Connors State College

Financial Statements
with Independent Auditors' Reports

June 30, 2017 and 2016

Contents

Arledge
& Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Regents
Oklahoma Agricultural and Mechanical Colleges
Connors State College
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of Connors State College (the College), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2017, 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 College's discretely presented component unit, the Connors Development Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Governmental Auditing Standards.*

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

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

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Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2017, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2017 the College adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the College are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the Regents that is attributable to the transactions of the College. They do not purport to, and do not present fairly the financial position of the Regents as of June 30, 2017, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 30, 2017

Introduction

The following management's discussion and analysis of the financial performance of Connors State College (the College) provides an overview of the College's financial activities for the fiscal year ended June 30, 2017, with fiscal years 2016 and 2015 data presented for comparative purposes. This analysis is intended to provide a summary of significant financial activities and information and should be read in conjunction with the College's financial statements and footnotes.

Financial Highlights

During 2017, the College implemented GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Due to the fact that complete prior year information was not available, the 2016 column in the basic financial statements and information presented in the MD&A have not been restated for comparative purposes.

During 2016, the College early implemented GASB Statement No. 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* This implementation required the removal of the employee's share of OTRS contributions paid by the employer (i.e., the College) from Deferred Outflows of Resources, as was reported in the prior year, thus causing a prior period restatement of $472,500. Also during 2016, College management identified some differences between the fixed asset module and the general ledger. Management immediately prepared the necessary entries to correct the differences that also resulted in a necessary prior period restatement of $1,303,435

For the year ended June 30, 2017, the College's net position increased by $532,202 from current year activity and decreased by $187,852 as a result of the GASB 73 implementation for an overall increase in net position of $344,350 when compared to a total net position of $3,226,046 in 2016.

Total revenues decreased to $21,224,941 in 2017, from $22,159,852 in 2016. The College experienced an increase in tuition and fees, but a reduction in State Appropriations and capital contributions in FY17.

Total expenses decreased to $20,692,739 in 2017 from $20,758,908 in 2016 and $21,466,517 in 2015. The majority of the current year's expenses decrease was in the area of contractual and other operating expenses.

Using This Annual Report

The annual report consists of three basic financial statements: The statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows.

The statement of net position and the statement of revenues, expenses and changes in net position report information on the College as a whole and its activities. When revenue and other support exceed expenses, the result is an increase in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

These two statements report the College's net position and changes in it. The College's net position - assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position - is one way to measure the College's financial health or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider many other non-financial factors, such as the trend and quality of applicants, freshman class size, student retention, condition of the buildings, and the safety of the campus, to assess the overall health of the institution.

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

Financial Analysis of the College as a Whole

A comparative schedule of the College's net position, for the years ended June 30, 2017, 2016, and 2015, is shown below, and includes the percentage of annual change. The amounts are from the statements of net position and are presented on an accrual basis of accounting, whereby capital assets are capitalized and depreciated.

Condensed Statements of Net Position

	June 30		Increase	Percent
	2017	2016*	(Decrease)	Change
Assets				
Current assets	$ 2,361,464	$ 2,991,494	$ (630,030)	-21.06%
Noncurrent assets:				
Capital assets, net	35,337,730	36,684,584	(1,346,854)	-3.67%
Restricted cash and cash equivalents	-	17,149	(17,149)	-100.00%
Total assets	$ 37,699,194	$ 39,693,227	$ (1,994,033)	-5.02%
Deferred outflows	$ 3,550,140	$ 1,102,137	$ 2,448,003	222.11%
Liabilities				
Current liabilities	$ 2,771,896	$ 3,776,347	$ (1,004,451)	-26.60%
Noncurrent liabilities	33,759,899	32,632,378	1,127,521	3.46%
Total liabilities	$ 36,531,795	$ 36,408,725	$ 123,070	0.34%
Deferred inflows	$ 1,147,143	$ 1,160,593	$ (13,450)	-1.16%
Net Position				
Net investment in capital assets	$ 12,582,260	$ 12,071,496	$ 510,764	4.23%
Restricted for expendable	406,466	488,692	(82,226)	-16.83%
Unrestricted	(9,418,330)	(9,334,142)	(84,188)	0.90%
Total net position	$ 3,570,396	$ 3,226,046	$ 344,350	10.67%

* prior year amounts not restated for MD&A purposes

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Net Position

	2016*	2015*	Increase (Decrease)	Percent Change
Assets				
Current assets	$ 2,991,494	$ 3,335,268	$ (343,774)	-10.31%
Noncurrent assets:				
Capital assets, net	36,684,584	36,054,080	630,504	1.75%
Restricted cash and cash equivalents	17,149	95,328	(78,179)	-82.01%
Total assets	$ 39,693,227	$ 39,484,676	$ 208,551	0.53%
Deferred outflows	$ 1,102,137	$ 724,380	$ 377,757	52.15%
Liabilities				
Current liabilities	$ 3,776,347	$ 2,703,569	$ 1,072,778	39.68%
Noncurrent liabilities	32,632,378	33,270,552	(638,174)	-1.92%
Total liabilities	$ 36,408,725	$ 35,974,121	$ 434,604	1.21%
Deferred inflows	$ 1,160,593	$ 2,409,833	$ (1,249,240)	-51.84%
Net Position				
Net investment in capital assets	$ 12,071,496	$ 10,037,139	$ 2,034,357	20.27%
Restricted expendable	488,692	338,654	150,038	44.30%
Unrestricted	(9,334,142)	(8,550,691)	(783,451)	9.16%
Total net position	$ 3,226,046	$ 1,825,102	$ 1,400,944	76.76%

During fiscal year 2017, the College's net position increased by $344,350, after an increase of $1,400,944 in 2016 and a decrease of $777,802 in fiscal year 2015. The College did experience a slight decrease in overall revenue, but it also had a decrease in overall expenses, which resulted in the College's financial position increasing in fiscal year 2017, but not quite as significantly when compared to fiscal year 2016.

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2017	2016*	Increase (Decrease)	Percent Change
Operating revenues:				
Tuition and fees, net	$ 2,981,794	$ 2,242,841	$ 738,953	32.95%
Federal grants and contracts	1,841,266	2,128,157	(286,891)	-13.48%
State grants and contracts	1,273,898	1,729,619	(455,721)	-26.35%
Auxiliary	1,735,204	2,108,550	(373,346)	-17.71%
Other	77,475	95,316	(17,841)	-18.72%
Total operating revenues	7,909,637	8,304,483	(394,846)	-4.75%
Less operating expenses	19,768,639	19,721,839	46,800	0.24%
Operating loss	(11,859,002)	(11,417,356)	(441,646)	3.87%
Nonoperating revenue (expenses):				
State appropriations	5,581,484	5,968,043	(386,559)	-6.48%
OTRS on-behalf contributions	430,567	505,400	(74,833)	-14.81%
Federal grants and contracts	5,100,501	4,921,971	178,530	3.63%
State grants and contracts	913,929	864,727	49,202	5.69%
Investment income	4,992	2,514	2,478	98.57%
Interest expenses	(924,100)	(1,037,069)	112,969	-10.89%
Total nonoperating revenues (expenses)	11,107,373	11,225,586	(118,213)	-1.05%
Capital contributions	48,238	287,651	(239,413)	-83.23%
State appropriations for capital	347,371	421,648	(74,277)	-17.62%
OCIA on-behalf contributions	888,222	883,415	4,807	0.54%
Change in net position	532,202	1,400,944	(868,742)	-62.01%
Net position, beginning as previously reported	3,226,046	1,825,102	1,400,944	76.76%
Cummulative effect of implementing GASB No. 73	(187,852)	-	(187,852)	100.00%
Net position, beginning	3,038,194	1,825,102	1,213,092	66.47%
Net position, ending	$ 3,570,396	$ 3,226,046	$ 344,350	10.67%

* prior year amounts not restated for MD&A purposes

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2016*	2015*	Increase (Decrease)	Percent Change
Operating revenues:				
Tuition and fees, net	$ 2,242,841	$ 2,313,009	$ (70,168)	-3.03%
Federal grants and contracts	2,128,157	855,681	1,272,476	148.71%
State grants and contracts	1,729,619	156,295	1,573,324	1006.64%
Auxiliary	2,108,550	2,448,746	(340,196)	-13.89%
Other	95,316	207,824	(112,508)	-54.14%
Total operating revenues	8,304,483	5,981,555	2,322,928	38.83%
Less operating expenses	19,721,839	20,524,847	(803,008)	-3.91%
Operating loss	(11,417,356)	(14,543,292)	3,125,936	-21.49%
Nonoperating revenue (expenses):				
State appropriations	5,968,043	6,951,650	(983,607)	-14.15%
OTRS on-behalf contributions	505,400	480,225	25,175	5.24%
Federal grants and contracts	4,921,971	4,941,787	(19,816)	-0.40%
State grants and contracts	864,727	876,373	(11,646)	-1.33%
Investment income	2,514	11,085	(8,571)	-77.32%
Interest expenses	(1,037,069)	(941,670)	(95,399)	10.13%
Total nonoperating revenues (expenses)	11,225,586	12,319,450	(1,093,864)	-8.88%
Capital contributions	287,651	157,253	130,398	82.92%
State appropriations for capital	421,648	436,941	(15,293)	-3.50%
OCIA on-behalf contributions	883,415	851,846	31,569	3.71%
Change in net position	1,400,944	(777,802)	2,178,746	-280.12%
Net position, beginning restated	1,825,102	2,602,904	(777,802)	-29.88%
Net position, ending	$ 3,226,046	$ 1,825,102	$ 1,400,944	76.76%

