Connors State College

Financial Statements
with Independent Auditors' Reports

June 30, 2018 and 2017

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 years ended June 30, 2018 and 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, 2018 and 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 2018 the College adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, 2018 and 2017, the changes in its financial position, or its cash flows for the years 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 31, 2018, 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 31, 2018

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, 2018, with fiscal years 2017 and 2016 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 2018, the College implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Due to the fact that complete prior year information was not available, the 2017 column in the basic financial statements and information presented in the MD&A have not been restated for comparative purposes.

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.

For the year ended June 30, 2018, the College's net position increased by $1,223,647 from current year activity and decreased by $737,929 as a result of the GASB 75 implementation for an overall increase in net position of $485,718 when compared to a total net position of $3,570,396 in 2017.

Total revenues increased to $22,054,484 in 2018, from $21,224,941 in 2017. The College experienced an increase in tuition and fees, housing and food service revenue and capital contributions in FY18.

Total expenses increased to $20,830,837 in 2018 from $20,692,739 in 2017 and $20,758,908 in 2016. The majority of the current year's expenses increase was in the area of contractual and compensation 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, 2018, 2017, and 2016, 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
	2018	2017*	(Decrease)	Change
Assets				
Current assets	$ 3,004,007	$ 2,361,464	$ 642,543	27.21%
Noncurrent assets:				
Capital assets, net	34,019,924	35,337,730	(1,317,806)	-3.73%
Other assets	67,927	-	67,927	100.00%
Total assets	37,091,858	37,699,194	(607,336)	-1.61%
Deferred outflows	2,240,099	3,550,140	(1,310,041)	-36.90%
Liabilities				
Current liabilities	2,189,512	2,771,896	(582,384)	-21.01%
Noncurrent liabilities	30,990,731	33,759,899	(2,769,168)	-8.20%
Total liabilities	33,180,243	36,531,795	(3,351,552)	-9.17%
Deferred inflows	2,095,600	1,147,143	948,457	82.68%
Net Position				
Net investment in capital assets	12,859,625	12,582,260	277,365	2.20%
Restricted for expendable	362,942	406,466	(43,524)	-10.71%
Unrestricted	(9,166,453)	(9,418,330)	251,877	2.67%
Total net position	$ 4,056,114	$ 3,570,396	$ 485,718	13.60%

* prior year amounts not restated for MD&A purposes

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Net Position

	2017*	2016*	Increase (Decrease)	Percent 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 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

During fiscal year 2018, the College's net position increased by $485,718, after an increase of $344,350 in 2017 and $1,400,944 in 2016. For fiscal year 2018, the net investment in capital assets increased by $277,365 compared to an increase of $510,764 in 2017. In 2018, unrestricted net position increased by $251,877, while restricted net position decreased by $43,524. In 2017 unrestricted net position decreased by $84,188, while restricted net position decreased by $82,226 in 2017. The College did experience a slight increase in overall expenses, but it also had an increase in overall revenues, which resulted in the College's net position increasing in fiscal year 2018.

Total liabilities decreased from $36,531,795 in fiscal year 2017 to $33,180,243 in fiscal year 2018. The majority of this was due to the decrease in the OTRS net pension liability. Current liabilities decreased by approximately $582,000 from fiscal year 2017 to fiscal year 2018, of which the majority was due to decreased current portion of long-term debt.

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2017*	Increase (Decrease)	Percent Change
Operating revenues:				
Tuition and fees, net	$ 3,207,326	$ 2,981,794	$ 225,532	7.56%
Federal grants and contracts	2,163,552	1,841,266	322,286	17.50%
State grants and contracts	1,598,469	1,273,898	324,571	25.48%
Auxiliary	2,043,047	1,735,204	307,843	17.74%
Other	98,114	77,475	20,639	26.64%
Total operating revenues	9,110,508	7,909,637	1,200,871	15.18%
Less operating expenses	20,020,570	19,768,639	251,931	1.27%
Operating loss	(10,910,062)	(11,859,002)	948,940	-8.00%
Nonoperating revenue (expenses):				
State appropriations	5,225,390	5,581,484	(356,094)	-6.38%
OTRS on-behalf contributions	424,877	430,567	(5,690)	-1.32%
Federal grants and contracts	5,397,228	5,100,501	296,727	5.82%
State grants and contracts	726,570	913,929	(187,359)	-20.50%
Investment income	4,461	4,992	(531)	-10.64%
Interest expenses	(810,267)	(924,100)	113,833	-12.32%
Total nonoperating revenues (expenses)	10,968,259	11,107,373	(139,114)	-1.25%
Capital contributions	134,789	48,238	86,551	179.42%
State appropriations for capital	344,128	347,371	(3,243)	-0.93%
OCIA on-behalf contributions	686,533	888,222	(201,689)	-22.71%
Change in net position	1,223,647	532,202	691,445	129.92%
Net position, beginning as previously reported	3,570,396	3,038,194	532,202	17.52%
Cumulative effect of implementing GASB No. 75	(737,929)	-	(737,929)	100.00%
Net position, beginning	2,832,467	3,038,194	(205,727)	-6.77%
Net position, ending	$ 4,056,114	$ 3,570,396	$ 485,718	13.60%

* 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

	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 restated	3,038,194	1,825,102	1,213,092	66.47%
Net position, ending	$ 3,570,396	$ 3,226,046	$ 344,350	10.67%

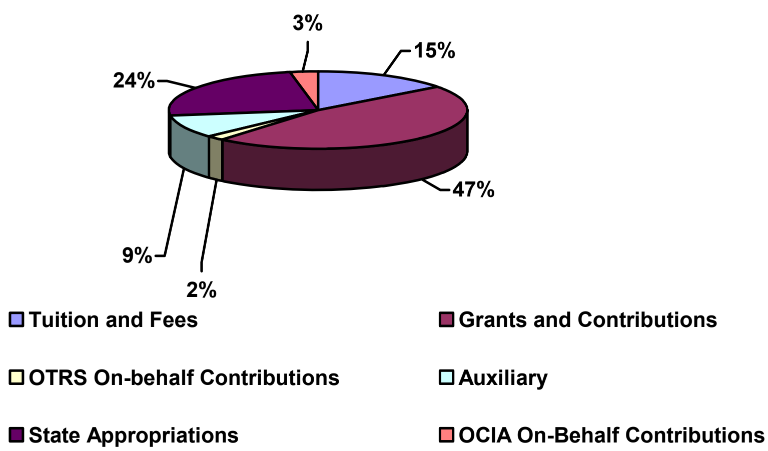
* prior year amounts not restated for MD&A purposes

During the year ended June 30, 2018, total revenues increased by $829,543, state appropriations decreased by $356,094, net tuition revenues increased by $225,532, auxiliary revenues increased by $307,843, grants and contracts increased by $756,225, OTRS contributions and OCIA on behalf contributions decreased by $207,379, and other revenues increased by $106,659.

