	4,897,395
2024-2028	4,531,205	1,519,870	6,051,075
2029-2031	3,297,495	333,152	3,630,647
	$ 17,218,545	$ 7,444,672	$ 24,663,217

Equipment Capital Lease Obligation

The College has entered into lease agreements for various copiers and computers. These agreements extend through June 30, 2016 with interest rates that range from 2.89% to 6%. At June 30, 2013, the total capitalized cost of the equipment was $3,691,418 and accumulated depreciation was $1,328,911. Total principal and interest payments in 2013 totaled $1,694,560. The remaining obligation at June 30, 2013 was $2,176,091.

The scheduled principal and interest payments related to the equipment capital leases as of June 30, 2013 are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	$ 906,983	$ 62,810	$ 969,793
2015	936,029	33,764	969,793
2016	333,079	6,495	339,574
	$ 2,176,091	$ 103,069	$ 2,279,160

(Continued)

NOTE 5 - NONCURRENT LIABILITIES (Continued)

Line of Credit

The College has a $1,200,000 unsecured line of credit due and payable on demand through July 31, 2013. Interest on the line is 1.73% as of June 30, 2013 and is payable monthly. At June 30, 2013, there was no outstanding balance and there were no draws on the line of credit during the fiscal year.

NOTE 6 - RETIREMENT PLANS

The College's academic and nonacademic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System, which is a state of Oklahoma public employee's retirement system, and a 403(b) annuity plan, which is a privately administered plan. The College does not maintain the accounting records, hold the investments for, or administer these plans. If the previously mentioned plans do not provide a computed minimum benefit amount, the College provides the difference under a Supplemental Retirement Plan, a privately administered plan, for those employees meeting certain eligibility requirements. 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 Oklahoma Teachers' Retirement System (the OTRS), a cost-sharing multiple-employer defined benefit pension plan sponsored by the state of Oklahoma. The OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the state of Oklahoma. Title 70 of the Oklahoma statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. The OTRS does not provide for a cost-of-living adjustment. The OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to the Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, or by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

Funding Policy: The authority to define or amend employer contribution rates is given to the Board of Trustees of OTRS by Oklahoma statute, Title 70, Section 17-106; all other contribution rates are defined or amended by the Oklahoma legislature. OTRS members are required to contribute 7% of their regular annual compensation, not to exceed the member's maximum compensation level. The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate for 2013 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 2013, 2012, and 2011. The College's contributions to the OTRS for the years ended June 2013, 2012 and 2011 were $9,905,497, $9,801,031, and $10,917,369, respectively, which is equal to the required contributions for each year. These contributions included the College's statutory contribution and the share of the employee's contribution paid directly by the College.

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

The state of Oklahoma is also required to contribute to the OTRS on behalf of the participating employers. For 2013, 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 year ended June 30, 2013, the total amounts contributed to the OTRS by the state of Oklahoma on behalf of the College were approximately $4,422,087. These on-behalf payments have been recorded as both nonoperating state appropriations revenues and operating compensation and employee benefits expenses in the statement of revenues, expenses, and changes in net position.

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, 2013, 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 2013 totaled approximately $919,195.

Supplemental Retirement Plan

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

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

Annual Pension Cost and Net Pension Asset:

Annual pension cost and contributions to the SRP for the year ended June 30, 2013 were as follows:

Annual required contributions (ARC)	$ -
Actual return	105,750
Adjustment to ARC	(41,715)
Benefit payments and fees	(108,994)
Annual pension cost	$ (44,959)
Contributions to the plan	$ 85,000
Annual pension cost	(44,959)
Change in net pension asset	$ 40,051

(Continued)

NOTE 6 - RETIREMENT PLANS (Continued)

Required information the years ended June 30:

		2013		2012		2011
Annual pension cost	$	44,959	$	316,111	$	193,733
Net pension asset		226,291		1,075,753		956,064
Percentage of annual pension cost contributed		189.06%		0%		0%

Valuation date	6/30/2013
Actuarial value of assets	1,228,974
Actuarial accrued liability	(1,002,683)
Covered payroll	21,588,268
Unfunded actuarial accrued liability as a percentage of covered payroll	(1.05)%
Funded ratio	122.57%

The annual required contribution was determined as part of an actuarial valuation on June 30, 2013, using the projected unit credit actuarial cost method. The value of the SRP assets is based on each investment's fair value. The actuarial assumptions used include (a) a social security wage base increase of 3% annually plus a cost-of-living adjustment of 2.5% annually; (b) normal retirement at age 65 with at least 10 years of service; (c) an 8% rate of return on investments; and (d) project salary increases of 3.5% per year. The unfunded actuarial accrued liability is being amortized over 15 years at a level dollar amount on a closed basis.