* prior year amounts not restated for MD&A purposes

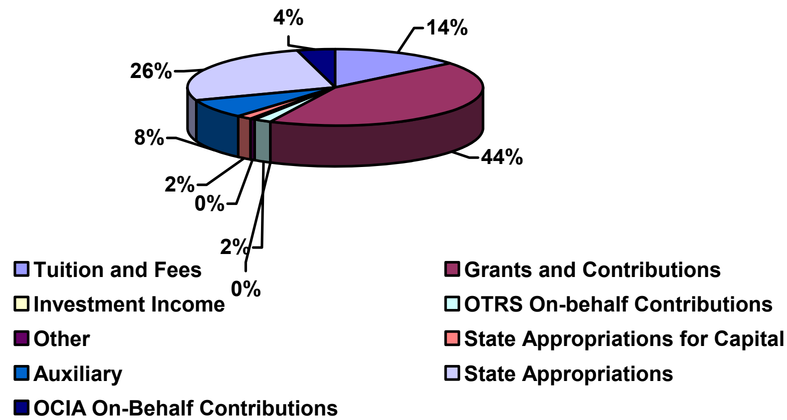
During the year ended June 30, 2017, total revenues decreased by $934,911, state appropriations decreased by $460,836, net tuition revenues increased by $738,953, auxiliary revenues decreased by $373,346, grants and contracts decreased by $514,880, OTRS contributions and OCIA on behalf contributions decreased by $70,026, and other revenues decreased by $257,254.

Total liabilities increased from $36,408,725 in fiscal year 2016 to $36,531,795 in fiscal year 2017. The majority of this was due to the increase in the OTRS net pension liability. Current liabilities decreased by approximately $1,004,000 from fiscal year 2016 to fiscal year 2017, of which the majority were invoices that were outstanding at the end of 2016 that were paid during 2017.

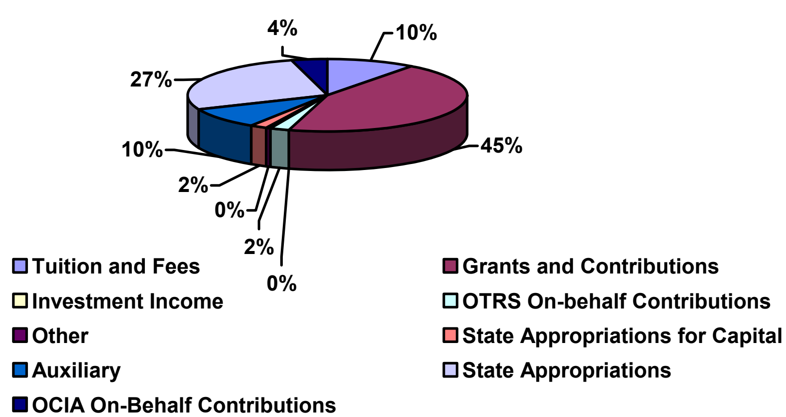
Financial Analysis of the College as a Whole (continued)

During the three-year period, the percentage of revenue furnished by state appropriation was 26% for 2017, 27% for 2016, and 34% in 2015. Net tuition and fees percentage of total revenues was 14% in 2017 and in 2016 was 10% and was 11% in 2015, while Auxiliary Enterprises accounted for 8% in 2017, 10% in 2016, and 12% in 2015. Following is a graphic illustration of the College's revenues for the years ended June 30, 2017, 2016, and 2015:

Total Revenues 2017

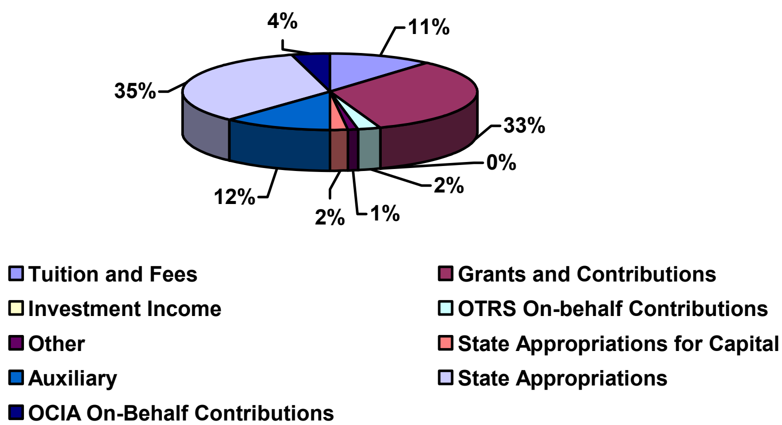


Total Revenues 2016



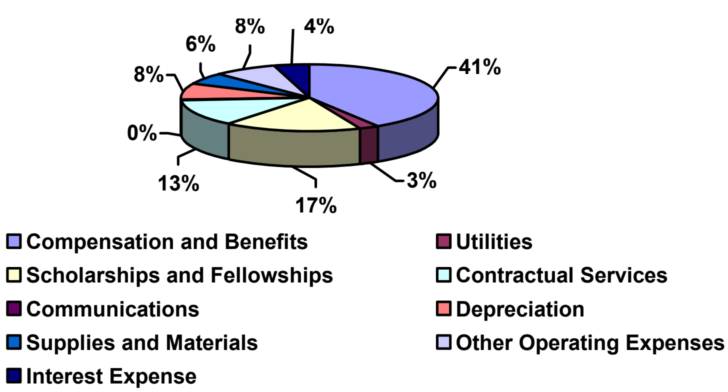
Financial Analysis of the College as a Whole (continued)

Total Revenues 2015



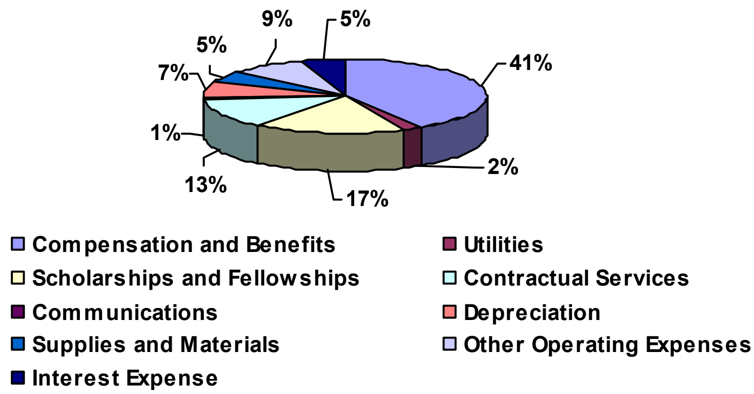
The College's total expenses for the year ended June 30, 2017 decreased by $66,169, primarily due to a decrease in contractual and other operating expenses due to budget cuts. The College experienced a decrease in overall grant revenue in fiscal year 2017 due to the receipt of Title III Grant drawdowns in FY16 for a project on Russell Hall.

Total Expenses 2017

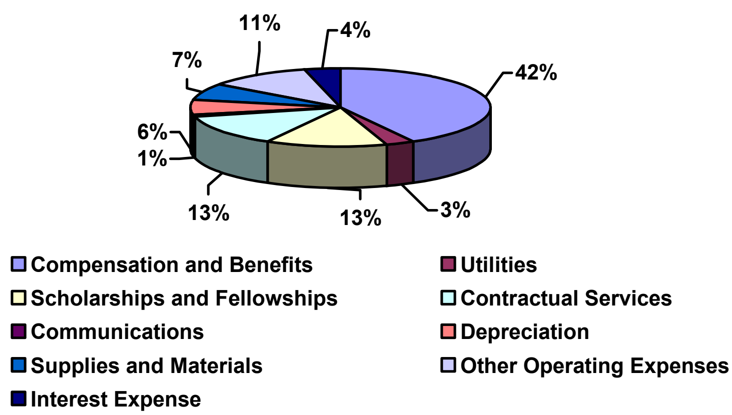


Financial Analysis of the College as a Whole (continued)

Total Expenses 2016



Total Expenses 2015



During the period July 1, 2016 to June 30, 2017, the College's net position increased overall by $344,350. For fiscal year 2017, the net investment in capital assets increased by $510,764 compared to an increase of $2,034,357 in 2016. In 2017, unrestricted net position decreased by $84,188, while restricted net position decreased by $82,226. In 2016 unrestricted net position decreased by $783,451, while restricted net position increased by $150,038 in 2016.