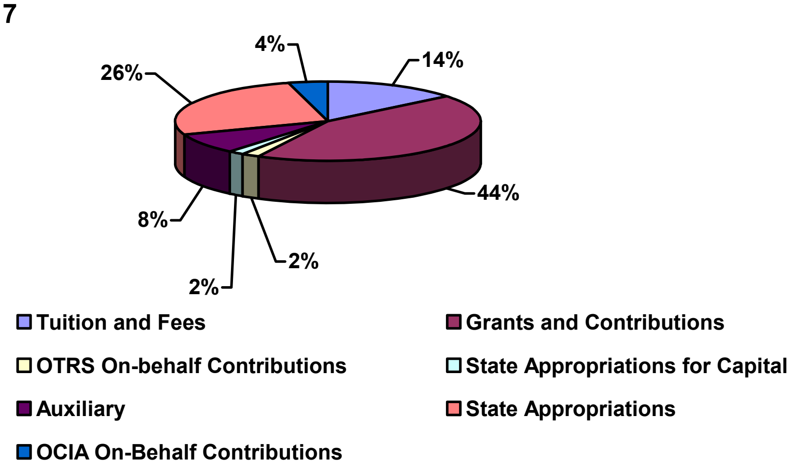
Financial Analysis of the College as a Whole (continued)

During the three-year period, the percentage of revenue furnished by state appropriation was 24% for 2018, 26% for 2017, and 27% in 2016. Net tuition and fees percentage of total revenues was 15% in 2018 and in 2017 was 14% and was 10% in 2016, while Auxiliary Enterprises accounted for 9% in 2018, 8% in 2017, and 10% in 2016. Following is a graphic illustration of the College's revenues for the years ended June 30, 2018, 2017, and 2016:

Total Revenues 2018

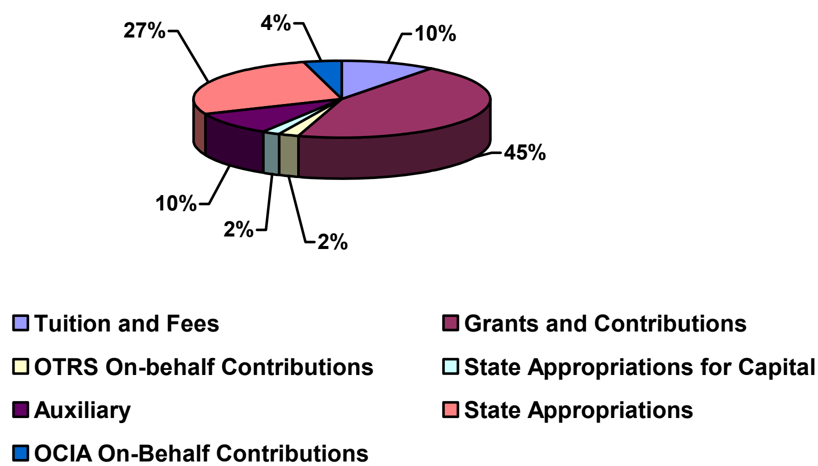


Total Revenues 2017



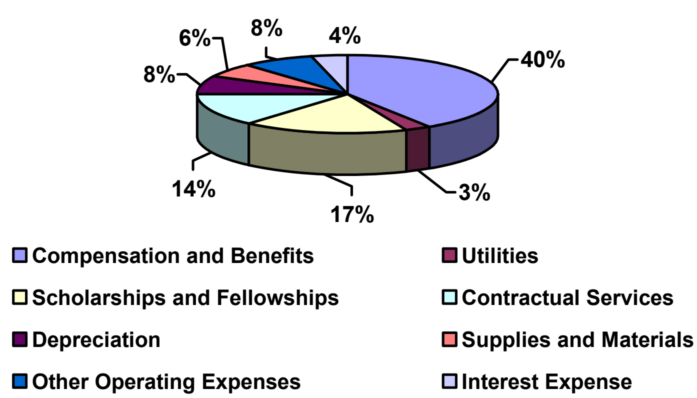
Financial Analysis of the College as a Whole (continued)

Total Revenues 2016



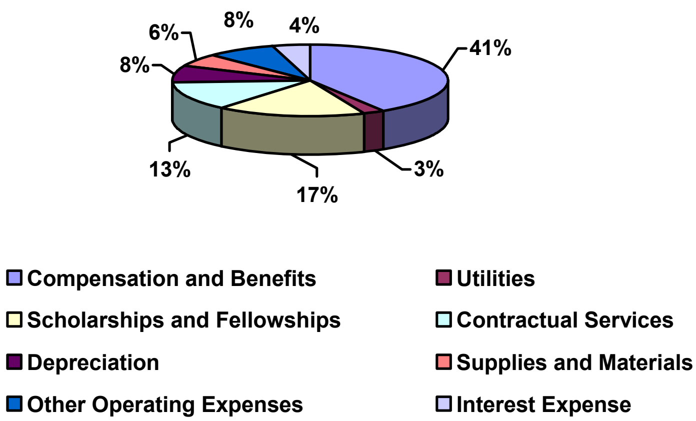
The College's total expenses for the year ended June 30, 2018 increased by $138,098, primarily due to an increase in contractual, utilities and scholarship expenses due to increased grant spending.

Total Expenses 2018

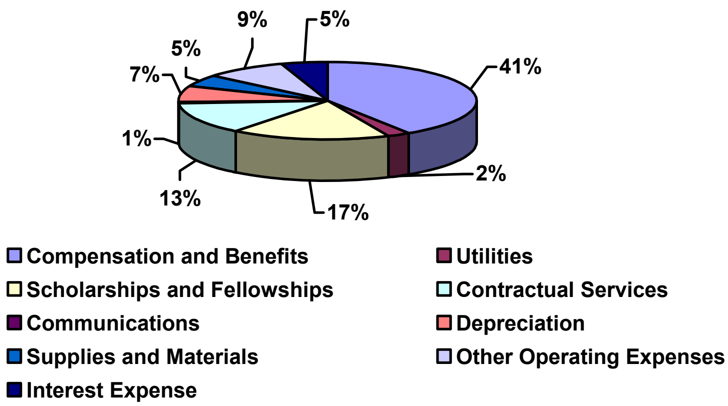


Financial Analysis of the College as a Whole (continued)

Total Expenses 2017



Total Expenses 2016



Financial Analysis of the College as a Whole (continued)

Analysis of Net Position

	June 30, 2018	June 30, 2017*	Increase (Decrease)	Percent Change
Net position				
Net investment in capital assets	$ 12,859,625	$ 12,582,260	$ 277,365	2.20%
Restricted, expendable	362,942	406,466	(43,524)	-10.71%
Unrestricted	(9,166,453)	(9,418,330)	251,877	2.67%
Total position	$ 4,056,114	$ 3,570,396	$ 485,718	13.60%

	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, 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%

* prior year amounts not restated for MD&A purposes

During the period ended June 30, 2018, the College's overall cash and cash equivalents increased by $892,776. This change was largely due to overall increased revenue while expenses held relatively steady.

