

# Connors State College

Independent Auditor's Reports and Financial Statements

June 30, 2022 and 2021



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**Connors State College**  
**June 30, 2022 and 2021**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Connors State College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Connors State College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the discretely presented component units of Connors State College, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Connors State College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of a Matter***

As disclosed in Note 1, the University implemented the provisions of Governmental Accounting Standards Board Statement No. 87 – Leases. The Standard requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

#### ***Other Matters***

The 2021 financial statements of Connors State College were audited by other auditors whose report dated October 29, 2021, expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Connors State College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Connors State College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Connors State College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the College's Proportionate Share of the Net Pension Liability, Schedule of the College's Pension Contributions, Schedule of the College's OPEB Contributions, and Schedule of Changes in the College's Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Connors State College's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are 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 basic 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 GAAS. 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of Connors State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Connors State College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Connors State College's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
October 28, 2022

## ***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, 2022, with fiscal years 2021 and 2020 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 2022, the College implemented GASB Statement No. 87 Leases. This resulted in a restatement of the 2021 financial statements with an increase to non-current assets of \$278,000 and an increase in leases payable of \$278,338, and thus a restatement of net position of \$338.

For the year ended June 30, 2022, the College's net position increased by \$6,757,536 from current year activity when compared to a total net position of \$8,448,365 in 2021.

Total revenues increased to \$31,842,423 in 2022 from \$22,816,850 in 2021. The College experienced an increase in operating revenues in 2022 due to the payoff of student accounts receivables with Federal HEERF funding.

Total expenses increased to \$25,084,887 in 2022 from \$21,300,571 in 2021. The majority of the current year's increase in expenses was in the area of scholarship expenses due to expending Federal HEERF funding.

## ***Using This Annual Report***

The annual report consists of three basic financial statements, a statement of net position; a statement of revenues, expenses, and changes in net position; and a 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 and deferred outflows of resources less liabilities and 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 nonfinancial 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 and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current year's revenues and expenses are taken in to 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, 2022, 2021, and 2020, is shown below and includes the percentage of annual change. The amounts are from the accompanying 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

	2022	2021 (Restated)	2022 Increase (Decrease)	2022 Percent Change	2020	2021 Increase (Decrease)	2021 Percent Change
<b>Assets</b>							
Current assets	\$ 6,743,712	\$ 6,340,031	\$ 403,681	6.37%	\$ 4,779,026	\$ 1,561,005	32.66%
Noncurrent assets							
Capital assets, net	31,468,161	31,466,736	1,425	0.00%	31,799,651	(332,915)	-1.05%
Other assets	4,496,311	71,043	4,425,268	6229.00%	91,771	(20,728)	-22.59%
Total assets	42,708,184	37,877,810	4,830,374	12.75%	36,670,448	1,207,362	3.29%
<b>Deferred Outflows of Resources</b>	3,548,457	4,129,709	(581,252)	-14.07%	1,826,819	2,302,890	126.06%
<b>Liabilities</b>							
Current liabilities	2,580,680	2,242,343	338,337	15.09%	1,921,861	320,482	16.68%
Noncurrent liabilities	22,969,409	29,035,217	(6,065,808)	-20.89%	27,466,780	1,568,437	5.71%
Total liabilities	25,550,089	31,277,560	(5,727,471)	-18.31%	29,388,641	1,888,919	6.43%
<b>Deferred Inflows of Resources</b>	5,500,651	2,281,594	3,219,057	141.09%	2,176,540	105,054	4.83%
<b>Net Position</b>							
Net investment in capital assets	14,750,641	13,595,837	1,154,804	8.49%	12,905,071	690,766	5.35%
Restricted	4,825,271	416,198	4,409,073	1059.37%	826,246	(410,048)	-49.63%
Unrestricted	(4,370,011)	(5,563,670)	1,193,659	21.45%	(6,799,231)	1,235,561	18.17%
Total net position	\$ 15,205,901	\$ 8,448,365	\$ 6,757,536	79.99%	\$ 6,932,086	\$ 1,516,279	21.87%

During fiscal year 2022, the College's noncurrent assets increased by approximately \$4.4 million primarily due to increased cash from student accounts receivables payoff and lost revenue reimbursement from HEERF funding.