Financial Analysis of the College as a Whole (continued)

Analysis of Net Position

	June 30, 2017	June 30, 2016*	Increase (Decrease)	Percent Change
Net position				
Net investment in capital assets	$ 12,582,260	$ 12,071,496	$ 510,764	4.23%
Restricted cash, expendable	406,466	488,692	(82,226)	-16.83%
Unrestricted	(9,418,330)	(9,334,142)	(84,188)	0.90%
Total position	$ 3,570,396	$ 3,226,046	$ 344,350	10.67%

	June 30, 2016*	June 30, 2015*	Increase (Decrease)	Percent Change
Net position				
Net investment in capital assets	$ 12,071,496	$ 10,037,139	$ 2,034,357	20.27%
Restricted cash, expendable	488,692	338,654	150,038	44.30%
Unrestricted	(9,334,142)	(8,550,691)	(783,451)	9.16%
Total position	$ 3,226,046	$ 1,825,102	$ 1,400,944	76.76%

* prior year amounts not restated for MD&A purposes

During the period ended June 30, 2017, the College's overall cash and cash equivalents decreased by $654,556. This change was largely due to overall decreased revenue while expenses held steady.

During the period ended June 30, 2016, the College's overall cash and cash equivalents increased by $458,321. This change was largely due to decreases in overall expenses due to budget constraints.

Condensed Statements of Cash Flows

	Year Ended June 30, 2017	Year Ended June 30, 2016	Increase (Decrease)	Percent Change
Cash Provided by (Used in):				
Operating activities	$ (10,547,513)	$ (8,767,705)	$ (1,779,808)	20.30%
Noncapital financing activities	11,595,914	11,754,741	(158,827)	-1.35%
Investing activities	4,992	658,625	(653,633)	-99.24%
Capital and related financing activities	(1,707,951)	(3,187,340)	1,479,389	-46.41%
Net increase (decrease) in cash	(654,558)	458,321	(1,112,879)	-242.82%
Cash and cash equivalents:				
Beginning	1,874,918	1,416,597	458,321	32.35%
Ending	$ 1,220,360	$ 1,874,918	$ (654,558)	-34.91%

Financial Analysis of the College as a Whole (continued)

	Year Ended June 30, 2016	2015	Increase (Decrease)	Percent Change
Cash Provided by (Used in):				
Operating activities	$ (8,767,705)	$ (13,559,154)	$ 4,791,449	-35.34%
Noncapital financing activities	11,754,741	12,883,913	(1,129,172)	-8.76%
Investing activities	658,625	707,895	(49,270)	-6.96%
Capital and related financing activities	(3,187,340)	(13,607,777)	10,420,437	-76.58%
Net increase (decrease) in cash	458,321	(13,575,123)	14,033,444	-103.38%
Cash and cash equivalents:				
Beginning	1,416,597	14,991,720	(13,575,123)	-90.55%
Ending	$ 1,874,918	$ 1,416,597	$ 458,321	32.35%

Capital Assets and Debt Administration

As of June 30, 2017, 2016 and 2015, the College had recorded $54,086,004, $53,865,875 and $51,858,939, respectively, in capital assets and $18,748,274, $17,181,291 and $15,804,859, respectively, in accumulated depreciation on those capital assets.

	Year Ended June 30, 2017	2016	Increase (Decrease)	Percent Change
Capital assets:				
Land	$ 769,729	$ 769,729	$ -	0.00%
Buildings and improvements	41,919,533	40,385,050	1,534,483	3.80%
Nonstructural improvements	5,335,778	5,273,237	62,541	1.19%
Equipment	5,202,250	5,056,848	145,402	2.88%
Library materials	747,814	747,814	-	0.00%
Livestock	110,900	127,700	(16,800)	-13.16%
Construction in-progress	-	1,505,497	(1,505,497)	-100.00%
Total capital assets	54,086,004	53,865,875	220,129	0.41%
Less accumulated depreciation	(18,748,274)	(17,181,291)	(1,566,983)	9.12%
Net capital assets	$ 35,337,730	$ 36,684,584	$ (1,346,854)	-3.67%

Financial Analysis of the College as a Whole (continued)

	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase (Decrease)	Percent Change
Capital assets:				
Land	$ 769,729	$ 769,729	$ -	0.00%
Buildings and improvements	40,385,050	24,994,412	15,390,638	61.58%
Nonstructural improvements	5,273,237	4,892,447	380,790	7.78%
Equipment	5,056,848	4,836,653	220,195	4.55%
Library materials	747,814	747,814	-	0.00%
Livestock	127,700	341,250	(213,550)	-62.58%
Construction in-progress	1,505,497	15,276,634	(13,771,137)	-90.15%
Total capital assets	53,865,875	51,858,939	2,006,936	3.87%
Less accumulated depreciation	(17,181,291)	(15,804,859)	(1,376,432)	8.71%
Net capital assets	$ 36,684,584	$ 36,054,080	$ 630,504	1.75%

Long-Term Liabilities

During 2017 and 2016, the College did not issue any new debt. During 2015, the College issued the ODFA 2014C-D debt with the proceeds to be used to refinance the ODFA Series 2004B. At June 30, 2017, 2016 and 2015, the College had long-term liabilities of $22,328,760, $24,117,833 and $25,611,135, respectively.

	Year Ended June 30, 2017	Year Ended June 30, 2016	Increase (Decrease)	Percent Change
OCIA capital lease	$ 3,195,095	$ 3,905,834	$ (710,739)	-18.20%
ODFA capital lease	19,133,666	20,212,000	(1,078,334)	-5.34%
Total long-term debt	$ 22,328,761	$ 24,117,834	$ (1,789,073)	-7.42%

	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase (Decrease)	Percent Change
OCIA capital lease	$ 3,905,834	$ 4,507,613	$ (601,779)	-13.35%
ODFA capital lease	20,212,000	21,103,522	(891,522)	-4.22%
Total long-term debt	$ 24,117,834	$ 25,611,135	$ (1,493,301)	-5.83%

Contacting the College's Financial Management

This financial report is designed to provide a general overview of the College's finances and to show the accountability for the monies it receives. If there are any questions about this report or if additional information is needed, contact the Fiscal Services Department at Connors State College Warner, Oklahoma.

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Net Position
June 30, 2017 and 2016

	College		Component Unit	
Assets	2017	2016	2017	2016
Current Assets:				
Cash and cash equivalents	$ 633,831	$ 1,096,871	$ 1,027,374	$ 802,624
Restricted cash and cash equivalents	586,529	760,898	-	-
Investments	-	-	505,693	500,538
Accounts receivable, net	916,832	914,443	144,793	341,593
Other receivables	-	-	100,000	-
Grants and contracts receivable	224,272	163,737	-	-
Other current assets	-	55,545	-	-
Total current assets	2,361,464	2,991,494	1,777,860	1,644,755
Noncurrent Assets:				
Restricted cash and cash equivalents	-	17,149	-	-
Other receivables	-	-	400,000	-
Capital assets, net	35,337,730	36,684,584	-	-
Total noncurrent assets	35,337,730	36,701,733	400,000	-
Total assets	$ 37,699,194	$ 39,693,227	$ 2,177,860	$ 1,644,755
Deferred Outflows of Resources:				
Deferred outlfows related to pensions	$ 3,550,140	$ 1,102,137	$ -	$ -
Total deferred outflows	$ 3,550,140	$ 1,102,137	$ -	$ -

(Continued)

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Net Position (Continued)
June 30, 2017 and 2016

	College		Component Unit	
Liabilities and Net Position	2017	2016	2017	2016
Current Liabilities:				
Accounts payable	$ 657,829	$ 1,435,976	$ 13,460	$ 6,140
Accrued liabilities	204,363	283,449	-	-
Unearned revenues	171,144	150,594	-	-
Student and other deposits	91,044	-	-	-
Current portion of noncurrent liabilities	1,647,516	1,906,328	-	-
Total current liabilities	2,771,896	3,776,347	13,460	6,140
Noncurrent Liabilities, Net of Current Portion:				
Accrued OPEB obligation	35,693	25,133	-	-
Accrued compensated absences	78,514	112,371	-	-
Net pension obligation	12,601,812	9,867,716	-	-
Capital lease obligation	21,043,880	22,627,158	-	-
Total noncurrent liabilities	33,759,899	32,632,378	-	-
Total liabilities	$ 36,531,795	$ 36,408,725	$ 13,460	$ 6,140
Deferred Inflows of Resources:				
Deferred gain on OCIA lease restructure	$ 128,314	$ 140,209	$ -	$ -
Deferred inflows related to pensions	1,018,829	1,020,384	-	-
Total deferred inflows	$ 1,147,143	$ 1,160,593	$ -	$ -
Net Position:				
Net investment in capital assets	$ 12,582,260	$ 12,071,496	$ -	$ -
Restricted for:				
Nonexpendable, scholarships and other	-	-	743,873	679,403
Expendable:				
Scholarships, research, instruction and other	403,269	485,497	958,278	393,169
Loans	3,197	3,195	-	-
Unrestricted	(9,418,330)	(9,334,142)	462,249	566,043
Total net position	$ 3,570,396	$ 3,226,046	$ 2,164,400	$ 1,638,615

See Notes to Financial Statements.