During the period ended June 30, 2017, the College's overall cash and cash equivalents decreased by $654,558. This change was largely due to overall decreased revenue while expenses held steady.

Condensed Statements of Cash Flows

	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Percent Change
Cash Provided by (Used in):				
Operating activities	$ (8,925,204)	$ (10,547,513)	$ 1,622,309	-15.38%
Noncapital financing activities	11,483,977	11,595,914	(111,937)	-0.97%
Investing activities	4,461	4,992	(531)	-10.64%
Capital and related financing activities	(1,670,458)	(1,707,951)	37,493	-2.20%
Net increase (decrease) in cash	892,776	(654,558)	1,547,334	-236.39%
Cash and cash equivalents:				
Beginning	1,220,360	1,874,918	(654,558)	-34.91%
Ending	$ 2,113,136	$ 1,220,360	$ 892,776	73.16%

Financial Analysis of the College as a Whole (continued)

	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%

Capital Assets and Debt Administration

As of June 30, 2018, 2017 and 2016, the College had recorded $54,308,098, $54,086,004 and $53,865,875, respectively, in capital assets and $20,288,174, $18,748,274 and $17,181,291, respectively, in accumulated depreciation on those capital assets.

	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Percent Change
Capital assets:				
Land	$ 769,729	$ 769,729	$ -	0.00%
Buildings and improvements	42,092,403	41,919,533	172,870	0.41%
Nonstructural improvements	5,361,901	5,335,778	26,123	0.49%
Equipment	5,212,751	5,202,250	10,501	0.20%
Library materials	747,814	747,814	-	0.00%
Livestock	102,550	110,900	(8,350)	-7.53%
Construction in-progress	20,950	-	20,950	100.00%
Total capital assets	54,308,098	54,086,004	222,094	0.41%
Less accumulated depreciation	(20,288,174)	(18,748,274)	(1,539,900)	8.21%
Net capital assets	$ 34,019,924	$ 35,337,730	$ (1,317,806)	-3.73%

Financial Analysis of the College as a Whole (continued)

	Year Ended June 30, 2017	Year Ended June 30, 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%

Long-Term Liabilities

During 2018, 2017 and 2016, the College did not issue any new debt. At June 30, 2018, 2017 and 2016, the College had long-term liabilities of $20,770,801, $22,328,760 and $24,117,833, respectively.

	Year Ended June 30, 2018	Year Ended June 30, 2017	Increase (Decrease)	Percent Change
OCIA capital lease	$ 2,658,717	$ 3,195,095	$ (536,378)	-16.79%
ODFA capital lease	18,112,084	19,133,666	(1,021,582)	-5.34%
Total long-term debt	$ 20,770,801	$ 22,328,761	$ (1,557,960)	-6.98%

	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%

Economic Factors

During fiscal year 2018, the College implemented a new student accounts receivable collections pilot program with the goal being to collect outstanding student accounts receivables at a higher rate and with the main emphasis being to collect as much current term receivables as possible before the end of that term. The College's approach to accomplish this goal was multi-tiered. The first step was converting one bursar staff to work full-time towards collections. In addition, the College also increased its mode and frequency of contact with students with outstanding balances by using texts and phone calls, as well as emails through the student's Blackboard portal and using coaches and program directors to make direct contact with students within their program. Although the program was only in place for the second half of the fiscal year the College feels that it has already had an impact on the College's financials. When comparing the most recent three semesters of FY17 (Fall 2016-Summer 2017) to the same time frame for FY18 (Fall 2017-Summer 2018), the gross accounts receivables decreased from approximately $1.4 million to $1.1 million or a reduction of approximately 21%. This was all accomplished while total overall billings increased by approximately 3% during that same time frame. With this program having been in place for only the second half of the fiscal year, the College expects to see better results and an overall smoothing out of the gross and net accounts receivables reported in the financial statements over the next several years.

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, 2018 and 2017

	College		Component Unit	
Assets	2018	2017	2018	2017
Current Assets:				
Cash and cash equivalents	$ 1,557,096	$ 633,831	$ 1,475,358	$ 1,027,374
Restricted cash and cash equivalents	556,040	586,529	-	-
Investments	-	-	502,128	505,693
Accounts receivable, net	699,054	916,832	-	144,793
Other receivables	-	-	100,000	100,000
Grants and contracts receivable	191,817	224,272	-	-
Total current assets	3,004,007	2,361,464	2,077,486	1,777,860
Noncurrent Assets:				
Other receivables	-	-	300,000	400,000
Restricted net OPEB asset	67,927	-	-	-
Capital assets, net	34,019,924	35,337,730	-	-
Total noncurrent assets	34,087,851	35,337,730	300,000	400,000
Total assets	37,091,858	37,699,194	2,377,486	2,177,860
Deferred Outflows of Resources:				
Deferred outflows related to OPEB	77,304	-	-	-
Deferred outlfows related to pensions	2,162,795	3,550,140	-	-
Total deferred outflows	2,240,099	3,550,140	-	-

(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, 2018 and 2017

	College		Component Unit	
Liabilities and Net Position	2018	2017	2018	2017
Current Liabilities:				
Accounts payable	558,247	657,829	2,742	13,460
Accrued liabilities	311,166	204,363	-	-
Unearned revenues	120,635	171,144	-	-
Student and other deposits	23,868	91,044	-	-
Current portion of noncurrent liabilities	1,175,596	1,647,516	-	-
Total current liabilities	2,189,512	2,771,896	2,742	13,460
Noncurrent Liabilities, Net of Current Portion:				
Total OPEB liability	815,184	35,693	-	-
Accrued compensated absences	78,664	78,514	-	-
Net pension obligation	10,164,238	12,601,812	-	-
Capital lease obligation	19,932,645	21,043,880	-	-
Total noncurrent liabilities	30,990,731	33,759,899	-	-
Total liabilities	33,180,243	36,531,795	2,742	13,460
Deferred Inflows of Resources:				
Deferred gain on OCIA lease restructure	116,419	128,314	-	-
Deferred inflows related to OPEB	92,731	-	-	-
Deferred inflows related to pensions	1,886,450	1,018,829	-	-
Total deferred inflows	2,095,600	1,147,143	-	-
Net Position:				
Net investment in capital assets	12,859,625	12,582,260	-	-
Restricted for:				
Nonexpendable, scholarships and other	-	-	792,851	743,873
Expendable:				
Scholarships, research, instruction and other	347,628	403,269	1,129,191	958,278
Loans	3,197	3,197	-	-
OPEB	12,117	-	-	-
Unrestricted	(9,166,453)	(9,418,330)	452,702	462,249
Total net position	$ 4,056,114	$ 3,570,396	$ 2,374,744	$ 2,164,400