Total liabilities decreased from \$31,277,560 in fiscal year 2021 to \$25,550,089 in fiscal year 2022. The majority of this was due to the decreased Net pension obligation share of OTRS. Current liabilities increased by \$338,337 from fiscal year 2021 to fiscal year 2022, of which the majority was due to increased current portions of long-term debt.

Net position also increased by \$6.8 million after an increase of \$1.5 million in 2021 and \$1.5 million in 2020. For fiscal year 2022, the net investment in capital assets increased by \$1,154,804 compared to an increase of \$690,766 in 2021. In 2022, unrestricted net position increased by \$1,193,659, while restricted net position increased by \$4,409,073. In 2021, unrestricted net position increased by \$1,235,561, while restricted net position decreased by \$410,048.



## Condensed Statements of Revenues, Expenses, and Changes in Net Position

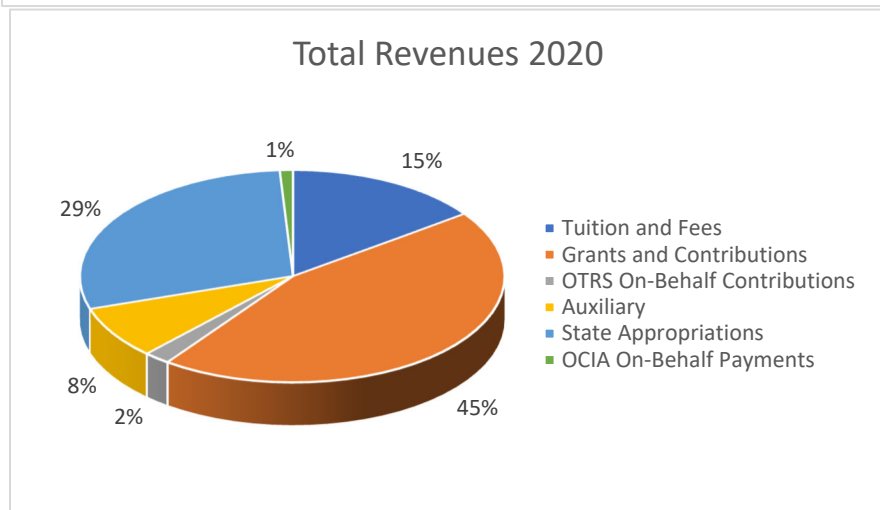
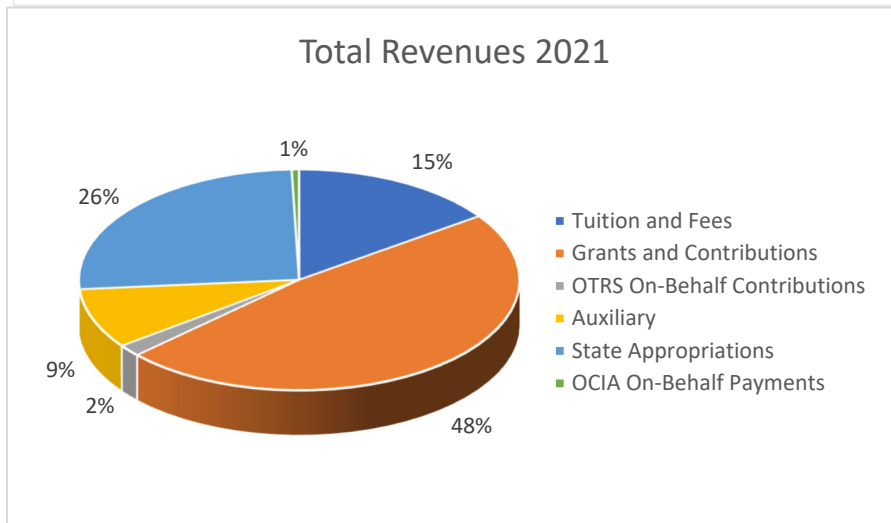
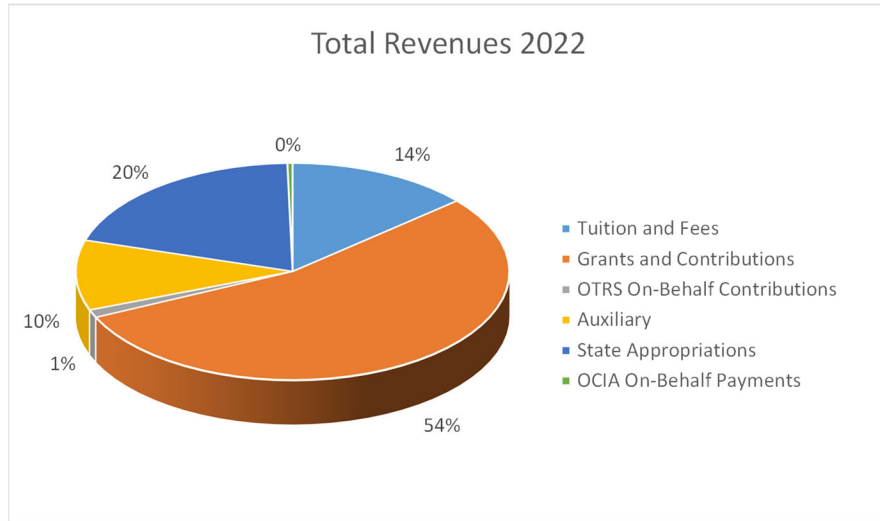
	2022	2021 (Restated)	2022 Increase (Decrease)	2022 Percent Change	2020	2021 Increase (Decrease)	2021 Percent Change
<b>Operating Revenues</b>							
Student tuition and fees, net	\$ 4,362,057	\$ 3,463,896	\$ 898,161	25.93%	\$ 3,227,866	\$ 236,030	7.31%
Federal grants and contracts	893,704	1,246,783	(353,079)	-28.32%	1,311,311	(64,528)	-4.92%
State and local grants and contracts	1,841,422	1,544,561	296,861	19.22%	1,482,585	61,976	4.18%
Auxiliary enterprise charges	2,116,834	1,920,681	196,153	10.21%	1,620,634	300,047	18.51%
Other operating revenues	142,100	72,116	69,984	97.04%	101,017	(28,901)	-28.61%
Total operating revenues	9,356,117	8,248,037	1,108,080	13.43%	7,743,413	504,624	6.52%