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	College		Component Unit	
	2017	2016	2017	2016
Operating revenues:				
Student tuition and fees, net of scholarship allowances in 2017 and 2016 of $3,097,000 and $3,243,000, respectfully	$ 2,981,794	$ 2,242,841	$ -	$ -
Federal grants and contracts	1,841,266	2,128,157	-	-
State and local grants and contracts	1,273,898	1,729,619	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship allowances in 2017 and 2016 of $572,000 and $579,000, respectfully	308,640	424,082	-	-
Food services, net of scholarship allowances in 2017 and 2016 of $360,000 and $354,000, respectfully	194,229	245,063	-	-
Bookstore, net of scholarship allowances in 2017 and 2016 of $71,000 and $100,000, respectfully	80,130	67,555	-	-
Student Union	650,054	627,128	-	-
Other	502,151	744,722	-	-
Gifts and contributions	-	-	1,123,360	754,735
Other operating revenues	77,475	95,316	-	-
Total operating revenues	7,909,637	8,304,483	1,123,360	754,735
Operating expenses:				
Compensation and employee benefits	8,490,859	8,466,564	-	-
Contractual services	2,675,412	2,724,658	-	-
Supplies and materials	1,184,767	1,053,702	29,471	28,757
Utilities	519,364	508,062	-	-
Communications	95,169	129,435	-	-
Other operating expenses	1,650,755	1,839,584	507,933	654,561
Scholarships and fellowships	3,580,862	3,623,402	92,907	133,271
Depreciation	1,571,451	1,376,432	-	-
Total operating expenses	19,768,639	19,721,839	630,311	816,589
Operating loss	(11,859,002)	(11,417,356)	493,049	(61,854)
Nonoperating revenues (expenses):				
State appropriations	5,581,484	5,968,043	-	-
OTRS on-behalf contributions	430,567	505,400	-	-
Federal grants and contracts	5,100,501	4,921,971	-	-
State grants and contracts	913,929	864,727	-	-
Investment income	4,992	2,514	32,736	(14,824)
Interest expense	(924,100)	(1,037,069)	-	-
Total nonoperating revenues (expenses)	11,107,373	11,225,586	32,736	(14,824)
Loss before other revenues, expenses, gains and losses	(751,629)	(191,770)	525,785	(76,678)
Capital contributions	48,238	287,651	-	-
State appropriations restricted for capital purposes	347,371	421,648	-	-
OCIA on-behalf payments	888,222	883,415	-	-
Change in net position	532,202	1,400,944	525,785	(76,678)
Net position, beginning (as previously reported)	3,226,046	1,825,102	1,638,615	1,715,293
Cummulative effect of implementing GASB No. 73	(187,852)	-	-	-
Net position, beginning (restated)	3,038,194	1,825,102	1,638,615	1,715,293
Net position, end of year	$ 3,570,396	$ 3,226,046	$ 2,164,400	$ 1,638,615

See Notes to Financial Statements.

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Tuition and fees	$ 3,713,771	$ 2,060,117
Grants and contracts	3,054,629	2,323,324
Auxiliary enterprise charges	1,021,388	2,751,528
Other operating receipts	133,020	199,904
Payments to employees for salaries and benefits	(8,093,689)	(8,259,126)
Payments to suppliers	(10,376,632)	(7,843,452)
Net cash used in operating activities	(10,547,513)	(8,767,705)
Cash Flows from Noncapital Financing Activities:		
State appropriations	5,581,484	5,968,043
Federal grants and contracts	5,100,501	4,921,971
State grants and contracts	913,929	864,727
Federal direct student loan receipts	4,999,495	4,134,053
Federal direct student loan disbursements	(4,999,495)	(4,134,053)
Net cash provided by noncapital financing activities	11,595,914	11,754,741
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(222,698)	(1,956,529)
Capital appropriations received	347,371	421,648
Repayments of capital debt and leases	(1,078,334)	(891,523)
Interest paid on capital debt and leases	(754,290)	(760,936)
Net cash used in capital and related financing activities	(1,707,951)	(3,187,340)
Cash Flows from Investing Activities:		
Purchase of investments	-	(430)
Proceeds from sales and maturities of investments	-	655,663
Interest received on investments	4,992	3,392
Net cash provided by investing activities	4,992	658,625
Net increase (decrease) in cash and cash equivalents	(654,558)	458,321
Cash and cash equivalents:		
Beginning of year	1,874,918	1,416,597
End of year	$ 1,220,360	$ 1,874,918

(Continued)

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Cash Flows (Continued)
Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	$ (11,859,002)	$ (11,417,356)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,571,451	1,376,432
Loss on disposal of asset	16,800	213,550
On-behalf contributions to teachers' retirement system	430,567	505,400
Changes in net assets and liabilities:		
Accounts and other receivables	(62,924)	119,575
Deferred outflows related to pensions	(2,448,003)	(426,238)
Other assets	55,545	104,588
Accounts payable and accrued expenses	(846,673)	913,177
Deferred inflows related to pensions	(1,555)	(1,237,345)
Net pension obligation	2,546,244	1,104,842
Unearned revenues	20,550	4,794
Student and other deposits	91,044	(8,588)
Compensated absences	(61,557)	(20,536)
Net cash used in operating activities	$ (10,547,513)	$ (8,767,705)
Noncash Investing, Noncapital Financing, and Capital and Related Financing Activities:		
Interest on capital debt paid by state agency on behalf of the College	$ 177,483	$ 281,636
Principal on capital debt paid by state agency on behalf of the College	710,739	601,779
Capital assets received as gifts and contributions	18,699	263,957
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 633,831	$ 1,096,871
Restricted cash and cash equivalents	586,529	760,898
Noncurrent assets, restricted cash and cash equivalents	-	17,149
Total cash and cash equivalents	$ 1,220,360	$ 1,874,918

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Nature of operations: Connors State College (the "College") is an associate degree granting institution established by an act of the Oklahoma State Legislature in 1908. The College's mission is to provide higher education primarily for people of eastern Oklahoma and surrounding areas through academic programs, cultural enrichment, lifelong learning experiences and public service activities.

Reporting entity: The College is one of five institutions of higher education in Oklahoma that comprise the Oklahoma Agricultural and Mechanical Colleges, which in turn is part of the Higher Education component unit of the State of Oklahoma.

The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board of Regents") has constitutional authority to govern, control and manage the Oklahoma Agricultural and Mechanical Colleges, which consists of Connors State College, Langston University, Northeastern Oklahoma A&M College, Oklahoma Panhandle State University and Oklahoma State University. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, acquire and take title to real and personal property in its name, and appoint or hire all necessary officers, supervisors, instructors, and employees for member institutions.

Accordingly, the College is considered an organizational unit of the Oklahoma Agricultural and Mechanical Colleges reporting entity for financial reporting purposes due to the significance of its legal, operational and financial relationships with the Board of Regents, as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

Discretely-presented component unit: Connors Development Foundation, Inc. (the "Foundation"), is a legally separate, tax-exempt component unit of the College. Although the College does not control the timing or amounts of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests is restricted to the activities governed by donors, bond documents and/or trustees. Accordingly, resources received and held by the Foundation can only be used by, or for the benefit of, the College. The Foundation is considered a discretely-presented component unit of the College under the definition of GASB Statement No. 39. The Foundation reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information for these differences. The Foundation prepares separate, standalone financial statements which may be obtained by contacting the Foundation's management.

Financial statement presentation: The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to public sector institutions of higher education. The College applies all applicable GASB pronouncements.

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

Cash equivalents: For purposes of the statements of cash flows, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: The College accounts for its investments at fair market value based on quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Accounts receivable: Accounts receivable consist of tuition and fee charges to students and fees for auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Oklahoma. Accounts receivable are recorded net of estimated uncollectible amounts. The College determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the College's previous loss history and the condition of the general economy and the industry as a whole. The College writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivable are credited to the allowance for doubtful accounts.

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days after the end of the semester. Interest and late charges are not generally assessed and, if they are assessed, are not included in income or trade accounts receivables. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the College.

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

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 statements of net position.

Capital assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 25 to 40 years for buildings, infrastructure and land improvements and 7 years for library materials and equipment.

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 liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net position and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

Note 1. Summary of Significant Accounting Policies (Continued)

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) federal loans liability; (3) amounts for accrued compensated absences; (4) net pension liability; and other liabilities that will not be paid within the next fiscal year. Bond discounts and premiums are amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred regardless of whether they are included in bond proceeds.

Net position: The College's net position is classified as follows:

Net investment in capital assets: The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

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

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

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

Income taxes: The College, as a political subdivision of the State of Oklahoma, is exempt from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. However, the College may be subject to income taxes on unrelated business income under Internal Revenue Code Section 511(a)(2)(B).

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Scholarship discounts and allowances: Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the statements of revenues, expenses and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2017 and 2016, the College's deferred outflows of resources were comprised of deferred charges related to pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2017 and 2016, the College's deferred inflows of resources were comprised of a deferred gain on an OCIA lease restructure and deferred inflows related to pensions.

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

Reclassifications: Certain reclassifications have been made to the 2016 amounts to conform to the 2017 presentations. Such reclassifications had no effect on the previously reported change in net position.