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, 2018 and 2017

	College		Component Unit	
	2018	2017	2018	2017
Operating revenues:				
Student tuition and fees, net of scholarship allowances in 2018 and 2017 of $3,393,000 and $3,097,000, respectfully	$ 3,207,326	$ 2,981,794	$ -	$ -
Federal grants and contracts	2,163,552	1,841,266	-	-
State and local grants and contracts	1,598,469	1,273,898	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship allowances in 2018 and 2017 of $618,000 and $572,000, respectfully	573,993	308,640	-	-
Food services, net of scholarship allowances in 2018 and 2017 of $388,000 and $360,000, respectfully	360,521	194,229	-	-
Bookstore, net of scholarship allowances in 2018 and 2017 of $81,000 and $71,000, respectfully	86,809	80,130	-	-
Student Union	570,952	650,054	-	-
Other	450,772	502,151	-	-
Gifts and contributions	-	-	691,651	1,123,360
Other operating revenues	98,114	77,475	-	-
Total operating revenues	9,110,508	7,909,637	691,651	1,123,360
Operating expenses:				
Compensation and employee benefits	8,450,948	8,490,859	-	-
Contractual services	2,823,862	2,675,412	-	-
Supplies and materials	1,162,810	1,184,767	33,077	29,471
Utilities	575,971	519,364	-	-
Communications	98,152	95,169	-	-
Other operating expenses	1,628,937	1,650,755	398,734	507,933
Scholarships and fellowships	3,683,363	3,580,862	47,182	92,907
Depreciation	1,596,527	1,571,451	-	-
Total operating expenses	20,020,570	19,768,639	478,993	630,311
Operating loss	(10,910,062)	(11,859,002)	212,658	493,049
Nonoperating revenues (expenses):				
State appropriations	5,225,390	5,581,484	-	-
OTRS on-behalf contributions	424,877	430,567	-	-
Federal grants and contracts	5,397,228	5,100,501	-	-
State grants and contracts	726,570	913,929	-	-
Investment income (loss)	4,461	4,992	(2,314)	32,736
Interest expense	(810,267)	(924,100)	-	-
Total nonoperating revenues (expenses)	10,968,259	11,107,373	(2,314)	32,736
Loss before other revenues, expenses, gains and losses	58,197	(751,629)	210,344	525,785
Capital contributions	134,789	48,238	-	-
State appropriations restricted for capital purposes	344,128	347,371	-	-
OCIA on-behalf payments	686,533	888,222	-	-
Change in net position	1,223,647	532,202	210,344	525,785
Net position, beginning (as previously reported)	3,570,396	3,038,194	2,164,400	1,638,615
Cummulative effect of implementing GASB No. 75	(737,929)	-	-	-
Net position, beginning (restated)	2,832,467	3,038,194	2,164,400	1,638,615
Net position, end of year	$ 4,056,114	$ 3,570,396	$ 2,374,744	$ 2,164,400

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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Tuition and fees	$ 2,835,437	$ 3,713,771
Grants and contracts	3,794,476	3,054,629
Auxiliary enterprise charges	2,582,205	1,021,388
Other operating receipts	98,114	133,020
Payments to employees for salaries and benefits	(8,112,542)	(8,093,689)
Payments to suppliers	(10,122,894)	(10,376,632)
Net cash used in operating activities	(8,925,204)	(10,547,513)
Cash Flows from Noncapital Financing Activities:		
State appropriations	5,225,390	5,581,484
Federal grants and contracts	5,397,228	5,100,501
State grants and contracts	861,359	913,929
Federal direct student loan receipts	5,163,938	4,999,495
Federal direct student loan disbursements	(5,163,938)	(4,999,495)
Net cash provided by noncapital financing activities	11,483,977	11,595,914
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(295,680)	(222,698)
Capital appropriations received	344,128	347,371
Repayments of capital debt and leases	(1,021,583)	(1,078,334)
Interest paid on capital debt and leases	(697,323)	(754,290)
Net cash used in capital and related financing activities	(1,670,458)	(1,707,951)
Cash Flows from Investing Activities:		
Interest received on investments	4,461	4,992
Net cash provided by investing activities	4,461	4,992
Net increase (decrease) in cash and cash equivalents	892,776	(654,558)
Cash and cash equivalents:		
Beginning of year	1,220,360	1,874,918
End of year	$ 2,113,136	$ 1,220,360

(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, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	$ (10,910,062)	$ (11,859,002)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,596,527	1,571,451
Loss on disposal of asset	16,959	16,800
On-behalf contributions to teachers' retirement system	424,877	430,567
Changes in net assets and liabilities:		
Accounts and other receivables	250,233	(62,924)
Deferred outflows related to OPEB	(77,304)	-
Deferred outflows related to pensions	1,387,345	(2,448,003)
Restricted net OPEB asset	(67,927)	-
Other assets	-	55,545
Accounts payable and accrued expenses	7,221	(846,673)
Deferred inflows related to OPEB	92,731	-
Deferred inflows related to pensions	867,621	(1,555)
Total OPEB liability	41,562	-
Net pension obligation	(2,437,574)	2,546,244
Unearned revenues	(50,509)	20,550
Student and other deposits	(67,176)	91,044
Compensated absences	272	(61,557)
Net cash used in operating activities	$ (8,925,204)	$ (10,547,513)
Noncash Investing, Noncapital Financing, and Capital and Related Financing Activities:		
Interest on capital debt paid by state agency on behalf of the College	$ 150,155	$ 177,483
Principal on capital debt paid by state agency on behalf of the College	536,378	710,739
Capital assets received as gifts and contributions	-	18,699
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 1,557,096	$ 633,831
Restricted cash and cash equivalents	556,040	586,529
Total cash and cash equivalents	$ 2,113,136	$ 1,220,360

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 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 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 or accrued 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 compensated absences 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) amounts for accrued compensated absences; and (3) net pension and other retirement benefit 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 the College is legally- or contractually-obligated to spend 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, 2018 and 2017, the College's deferred outflows of resources were comprised of deferred charges related to pensions and OPEB.

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, 2018 and 2017, the College's deferred inflows of resources were comprised of a deferred gain on an OCIA lease restructure and deferred inflows related to pensions and OPEB.

