

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
Independent Auditor's Reports and Financial Statements  
June 30, 2016





**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**June 30, 2016**

**Contents**

<b>Independent Auditor’s Report</b> .....	1
<b>Management’s Discussion and Analysis</b> .....	3
<b>Financial Statements</b>	
Statement of Net Position .....	9
Statement of Revenues, Expenses and Changes in Net Position .....	10
Statement of Cash Flows .....	11
Notes to Financial Statements .....	12
<b>Required Supplementary Information</b>	
Schedule of College’s Proportionate Share of the Net Pension Liability .....	40
Schedule of College’s Contributions .....	41
<b>Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	42

## Independent Auditor's Report

Board of Regents  
Oklahoma City Community College  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Oklahoma City Community College (the College), collectively a component unit of the State of Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting 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.

**BKD, LLP**

Oklahoma City, Oklahoma  
October 14, 2016

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2016**

***Introduction***

The management's discussion and analysis of the activities and financial performance of Oklahoma City Community College (the College) provides an overview of the College's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the accompanying financial statements of the College.

***Financial Highlights***

- During the year ended June 30, 2016, the College's net position increased by \$10,446,194 to \$43,822,882. Unrestricted net position increased by \$6,004,860 as a result of the overall net impact of pension adjustment. Net position invested in capital assets increased by \$2,365,802 and expendable net position restricted for capital projects increased by \$2,075,583.
- Total operating revenues increased to \$32,162,266 in 2016 from \$29,846,645 in 2015 primarily due to increases in tuition and fees revenue and grants and contracts revenue.
- Total operating expenses decreased to \$77,915,348 in 2016 from \$78,127,499 in 2015 primarily due to decreases in all operating expense categories except for compensation, which increased by less than ½%. These decreases were offset by an approximate 12% increase in scholarship expense. Net nonoperating revenues decreased to \$56,199,276 in 2016 from \$57,477,345 in 2015. This decrease is primarily due to a \$3.5 million decrease in state appropriations, which was offset by a \$287,336 increase in state appropriations for on-behalf payments for the Oklahoma Capital Improvement Authority (OCIA) capital lease obligations and an approximate \$1.9 million increase in capital gifts and donations.

***Using this Annual Report***

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

***The Statements of Net Position and Revenues, Expenses and Changes in Net Position***

One of the most important questions about any college's finances is, "Is the college better or worse off as a result of the year's financial activities?" The statements of net position and revenues, expenses and changes in net position report information about the College as a whole and its activities in a way that helps answer this question. These statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Using the accrual basis of accounting means all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the College's net position and changes in it. The College's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—is one measure of the College's financial health or financial position. Over time, increases or decreases in the College's net position is one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the College's programs and degrees offered and accreditation status, in addition to the condition of its physical facilities, should also be considered to assess the overall financial health of the College.

### **The Statement of Cash Flows**

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

### **The College's Net Position**

The College's net position is the difference between its assets and deferred outflows of resources and liabilities and deferred inflows of resources reported in the statement of net position. The College's net position increased in 2016 from 2015 as shown in Table 1.

**Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

	Years Ended June 30,		Increase	%
	2016	2015	(Decrease)	Change
<b>Assets and Deferred Outflows of Resources</b>				
Current assets	\$ 27,826,928	\$ 23,419,036	\$ 4,407,892	19%
Noncurrent assets				
Capital assets, net	98,254,114	98,001,119	252,995	0%
Other	9,666,535	9,080,298	586,237	6%
Deferred outflows	6,694,443	3,664,340	3,030,103	83%
Total assets and deferred outflows of resources	142,442,020	134,164,793	8,277,227	6%
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities	13,831,551	12,591,068	1,240,483	10%
Noncurrent liabilities	78,922,074	76,144,800	2,777,274	4%
Deferred inflows	5,865,513	12,052,237	(6,186,724)	-51%
Total liabilities and deferred inflows of resources	98,619,138	100,788,105	(2,168,967)	-2%
<b>Net Position</b>				
Net investment in capital assets	70,022,479	67,656,677	2,365,802	3%
Restricted – nonexpendable	199,783	199,833	(50)	0%
Restricted – expendable	8,382,559	6,306,977	2,075,582	33%
Unrestricted (deficit)	(34,781,939)	(40,786,799)	6,004,860	-15%
Total net position	\$ 43,822,882	\$ 33,376,688	\$ 10,446,194	31%

Current assets increased \$4,407,892 in 2016 primarily due to an increase in cash and cash equivalents and receivables.

As of June 30, 2016, net capital assets increased \$252,995 from the balance at June 30, 2015, primarily due to an increase in construction in progress. See *Note 6* for further information.

Other noncurrent assets increased by \$586,237 primarily due to the increase in restricted cash of approximately \$1.9 million offset by the reduction of investments of approximately \$1.0 million which resulted from the sale of the Prudential stock and the refinancing of the 2005 Student Facility Revenue Bonds.

The increase in deferred outflows of resources is primarily attributed to the deferral to a future year of the expense related to pension payments made by the College in 2016 of \$3,341,557 and changes in actuarial assumptions.

Current liabilities increased by \$1,240,483 primarily due to increases in accounts payable and unearned revenue.

Noncurrent liabilities increased by \$2,777,274 primarily due to the increase in net pension liability added for the College's portion of the Oklahoma Teachers' Retirement System (OTRS) unfunded liability offset by a reduction in the capital lease obligation bonds funded through OCIA (see *Note 7*).

The decrease in deferred inflows of resources is primarily attributed to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required that historical differences between projected and actual earnings on pension plan investments be deferred and recognized in expense in future years.

**Table 2: Operating Results and Changes in Net Position**

	<u>Years Ended June 30,</u>		<u>Increase</u>	<u>%</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>	<u>Change</u>
<b>Operating Revenues</b>				
Tuition and fees, net	\$ 20,849,545	\$ 17,995,734	\$ 2,853,811	16%
Federal and state grants and contracts	4,135,916	3,437,173	698,743	20%
Auxiliary enterprise charges	4,323,034	4,587,600	(264,566)	-6%
Other	<u>2,853,771</u>	<u>3,826,138</u>	<u>(972,367)</u>	-25%
Total operating revenues	32,162,266	29,846,645	2,315,621	8%
<b>Operating Expenses</b>				
	<u>77,915,348</u>	<u>78,127,499</u>	<u>(212,151)</u>	0%
<b>Operating Loss</b>				
	<u>(45,753,082)</u>	<u>(48,280,854)</u>	<u>2,527,772</u>	-5%
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	22,352,611	25,890,847	(3,538,236)	-14%
On-behalf contributions for OTRS	2,652,667	2,469,591	183,076	7%
Ad valorem taxes	7,895,046	7,638,227	256,819	3%
Federal grants and contracts	20,074,356	20,116,296	(41,940)	0%
Investment income (loss)	(10,525)	55,164	(65,689)	-119%
Interest expense	<u>(1,624,201)</u>	<u>(1,336,905)</u>	<u>(287,296)</u>	21%
Total nonoperating revenues (expenses)	<u>51,339,954</u>	<u>54,833,220</u>	<u>(3,493,266)</u>	-6%
<b>Other Revenues</b>				
State appropriations for capital purposes	808,771	838,105	(29,334)	-4%
OCIA on-behalf state appropriations	2,026,698	1,739,332	287,366	17%
Capital gifts and donations	<u>2,023,853</u>	<u>66,688</u>	<u>1,957,165</u>	2935%
Total other revenues	<u>4,859,322</u>	<u>2,644,125</u>	<u>2,215,197</u>	84%
<b>Change in Net Position</b>	10,446,194	9,196,491	1,249,703	14%
<b>Net Position, Beginning of Year</b>	<u>33,376,688</u>	<u>24,180,197</u>	<u>9,196,491</u>	38%
<b>Net Position, End of Year</b>	<u>\$ 43,822,882</u>	<u>\$ 33,376,688</u>	<u>\$ 10,446,194</u>	31%