Prior Period Adjustments:
Beginning net position for fiscal year 2017 was restated as follows:

	Fiscal Year 2017
Beginning net position, as previously reported	$ 3,226,046
Implementation of GASB Statement No. 73	(187,852)
Beginning net position, restated	$ 3,038,194

Note 1. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements adopted in fiscal year 2017: The College adopted the following new accounting pronouncements during the year ended June 30, 2017:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

GASB Statement 73 established requirements for pensions that are not within the scope of GASB statement nos. 67 and 68; that is pension plans that are not administered through a trust. Accounting for these pension plans is essentially the same as those plans covered by a trust. The College's Supplemental Retirement Plan is subject to this new standard and as a result, the College's beginning net position as of July 1, 2016, has been reduced by $187,852 from its previously reported net position. Amounts for 2016 have not been restated because to do so would be impractical, and therefore is not required under the new standard.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

GASB Statement No. 74 was issued in June 2015, and replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. The statement applies primarily to the general purpose external financial reports of state and local government OPEB plans. For OPEB plans that do not issue separate stand-alone general purpose financial statements, additional disclosures are required by the new standard in the sponsoring government's financial statements. The standard did not impact the College's previously reported net position or change in net position.

New accounting pronouncements issued not yet adopted: The GASB has issued several new accounting pronouncements which will be effective to the College in subsequent years. A description of the new accounting pronouncements and the College's consideration of the impact of these pronouncements are described below:

GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB No. 75 was issued in June 2015, and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For a defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The College has not determined the impact of this statement; however, it is not expected to be material. This Statement is effective for fiscal years beginning after June 15, 2017.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 81*, Irrevocable Split-Interest Agreements*

GASB No. 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for fiscal years beginning after December 15, 2016, and should be applied retroactively. The College does not believe that GASB No. 81 will have significant impact on its financial statements.

GASB Statement No. 83*, Certain Asset Retirement Obligations*

GASB No. 83 was issued November 2016, under this statement a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. This Statement is effective for fiscal years beginning after June 15, 2018. The College has not yet determined the impact that implementation of GASB 83 will have on its net position.

GASB Statement 84*, Fiduciary Activities*

GASB No. 84 was issued January 2017 and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for fiscal years beginning after December 15, 2018. The College has not yet determined the impact that implementation of GASB 84 will have on its net position.

GASB Statement 85*, Omnibus 2017*

GASB No. 85, issued March 2017, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for fiscal years beginning after June 15, 2017. The College has not yet determined the impact that implementation of GASB 85 will have on its net position.

GASB Statement 86*, Certain Debt Extinguishment Issues*

GASB No. 86 was issued May 2017. The primary objective of this Statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Note 1. Summary of Significant Accounting Policies (Continued)

This Statement is effective for fiscal years beginning after June 15, 2017. The College has not yet determined the impact that implementation of GASB 86 will have on its net position.

GASB Statement 87*, Leases*

GASB No. 87 was issued June 2017. The primary objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about activities. This Statement is effective for fiscal years beginning after December 15, 2019. The College has not yet determined the impact that implementation of GASB 87 will have on its net position.

Note 2. Deposits and Investments

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

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

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

	2017	2016
Deposits with the State Treasurer	$ 1,216,060	$ 1,853,469
U.S. financial institutions	-	17,149
Change funds	4,300	4,300
TOTAL DEPOSITS	$ 1,220,360	$ 1,874,918

The differences between the bank balances of deposits and the related carrying amounts were generally not significant and are due to outstanding checks and deposits in-transit.

Of the $1,216,060 and $1,853,469 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2017 and June 30, 2016, respectively, $82,218 and $64,711, respectively, represent amounts held within *OK INVEST,* an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives

Note 2. Deposits and Investments (Continued)

and guidelines governing the investment of funds in *OK INVEST*. Safety, liquidity, and return on investment are the objectives that establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State's daily cash flow requirements. Guidelines in the State Treasurer's Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at *http://www.ok.gov/treasurer/*. The College considers its amounts on deposit with *OK INVEST* to be demand accounts and they are reported as cash equivalents.

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

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The College is authorized to invest in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Regents.

Concentration of credit risk: All United States government obligations are held by the Federal Reserve Bank in the name of the College. The majority of the College's certificates of deposits were invested through the State Treasurer.

The Board has authorized short-term funds to be invested in any security currently available through the State Treasurer's office. Generally, these include direct obligations of the United States government and its agencies, certificates of deposit and demand deposits.

Fair value measurement: GASB Statement No. 72, *Fair value measurement and application*, establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs consist of unobservable inputs which are used when observable inputs are unavailable and reflect an entity's own assumptions about the assumptions that the market participants would use in pricing the assets or liabilities.

At June 30 ,2017 and 2016, no amounts are reported at fair value.

Note 3. Accounts Receivable

Accounts receivable relate to tuition and fee charges to students and to auxiliary services provided to students, faculty, and staff. Accounts receivable consisted of the following at June 30:

	2017	2016
Student tuition and fees	$ 1,228,897	$ 1,052,062
Auxiliary enterprises and other student activities	1,367,086	653,270
Less allowance for doubtful accounts	(1,679,151)	(790,889)
	$ 916,832	$ 914,443

Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Transfers	Retirements	Balance June 30, 2017
Capital assets not being depreciated:					
Land	$ 769,729	$ -	$ -	$ -	$ 769,729
Livestock	127,700	-	-	(16,800)	110,900
Construction in progress	1,505,497	28,986	(1,534,483)	-	-
Total capital assets not being depreciated	2,402,926	28,986	(1,534,483)	(16,800)	880,629
Capital assets being depreciated:					
Buildings and improvements	40,385,050	-	1,534,483	-	41,919,533
Nonstructural improvements	5,273,237	62,541	-	-	5,335,778
Equipment	5,056,848	149,870	-	(4,468)	5,202,250
Library materials	747,814	-	-	-	747,814
Total capital assets being depreciated	51,462,949	212,411	1,534,483	(4,468)	53,205,375
Less accumulated depreciation for:					
Buildings and improvements	(10,644,604)	(1,018,829)	-	-	(11,663,433)
Nonstructural improvements	(1,972,489)	(255,115)	-	-	(2,227,604)
Equipment	(3,816,384)	(297,507)	-	4,468	(4,109,423)
Library materials	(747,814)	-	-	-	(747,814)
Total accumulated depreciation	(17,181,291)	(1,571,451)	-	4,468	(18,748,274)
Capital assets, net	$ 36,684,584	$ (1,330,054)	$ -	$ (16,800)	$ 35,337,730

Note 4. Capital Assets (Continued)

At June 30, 2017, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Infrastructure	Total
Cost	$ 29,260,975	$ 2,069,953	$ 31,330,928
Less: accumulated depreciation	(2,139,744)	(1,248,733)	(3,388,477)
	$ 27,121,231	$ 821,220	$ 27,942,451

Following are the changes in capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Transfers	Retirements	Balance June 30, 2016
Capital assets not being depreciated:					
Land	$ 769,729	$ -	$ -	$ -	$ 769,729
Livestock	341,250	-	-	(213,550)	127,700
Construction in progress	15,276,634	1,893,585	(15,664,722)	-	1,505,497
Total capital assets not being depreciated	16,387,613	1,893,585	(15,664,722)	(213,550)	2,402,926
Capital assets being depreciated:					
Buildings and improvements	24,994,412	96,861	15,293,777	-	40,385,050
Nonstructural improvements	4,892,447	9,845	370,945	-	5,273,237
Equipment	4,836,653	220,195	-	-	5,056,848
Library materials	747,814	-	-	-	747,814
Total capital assets being depreciated	35,471,326	326,901	15,664,722	-	51,462,949
Less accumulated depreciation for:					
Buildings and improvements	(9,789,376)	(855,228)	-	-	(10,644,604)
Nonstructural improvements	(1,711,599)	(260,890)	-	-	(1,972,489)
Equipment	(3,556,070)	(260,314)	-	-	(3,816,384)
Library materials	(747,814)	-	-	-	(747,814)
Total accumulated depreciation	(15,804,859)	(1,376,432)	-	-	(17,181,291)
Capital assets, net	$ 36,054,080	$ 844,054	$ -	$ (213,550)	$ 36,684,584

Note 4. Capital Assets (Continued)

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

	Buildings	Infrastructure	Total
Cost	$ 29,260,975	$ 2,069,953	$ 31,330,928
Less: accumulated depreciation	(1,892,072)	(1,121,668)	(3,013,740)
	$ 27,368,903	$ 948,285	$ 28,317,188

Note 5 Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Capital lease obligations:					
OCIA 2010A Series	$ 996,978	$ -	$ (493,080)	$ 503,898	$ 503,898
OCIA 2014A Series	2,775,906	-	(186,100)	2,589,806	-
OCIA 2014B Series	132,950	-	(31,559)	101,391	32,480
ODFA 2011A Series	350,998	-	(71,667)	279,331	68,167
ODFA 2011E Series	6,850,001	-	(374,167)	6,475,834	350,833
ODFA 2014C Series - Student Union	5,038,001	-	(225,750)	4,812,251	213,333
ODFA 2014C Series - Nursing Allied Health	7,328,000	-	(324,833)	7,003,167	310,500
ODFA 2014C-D	645,000	-	(81,917)	563,083	78,750
Premium on lease obligation	323,713	-	(25,317)	298,396	25,316
Total capital leases	24,441,547	-	(1,814,390)	22,627,157	1,583,277
Other liabilities:					
Accrued compensated absences	204,310	42,063	(103,620)	142,753	64,239
Total other liabilities	204,310	42,063	(103,620)	142,753	64,239
Total long-term liabilities	$ 24,645,857	$ 42,063	$ (1,918,010)	$ 22,769,910	$ 1,647,516