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.

Other Post-employment Benefits (OPEB): For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of 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.

Note 1. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements adopted in fiscal year 2018: The College adopted the following new accounting pronouncements during the year ended June 30, 2018:

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 are also addressed. The College's health insurance benefit for retirees is subject to this new standard and as a result, the College's beginning net position as of July 1, 2017, has been reduced by $737,929 from its previously reported net position. Amounts for 2017 have not been restated because to do so would be impractical, and is not required under the new standard.

Beginning net position for fiscal year 2018 was restated as follows:

Beginning net position, as previously reported	$	3,570,396
Implementation of GASB Statement No. 75		(737,929)
Beginning net position, restated	$	2,832,467

Note 2. Deposits and Investments

<u>Deposits</u>: *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.

Note 2. Deposits and Investments (Continued)

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

	2018	2017
Deposits with the State Treasurer	$ 2,108,836	$ 1,216,060
Change funds	4,300	4,300
TOTAL DEPOSITS	$ 2,113,136	$ 1,220,360

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 $2,108,836 and $1,216,060 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2018 and June 30, 2017, respectively, $263,786 and $82,218, 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 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, and 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.

Note 2. Deposits and Investments (Continued)

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, 2018 and 2017, 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:

	2018	2017
Student tuition and fees	$ 2,016,725	$ 1,228,897
Auxiliary enterprises and other student activities	827,928	1,367,086
Less allowance for doubtful accounts	(2,145,599)	(1,679,151)
	$ 699,054	$ 916,832

Note 4. Capital Assets

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

	Balance June 30, 2017	Additions	Transfers	Retirements	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 769,729	$ -	$ -	$ -	$ 769,729
Livestock	110,900	-	-	(8,350)	102,550
Construction in progress	-	20,950	-	-	20,950
Total capital assets not being depreciated	880,629	20,950	-	(8,350)	893,229
Capital assets being depreciated:					
Buildings and improvements	41,919,533	190,411	-	(17,541)	42,092,403
Nonstructural improvements	5,335,778	26,123	-	-	5,361,901
Equipment	5,202,250	58,196	-	(47,695)	5,212,751
Library materials	747,814	-	-	-	747,814
Total capital assets being depreciated	53,205,375	274,730	-	(65,236)	53,414,869
Less accumulated depreciation for:					
Buildings and improvements	(11,663,433)	(1,061,711)	-	10,463	(12,714,681)
Nonstructural improvements	(2,227,604)	(279,837)	-	-	(2,507,441)
Equipment	(4,109,423)	(254,979)	-	46,164	(4,318,238)
Library materials	(747,814)	-	-	-	(747,814)
Total accumulated depreciation	(18,748,274)	(1,596,527)	-	56,627	(20,288,174)
Capital assets, net	$ 35,337,730	$ (1,300,847)	$ -	$ (16,959)	$ 34,019,924

At June 30, 2018, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Infrastructure	Total
Cost	$ 23,096,233	$ 2,069,953	$ 25,166,186
Less: accumulated depreciation	(3,364,398)	(1,375,798)	(4,740,196)
	$ 19,731,835	$ 694,155	$ 20,425,990

Note 4. Capital Assets (Continued)

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

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

	Buildings	Infrastructure	Total
Cost	$ 23,096,233	$ 2,069,953	$ 25,166,186
Less: accumulated depreciation	(2,725,933)	(1,248,733)	(3,974,666)
	$ 20,370,300	$ 821,220	$ 21,191,520

Note 5 Long-Term Liabilities

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Capital lease obligations:					
OCIA 2010A Series	$ 503,898	$ -	$ (503,898)	$ -	$ -
OCIA 2014A Series	2,589,806	-	-	2,589,806	5,801
OCIA 2014B Series	101,391	-	(32,480)	68,911	33,784
ODFA 2011A Series	279,331	-	(68,166)	211,165	70,167
ODFA 2011E Series	6,475,834	-	(350,833)	6,125,001	360,417
ODFA 2014C Series - Student Union	4,812,251	-	(213,333)	4,598,918	217,417
ODFA 2014C Series - Nursing Allied Health	7,003,167	-	(310,500)	6,692,667	316,583
ODFA 2014C-D	563,083	-	(78,750)	484,333	81,750
Premium on lease obligation	298,396	-	(25,317)	273,079	25,316
Total capital leases	22,627,157	-	(1,583,277)	21,043,880	1,111,235
Other liabilities:					
Accrued compensated absences	142,753	106,400	(106,128)	143,025	64,361
Total other liabilities	142,753	106,400	(106,128)	143,025	64,361
Total long-term liabilities	$ 22,769,910	$ 106,400	$ (1,689,405)	$ 21,186,905	$ 1,175,596

Note 5. Long-Term Liabilities (Continued)

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

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 began August 15, 2011, and go through May 15, 2021, and are 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.

As of June 30, 2018, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2019	$ 70,167	$ 9,160	$ 79,327
2020	72,250	6,832	79,082
2021	68,748	3,355	72,103
	$ 211,165	$ 19,347	$ 230,512

Note 5. Long-Term Liabilities (Continued)

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 began October 15, 2011, and go through May 15, 2032, and are 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, 2018, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	396,250	185,399	581,649
2024 - 2028	2,211,667	696,348	2,908,015
2029 - 2032	2,034,167	216,839	2,251,006
	$ 6,125,001	$ 1,949,262	$ 8,074,263

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 are 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, 2018, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	252,167	136,022	388,189
2024 - 2028	1,417,833	520,680	1,938,513
2029 - 2033	1,679,167	256,931	1,936,098
2034	341,917	12,822	354,739
	$ 4,598,918	$ 1,567,565	$ 6,166,483

Note 5. Long-Term Liabilities (Continued)

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 $11,273,480. Payments began May 15, 2014, and go through May 15, 2034, and are 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, 2018, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	365,417	197,750	563,167
2024 - 2028	2,060,000	757,973	2,817,973
2029 - 2033	2,445,500	374,106	2,819,606
2034	497,750	18,665	516,415
	$ 6,692,667	$ 2,281,323	$ 8,973,990

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 are 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, 2018, future aggregate maturities of principal and interest requirements on capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	96,333	5,487	101,820
2024	40,834	1,633	42,467
	$ 484,333	$ 66,832	$ 551,165

Note 5. Long-Term Liabilities (Continued)

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 was amortized over a period of six years.

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, 2018 and 2017 the unamortized gain totaled $113,955 and $123,387, 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, 2018 and 2017 the unamortized gain totaled $2,464 and $4,927, 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 $686,533 and $888,222 during the years ended June 30, 2018, and 2017, 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.