During the year ended June 30, 2016, operating revenues increased by \$2,315,621 compared to 2015. The primary components of this increase were:

- Net tuition and fees increased by \$2,853,811 primarily due to a modest increase in tuition and fee rates.
- Federal and state grants and contracts increased by \$698,743 as a result of increasing grant reimbursement expenditures for new grant programs.
- Auxiliary enterprise charges decreased \$264,566. This is primarily due to the decrease in Recreation and Fitness revenue of \$275,000 as a result of the closing of the Aquatic Center. This was offset by an increase in Professional Development Institute Corporate Training revenue.
- Other operating revenues decreased by \$972,367 when compared to fiscal year 2015 primarily as a result of final insurance payments received for the 2013 tornado damage claims received in fiscal year 2015.

During the year ended June 30, 2016, operating expenses decreased by \$212,151 compared to 2015. The primary components of this decrease included:

- Total compensation expenses increased by \$221,266. This consisted of an employee compensation decrease in the amount of \$270,655 and benefit cost increases in the amount of \$491,922. This increase in benefit costs is the result of increased health insurance costs and pension benefit costs. All operating expenses decreased in fiscal year 2016 with the exception of scholarships and fellowships. Scholarships and fellowships increased \$767,707 primarily due to an increase in scholarship allowance. Other operating expense decreased \$346,671 primarily due to decreases in bad debt expense, indirect costs and lease payments.

During the year ended June 30, 2016, total nonoperating revenues decreased by \$3,493,266. The primary components of this decrease included:

- State appropriations, including on-behalf and capital contributions, decreased by \$3,280,204 primarily due to decreases in the state allocation to the College.
- Ad valorem taxes increased by \$256,819, which is primarily due to timing differences in the receipt of tax revenue.
- Federal and state grants and contracts revenue decreased \$41,940 primarily due to a decrease in Pell grants.

Net position increased \$10,446,194 during fiscal year 2016. This is primarily due to increases in tuition and fees and capital gifts and donations.

**Table 3: Condensed Statements of Cash Flows**

	<u>Years Ended June 30,</u>		<u>Increase (Decrease)</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
<b>Net Cash Provided by (Used in)</b>				
Operating activities	\$ (41,632,496)	\$ (44,208,301)	\$ 2,575,805	-6%
Noncapital financing activities	48,529,473	51,696,344	(3,166,871)	-6%
Capital and related financing activities	(3,098,659)	(2,599,558)	(499,101)	19%
Investing activities	<u>1,013,525</u>	<u>256,911</u>	<u>756,614</u>	295%
<b>Increase in Cash and Cash Equivalents</b>	4,811,843	5,145,396	(333,553)	-6%
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>23,287,459</u>	<u>18,142,063</u>	<u>5,145,396</u>	28%
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 28,099,302</u>	<u>\$ 23,287,459</u>	<u>\$ 4,811,843</u>	21%

The College's overall cash and cash equivalents increased by \$4,811,843.

### **Capital Assets and Debt Administration**

Capital assets, net of accumulated depreciation increased \$252,997 due to a mixture of purchases for furniture and computer equipment of approximately \$790,000, expenditures of \$2.8 million in capitalized costs for the Capitol Hill Center Renovation Project and improvements to landscaping and infrastructure, offset by additional accumulated depreciation. In 2016, depreciation expense totaled \$5,619,702 compared to depreciation expense of \$5,645,795 in 2015.

**Table 4: Condensed Summary of Capital Assets**

	<u>Years Ended June 30,</u>		<u>Increase (Decrease)</u>	<u>% Change</u>
	<u>2016</u>	<u>2015</u>		
<b>Capital Assets</b>				
Land	\$ 2,937,133	\$ 2,937,133	\$ -	0%
Construction in progress	3,756,625	924,614	2,832,011	306%
Buildings and improvements	118,203,288	117,613,545	589,743	1%
Infrastructure	9,873,781	9,630,140	243,641	3%
Furniture and equipment	25,581,747	24,793,346	788,401	3%
Library materials	<u>7,494,429</u>	<u>7,152,632</u>	<u>341,797</u>	5%
Total capital assets	167,847,003	163,051,410	4,795,593	3%
Less accumulated depreciation	<u>(69,592,889)</u>	<u>(65,050,293)</u>	<u>(4,542,596)</u>	7%
Capital assets, net	<u>\$ 98,254,114</u>	<u>\$ 98,001,117</u>	<u>\$ 252,997</u>	0%

At June 30, 2016, the College had total long-term liabilities of \$31,666,565 compared to \$34,700,123 at June 30, 2015. No additional debt was incurred during the fiscal year ended June 30, 2016, although the 2005 Student Facility Revenue Bonds were refunded through the issuance of the 2015 Student Facility Revenue Bonds. See *Note 7* for further information.

**Table 5: Condensed Summary of Long-Term Liabilities**

	<b>Years Ended June 30,</b>		<b>Increase (Decrease)</b>	<b>% Change</b>
	<b>2016</b>	<b>2015</b>		
Capital lease obligations	\$ 14,676,188	\$ 16,209,708	\$ (1,533,520)	-9%
Revenue bonds payable	15,660,000	17,025,000	(1,365,000)	-8%
Premium/discount on bonds	179,351	312,659	(133,308)	-43%
Compensated absences	<u>1,151,026</u>	<u>1,419,178</u>	<u>(268,152)</u>	-19%
Total long-term liabilities	31,666,565	34,966,545	(3,299,980)	-9%
Less current portion	<u>(4,384,947)</u>	<u>(3,736,740)</u>	<u>(648,207)</u>	17%
Net long-term liabilities	<u>\$ 27,281,618</u>	<u>\$ 31,229,805</u>	<u>\$ (3,948,187)</u>	-13%

### ***Economic Factors and Next Year's Budgets***

The College's enrollment remained flat in fiscal year 2016. In fiscal year 2017, fall semester enrollment through late September 2016 is down approximately 2%. Fiscal year 2016 state appropriations for National Guard Waiver reimbursement and concurrent enrollment reimbursement were \$99,579 and \$389,834, respectively. The National Guard Waiver reimbursement increased by 12% from fiscal year 2015 and concurrent enrollment reimbursement increased by 15%, although, overall, the total state appropriations decreased by 12%.

The College, in its commitment to continue to provide quality education programs and continued services as expected by the student body, modestly increased tuition rates by just over 4.2% for fiscal year 2016. Additionally, a new security fee was added in the amount of \$5 per credit hour, and the facility fee was increased from \$2 per credit hour to \$3 per credit hour. The state budget outlook for fiscal year 2017 projects a budget shortfall and there is no expectation of additional appropriations for higher education. The College will continue a conservative budgeting approach, which utilizes a contingency methodology to ensure the College's financial viability.