Note 5. Long-Term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable and capital lease obligations:					
OCIA capital lease					
OCIA 2005F Series	$ 286,252	$ -	$ (286,252)	$ -	$ -
OCIA 2010A Series	1,284,203	-	(287,225)	996,978	493,080
OCIA 2014A Series	2,775,906	-	-	2,775,906	186,100
OCIA 2014B Series	161,252	-	(28,302)	132,950	31,559
ODFA 2011A Series	409,665	-	(58,667)	350,998	71,667
ODFA 2011E Series	7,157,084	-	(307,083)	6,850,001	374,167
ODFA 2014C Series - Student Union	5,224,084	-	(186,083)	5,038,001	225,750
ODFA 2014C Series - Nursing Allied Health	7,598,416	-	(270,416)	7,328,000	324,833
ODFA 2014C-D	714,273	-	(69,273)	645,000	81,917
Premium on lease obligation	349,029	-	(25,316)	323,713	25,316
Total bonds and capital leases	25,960,164	-	(1,518,617)	24,441,547	1,814,389
Other liabilities:					
Accrued compensated absences	224,846	67,337	(87,873)	204,310	91,939
Total other liabilities	224,846	67,337	(87,873)	204,310	91,939
Total long-term liabilities	$ 26,185,010	$ 67,337	$ (1,606,490)	$ 24,645,857	$ 1,906,328

Capital Lease Obligations:

ODFA Higher Education Master Lease Program - Series 2011A

In July 2011, the College entered into a capital lease obligation Series 2011A in the amount of $646,000. Lease payments over the term of the agreement, including interest, total $779,803. Payments begin August 15, 2011, and go through May 15, 2021, and will be made monthly ranging from $6,597 to $7,094. Proceeds from the obligation were used for structural improvements to the College's waste management system.

Note 5. Long-Term Liabilities (Continued)

As of June 30, 2017, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2018	$ 68,167	$ 11,009	$ 79,176
2019	70,165	9,160	79,325
2020	72,250	6,832	79,082
2021	68,749	3,355	72,104
	$ 279,331	$ 30,356	$ 309,687

ODFA Higher Education Master Lease Program - Series 2011E

In September 2011, the College entered into a capital lease obligation Series 2011E in the amount of $8,165,000. Lease payments over the term of the agreement, including interest, total $11,837,000. Payments begin October 15, 2011, and go through May 15, 2032, and will be made monthly ranging from $27,251 to $49,820. Proceeds from the obligation were used in the purchase of the Miller's Crossing building.

As of June 30, 2017, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2018	$ 350,833	$ 235,375	$ 586,208
2019	360,417	227,406	587,823
2020	366,250	218,320	584,570
2021	379,583	208,169	587,752
2022	376,667	196,781	573,448
2023 - 2027	2,131,667	776,688	2,908,355
2028 - 2032	2,510,417	321,898	2,832,315
	$ 6,475,834	$ 2,184,637	$ 8,660,471

Note 5. Long-Term Liabilities (Continued)

ODFA Higher Education Master Lease Program - Series 2014C - Student Union

In April 2014, the College entered into a capital lease obligation Series 2014C-Student Union in the amount of $5,421,000. Lease payments over the term of the agreement, including interest, total $7,749,763. Payments began May 15, 2014, and go through May 15, 2034, and will be made monthly ranging from $29,525 to $32,484. Proceeds from the obligation will be used to renovate the College's Student Union.

As of June 30, 2017, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2018	$ 213,333	$ 174,126	$ 387,459
2019	217,417	169,860	387,277
2020	222,583	165,326	387,909
2021	229,667	158,332	387,999
2022	238,167	147,592	385,759
2023 - 2027	1,368,167	571,405	1,939,572
2028 - 2032	1,619,917	315,866	1,935,783
2033 - 2034	703,000	39,184	742,184
	$ 4,812,251	$ 1,741,691	$ 6,553,942

ODFA Higher Education Master Lease Program - Series 2014C - Nursing Allied Health

In April 2014, the College entered into a capital lease obligation Series 2014C-Nursing Allied Health in the amount of $7,885,000. Lease payments over the term of the agreement, including interest, total $7,749,763. Payments began May 15, 2014, and go through May 15, 2034, and will be made monthly ranging from $42,957 to $47,100. Proceeds from the obligation will be used to build the College's Nursing Allied Health Building on the Muskogee Campus.

As of June 30, 2017, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2018	$ 310,500	$ 253,350	$ 563,850
2019	316,583	247,140	563,723
2020	323,750	240,539	564,289
2021	333,417	230,368	563,785
2022	350,250	214,782	565,032
2023 - 2027	1,986,167	831,517	2,817,684
2028 - 2032	2,359,166	459,936	2,819,102
2033 - 2034	1,023,334	57,041	1,080,375
	$ 7,003,167	$ 2,534,673	$ 9,537,840

Note 5. Long-Term Liabilities (Continued)

ODFA Higher Education Master Lease Program - Series 2014C-D

In December 2014, the College entered into a capital lease obligation Series 2014C-D in the amount of $753,000. Lease payments over the term of the agreement, including interest, total $913,607. Payments began January 15, 2015, and go through November 15, 2023, and will be made monthly ranging from $8,440 to $9,183. Proceeds from the obligation were used to refinance and pay-off the ODFA Series 2004B. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $73,076, which approximates the economic savings of the transaction.

As of June 30, 2017, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2018	$ 78,750	$ 23,463	$ 102,213
2019	81,750	20,401	102,151
2020	84,750	17,059	101,809
2021	88,333	13,072	101,405
2022	92,333	9,180	101,513
2023-2024	137,167	7,120	144,287
	$ 563,083	$ 90,295	$ 653,378

Oklahoma Capital Improvement Authority Lease Obligations (OCIA)

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated $7,025,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006, through July 1, 2030, will be $14,373,397. Payments will be made annually ranging from $192,596 to $1,676,268. 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 2011, the College's 2005F lease agreement with OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a cost on restructuring. The College has recorded a charge of $642,631 on restructuring as a deferred outflow of resources that will be amortized over a period of six years. As of June 30, 2017 and 2016, this deferred outflow of resources has been fully amortized.

Note 5. Long-Term Liabilities (Continued)

During 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, Series 2014A, to accomplish the refunding. 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. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $154,039 on restructuring as a deferred inflow of resources that will be amortized over a period of eighteen years. As of June 30, 2017 and 2016 the unamortized gain totaled $123,387 and $132,818, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $407,408, which approximates the economic savings of the transaction.

During 2015, the College's remaining 2004 lease agreement with OCIA was restructured through a refunding of the Series 2004A bonds. OCIA issued new bonds, Series 2014B, to accomplish the refunding. 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. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $11,907 on restructuring as a deferred inflow of resources that will be amortized over a period of eighteen years. As of June 30, 2017 and 2016 the unamortized gain totaled $4,927 and $7,391, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $26,006, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling $888,222 and $883,415 during the years ended June 30, 2017, and 2016, respectively, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

At June 30, 2017, future aggregate maturities of principal and interest requirements on OCIA capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2018	$ 536,378	$ 150,155	$ 686,533
2019	39,585	125,409	164,994
2020	38,263	123,797	162,060
2021	-	122,922	122,922
2022	-	122,922	122,922
2023 - 2027	1,306,544	496,095	1,802,639
2028 - 2031	1,274,325	158,918	1,433,243
	$ 3,195,095	$ 1,300,218	$ 4,495,313

Note 6. Retirement Plans

The College's academic and nonacademic personnel are covered by various retirement plans. The plans available to College personnel include the Oklahoma Teachers' Retirement System, which is a State of Oklahoma public employee's retirement system, and the Supplemental Retirement Plan, which is a single-employer public employee retirement system. The College does not maintain the accounting records, hold the investments for, or administer these plans.

Summary of Net Pension Obligation

June 30, 2017

	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Obligation	$ 206,133	$ -	$ -	$ 39,832
OTRS Pension Obligation	12,395,679	3,550,140	1,018,829	1,148,387
Total	$ 12,601,812	$ 3,550,140	$ 1,018,829	$ 1,188,219

Effective July 1, 2016, the University adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* as previously disclosed in Note 1. Because this standard does not require restatement of all periods presented if doing so is impractical, the University has not restated its amounts for fiscal 2016 nor provided similar disclosures for fiscal 2016.

Oklahoma Teachers' Retirement System

Plan description: The College as the employer, participates in the Oklahoma Teachers Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 70 O. S. Sec. 17-105 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

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

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System 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

Note 6. Retirement Plans (Continued)

death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

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

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

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

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between $100 and $105 per month per eligible retiree to the Employees Group Insurance Division ("EGID"), depending on the members' years of service during 2016.

Contributions: The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute, as amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.50% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were $610,502 and $631,024 for June 30, 2017 and 2016, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, of which $430,567 and $505,400, during 2017 and 2016 respectively, was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: - At June 30, 2017 and 2016, the College reported a liability of $12,395,679 and $9,838,802, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 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, 2016 and 2015. Based upon this information, the College's proportion was 0.14853 percent and 0.1620154 percent for June 30, 2017 and 2016, respectively.