The required supplementary information immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

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 $28,000 per year plus a portion of certain College employees' salaries and benefits. During the year ending June 30, 2013, the Foundation paid the College $106,925 as a result of this agreement. During the year ending June 30, 2013, the Foundation also awarded scholarships totaling $135,779 to students of the College and contributed $823,553 for other college support 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 can 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, 2013 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.

(Continued)

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.

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 year ended June 30, 2013 totaled $35,929,841.

NOTE 11 - SECTION 13 OFFSET PROGRAM

The State Regents allocates funds to institutions who are not beneficiaries of the "Section 13" and "New College Trust Funds" under the Section 13 Offset Program. These funds are to be used by an institution for projects which are on the approved campus master plan.

The College has been allotted funds under this program to use for capital repairs or expansions. The College was allotted and expended approximately $1,249,002 under this program for the year ended June 30, 2013.

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 $4,543,581 at June 30, 2013 and is invested by the State Regents on behalf of the College. The College is entitled to receive an annual distribution of 5% of the market value at year end on these funds. As legal title of the State Regents matching endowment funds is retained by the State Regents, the funds are available for distribution.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

TULSA COMMUNITY COLLEGE
REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)
SCHEDULES OF FUNDING PROGRESS
Year ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
June 30, 2013	$ 1,228,974	$ 1,002,683	$ (226,291)	122.57%	$ 21,588,268	(1.05)%
June 30, 2012	$ 982,217	$ 978,402	$ (3,815)	100.39%	$ 22,265,584	(0.02)%
June 30, 2011	$ 1,164,009	$ 981,152	$ (182,857)	118.64%	$ 24,415,290	(0.75)%
June 30, 2010	$ 1,316,026	$ 1,315,372	$ (654)	100.05%	$ 27,557,882	(0.002)%

SUPPLEMENTARY INFORMATION

Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Tulsa Community College (College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. (Finding 2013-01)

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. (Findings 2013-02 and 2013-03)

Compliance and Other Matters

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

College's Response to Findings

The College's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Irving, Texas
October 30, 2013

Crowe Horwath.
Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Regents
Tulsa Community College
Tulsa, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Tulsa Community College's (College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-04 and 2013-05. Our opinion on each major federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. (Findings 2013-04 and 2013-05)

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Irving, Texas
October 30, 2013

TULSA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Total Federal Expenditures
U.S. Department of Commerce		
Passed through Oklahoma Alliance for Manufacturing Excellence, Inc.		
Manufacturing Extension Partnership	11.611	$ 42,000
Total U.S. Department of Commerce		42,000
U.S. Department of Labor		
Trade Adjustment Assistance (TAA) - Advanced Manufacturing	17.245	93,290
Passed through Oklahoma Employment Security Commission		
Trade Adjustment Assistance (TAA)	17.245	755,926
Total Trade Adjustment Assistance (TAA) Cluster		849,216
Passed through Oklahoma Department of Commerce		
Worker Investment Act – Adult Program	17.258	1,204,904
Worker Investment Act – Youth Activities	17.259	1,029,087
Worker Investment Act – Incentive Grant	17.259	16,900
Worker Investment Act – Dislocated Workers Program	17.278	794,122
Total Worker Investment Act (WIA) cluster		3,045,013
Green Jobs Innovation Fund Grant – ARRA	17.275	162,181
Passed through Oklahoma City Community College		
TAA Community College and Career Training (TAACCCT)	17.282	90,470
Passed through Wichita Area Technical College		
TAACCCT - National Aviation Consortium	17.282	102,361
Total U.S. Department of Labor		4,249,241
National Science Foundation		
Mathematical and Physical Sciences	47.049	25,281
Education and Human Resources	47.076	113,651
Total National Science Foundation		138,932
U.S. Department of Education		
Student Financial Aid Cluster		
Federal Supplemental Educational Opportunity Grant	84.007	323,357
Federal Work Study	84.033	357,682
Federal Pell Grant	84.063	28,728,724
Federal Direct Student Loan Program	84.268	32,143,705
Total Student Financial Aid cluster		61,553,468
TRIO Cluster		
Student Support Services	84.042A	223,014
Upward Bound	84.047A	207,823
Educational Opportunity Centers	84.066A	205,683
Total TRIO cluster		636,520
Passed through Oklahoma Department of Career and Technology Education		
Career and Technical Education (Carl Perkins)	84.048	358,718
Total U.S. Department of Education		62,548,706
U.S. Department of Health and Human Services		
Passed through Community Action Project of Tulsa County		
ACA Health Profession Opportunity Grant (HPOG)	93.093	401,000
Passed through Oklahoma State University – Center for Health Services		
Area Health Education Centers Awards	93.107	41,461
Passed through Northwest Rural Health		
Research on Healthcare Costs, Quality and Outcomes	93.226	57,348
Rural Health Care Services Outreach	93.912	75,176
Passed through Oral Roberts University		
Nursing Education, Practice Quality and Retention	93.359	25,860
Passed through Oklahoma State Regents for Higher Education		
Refugee and Entrant Assistance Discretionary Grant	93.576	138,469
Passed through Pitt Community College		
Health Information Technology Professionals in Health Care – ARRA	93.721	144,115
Passed through University of Oklahoma Health Sciences Center		
Biomedical Research and Research Training	93.859	51,822
Passed through Oklahoma Department of Health and Human Services		
PPHF-2012 Geriatric Education Centers	93.969	7,933
Total U.S. Department of Health and Human Services		943,184
Agency for International Development		
USAID Development Partnerships of University Cooperation and Development - BMENA	98.012	1,447
Total Expenditures of Federal Awards		$ 67,923,510