### ***Contacting the College's Financial Management***

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

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Statement of Net Position**  
**June 30, 2016**

**Assets and Deferred Outflows of Resources**

	<b>Oklahoma City Community College</b>	<b>Oklahoma City Community College Foundation</b>
	<hr/>	<hr/>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 21,196,981	\$ 1,075,678
Restricted cash and cash equivalents	649,475	-
Student accounts receivable, net	3,616,396	-
Other receivables	1,830,526	-
Interest receivable	8,036	-
Inventories	525,514	-
	<hr/>	<hr/>
Total current assets	27,826,928	1,075,678
	<hr/>	<hr/>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	6,252,846	-
Investments	3,413,689	928,334
Capital assets, net	98,254,114	-
	<hr/>	<hr/>
Total noncurrent assets	107,920,649	928,334
	<hr/>	<hr/>
Total assets	135,747,577	2,004,012
	<hr/>	<hr/>
<b>Deferred Outflows of Resources</b>	6,694,443	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	142,442,020	2,004,012
	<hr/>	<hr/>

## Liabilities, Deferred Inflows of Resources and Net Position

	<b>Oklahoma City Community College</b>	<b>Oklahoma City Community College Foundation</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 3,184,228	\$ -
Accrued payroll	2,100,884	-
Other accrued liabilities	432,399	-
Contingent liability	196,013	-
Retainage	154,380	-
Unearned revenue	3,047,059	-
Due to student groups and organizations	331,641	-
Current portion of accrued compensated absences	992,650	-
Current portion of long-term debt	3,392,297	-
	<hr/>	<hr/>
Total current liabilities	13,831,551	-
	<hr/>	<hr/>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	158,376	-
Bonds payable, net of premium and discounts	14,583,947	-
Capital lease obligations	12,539,295	-
Net pension liability	51,640,456	-
	<hr/>	<hr/>
Total noncurrent liabilities	78,922,074	-
	<hr/>	<hr/>
Total liabilities	92,753,625	-
	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>	5,865,513	-
	<hr/>	<hr/>
<b>Net Position</b>		
Net investment in capital assets	70,022,479	-
Restricted for		
Scholarships – nonexpendable	199,783	735,300
Scholarships and other – expendable	217,710	879,251
Capital projects	6,154,764	340,306
Debt service	2,010,085	-
Unrestricted (deficit)	(34,781,939)	49,155
	<hr/>	<hr/>
Total net position	\$ 43,822,882	\$ 2,004,012
	<hr/> <hr/>	<hr/> <hr/>



	<b>Oklahoma City Community College</b>	<b>Oklahoma City Community College Foundation</b>
<b>Income Before Other Revenues</b>	<u>\$ 5,586,872</u>	<u>\$ 594,596</u>
<b>Other Revenues</b>		
State appropriations restricted for capital purposes	808,771	-
OCIA on-behalf state appropriations	2,026,698	-
Capital gifts and donations	<u>2,023,853</u>	<u>128,854</u>
Total other revenues	<u>4,859,322</u>	<u>128,854</u>
<b>Change in Net Position</b>	10,446,194	723,450
<b>Net Position, Beginning of Year</b>	<u>33,376,688</u>	<u>1,280,562</u>
<b>Net Position, End of Year</b>	<u><u>\$ 43,822,882</u></u>	<u><u>\$ 2,004,012</u></u>

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

	<u><b>Oklahoma City Community College</b></u>
<b>Operating Activities</b>	
Receipts for tuition and fees	\$ 20,940,069
Receipts for grants and contracts	3,220,376
Receipts for auxiliary enterprise charges	4,306,311
Receipts for educational activities	719,467
Other operating receipts	(446,082)
Payments to other entities	(475,854)
Payments to employees for salaries and benefits	(47,771,181)
Payments for scholarships	(7,453,152)
Payments to suppliers	(14,672,450)
	<u>(41,632,496)</u>
<b>Net cash used in operating activities</b>	
<b>Noncapital Financing Activities</b>	
State appropriations	22,548,624
Ad valorem property taxes received	5,906,493
Nonoperating grants	20,074,356
	<u>48,529,473</u>
<b>Net cash provided by noncapital financing activities</b>	
<b>Capital and Related Financing Activities</b>	
Purchases of capital assets	(5,837,895)
Capital appropriations received	808,771
Capital gifts and donations	2,023,853
Building levy funds received	2,006,265
Proceeds from the issuance of the 2015 Student Facilities bonds	5,982,575
Refunding of the 2005 Student Facilities Revenue Bonds	(6,020,000)
Principal paid on capital debt and leases	(1,269,500)
Interest paid on capital debt and leases	(831,633)
Proceeds from sale of capital assets	38,905
	<u>38,905</u>
<b>Net cash used in capital and related financing activities</b>	
<b>Investing Activities</b>	
Purchase of investments	(4,502,542)
Proceeds from sales and maturities of investments	5,433,828
Interest received on investments	82,239
	<u>82,239</u>
<b>Net cash provided by investing activities</b>	
	<u>1,013,525</u>
<b>Increase in Cash and Cash Equivalents</b>	4,811,843
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>23,287,459</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 28,099,302</u>

See Notes to Financial Statements

**Oklahoma  
City  
Community  
College**

---

**Reconciliation of Operating Loss to Net Cash Used in Operating Activities**

Operating loss	\$ (45,753,082)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	5,619,702
Loss on disposal of capital assets	80,298
Changes in net assets and liabilities	
Receivables, net	(1,469,610)
Inventories	(20,859)
Accounts payable and accrued liabilities	66,870
Unearned revenue	645,588
Compensated absences	(325,549)
Due to student groups and organizations	(475,854)
	<hr/>
Net cash used in operating activities	<u><u>\$ (41,632,496)</u></u>

**Noncash Investing, Noncapital Financing and Capital and Related Financing Activities**

Principal and interest on capital debt paid by state on behalf of the College	<u><u>\$ 2,026,698</u></u>
On-behalf contributions for OTRS	<u><u>\$ 2,652,667</u></u>
Net reduction in capital lease liability due to advance refunding	<u><u>\$ 39,952</u></u>
Capital asset purchases in retainage payable	<u><u>\$ 154,380</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Current cash and cash equivalents	\$ 21,196,981
Current restricted cash and cash equivalents	649,475
Noncurrent restricted cash and cash equivalents	<u>6,252,846</u>
	<hr/>
Total cash and cash equivalents	<u><u>\$ 28,099,302</u></u>

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

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

***Reporting Entity***

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

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

***Discretely Presented Component Unit***

The Oklahoma City Community College Foundation (the Foundation) is a component unit of the College that is discretely presented with the financial statements of the College. The Foundation has a fiscal year ended September 30. The Foundation is an Oklahoma not-for-profit organization organized for the purpose of receiving and administering gifts intended for the benefit of the College as a whole, including both the College and the District. Additional disclosures for the Foundation are presented in *Note 13*.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

***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.

***Cash Equivalents***

The College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents because they are available upon request by the College.