For the year ended June 30, 2017 and 2016, the College recognized pension expense of $1,148,387 and $577,683.

At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 6. Retirement Plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 287,776
Changes of assumptions	1,492,614	-
Net difference between projected and actual earnings on pension plan investments	1,447,024	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	727,084
College contributions during measurement date	-	3,969
College contributions subsequent to the measurement date	610,502	-
Total	$ 3,550,140	$ 1,018,829

At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 334,185
Changes of assumptions	471,113	-
Net difference between projected and actual earnings on pension plan investments	-	667,451
Changes in proportion and differences between College contributions and proportionate share of contributions	-	18,748
College contributions subsequent to the measurement date	631,024	-
Total	$ 1,102,137	$ 1,020,384

The $610,502 and $631,024 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date for June 30, 2017 and 2016, respectively will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 6. Retirement Plans (Continued)

Year ended June 30:		
2018	$	269,972
2019		269,972
2020		753,445
2021		560,650
2022		66,770
Thereafter		-
	$	1,920,809

Year ended June 30:		
2017	$	(280,721)
2018		(280,721)
2019		(280,721)
2020		246,647
2021		36,348
Thereafter		9,897
	$	(549,271)

Actuarial Assumptions: The total pension liability as of June 30, 2017 and 2016, was determined based on an actuarial valuation prepared as if June 30, 2016 and 2015 respectively, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 2.50% and 3.00% for 2017 and 2016, respectively
- Salary Increases 2017 - Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Salary Increases 2016 - Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50% and 8.00% for 2017 and 2016, respectively.
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined 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%.

Note 6. Retirement Plans (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2017 are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.2%
Domestic Large Cap Equity	10.0%	5.8%
Domestic Mid Cap Equity	13.0%	6.3%
Domestic Small Cap Equity	10.0%	7.0%
International Large Cap Equity	11.5%	6.6%
International Small Cap Equity	6.0%	6.6%
Core Plus Fixed Income	17.5%	1.6%
High-yield Fixed Income	6.0%	4.9%
Private Equity	5.0%	8.3%
Real Estate**	7.0%	4.5%
Master Limited Partnerships	7.0%	7.7%
Total	100%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2016 are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
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%	

* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large cap, US Mid Cap and US Small cap

** The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value added Real Estate (unlevered)

Note 6. Retirement Plans (Continued)

Discount Rate: A single discount rate of 7.50% and 8.00% was used to measure the total pension liability as of June 30, 2016 and June 30, 2015, respectively. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50% and 8.00%, respectively. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the employers calculated using the discount rate of 7.5% and 8% for 2017 and 2016, respectively, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

For June 30, 2017:	1% Decrease to 6.5%	Current Discount Rate 7.5%	1% Increase to 8.5%
Employers' net pension liability	$ 16,227,894	$ 12,395,679	$ 9,188,187
For June 30, 2016:	**1% Decrease to 7%**	**Current Discount Rate 8%**	**1% Increase to 9%**
Employers' net pension liability	$ 13,601,120	$ 9,838,802	$ 6,676,403

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

Supplemental Retirement Plan

Plan description: The Supplemental Retirement Plan (the "Plan") is a single-employer, defined benefit pension plan administered by the College. It guarantees eligible employees a level of retirement benefits. If Social Security and OTRS payments do not equal one-half of the employee's highest three years' earnings, the College pays the balance from the current year's operating budget. The authority to establish and amend benefit provisions rests with the Board of Regents. The Plan does not issue a separate financial report, nor is it included in the financial report of another entity.

Funding policy: During the fiscal year ended June 30, 2017, the College made benefit payments of $50,465.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the College reported a liability of $206,133 for its net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017.

Note 6. Retirement Plans (Continued)

For the year ended June 30, 2017 the College recognized pension expense of $39,832.

Schedule of Changes in Total Pension Liability: The College's changes in total pension liability are as follows as of June 30, 2017:

	2017
Beginning net pension liability, as restated pursuant to GASB 73	$ 216,766
Interest	7,587
Change of assumptions	3,280
Difference between actual and expected experience	28,965
Benefit payments	(50,465)
Ending net pension liability	$ 206,133

Actuarial Assumptions: The total pension liability as of June 30, 2017, was determined based on an actuarial valuation prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Cost of living adjustment – 3.5% per year
- Discount Rate - 3.05% (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement – RP-2000 Combined Mortality Table projected to 2020.

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

	1% Decrease 2.05%	Current Discount Rate 3.05%	1% Increase 4.05%
Employers' net pension liability	$ 213,854	$ 206,133	$ 198,997

Note 7. Other Post-Employment Insurance Benefits

Plan description: The College pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must meet the OTRS guidelines. In addition, the individual must also have been enrolled in the College's life insurance program prior to retirement. Each retiree is eligible to receive $6,000 of life insurance coverage at a cost to the College of $.275 per $1,000 of coverage. As of June 30, 2017, there were approximately 111 active employees and 118 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The Other Post-Employment Insurance Benefits (OPEB) Plan does not issue a stand-alone financial report.

Note 7. Other Post-Employment Insurance Benefits (Continued)

Funding policy: Contribution requirements of the College are established and may be amended by the Board of Regents. All contributions are made by the College. Benefits are funded under a "pay as you go" funding method; however, expenses are recorded as benefits accumulate.

Annual cost and net obligation: The annual required contribution for the current year was determined as part of the June 30, 2017 and 2015, respectively, actuarial valuation using the entry age normal method. The actuarial assumption included a 3.05% and 6.50% investment rate of return in 2017 and 2015, respectively. The assumption also included postretirement benefit increases, which will be funded by the College when granted. The Plan is an unfunded plan, and accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized over fifteen years using the level dollar amortization method on a closed basis.

The College's annual life insurance cost and net obligation of the Plan for the years ended June 30 were as follows:

	2017	2016
Annual required contribution	$ 1,898	$ 3,725
Adjustment to annual required contribution	10,998	-
Annual life insurance cost	12,896	3,725
Contributions made	2,336	3,725
Increase in net obligation	10,560	-
OPEB, beginning of year	25,133	25,133
OPEB, end of year	$ 35,693	$ 25,133

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2017 and 2016, was as follows:

	2017	2016
Actuarial accrued liability (AAL)	$ 35,693	$ 25,133
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$ 35,693	$ 25,133
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Annual covered payroll (active plan members)	$ 6,102,886	$ 5,422,062
UAAL as a percentage of annual covered payroll	0.58%	0.46%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information, as available, about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 7. Other Post-Employment Insurance Benefits (Continued)

Trend information:

	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
Years ending June 30:			
2015	3,725	45%	25,133
2016	3,725	100%	25,133
2017	12,986	18%	35,693

Note 8. Related-Party Transactions

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College 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 years ended June 30, 2017 and 2016 the Foundation awarded scholarships to students totaling approximately $93,000 and $133,000, respectively. The College received in-kind contributions of approximately $48,000 and $288,000 during 2017 and 2016, respectively.

The Foundation also services the funds of the various campus clubs and organizations. All receipts and disbursements of these funds are handled through the Foundation office. Payments for goods and services for the benefit of the College provided by the clubs and organizations for the years ended June 30, 2017 and 2016 were approximately $200,000.

Note 9. Commitments and Contingencies

During the ordinary course of business, the College may be subjected to various lawsuits and civil action claims. At June 30, 2017 and 2016, there were no pending lawsuits or claims against the College that management believes would result in a material loss to the College in the event of an adverse outcome.

The College participates in a number of other 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 agency for expenditures disallowed under terms of the grant. The amount for expenditures that may be disallowed by the granting agencies cannot be determined at this time, although it is believed by the College that the amount, if any, would not be significant.

Note 10. 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, workers' compensation and unemployment. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Note 10. Risk Management (Continued)

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 coverages. The Oklahoma Risk Management Pool's governing agreement specifies that the pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

Note 11. Connors Development Foundation, Inc.

The following are significant disclosures of Connors Development Foundation, Inc.:

Summary of significant accounting policies

Cash and cash equivalents*:* The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. None of the Foundation's investments are considered to be cash equivalents.

Investments*:* Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets

Assets reported at fair value on a recurring basis are as follows at June 30, 2017:

	Fair Value Hierarchy	2017
Marketable certificates of deposit	Level 2	$ 243,776
Mutual funds	Level 1	223,495
Equity securities	Level 1	38,422
		$ 505,693

The Foundation uses the market approach to value marketable securities with readily determinable fair values based on quoted prices in active markets.

Restricted endowment investment income and losses are recorded as temporarily restricted revenues unless the terms of the gift require that they be added to the principal of a permanent or term endowment

Note 11. Connors Development Foundation, Inc. (Continued)

fund. If the funds are temporarily restricted, any expenditure is subject to the intended use of the funds as indicated in the gift instrument.

Endowments Fund*:* Permanent endowment funds are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and only the earnings, or portions thereof, be utilized. Term endowment funds are similar to such funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or a part of the principal may be expended.

The Foundation's endowment consists of approximately 30 individual funds established primarily for scholarship and academic program support. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect and/or preserve the Foundation's assets while maintaining a satisfactory return. To satisfy the Foundation's risk and return objectives, the majority of the Foundation's funds are invested in certificates of deposit and U.S. Treasury notes; hence, the Foundation's investment return is achieved through current yields (interest and dividends) and capital preservation.