Note 5. Long-Term Liabilities (Continued)

At June 30, 2018, future aggregate maturities of principal and interest requirements on OCIA capital leases payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	240,582	122,922	363,504
2024 - 2028	1,362,437	434,973	1,797,410
2029 - 2031	977,850	97,117	1,074,967
	$ 2,658,717	$ 1,150,062	$ 3,808,779

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, 2018

	Net Pension Obligation	Deferred Outflows	Deferred Inflows	Pension Expense
Supplemental Retirement Obligation	$ 78,177	$ -	$ -	$ (84,015)
OTRS Pension Obligation	10,086,061	2,162,795	1,886,450	978,647
Total	$ 10,164,238	$ 2,162,795	$ 1,886,450	$ 894,632

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

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/TRS.

Note 6. Retirement Plans (Continued)

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 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).

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 7.80% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were $617,964 and $610,502 for the years ended June 30, 2018 and 2017, respectively. The State of Oklahoma also made on-behalf contributions to OTRS, totaling $424,877 and $430,567 during 2018 and 2017, respectively. These amounts are reported as nonoperating revenues in the accompanying financial statements. These on-behalf payments did not meet the criteria of a special funding situation.

Note 6. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: - At June 30, 2018 and 2017, the College reported a liability of $10,086,061 and $12,395,679, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and 2016. 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, 2017 and 2016. Based upon this information, the College's proportion was 0.15233 percent and 0.14853 percent for June 30, 2018 and 2017, respectively.

For the year ended June 30, 2018 and 2017, the College recognized pension expense of $978,647 and $1,148,387.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 688,602
Changes of assumptions	1,196,938	602,926
Net difference between projected and actual earnings on pension plan investments	143,369	-
Changes in proportion and differences between College contributions and proportionate share of contributions	204,524	572,341
College contributions during measurement date	-	22,581
College contributions subsequent to the measurement date	617,964	-
Total	$ 2,162,795	$ 1,886,450

At June 30, 2017, 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	$ -	$ 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

Note 6. Retirement Plans (Continued)

The $617,964 and $610,502 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date for June 30, 2018 and 2017, respectively, will be recognized as a reduction of the net pension liability in the years ended June 30, 2019 and 2018, 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:

Year ended June 30:		
2019	$	(203,033)
2020		292,799
2021		95,075
2022		(412,630)
2023		(113,830)
	$	(341,619)

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

Actuarial Assumptions: The total pension liability as of June 30, 2018 and 2017, was determined based on an actuarial valuation prepared as if June 30, 2017 and 2016 respectively, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - 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.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined 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%.

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, 2018 are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100%	

** 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)

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)

Discount Rate: A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2017 and June 30, 2016, respectively. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine 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% for 2018 and 2017, 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, 2018:	1% Decrease to 6.5%	Current Discount Rate 7.5%	1% Increase to 8.5%
Employers' net pension liability	$ 14,349,049	$ 10,086,061	$ 6,900,328

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

Note 6. Retirement Plans (Continued)

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/TRS.

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: The plan is not funded and benefits do not vest to the participants until their retirement. The College has been funding the benefits on a "pay as you go" basis. Only certain employees are eligible to participate in the plan and the plan has been discontinued. During the fiscal year ended June 30, 2018 and 2017, the College made benefit payments of $43,941 and $50,465, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018 and 2017, the College reported a liability of $78,177 and $206,133, respectively, for its net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 and 2017, respectively.

For the year ended June 30, 2018 and 2017 the College recognized pension (benefit) expense of ($84,015) and $39,832, respectively.

Schedule of Changes in Total Pension Liability: The College's changes in total pension liability are as follows as of June 30, 2018 and 2017:

	2018	2017
Beginning total pension liability	$ 206,133	$ 216,766
Interest	6,287	7,587
Change of assumptions	(5,960)	3,280
Difference between actual and expected experience	(84,342)	28,965
Benefit payments	(43,941)	(50,465)
Ending net pension liability	$ 78,177	$ 206,133

Actuarial Assumptions: The total pension liability as of June 30, 2018 and 2017, was determined based on an actuarial valuation prepared as of June 30, 2018 and 2017, respectively 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 – 3.88% and 3.05%, for 2018 and 2017 respectively (Based on Bond Buyers General Municipal Bond Index)
- Mortality Rates after Retirement – RP-2000 Combined Mortality Table projected to 2020.

Note 6. Retirement Plans (Continued)

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:

June 30, 2018	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employers' net pension liability	$ 82,039	$ 78,177	$ 74,638

June 30, 2017	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

Currently, the College provides post-employment benefits to retirees under three post-employment benefit (OPEB) plans:

1. OTRS Supplemental Health Insurance Program (SHIP) – a cost-sharing multiple-employer defined benefit plan administered by OTRS
2. CSC Retiree Benefits Plan – a single employer defined benefit health insurance benefit plan
3. CSC Retiree Benefits Plan – a single employer defined benefit death benefits plan

Summary of Net OPEB Obligation

Due to this being the first year of implementation and lack of prior year information, only one year of OPEB information is provided in the following footnotes.

June 30, 2018	Net OPEB Obligation (Asset)	Deferred Outflows	Deferred Inflows	OPEB Expense
Death Benefit Plan	$ 30,275	$ -	$ 5,267	$ 2,047
Health Insurance Benefit Plan	784,909	67,492	31,654	123,784
OTRS OPEB Plan	(67,927)	9,812	55,810	(2,575)
Total	$ 747,257	$ 77,304	$ 92,731	$ 123,256

OTRS OPEB Plan

Plan description: The College as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers' Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance 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 pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between $100 and $105 per month, remitted to Oklahoma State University Human Resources, provided the member has ten (10) years of Oklahoma service prior to retirement.

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

Contributions: Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 6; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 1.56% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the College were $9,812.

OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: - At June 30, 2018, the College reported an asset of $67,927 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The College's proportion of the net OPEB asset was based on the College's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the College's proportion was .1523% percent.

For the year ended June 30, 2018, the College recognized OPEB expense of ($2,575). At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 18,232
Net difference between projected and actual earnings on OPEB plan investments	-	37,258
Differences between College contributions and proportionate share of contributions	-	320
College contributions subsequent to the measurement date	9,812	-
Total	$ 9,812	$ 55,810

The $9,812 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

Year ended June 30:

2019	$	(12,750)
2020		(12,750)
2021		(12,750)
2022		(12,750)
2023		(3,435)
Thereafter		(1,375)
Total	$	(55,810)

Actuarial Assumptions: The total OPEB liability (asset) 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
- Inflation - 2.50%
- Future Ad Hoc Cost-of-living Increases - None
- Salary Increases - 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.
- Investment Rate of Return – 7.50%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined 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%.