***Deposits and Investments***

The College accounts for its investments, outside of the State Treasurer's Cash Management Program, at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with the risks identified in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the College has disclosed its deposit and investment policies. Changes in unrealized gains (losses) on the carrying value of the investments are reported as a component of investment income in the accompanying statement of revenues, expenses and changes in net position. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, the College has disclosed the level of fair value measurement inputs for its investments in *Note 2*.

***Inventories***

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

***Student Accounts Receivable and Other Receivables***

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

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

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

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

Other receivables also include the distribution from the Oklahoma State Regents' endowment trust fund and amounts due from the Oklahoma Capital Improvement Authority (OCIA) for proceeds from the Capital Bond Improvement Program allocated to the College. No allowance for doubtful accounts has been provided for other receivables.

***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 accompanying statement of net position.

***Capital Assets***

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

***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.

***Compensated Absences***

Employee vacation pay is accrued at year-end for financial statement purposes. The liabilities and expenses incurred are recorded at year-end as accrued compensated absences in the accompanying statement of net position and as a component of compensation and benefit expense in the accompanying statement of revenues, expenses and changes in net position. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date. Sick leave is not accrued because employees are not compensated for accrued unused sick leave upon separation from employment.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

***Noncurrent Liabilities***

Noncurrent liabilities include 1) principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year, 2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year and 3) pension liabilities required to be reported by the College pursuant to generally accepted accounting principles (GAAP).

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

***Net Position Classification***

Net position of the College is classified in three components:

- **Net Investments in Capital Assets** – Represents the net investment in capital assets less the debt associated with the capital assets.
- **Restricted – Expendable and Nonexpendable**

*Restricted – Expendable* – Represents net position which has been restricted by outside sources. The College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

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

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

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

***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 (IRC), as amended. However, the College may be subject to income taxes on any unrelated business income under IRC Section 511(a)(2)(B).

***Classification of Revenues***

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

- **Operating Revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances and 2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances.
- **Nonoperating Revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, such as state appropriations, property taxes, governmental and other pass-through grants and investment income.

***Scholarship Discounts and Allowances***

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the accompanying 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 nonoperating revenues in the College’s financial statements. To the extent revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

***Pensions***

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

***Deferred Outflows of Resources***

Deferred outflows of resources are the consumption of net position by the College that are applicable to a future reporting period. As of June 30, 2016, the College's deferred outflows were comprised of deferred charges of \$6,694,443 related to pensions.

***Deferred Inflows of Resources***

Deferred inflows of resources are the acquisition of net position by the College that are applicable to a future reporting period. As of June 30, 2016, the College's deferred inflows were comprised of deferred charges on OCIA lease restructures of \$406,639, deferred charges for Student Facilities Program Revenue bond refinancing of \$97,651 and \$5,361,223 related to pensions.

**Note 2: Deposits and Investments**

***Custodial Credit Risk – Deposits***

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

- Oklahoma Statutes require the State Treasurer to ensure all state funds either be insured by the 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 limitation, placed in financial institutions or invested, as the Treasurer may determine, in the state's name.
- The College requires balances on deposit with financial institutions be insured by the FDIC, collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations in the College's name. At June 30, 2016, the College had approximately \$7,526,000 uninsured, but collateral pledged by the financial institution.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

At June 30, 2016, the carrying amount of the College's deposits with the State Treasurer and other financial institutions was as follows:

Deposits with the State Treasurer	\$ 20,303,223
U.S. financial institutions	7,771,879
Petty cash and change funds	<u>24,200</u>
	<u>\$ 28,099,302</u>

Some deposits with the State Treasurer are placed in the State Treasurer's internal investment pool, OK INVEST. OK INVEST pools the resources of all state funds and agencies and invests them in (a) U.S. Treasury securities which are explicitly backed by the full faith and credit of the U.S. government; (b) U.S. agency securities which carry an implicit guarantee of the full faith and credit of the U.S. government; (c) money market mutual funds which participate in investments, either directly or indirectly, in securities issued by the U.S. Treasury and/or agency and repurchase agreements relating to such securities; and (d) investments related to tri-party repurchase agreements which are collateralized at 102% and, whereby, the collateral is held by a third party in the name of the State Treasurer.

At June 30, 2016, the bank balance of the College's deposits with the State Treasurer and U.S. financial institutions was \$27,253,282. Of funds on deposit with the State Treasurer, amounts invested in OK INVEST totaled \$3,726,999.

For financial reporting purposes, deposits with the State Treasurer that are invested in OK INVEST are classified as cash equivalents. At June 30, 2016, the distribution of deposits in OK INVEST was as follows:

<b>OK INVEST Portfolio</b>	<b>Cost</b>	<b>Market Value</b>
U.S. agency securities	\$ 1,536,122	\$ 1,537,307
Money market mutual fund	411,171	411,171
Certificates of deposit	134,831	134,831
Mortgage-backed agency securities	1,499,071	1,536,770
Municipal bonds	64,698	68,510
Foreign bonds	32,560	32,561
U.S. Treasury obligations	<u>48,546</u>	<u>57,941</u>
Total	<u>\$ 3,726,999</u>	<u>\$ 3,779,091</u>

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

Agencies and funds that are considered to be a part of the state’s reporting entity and the state’s Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma Statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity and return on investment are the objectives which establish the framework for the day-to-day OK INVEST management with an emphasis on safety of the capital and the probable income to be derived and meeting the state and its funds and agencies’ daily cash flow requirements. Guidelines in the State Treasurer’s Investment Policy address credit quality requirements and diversification percentages and specify the types and maturities of allowable investments. 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 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 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 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.

**Investments**

At June 30, 2016, the College had the following investments:

State Treasurer’s Internal Investment Pool	\$ 310
Other investments	
U.S. Treasury money market mutual funds	3,268,035
Oklahoma State Regents Endowment	<u>145,344</u>
	<u>\$ 3,413,689</u>

The underlying collateral for amounts invested with the State Treasurer’s internal investment pool is U.S. Treasury obligations, U.S. agency obligations and tri-party repurchase agreements.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

Investment maturities were as follows at June 30, 2016:

Investment Type	Investment Maturities		
	Fair Value	Not Applicable	Less than One Year
State Treasurer's Internal Investment Pool	\$ 310	\$ 310	\$ -
Other investments			
U.S. Treasury money market mutual funds	3,268,035	-	3,268,035
Oklahoma State Regents Endowment	145,344	145,344	-
	<u>\$ 3,413,689</u>	<u>\$ 145,654</u>	<u>\$ 3,268,035</u>

***Interest Rate Risk***

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

***Concentration of Credit Risk***

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

***Fair Value***

The College categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury money market mutual funds of \$3,268,035 are valued using quoted market prices (Level 1 inputs)
- Investments held at the Oklahoma State Regents of Higher Education of \$145,344 and at the State Treasurer's Office of \$310 (Level 3 inputs)

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 3: Student Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2016:

Student tuition and fees	\$ 3,722,801
Less allowance for doubtful accounts	<u>(106,405)</u>
Net student accounts receivable	<u><u>\$ 3,616,396</u></u>

**Note 4: Other Receivables**

Other receivables consisted of the following at June 30, 2016:

Due from grantors	\$ 1,804,881
Taxes receivable	<u>25,644</u>
Total other receivables	<u><u>\$ 1,830,525</u></u>

**Note 5: Unearned Revenue**

Unearned revenue consisted of the following at June 30, 2016:

Student tuition and fees	\$ 2,146,922
Auxiliary enterprises and other operating activities	248,356
Grants and contracts	<u>651,781</u>
Total unearned revenue	<u><u>\$ 3,047,059</u></u>

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 6: Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Ending Balance</b>
Capital assets not being depreciated					
Land	\$ 2,937,133	\$ -	\$ -	\$ -	\$ 2,937,133
Construction in progress	924,614	3,665,395	(833,384)	-	3,756,625
Total capital assets not being depreciated	<u>3,861,747</u>	<u>3,665,395</u>	<u>(833,384)</u>	<u>-</u>	<u>6,693,758</u>
Other capital assets					
Buildings and improvements	117,613,545	-	589,743	-	118,203,288
Infrastructure	9,630,140	-	243,641	-	9,873,781
Furniture and equipment	24,793,346	1,984,711	-	(1,196,310)	25,581,747
Library materials	7,152,632	341,797	-	-	7,494,429
Total other capital assets	<u>159,189,663</u>	<u>2,326,508</u>	<u>833,384</u>	<u>(1,196,310)</u>	<u>161,153,245</u>
Less accumulated depreciation					
Buildings and improvements	(38,860,925)	(2,927,319)	-	-	(41,788,244)
Infrastructure	(3,816,995)	(335,331)	-	-	(4,152,326)
Furniture and equipment	(16,916,450)	(1,997,765)	-	1,077,106	(17,837,109)
Library materials	(5,455,921)	(359,289)	-	-	(5,815,210)
Total accumulated depreciation	<u>(65,050,291)</u>	<u>(5,619,704)</u>	<u>-</u>	<u>1,077,106</u>	<u>(69,592,889)</u>
Other capital assets, net	<u>94,139,372</u>	<u>(3,293,196)</u>	<u>833,384</u>	<u>(119,204)</u>	<u>91,560,356</u>
Total capital assets, net	<u>\$ 98,001,119</u>	<u>\$ 372,199</u>	<u>\$ -</u>	<u>\$ (119,204)</u>	<u>\$ 98,254,114</u>
Capital asset summary					
Capital assets not being depreciated	\$ 3,861,747	\$ 3,665,395	\$ (833,384)	\$ -	\$ 6,693,758
Other capital assets, at cost	159,189,663	2,326,508	833,384	(1,196,310)	161,153,245
Total cost of capital assets	163,051,410	5,991,903	-	(1,196,310)	167,847,003
Less accumulated depreciation	<u>(65,050,291)</u>	<u>(5,619,704)</u>	<u>-</u>	<u>1,077,106</u>	<u>(69,592,889)</u>
Capital assets, net	<u>\$ 98,001,119</u>	<u>\$ 372,199</u>	<u>\$ -</u>	<u>\$ (119,204)</u>	<u>\$ 98,254,114</u>

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

At June 30, 2016, the cost and related accumulated depreciation of assets held under capital lease obligations were as follows:

	<b>Capital Assets</b>	<b>Depreciation</b>	<b>Net Book Value</b>
Arts Education Center	\$ 9,748,824	\$ (1,726,354)	\$ 8,022,470
Health Professions Center	6,913,007	(1,224,179)	5,688,828
Performing Arts Center	4,075,000	(212,287)	3,862,713
	<u>\$ 20,736,831</u>	<u>\$ (3,162,820)</u>	<u>\$ 17,574,011</u>

**Note 7: Long-Term Liabilities**

Long-term liabilities activity, exclusive of the net pension liability, for the year ended June 30, 2016, was as follows:

	<b>Interest Rates</b>	<b>Maturity Through</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Revenue bonds payable and capital leases							
Revenue bonds payable							
Student Facility, Series 2005	3.00%–5.00%	7/1/2026	\$ 6,445,000	\$ -	\$ (6,445,000)	\$ -	\$ -
Student Facility, Series 2006	3.50%–4.00%	7/1/2022	3,850,000	-	(420,000)	3,430,000	435,000
Student Facility, Series 2010	2.25%–5.00%	7/1/2030	6,730,000	-	(330,000)	6,400,000	340,000
Student Facility, Series 2015	2.00%–3.00%	7/1/2026	-	5,830,000	-	5,830,000	475,000
Total revenue bonds payable			<u>17,025,000</u>	<u>5,830,000</u>	<u>(7,195,000)</u>	<u>15,660,000</u>	<u>1,250,000</u>
Capital lease obligations							
OCIA Series 2005F	3.38%–5.00%	7/1/2030	534,983	-	(534,983)	-	-
OCIA Series 2010A (Refunding)	2.00%–5.00%	7/1/2017	3,703,364	-	(828,295)	2,875,069	1,421,936
OCIA Series 2014A (Refunding)	2.00%–5.00%	7/1/2031	8,005,116	-	-	8,005,116	536,673
OCIA Series 2014B (Refunding)	2.00%–5.00%	7/1/2019	319,078	-	(75,742)	243,336	77,951
ODFA MRP Lease 2010A	0.45%–4.25%	6/1/2040	3,647,167	-	(94,500)	3,552,667	100,333
Total capital lease obligations			<u>16,209,708</u>	<u>-</u>	<u>(1,533,520)</u>	<u>14,676,188</u>	<u>2,136,893</u>
Total revenue bonds payable and capital lease obligations			<u>33,234,708</u>	<u>5,830,000</u>	<u>(8,728,520)</u>	<u>30,336,188</u>	<u>3,386,893</u>
Other liabilities							
Premium and discount			46,237	121,804	11,310	179,351	5,404
Accrued compensated absences			1,419,178	1,075,966	(1,344,118)	1,151,026	992,650
Total other liabilities			<u>1,465,415</u>	<u>1,197,770</u>	<u>(1,332,808)</u>	<u>1,330,377</u>	<u>998,054</u>
Total long-term liabilities			<u>\$ 34,700,123</u>	<u>\$ 7,027,770</u>	<u>\$ (10,061,328)</u>	<u>\$ 31,666,565</u>	<u>\$ 4,384,947</u>

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

**Notes to Financial Statements**

**June 30, 2016**

***Revenue Bonds***

The Student Facilities Program Revenue Bonds, Series 2005 (the 2005 Bonds) were issued in the original amount of \$10,000,000. Principal payments ranging from \$305,000 to \$675,000 are due each July 1 through 2026. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees, the proceeds to be used to construct a Science, Engineering and Math Center facility. The 2005 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes. These bonds were refunded during fiscal year 2016 by the issuance of the Student Facility Revenue Refunding Bonds, Series 2015 (the 2015 Bonds) in January 2016.

The Student Facilities Program Revenue Bonds, Refunding Series 2006 (the 2006 Bonds) were issued in the original amount of \$7,455,000. Principal payments ranging from \$270,000 to \$645,000 are due each July 1 through 2022. The proceeds received from the 2006 Bonds were used to refund the 1993 Bonds in the amount of \$2,055,000, advance refund a portion of the 2000 Bonds in the amount of \$5,165,000, establish a Bond Fund Reserve and pay costs of issuance of the bonds. Principal and interest payments are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees. The 2006 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes.