<b>Operating Expenses</b>	24,509,420	20,838,832	3,670,588	17.61%	19,122,112	1,716,720	8.98%
<b>Operating Loss</b>	(15,153,303)	(12,590,795)	(2,562,508)	-20.35%	(11,378,699)	(1,212,096)	-10.65%
<b>Nonoperating Revenues (Expenses)</b>							
State appropriations	5,453,446	5,140,925	312,521	6.08%	5,391,279	(250,354)	-4.64%
OTRS on-behalf contributions	372,222	392,654	(20,432)	-5.20%	465,479	(72,825)	-15.65%
Federal grants and contracts	13,928,680	7,363,418	6,565,262	89.16%	6,022,032	1,341,386	22.27%
State grants and contracts	639,300	752,045	(112,745)	-14.99%	834,757	(82,712)	-9.91%
Insurance recoveries	1,053,202	-	1,053,202	100.00%	-	-	0.00%
Investment income	13,091	9,851	3,240	32.89%	10,358	(507)	-4.89%
Interest expense	(575,467)	(461,739)	(113,728)	-24.63%	(737,325)	275,586	37.38%
Total nonoperating revenues (expenses)	20,884,474	13,197,154	7,687,320	58.25%	11,986,580	1,210,574	10.10%
<b>Income (Loss) Before Other Revenues, Expenses, Gains, and Losses</b>	5,731,171	606,359	5,124,812	845.18%	607,881	(1,522)	-0.25%
<b>Other Revenues, Expenses, Gains, and Losses</b>							
Capital contributions	3,443	45,456	(42,013)	-92.43%	-	45,456	0.00%
State appropriations restricted for capital purposes	900,000	741,542	158,458	21.37%	772,011	(30,469)	-3.95%
OCIA on-behalf payments	122,922	122,922	-	0.00%	162,059	(39,137)	-24.15%
<b>Increase in Net Position</b>	6,757,536	1,516,279	5,241,257	345.67%	1,541,951	(25,672)	-1.66%
<b>Net Position, Beginning of Year</b>	8,448,365	6,932,086	1,516,279	21.87%	5,390,135	1,541,951	28.61%
<b>Net Position, End of Year</b>	\$ 15,205,901	\$ 8,448,365	\$ 6,757,536	79.99%	\$ 6,932,086	\$ 1,516,279	21.87%