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, 2018 are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate**	9.0%	4.5%
Alternative Assets	10%	6.1%
Total	100.00%	

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

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

Discount Rate: A single discount rate of 7.50% was used to measure the total OPEB liability (asset) as of June 30, 2018. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). 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 OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5%, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' net OPEB liability (asset)	$ (2,843)	$ (67,927)	$ (123,573)

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

Health Insurance Benefit Plan

Plan description: The College's defined benefit OPEB plan, CSC Retiree Health Insurance Benefits Plan, provides OPEB to eligible retirees and their dependents. The Board of Regents has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided: The College provides medical benefits to eligible retirees and their dependents through the Oklahoma State University A&M System. This plan allows employees who retire from the College to continue to be covered under the College's Health Insurance Plan until age 65. The retired participant must pay the active participant's premium. The medical rates for pre-65 retirees are the same as the rates for active employees so the benefit being provided is an implicit rate subsidy. Retirees and dependents age 65 or older are provided a Medicare supplement that is not subsidized by the College.

Employees covered by benefit terms: At June 30, 2018 the following employees were covered by the benefit terms:

Active Employees (Participants)	112
Retired Participants	11
Total	123

Total OPEB Liability: The College's total OPEB liability of $784,909 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

Actuarial Assumptions: The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Retirement Age: 63
- Healthcare cost trend rates - Level 5.00% per year
- Mortality Rates - RPA-2000 Mortality Table projected to 2020
- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook.

Age	Annual Termination Rate
25	5.3%
30	4.8%
35	4.5%
40	3.8%
45	3.2%
50	1.5%
55	0.3%
60	0.0%

Changes in Total OPEB Liability: The following table reports the components of changes in total OPEB liability:

		2018
Beginning total OPEB liability, as restated pursuant to GASB 75	$	737,929
Service cost		97,386
Interest		22,507
Change of assumptions		(35,091)
Difference between actual and expected experience		74,820
Benefit payments		(112,642)
Ending net pension liability	$	784,909

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88%) than the current rate:

		1% Decrease 2.88%		Current Discount Rate 3.88%		1% Increase 4.88%
Employers' net OPEB liability (asset)	$	800,719	$	784,909	$	754,549

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability (asset) of the employer calculated using the healthcare cost trend rate of 5.00%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Employers' net OPEB liability (asset)	$ 715,176	$ 784,909	$ 866,419

OPEB Expense: For the year ended June 30, 2018, the College recognized OPEB expense of $123,784. The College also reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 67,492	$ -
Changes of assumptions	-	31,654
Total	$ 67,492	$ 31,654

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ 3,891
2020	3,891
2021	3,891
2022	3,891
2023	3,891
Thereafter	16,383
Total	$ 35,838

Death Benefit Plan

Plan description: The College's defined benefit OPEB plan, Connor's Retiree Death Benefits Plan, provides OPEB to eligible retirees and their dependents. The College's Board of Regents has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Benefits provided: 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, 2018, there were approximately 115 active employees and 111 retirees covered under the life insurance program. The OPEB plan does not issue a stand-alone financial report.

Total OPEB Liability: The College's total OPEB liability for the Death Benefits Plan of $30,275 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal
- Discount Rate – 3.88%, based on June 30, 2018 published Bond Pay Go-20 bond index
- Mortality Rates - RPA-2000 Mortality Table projected to 2020
- Pre-Retirement Termination – Table T-3 of the Actuary's Pension Handbook.

Age	Annual Termination Rate
25	5.3%
30	4.9%
35	4.6%
40	4.0%
45	3.6%
50	2.2%
55	1.4%
60	1.6%

Changes in Total OPEB Liability: The following table reports the components of changes in total OPEB liability:

	2018
Beginning total OPEB liability	$ 35,693
Service cost	1,898
Interest	1,089
Change of assumptions	(2,575)
Difference between actual and expected experience	(3,632)
Contributions	(2,198)
Ending net pension liability	$ 30,275

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability (asset) of the employer calculated using the discount rate of 3.88%, as well as what the Plan's total OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (2.88%) or 1-percentage-point higher (4.88) than the current rate:

	1% Decrease 2.88%	Current Discount Rate 3.88%	1% Increase 4.88%
Employers' net OPEB liability (asset)	$ 33,645	$ 30,275	$ 27,795

OPEB Expense: For the year ended June 30, 2018, the College recognized OPEB expense of $2,047. The College also reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,082
Changes of assumptions	-	2,185
Total	$ -	$ 5,267

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ (940)
2020	(940)
2021	(940)
2022	(940)
2023	(940)
Thereafter	(567)
Total	$ (5,267)

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, 2018 and 2017 the Foundation awarded scholarships to students totaling approximately $47,000 and $93,000, respectively. The College received in-kind contributions of approximately $20,000 and $48,000 during 2018 and 2017, 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, 2018 and 2017 were approximately $250,000.

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, 2018 and 2017, 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.

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

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

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

	Fair Value Hierarchy	2018	2017
Marketable certificates of deposit	Level 2	$ 231,617	$ 243,776
Mutual funds	Level 1	231,956	223,495
Equity securities	Level 1	38,555	38,422
		$ 502,128	$ 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 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 Position: 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.

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

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

Expendable net position is available for the support of the College. Substantially all restrictions can be met upon actions of the Foundation in accordance with donor's stipulation. Nonexpendable net position consists primarily of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Foundation's general activities.

Reconciliation of the change in nonexpendable net position for the year ended June 30, 2018:

	Beginning Endowment Balance	Contributions and Earnings	Ending Endowment Balance
Scholarships	$ 683,159	$ 47,759	$ 730,918
Academic Programs	60,714	1,219	61,933
	$ 743,873	$ 48,978	$ 792,851

Reconciliation of the change in nonexpendable net position 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

Required Supplementary Information

Connors State College
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	2018
College's proportion of the net pension liability	0.1623%	0.1620%	0.1485%	0.1523%
College's proportionate share of the net pension liability	$ 8,733,960	$ 9,838,802	$ 12,395,679	$ 10,086,061
College's covered-employee payroll	$ 6,785,277	$ 6,967,930	$ 6,486,210	$ 6,102,886
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129%	141%	191%	165%
Plan fiduciary net position as a percentage of the total pension liability	72.43%	70.31%	62.24%	69.32%

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

Notes to Schedule:

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

Connors State College
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS' RETIREMENT SYSTEM
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 675,899	$ 631,024	$ 610,502	$ 617,964
Contributions in relation to the contractually required contribution	675,899	631,024	610,502	617,964
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 6,967,930	$ 6,486,210	$ 6,102,886	$ 6,210,429
Contributions as a percentage of covered-employee payroll	10%	10%	10%	10%

Notes to Schedule:

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

Connors State College
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CHANGE IN TOTAL PENSION LIABILITY
SUPPLEMENTAL RETIREMENT ANNUITY
Last 10 Fiscal Years

	2017	2018
Beginning net pension liability	$ 216,766	$ 206,133
Interest	7,587	6,287
Change of assumptions	3,280	(5,960)
Difference between actual and expected experience	28,965	(84,342)
Benefit payments	(50,465)	(43,941)
Ending net pension liability	$ 206,133	$ 78,177

Notes to Schedule:

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

Connors State College

Schedules of Required Supplementary Information

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

SUPPLEMENTAL HEALTH INSURANCE PROGRAM

Last 10 Fiscal Years*

	2018
College's proportion of the net OPEB liability (asset)	0.1523%
College's proportionate share of the net OPEB liability (asset)	$ (67,927)
College's covered payroll	$ 6,102,886
College's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-1.11%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	110.40%

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

Notes to Schedule:

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

Connors State College
Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
Last 10 Fiscal Years (Dollar amounts in thousands)

	2018
Contractually required contribution	$ 9,812
Contribuions in relation to the contractually required contribution	9,812
Contribution deficiency (excess)	$ -
College's covered payroll	$ 6,210,429
Contribuions as a percentage of covered payroll	0.16%

Notes to Schedule:

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

Connors State College
Schedules of Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Health Insurance Benefit Plan
Last 10 Fiscal Years

	2018
Total OPEB liability	
Service cost	$ 97,386
Interest	22,507
Change in assumptions	(35,091)
Differences between expected and actual experience	74,820
Benefit payments, including refunds of member contributions	(112,642)
Net change in total OPEB liability	46,980
Total OPEB liability - beginning	737,929
Total OPEB liability - ending	$ 784,909
Covered employee payroll	$ 6,210,429
Net OPEB liability (asset) as a percentage of covered-employee payroll	12.64%

Notes to Schedule:

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

The discount rate used for 2018 is 3.88%.

Connors State College
Schedules of Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Death Benefit Plan
Last 10 Fiscal Years

	2018
Total OPEB liability	
Service cost	$ 1,898
Interest	1,089
Change in assumptions	(2,575)
Differences between expected and actual experience	(3,632)
Contributions	(2,198)
Net change in total OPEB liability	(5,418)
Total OPEB liability - beginning	35,693
Total OPEB liability - ending (a)	$ 30,275
Covered employee payroll	$ 6,210,429
Net OPEB liability (asset) as a percentage of covered-employee payroll	0.49%

Notes to Schedule:

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

The discount rate used for 2018 is 3.88%.

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, 2018, 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 31, 2018. 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.

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 31, 2018

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 Connors 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, 2018. 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, 2018.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as findings 2018-001 and 2018-002, that we consider to be significant deficiencies.

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

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, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 31, 2018, 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 31, 2018

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, 2018

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	$ 5,261,254
Federal Supplemental Educational Opportunity Grants	84.007	N/A	134,046
Federal Work-Study Program	84.033	N/A	99,368
Federal Direct Student Loans	84.268	N/A	5,163,938
Total Student Financial Assistance Cluster			10,658,606
TRIO program cluster			
TRIO--Student Support Services	84.042	N/A	241,532
Total TRIO program cluster			241,532
Other Programs			
Higher Education Institutional Aid	84.031	N/A	1,079,080
Strengthening Minority-Serving Institutions	84.382	N/A	459,969
Pass-through from Oklahoma State Regents for Higher Education			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S110011	112,097
Pass-through from Oklahoma Department of Vocational and Technical Education			
Career and Technical Education--Basic Grants to States	84.048	N/A	187,430
Total Other Programs			1,838,576
TOTAL U.S. DEPARTMENT OF EDUCATION			**12,738,714**
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	68,088
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**68,088**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 12,806,802**

See notes to schedule of expenditures of federal awards.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

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, 2018. 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 the cost principles contained in the Uniform Guidance, 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, 2018, the College did not provide any federal awards to subrecipients.

CONNORS STATE COLLEGE
(An Organizational Unit of the Board of Regents for the
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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? __X__ yes _____ no

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

None to report for the June 30, 2018, period.

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

Finding 2018-001: Special Tests and Provisions –Enrollment Reporting – Repeat Finding

Federal Program: CFDA # 84.007, 84.033, 84.063, 84.268 – Student Financial Assistance Cluster

Criteria: The College 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: In our withdrawal testing, in a sampling population of eighteen students, we noted fifteen withdrawn students did not have their enrollment status change reported to the NSLDS via the National Student Clearinghouse (NCS) within sixty days. Two of the eighteen students had a report from NSLDS and the NSC that stated, “no record found”.

Questioned Costs: None

Cause and Effect: The College did not have proper policies and procedures in place to assess and upload the batch files from the Banner System to the National Student Clearinghouse. 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.

Finding 2018-001: Special Tests and Provisions –Enrollment Reporting – Repeat Finding--Continued

Management's Response: Specific actions taken include:

- Conference call with National Student Clearinghouse and Registrar, FA Director, CIO for A&Ms, VPAA
- Submissions to National Student Clearinghouse every 2 Weeks
- Quicker timeline to resolve errors – 1 week
- Additional persons on tracking emails from Clearinghouse
- Key persons have participated in Webinars from the Clearinghouse

Since the Audit Team left Connors has been diligently submitting enrollment reports to the Clearinghouse every two weeks and monitoring error resolution to ensure there is a clean report on file at NSLDS every thirty days.

Finding 2018-002: Special Tests and Provisions – Return of Title IV Funds

Federal Program: CFDA # 84.007, 84.033, 84.063, 84.268 – Student Financial Assistance Cluster

Criteria: In accordance with 34 CFR 668.22(g), the institution must return the total amount of unearned Title IV assistance as calculated under 668.22(e)(3) or 668.22(e)(4). The institution must also return the funds in the order of return as stated under 668.22(i).

Condition: We reperformed the R2T4 calculation for a sample of eighteen students and determined two student's return calculations were inaccurate.

Questioned Costs: None

Cause and Effect: The College's process for calculating and/or reviewing calculations for R2T4 funds is inaccurate which results in returning the wrong amount to the Department of Education.

Recommendation: We recommend the College reinforce training for these calculations and implement a procedure to correct any miscalculations.

Management's Response: Connors' Financial Aid Director has reviewed all of the R2T4 procedures in the DOE regulations and has reinforced training to ensure proper understanding on the various components and processes. In this case, one of these anomalies related to the 'last dates of attendance' and reporting criteria discrepancies. The other finding relates to an incomplete return to T4. These have been rectified.

CONNORS STATE COLLEGE
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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 College 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.

Current year status: See Finding 2018-001.