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

On January 6, 2016, the College's remaining 2005 Bonds were refunded by issuance of the 2015 Bonds. This refunding resulted in a gain on restructuring of \$102,533 which was recorded as a deferred inflow of resources that will be amortized over a period of 11 years. As of June 30, 2016, the unamortized gain totaled \$97,651. This refinancing resulted in an aggregate difference in principal and interest between the 2005 Bonds and the refinanced 2015 Bonds of \$866,556, which approximates the economic savings of the transaction. Principal and interest payments for the 2015 Bonds are secured by a lien and a pledge on the net revenue of the auxiliary facilities, unencumbered monies in the funds and accounts established by the bond resolution, student service facility fees and student activity fees. The 2015 Bonds are payable from the above pledged revenues of the College. Interest on the bonds is exempt from federal and state income taxes.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

At June 30, 2016, future aggregate maturities of principal and interest requirements on the College's various revenue bonds payable are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total to be Paid</b>
2017	\$ 1,250,000	\$ 499,100	\$ 1,749,100
2018	1,275,000	465,570	1,740,570
2019	1,315,000	428,940	1,743,940
2020	1,360,000	389,816	1,749,816
2021	1,390,000	348,198	1,738,198
2022-2026	5,935,000	1,101,895	7,036,895
2027-2031	3,135,000	295,672	3,430,672
	<u>\$ 15,660,000</u>	<u>\$ 3,529,191</u>	<u>\$ 19,189,191</u>

***Capital Lease Obligations***

**OCIA Lease Obligations**

In September 1999, OCIA issued its OCIA Bond Issues, 1999 Series A, B and C. Of the total bond indebtedness, the State Regents allocated approximately \$1,200,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreement, which is for approximately 20 years. These monthly lease payments are made by the State of Oklahoma on behalf of the College. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2004, OCIA issued the Series 2004A Bonds which refunded a significant portion of the 1999A bonds. Consequently, the amortization of the 1999A bond issue ended in fiscal year 2010. On September 1, 2014, the College's remaining 1999A/2004A lease agreement with OCIA was restructured through refunding of the Series 2004A Bonds. OCIA issued the Series 2014B Bonds to accomplish the refunding. As a result, the total liability of the refunding of the Series 2004A Bonds and the amount acquired from the Series 2014B Bonds was a gain on restructuring of \$38,052, which was recorded as a deferred inflow of resources that will be amortized over a period of five years. As of June 30, 2016, the unamortized gain totaled \$23,618. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$62,414, which approximates the economic savings of the transaction.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

In 2005, OCIA issued its State Facilities Revenue Bonds (Higher Education Project), Series 2005F. Of the total bond indebtedness, the State Regents allocated approximately \$15,335,000 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2010, OCIA partially refinanced its Series 2005F Bonds by issuing two additional bonds, the 2010A and 2010B Bonds. As a result of this refinancing, the State Regents increased the indebtedness on behalf of the College by approximately \$1.4 million. This additional cost will be amortized by the College as interest expense through fiscal year 2016 at the rate of \$240,675 per year. At June 30, 2016, the entire amount had been amortized.

On April 9, 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F Bonds. OCIA issued new bonds, the Series 2014A Bonds, to accomplish the refunding. As a result, the Series 2005F refunding through the issuance of the Series 2014A Bonds resulted in a gain on restructuring of \$444,214, which was recorded as a deferred inflow of resources that will be amortized over a period of 18 years. As of June 30, 2016, the unamortized gain totaled \$383,021. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of \$1,072,471, which approximates the economic savings of the transaction.

Through June 30, 2016, the College has drawn down all of its total allotment for expenses incurred in connection with the specific projects. These expenses have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the College's policy. In fiscal year 2016, the monthly capital lease principal and interest payments made by the state to OCIA on behalf of the College totaling \$2,026,698 have been reflected as OCIA on-behalf state appropriations in the accompanying statement of revenues, expenses and changes in net position.

**Oklahoma Development Finance Authority (ODFA) Master Lease Obligations**

On September 15, 2010, the College entered into a capital lease obligation for the ODFA Master Revenue Bonds, Series 2010A, in the amount of \$4,075,000. Total lease payments over the term of the agreement, beginning October 15, 2010 through May 15, 2040, are \$6,947,413. Payments are made monthly ranging from \$19,314 to \$23,111. Proceeds from the obligation were used for construction of the new Performing Arts Center, along with the issuance costs of the obligation.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

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

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total to be Paid</b>
2017	\$ 2,136,893	\$ 642,378	\$ 2,779,271
2018	1,638,382	561,259	2,199,641
2019	207,281	487,333	694,614
2020	118,042	480,060	598,102
2021	109,417	476,675	586,092
2022-2026	3,558,622	2,127,157	5,685,779
2027-2031	5,209,882	1,116,424	6,326,306
2032-2036	869,250	287,584	1,156,834
2037-2040	828,419	88,680	917,099
	<u>\$ 14,676,188</u>	<u>\$ 6,267,550</u>	<u>\$ 20,943,738</u>

**Note 8: Retirement Plans**

***Cost-Sharing Defined Benefit Pension Plan***

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

**Benefits Provided** – OTRS provides retirement, disability and death benefits to members of the plan.

Benefit provisions include:

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

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

- Final compensation for members who joined OTRS prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

At the election of each eligible member initiating receipt of retirement benefits, OTRS remits between \$100 and \$105 per month per eligible retiree to the College depending on the member's years of service.

**Contributions** – The contribution requirements of the plan are at an established rate determined by Oklahoma Statutes, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% of their annual compensation, which is paid on their behalf by the College. Participating employers are required to contribute 9.5% of the employees' annual compensation and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were \$3,341,557. The State of Oklahoma also made on-behalf contributions to OTRS, of which \$2,652,667 was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2016, the College reported a liability of \$51,640,456 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The College’s proportion of the net pension liability was based on the College’s contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2015. Based upon this information, the College’s proportion was 0.8503624%.

For the year ended June 30, 2016, the College recognized pension expense of \$3,199,602. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,754,024
Changes of assumptions	2,472,710	-
Net difference between projected and actual earnings on pension plan investments	-	3,503,224
Changes in the College’s proportionate share of contributions	880,176	-
Difference between the College’s contributions and proportionate share of contributions	-	103,975
College’s contributions subsequent to the measurement date	3,341,557	-
Total	\$ 6,694,443	\$ 5,361,223

The \$3,341,557 reported as deferred outflows of resources related to pensions resulting from the College’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years Ending June 30,</b>	
2017	\$ (1,305,861)
2018	(1,305,861)
2019	(1,305,861)
2020	1,462,110
2021	358,323
Thereafter	88,813
	\$ (2,008,337)

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Actuarial Assumptions** – The total pension liability as of June 30, 2016, was determined based on an actuarial valuation prepared as of June 30, 2015, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Level Percentage of Payroll
- Inflation – 3.00%
- Salary Increases – Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8.00% based on years of service.
- Investment Rate of Return – 8.00%
- Retirement Age – Experience-based table of rates based on age, service and gender. Adopted by the Board of OTRS in May 2015 in conjunction with the five-year experience study for the period ended June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2014.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
International Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-Yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100.0%	

\* The Domestic All Cap Equity total expected return is a combination of three rates – U.S. Large Cap, U.S. Mid Cap and U.S. Small Cap.

\*\* The Real Estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value-Added Real Estate (unlevered).