See accompanying notes to the schedule of expenditures of federal awards

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance activity of Tulsa Community College (College) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The College reporting entity is defined in Note 1 of the College's financial statements.

NOTE 2 - FEDERAL LOANS DISBURSED

The College also participates in the Federal Direct Student Loans Program, 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 were the following for the year ended June 30, 2013:

Federal Direct Student Loans Program	
Stafford	
Subsidized	$ 19,850,589
Unsubsidized	12,227,436
PLUS	65,680
	$ 32,143,705

NOTE 3 - SUBRECIPIENTS

During the year ended June 30, 2013, the College did not provide any federal awards to subrecipients.

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? __X__ Yes ______ No
- Significant deficiencies identified not considered to be material weaknesses? __X__ Yes ______ None Reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiencies identified not considered to be material weaknesses? __X__ Yes ______ 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 Section .510(a) of OMB Circular A-133? __X__ Yes ______ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.275	Green Jobs Innovation Fund Grant – ARRA
	Student Financial Aid Cluster:
84.063	Federal Pell Grant Program
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.268	Federal Direct Loan Program
	TRIO Cluster:
84.042A	TRIO Student Support Services
84.047A	Upward Bound
84.066A	Educational Opportunity Center
84.048	Career and Technical Education (Carl Perkins)
93.093	ACA Health Profession Opportunity Grants (H-POG)

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ Yes ___ No

SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS.

FINDING 2013-01 – CONTROLS OVER FINANCIAL REPORTING

Criteria: Management is responsible for having internal controls in place to provide appropriate and reliable financial reports, and to select and apply appropriate accounting principles. Management is not required to prepare their financial reports, but management needs to demonstrate the level of qualifications and controls to prepare their financial reports without significant deficiencies in these controls

Condition: During the current year audit, adjustments were posted that changed the financial statement results of the College by a material amount, as follows:

- Increase grants receivable and grant revenue by approximately $905,000 for grants where the revenue has been earned, but not billed to the grantor.
- Decrease net position as presented on the general ledger and expenses by approximately $4,195,000 for capital assets that were included as expense and capital assets.
- Increase capital assets and decrease expenses by approximately $2,821,000 for capital assets that were incorrectly expensed.

We have also identified misstatements from the prior year which have been concluded as immaterial and corrected in the current year.

Cause: The above condition appears to be the result of the inability to fully implement the year-end reconciliation and review process that has been designed by management.

Effect: The effect is a lack of materially accurate financial reporting by management.

Questioned Cost: None

Recommendation: We recommend that management continue to implement the monthly and annual reconciliation and review process that has been designed. This allows for the general ledger to reflect a complete and accurate representation of financial results.

Management's Response: Management concurs with the finding.