During the year ended June 30, 2022, total revenues increased by \$9.0 million, state appropriations increased by \$312,521, net tuition revenues increased by \$898,161, auxiliary revenues increased by \$196,153, grants and contracts increased by \$6,396,299, OTRS on-behalf contributions and OCIA on-behalf payments decreased by \$20,432, and other revenues increased by \$1,242,871. Revenues overall are up primarily due to increased grant revenue from HEERF funding.

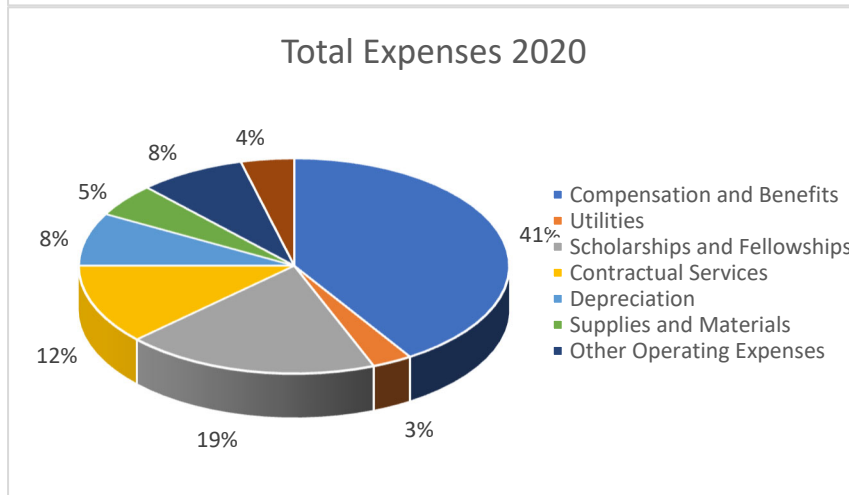
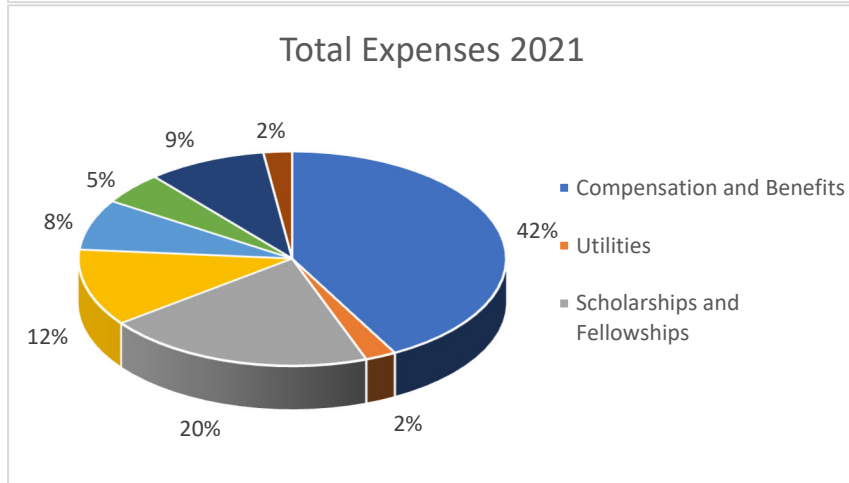
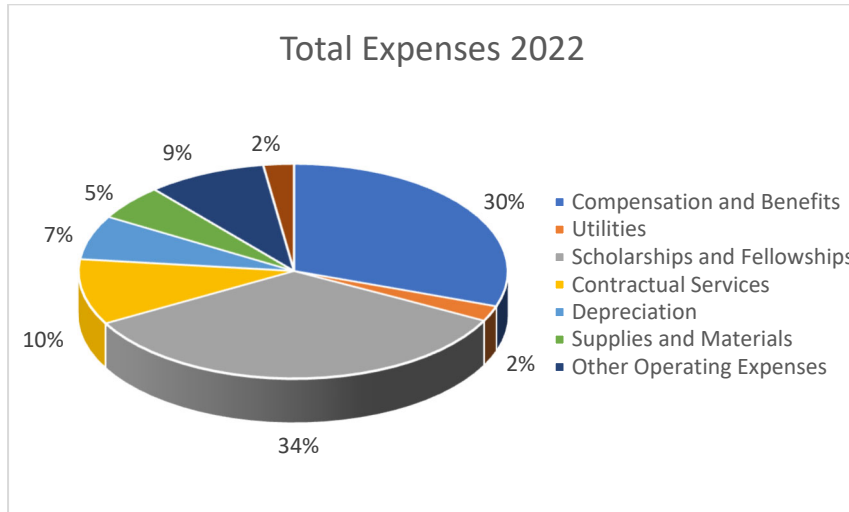
During the three-year period, the percentage of revenue furnished by state appropriations was 20% in 2022, 26% in 2021, and 29% in 2020. Net tuition and fees percentage of total revenues was 14% in 2022, 15% in 2021, and 15% in 2020, while auxiliary enterprises and other revenue accounted for 10% in 2022, 9% in 2021, and 8% in 2020.