**Discount Rate** – A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2015 and 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed the state’s contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the College’s proportionate share of the net pension liability using the discount rate of 8%, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
College’s proportionate share of the net pension liability	\$ 71,387,555	\$ 51,640,456	\$ 35,042,121

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of OTRS, which can be located at [www.ok.gov/OTRS](http://www.ok.gov/OTRS).

***Defined Contribution Plan***

All full-time employees are eligible for the defined contribution plan after 90 days of employment with the College. The College contributes a discretionary 4.5% of the participants’ regular annual salary for those employees hired prior to July 1, 2014, and 3.0% for those employees hired after July 1, 2014, provided the participants contribute a minimum of 1.5% of their regular annual salary.

**Funding Policy**

The College contributed approximately \$935,000 for the year ended June 30, 2016. Prior to January 1, 2009, plan participants were responsible for selecting a qualified program for their defined contribution plan contributions. However, due to a change in Internal Revenue Service regulations, the College made a decision to choose a single provider for contributions and Voya Financial was selected as the sole provider effective January 1, 2009. All contributions are now electronically transmitted to Voya Financial on a monthly basis. Participants continue to be responsible, however, for monitoring the performance of their individual accounts.

**Note 9: Related-Party Transactions**

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

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

The operation levy was 5.08 mills for the fiscal year ended June 30, 2016, and collectible on December 31 and March 31 each year by the Oklahoma County Treasurer. Additionally, an incentive levy of 2.5 mills was assessed for the year ended June 30, 2016, which was also collectible on December 31 and March 31 each year. The cost of providing the respective instruction and related services is to be borne by each entity. Pursuant to the terms of the agreement, the District allocated the College \$4,000,000 in 2016 to provide technical education to district students. This amount has been eliminated in the accompanying financial statements as inter-fund transfers. Ad valorem taxes received by the District for the year ended June 30, 2016, totaled approximately \$7,895,000, including the Building Fund Levy of \$2,006,000. The Building Fund Levy is restricted for capital projects.

Since its inception in 1970, the District has constructed buildings and purchased equipment which is leased to the College for instructional and other ancillary purposes at a cost of \$1 per year. The book value of the leased property at June 30, 2016, was approximately \$3,442,000. The lease is for a period of one year and was renewed July 1, 2015. Maintenance, insurance and operating costs related thereto are paid for by the College.

***Oklahoma City Community College Foundation***

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, bequests and payment of services for the benefit of the College. During the year ended September 30, 2015, the Foundation awarded scholarships to the College's students totaling approximately \$789,748. Other goods and services were also provided by the Foundation on behalf of the College of approximately \$289,729 for the year ended September 30, 2015, the financial reporting year for the Foundation.

**Note 10: Commitments and Contingencies**

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

The College participates in the Federal Direct Student Loan Program (Direct Lending Program), which replaced the FFEL Program. The Direct Lending Program requires the College to draw down cash from the U.S. Department of Education as well as perform certain administrative functions. Failure to perform such functions may require the College to reimburse the U.S. Department of Education. For the year ended June 30, 2016, approximately \$10,881,000 of program loans were provided to college students.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There were no pending lawsuits or claims against the College at June 30, 2016, management believes would result in a material loss to the College in the event of an adverse outcome.

On August 9, 2016, the College was made aware of an incident that was alleged to involve activities that could constitute fraud with respect to its Adult Basic Education Program under which the College is a sub-recipient. The College immediately notified both state and federal parties. At the time of the preparation of the financial statements for the fiscal year ended June 30, 2016, there was no known impact on the funding received for fiscal year 2016, as the funding for fiscal year 2016 was based on fiscal year 2014 information. At the time of the preparation of the financial statements for the period ended June 30, 2016, there was no reasonably estimable liability associated with this investigation that would impact the fiscal year 2016 financial statements.

**Note 11: Risk Management**

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

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

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

**Note 12: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 13: Oklahoma City Community College Foundation**

The Foundation is a tax-exempt organization created in 1998 to support the College and its students. In recent years, the Foundation has provided funding for various building projects at the College, including the Performing Arts Center and the Capitol Hill Renovation project. The Foundation also provides support for various college scholarship programs. The majority of the Foundation's expenditures are directed toward, or in support of, the activities of the College.

The financial statements of the Foundation included in this report are prepared on a cash basis using a September 30, 2015, year-end. The operating activities of the College are limited and differences between the cash basis and accrual basis of accounting are not material. The stand-alone financial statements of the Foundation are prepared in accordance with Financial Accounting Standards Board not-for-profit financial statement reporting standards, and the Foundation's stand-alone financial statements have been modified as required to conform their financial presentation to a governmental reporting format.

The assets of the Foundation, as presented in the accompanying financial statements, are in the form of cash and cash equivalents of \$1,075,678 and investments of \$928,334. The cash and cash equivalent balances are generally in the form of checking accounts and money market accounts and, at September 30, 2015, were substantially covered by FDIC insurance. The investment balances are generally held in domestic and international equity investments.

The net position of the Foundation is generally restricted for specific purposes and \$735,300 of the net position of the Foundation is permanently restricted. Earnings on the permanently restricted net position are generally restricted for use in various scholarship and leadership programs.

Separately issued audited financial statements of the Foundation are available upon request.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Note 14: Combining Information**

The following tables include combining statement of net position information for the College and its blended component unit, the District, as of June 30, 2016.

**Assets and Deferred Outflows of Resources**

	<b>Oklahoma City Community College</b>	<b>South Oklahoma City Area School District</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 17,838,529	\$ 3,358,452	\$ 21,196,981
Restricted cash and cash equivalents	649,475	-	649,475
Student accounts receivable, net	3,616,396	-	3,616,396
Other receivables	1,804,882	25,644	1,830,526
Interest receivable	8,036	-	8,036
Inventories	525,514	-	525,514
	<u>24,442,832</u>	<u>3,384,096</u>	<u>27,826,928</u>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	1,839,420	4,413,426	6,252,846
Investments	3,413,689	-	3,413,689
Capital assets, net	93,532,094	4,722,020	98,254,114
	<u>98,785,203</u>	<u>9,135,446</u>	<u>107,920,649</u>
Total assets	<u>123,228,035</u>	<u>12,519,542</u>	<u>135,747,577</u>
<b>Deferred Outflows of Resources</b>			
	<u>6,694,443</u>	<u>-</u>	<u>6,694,443</u>
Total assets and deferred outflows of resources	<u>129,922,478</u>	<u>12,519,542</u>	<u>142,442,020</u>