Corrective Action: Management has already implemented additional steps in our monthly reconciliation and review process that will allow for the general ledger to reflect a complete and accurate representation of financial results under GAAP. We also have formulated plans to address our year-end reconciliation and review processes.

FINDING 2013-02 – JOURNAL ENTRY CONTROLS

Criteria: Statement of Auditing Standards 115 defines a deficiency in internal control design as occurring when a “control necessary to meet the control objective is missing.”

Condition: There is no formal review of journal entries performed by management.

Cause: There is no formal review process in place for journal entries.

Effect: As a result of the underlying condition, a financial statement misstatement could exist as the result of an incorrect journal entry and not be detected or corrected by management in a timely manner.

Questioned Cost: None

Recommendation: We recommend management strengthen the internal controls surrounding the origination and posting of general journal entries including a formal, documented review of these entries.

Management’s Response: Management concurs with the finding.

Corrective Action: Management intends to review best practices for journal entries reviews and implementing a practice that reflects it operational structure.

FINDING 2013-03 – PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Criteria: OMB Circular A-133 requires that proper internal controls are in place over the Schedule of Expenditures of Federal Awards (SEFA). This includes appropriate segregation of duties exists relative to the preparation and review of the SEFA. The SEFA should reconcile to the general ledger balances and any reconciling items should be identified by management. In addition, required nonfinancial information should be included and documented.

Condition: In our testing of the SEFA, we noted that several of the pass-through grantors and Catalog of Financial Domestic Assistance (CFDA) numbers were not correctly identified.

Cause: The condition appears to be a result of a lack of review of the SEFA.

Effect: If incorrect data, such as the CFDA number, is present in the SEFA, there is an increased risk of management not complying with the appropriate grant compliance attributes.

Questioned Cost: None

Recommendation: We recommend management review each grant on the SEFA and ensure that all information is accurate and complete.

Management’s Response: Management concurs with the finding.

Corrective Action: Management intends to incorporate the Comptroller and CFO quarterly review of SEFA reports as part of his annual responsibilities. This review is intended to insure all information is being reported to the federal government correctly.

SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB A-133 SECTION 510 (a).

FINDING 2013-04 TIMELY RETURN OF TITLE IV FUNDS

Federal program Information: Student Financial Aid Cluster

Criteria: 34 CFR 668.173(b) - Timely Return of Title IV fund - Institutions must always return any unearned Title IV funds it is responsible for returning within 45 days of the date the school determined the student withdrew.

Condition: During our testing of the return of fund, we noted one student in our sample of 60 students for which the return of aid was not performed within 45 days of the school's determination that the student withdrew.

Cause: The Financial Aid employee properly notified the Loan Processing Department that a return of aid was needed, however, the funds were not returned until 93 days after the date of determination.

Effect: The College may not be in compliance with federal regulations.

Questioned Cost: None

Recommendation: We recommend management review internal controls surrounding the return of funds calculations to ensure aid is returned in a timely manner.

Management's Response: Management concurs with the finding.

Corrective Action: The Financial Aid Office will establish a secondary review of returned funds as a result of an R2T4 calculation. The Assistant Director of Operations and Compliance will review completed R2T4 calculations on a monthly basis to ensure staff is properly returning funds to the appropriate program.

FINDING 2013-05 NOTICE OF DISBURSEMENT

Federal program Information: Student Financial Aid Cluster

Criteria: 34 CFR 668.165 – Notice of Disbursement - Institutions are required to notify students when loan funds have been credited to their student billing account.

Condition: For six students in our sample of 25 students, we noted there was no notification sent to the student notifying the student that direct loans were disbursed to their student billing account

Cause: The College has a script within the system set to run direct loan notifications, however it was not activated until September 21, 2012. The College began disbursing financial aid for the fall semester approximately two weeks prior to this date resulting in students who were disbursed aid during this period not receiving proper notification.

Effect: The College may not be in compliance with federal regulations.

Questioned Cost: None

Recommendation: We recommend management review the controls in place to ensure applicable scripts are active within the financial aid system to maintain compliance with federal regulations.

Management's Response: Management concurs with the finding.

Corrective Action: The Financial Aid Office will establish a secondary review of automated process flows. The ERP Module Manager will ensure staff have properly enabled all appropriate Banner features are at the beginning of each payment period.

SECTION 4 – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no audit findings or questioned costs in the prior year.