Net Assets: The Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") was enacted by the State of Oklahoma effective November 1, 2007 ("OK UPMIFA"). The Board of Trustees (the "Trustees") of the Foundation has interpreted OK UPMIFA to require the Foundation to exercise prudence in determining whether to spend from or accumulate to donor-restricted endowment funds with a view toward the permanent nature and long-term continuing viability of such funds.

The Foundation has interpreted UPMIFA, as passed by the State of Oklahoma, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets the following:

- Original value of gifts donated to the permanent endowment,
- Original value of subsequent gifts to the permanent endowment,
- Accumulations to the permanent endowment made with explicit direction from donor gift instrument.

The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Temporarily restricted net assets are available for the support of the College. Substantially all restrictions can be met upon actions of the Foundation in accordance with donor's stipulation. Permanently restricted net assets consist primarily of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Foundation's general activities.

Note 11. Connors Development Foundation, Inc. (Continued)

Reconciliation of the change in permanently restricted net assets for the year ended June 30, 2017:

	Beginning Endowment Balance	Contributions and Earnings	Ending Endowment Balance
Scholarships	$ 618,849	$ 64,310	$ 683,159
Academic Programs	60,554	160	60,714
	$ 679,403	$ 64,470	$ 743,873

Reconciliation of the change in permanently restricted net assets for the year ended June 30, 2016:

	Beginning Endowment Balance	Contributions and Earnings	Ending Endowment Balance
Scholarships	$ 610,073	$ 8,776	$ 618,849
Academic Programs	59,577	977	60,554
	$ 669,650	$ 9,753	$ 679,403

Required Supplementary Information

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Required Supplementary Information - Unaudited
June 30, 2017

Schedule of Funding Progress for Other Postemployment Life Insurance Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2015	-	25,133	25,133	0.00%	6,931,980	0.36%
6/30/2016	-	25,133	25,133	0.00%	6,486,210	0.39%
6/30/2017	-	35,693	35,693	0.00%	6,102,886	0.58%

The actuarial liability is based on the projected unit credit cost method.
The College obtains actuarial valuations biannually in accordance with the provisions of GASB No. 45.

Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2015	2016	2017
College's proportion of the net pension liability	0.1623%	0.1620%	0.1485%
College's proportionate share of the net pension liability	$ 8,733,960	$ 9,838,802	$ 12,395,679
College's covered-employee payroll	$ 6,785,277	$ 6,967,930	$ 6,486,210
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129%	141%	0%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

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

Schedules of Required Supplementary Information

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years

	2015	2016	2017
Contractually required contribution	$ 675,899	$ 631,024	$ 610,502
Contributions in relation to the contractually required contribution	675,899	631,024	610,502
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 6,967,930	$ 6,486,210	$ 6,102,886
Contributions as a percentage of covered-employee payroll	10%	10%	10%

Notes to Schedule:

Only the current and prior two fiscal years are presented because 10-year data is not yet available.
2015 restated for early implementation of GASB 82

Schedules of Required Supplementary Information

SCHEDULE OF THE COLLEGE'S CHANGE IN TOTAL PENSION LIABILITY
SUPPLEMENTAL RETIREMENT ANNUITY
Last 10 Fiscal Years

	2017
Beginning net pension liability	$ 216,766
Interest	7,587
Change of assumptions	3,280
Difference between actual and expected experience	28,965
Benefit payments	(50,465)
Ending net pension liability	$ 206,133

Notes to Schedule:

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

Reports Required by *Government Auditing Standards* and Uniform Guidance

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Regents
Oklahoma Agricultural and Mechanical Colleges
Connors State College
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Connors State College (the "College"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), which is a component unit of the State of Oklahoma, and its discretely presented component unit, that comprise the statement of net position, as of June 30, 2017, and the related statements of revenue, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 30, 2017. Our report includes paragraphs related to a change in accounting principle and a reference to other auditors who audited the financial statements of Connors Development Foundation, Inc. (the "Foundation"), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Arledge & Associates, P.C.

October 30, 2017

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

Board of Regents
Oklahoma Agricultural and Mechanical Colleges
Connors State College
Oklahoma City, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Connor State College's (the "College"), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Regents"), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2017. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. No material weaknesses were identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

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

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

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

We have audited the financial statements of the College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge & Associates, P.C.

October 30, 2017

CONNORS STATE COLLEGE
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student financial assistance cluster			
Federal Pell Grant Program	84.063	N/A	$ 4,933,919
Federal Supplemental Educational Opportunity Grants	84.007	N/A	156,328
Federal Work-Study Program	84.033	N/A	55,720
Federal Direct Student Loans	84.268	N/A	4,999,495
Total Student Financial Assistance Cluster			10,145,462
TRIO program cluster			
TRIO--Student Support Services	84.042	N/A	239,494
Total TRIO program cluster			239,494
Other Programs			
Higher Education Institutional Aid	84.031	N/A	1,174,144
Strengthening Minority-Serving Institutions	84.382	N/A	128,765
Pass-through from Oklahoma State Regents for Higher Education			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S110011	82,739
Pass-through from Oklahoma Department of Vocational and Technical Education			
Career and Technical Education--Basic Grants to States	84.048	N/A	143,155
Total Other Programs			1,528,803
TOTAL U.S. DEPARTMENT OF EDUCATION			**11,913,759**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Institute for Health			
Pass-through from Oklahoma State Regents for Higher Education			
Temporary Assistance for Needy Families	93.558	N/A	101,096
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**101,096**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 12,014,855**

See notes to schedule of expenditures of federal awards.

CONNORS STATE COLLEGE
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Oklahoma Agricultural and Mechanical Colleges)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

NOTE A--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Connors State College (the "College") under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C--FEDERAL DIRECT STUDENT LOAN PROGRAM

The College participates in the Federal Direct Loan Program (the "Program"), CFDA number 84.268, which includes the Federal Subsidized Direct Loan, the Federal Unsubsidized Direct Loan, the Federal Graduate Student PLUS Direct Loan and Federal Direct Loans Parents of Undergraduate Students. The Federal Direct Loan Program requires the College to draw down cash; and the College is required to perform certain administrative functions under the Program. Failure to perform such functions may require the College to reimburse the loan guarantee agencies. The College is not responsible for the collection of these loans. The value of loans made during the audit period are considered Federal awards expended for the audit period.

NOTE D--SUBRECIPIENTS

During the year ended June 30, 2017, the College did not provide any federal awards to subrecipients.

CONNORS STATE COLLEGE
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified? _____ yes __X__ none reported

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified? __X__ yes _____ none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ yes _____ no

Identification of major federal programs:

Program	CFDA Number
Student Financial Assistance Cluster	*

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

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

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

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

None to report for the June 30, 2017, period.

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

Finding 2017-001: Special Tests and Provisions –Enrollment Reporting

Federal Program: CFDA # 84.063, 84.268, 84.007, 84.003 – Student Financial Assistance Cluster

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

Condition: Of the twenty students selected for test work, five of the students were not updated through the National Student Clearinghouse (NSC) within 60 days of the status change. Two of the twenty students had a report from NSLDS and the NSC that stated “no record found”.

Questioned Costs: None

Cause and Effect: The College updated their student reporting software during FY 2017. As a result there were discrepancies between what was reported and what was received by the clearinghouse through the batch file reporting process.

Recommendation: We recommend the College review their methodology for preparing a schedule for transmission to the NSC that includes changes in enrollment status for proper reporting to the NSLDS within the required time frame of 60 days. We also recommend that the College periodically review the NSC uploads to insure the data was uploaded correctly.

Management’s Response: A schedule of dates for NSC upload is being prepared. A series of Banner errors with these reports has been experienced as well as turnover of primary offices of responsibilities. These issues are being resolved and each department with sequential NSC reporting responsibilities has updated its procedures and timelines to assure that Connors is back in compliance with these reporting requirements by October 16, 2017.

CONNORS STATE COLLEGE
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Finding 2016-01: Purchasing Cards

Criteria: All governmental entities of the State of Oklahoma are exempt from payment of state and local sales and use tax pursuant to Title 68, O.S. 2001, Section 1356(1). Additionally, detailed itemized records/invoices/receipts shall be obtained for all purchases.

Condition: Our testwork over P-Card transactions noted 5 instances where sales tax was paid and no refund was received and 3 transactions where an itemized and detailed description of the purchase was not submitted.

Cause and Effect: The College's staff was not aware of the policy and guidelines set forth for the proper use of the P-Cards and the College did not pursue the necessary follow up to identify the transactions that included sales tax and the missing detailed receipts. Improper use of the card could be considered misappropriation of the College's funds.

Recommendation: We recommend the users of the P-Cards within the College receive necessary training for proper use of the cards. We also recommend follow up for inconsistencies and discrepancies while reviewing the monthly transactions.

Management's response: Management has developed training for all purchasing card holders during fall and spring in-service. Management has added a double review by the controller of the purchasing card to make sure all sales tax and receipts are turned in. Purchasing card holders that fail to follow those requirements will have their card revoked.

Current year status: This finding has been corrected in the current period.