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

**Liabilities, Deferred Inflows of Resources and Net Position**

	<b>Oklahoma City Community College</b>	<b>South Oklahoma City Area School District</b>	<b>Total</b>
<b>Current Liabilities</b>			
Accounts payable	\$ 3,132,011	\$ 52,217	\$ 3,184,228
Accrued payroll	2,100,884	-	2,100,884
Other accrued liabilities	432,399	-	432,399
Contingent liability	196,013	-	196,013
Retainage	85,811	68,569	154,380
Unearned revenue	3,047,059	-	3,047,059
Due to student groups and organizations	331,641	-	331,641
Current portion of accrued compensated absences	992,650	-	992,650
Current portion of long-term debt	3,392,297	-	3,392,297
	<u>13,710,765</u>	<u>120,786</u>	<u>13,831,551</u>
<b>Noncurrent Liabilities</b>			
Accrued compensated absences	158,376	-	158,376
Bonds payable, net of premium and discounts	14,583,947	-	14,583,947
Capital lease obligations	12,539,295	-	12,539,295
Net pension liability	51,640,456	-	51,640,456
	<u>78,922,074</u>	<u>-</u>	<u>78,922,074</u>
Total liabilities	<u>92,632,839</u>	<u>120,786</u>	<u>92,753,625</u>
<b>Deferred Inflows of Resources</b>	<u>5,865,513</u>	<u>-</u>	<u>5,865,513</u>
<b>Net Position</b>			
Net investment in capital assets	65,376,287	4,646,192	70,022,479
Restricted for			
Scholarships – nonexpendable	199,783	-	199,783
Scholarships and other – expendable	217,710	-	217,710
Capital projects	1,741,338	4,413,426	6,154,764
Debt service	2,010,085	-	2,010,085
Unrestricted (deficit)	(38,121,077)	3,339,138	(34,781,939)
	<u>\$ 31,424,126</u>	<u>\$ 12,398,756</u>	<u>\$ 43,822,882</u>

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Notes to Financial Statements**  
**June 30, 2016**

The following tables include combining statement of revenues, expenses and changes in net position information for the College and its blended component unit, the District, for the year ended June 30, 2016.

	<b>Oklahoma City Community College</b>	<b>South Oklahoma City Area School District</b>	<b>Total</b>
<b>Operating Revenues</b>			
Tuition and fees, net of scholarship allowances of \$9,831,358	\$ 20,849,545	\$ -	\$ 20,849,545
Federal and state grants and contracts	4,135,916	-	4,135,916
Sales and services of educational departments	701,556	-	701,556
Auxiliary enterprise charges			
Food services	189,809	-	189,809
Bookstore, net of scholarship allowances of \$2,108,563	2,865,285	-	2,865,285
All other auxiliary enterprises	1,267,940	-	1,267,940
Other operating revenues	<u>2,152,214</u>	<u>1</u>	<u>2,152,215</u>
Total operating revenues	<u>32,162,265</u>	<u>1</u>	<u>32,162,266</u>
<b>Operating Expenses</b>			
Compensation	47,303,675	-	47,303,675
Contractual services	7,709,672	103,524	7,813,196
Supplies and materials	5,401,389	-	5,401,389
Utilities	1,392,926	-	1,392,926
Communications	252,910	-	252,910
Other operating expenses	2,678,399	-	2,678,399
Scholarships and fellowships	7,453,151	-	7,453,151
Depreciation expense	<u>5,331,752</u>	<u>287,950</u>	<u>5,619,702</u>
Total operating expenses	<u>77,523,874</u>	<u>391,474</u>	<u>77,915,348</u>
<b>Operating Loss</b>	<u>(45,361,609)</u>	<u>(391,473)</u>	<u>(45,753,082)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	22,352,611	-	22,352,611
On-behalf contributions for OTRS	2,652,667	-	2,652,667
Ad valorem taxes	-	5,888,781	5,888,781
Building levy funds	-	2,006,265	2,006,265
Federal and state grants – nonoperating	20,074,356	-	20,074,356
Investment income (loss)	(12,532)	2,007	(10,525)
Interest expense	<u>(1,624,201)</u>	<u>-</u>	<u>(1,624,201)</u>
Net nonoperating revenues	<u>43,442,901</u>	<u>7,897,053</u>	<u>51,339,954</u>

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

**Notes to Financial Statements**

**June 30, 2016**

	<b>Oklahoma City Community College</b>	<b>South Oklahoma City Area School District</b>	<b>Total</b>
<b>Income (Loss) Before Other Revenues</b>	\$ (1,918,708)	\$ 7,505,580	\$ 5,586,872
<b>Other Revenues</b>			
Technical education transfers	4,000,000	(4,000,000)	-
State appropriations restricted for capital purposes	808,771	-	808,771
OCIA on-behalf state appropriations	2,026,698	-	2,026,698
Capital gifts and donations	2,023,853	-	2,023,853
Total other revenues	8,859,322	(4,000,000)	4,859,322
<b>Change in Net Position</b>	6,940,614	3,505,580	10,446,194
<b>Net Position, Beginning of Year</b>	24,483,512	8,893,176	33,376,688
<b>Net Position, End of Year</b>	\$ 31,424,126	\$ 12,398,756	\$ 43,822,882

The following table includes condensed combining statement of cash flows information for the College and its blended component unit, the District, for the year ended June 30, 2016.

	<b>Oklahoma City Community College</b>	<b>South Oklahoma City Area School District</b>	<b>Total</b>
<b>Net Cash Used in Operating Activities</b>	\$ (37,574,030)	\$ (4,058,466)	\$ (41,632,496)
<b>Net Cash Provided by Noncapital Financing Activities</b>	42,622,980	5,906,493	48,529,473
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	(4,451,594)	1,352,935	(3,098,659)
<b>Net Cash Provided by Investing Activities</b>	1,011,518	2,007	1,013,525
<b>Increase in Cash and Cash Equivalents</b>	1,608,874	3,202,969	4,811,843
<b>Cash and Cash Equivalents, Beginning of Year</b>	18,718,550	4,568,909	23,287,459
<b>Cash and Cash Equivalents, End of Year</b>	\$ 20,327,424	\$ 7,771,878	\$ 28,099,302

## **Required Supplementary Information**

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Schedule of College's Proportionate Share of the Net Pension Liability**

	<u>2016</u>	<u>2015</u>
The College's proportion of the net pension liability	0.8504%	0.8349%
The College's proportionate share of the net pension liability	\$ 51,640,456	\$ 44,914,995
The College's covered-employee payroll	\$ 34,485,614	\$ 33,974,444
The College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149.74%	132.20%
Plan fiduciary net position as a percentage of the total pension liability	70.31%	72.43%

\*The amounts presented for each fiscal year were determined as of June 30

***Note to Schedule***

Only the current and prior fiscal year is presented because 10-year data is not yet available.

**Oklahoma City Community College**  
**(A Component Unit of the State of Oklahoma)**  
**Schedule of College's Contributions**

	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 3,341,557	\$ 3,423,665
Contributions in relation to the contractually required contribution	3,341,557	3,423,665
Contribution deficiency (excess)	\$ -	\$ -
The College's covered-employee payroll	\$ 33,230,845	\$ 34,485,614
Contributions as a percentage of covered-employee payroll	10%	10%

Note to Schedule: Only the current and prior fiscal year is presented because 10-year data is not yet available.

***Note to Schedule:***

Only the current and prior fiscal year is presented because 10-year data is not yet available.

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

Board of Regents  
Oklahoma City Community College  
Oklahoma City, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discrete component unit of Oklahoma City Community College (the College), collectively a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated October 14, 2016. Our report includes a reference to other auditors who audited the financial statements of the Oklahoma City Community College Foundation, as described in our report on the College's financial statements. The financial statements of Oklahoma City Community College Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

***Internal Control over Financial Reporting***

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

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

Board of Regents  
Oklahoma City Community College

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the College's financial statements are free 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*.

We also noted certain matters that we reported to the College's management in a separate letter dated October 14, 2016.

### ***Purpose of This Report***

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

**BKD, LLP**

Oklahoma City, Oklahoma  
October 14, 2016