However, it should be noted that these percentages were affected by the receipt of Federal HEERF funding. The three-year trend without HEERF funding shows revenue furnished by state appropriations to be 30% in 2022, 29% in 2021, and 29% in 2020. Net tuition and fees percentages of total revenues without HEERF funding was 21% in 2022, 17% in 2021, and 15% in 2020, while auxiliary enterprises accounted for 11% in 2022, 10% in 2021, and 8% in 2020.

Following is a graphic illustration of the College's revenues for the years ended June 30, 2022, 2021, and 2020:



The College's total expenses for the year ended June 30, 2022, increased by \$3,784,316, primarily due to an increase in scholarship expenses for HEERF funding. Following is a graphic illustration of the College's expenses for the years ended June 30, 2022, 2021, and 2020:



## Analysis of Net Position

	2022	2021 (Restated)	2022 Increase (Decrease)	2022 Percent Change	2020	2021 Increase (Decrease)	2021 Percent Change
<b>Net Position</b>							
Net investment in capital assets	\$ 14,750,641	\$ 13,595,837	\$ 1,154,804	8.49%	\$ 12,905,071	\$ 690,766	5.35%
Restricted	4,825,271	416,198	4,409,073	1059.37%	826,246	(410,048)	-49.63%
Unrestricted	<u>(4,370,011)</u>	<u>(5,563,670)</u>	<u>1,193,659</u>	<u>21.45%</u>	<u>(6,799,231)</u>	<u>1,235,561</u>	<u>18.17%</u>
Total net position	<u>\$ 15,205,901</u>	<u>\$ 8,448,365</u>	<u>\$ 6,757,536</u>	<u>79.99%</u>	<u>\$ 6,932,086</u>	<u>\$ 1,516,279</u>	<u>21.87%</u>

## Condensed Statements of Cash Flows

During the year ended June 30, 2022, the College's overall cash and cash equivalents increased by \$4,612,472. This change was largely due to overall student accounts receivables payoff along with lost revenue reimbursement from HEERF.

During the year ended June 30, 2021, the College's overall cash and cash equivalents increased by \$1,858,052. This change was largely due to overall increase in tuition and fees including auxiliary accounts along with lost revenue reimbursement from HEERF.

	2022	2021 (Restated)	2022 Increase (Decrease)	2022 Percent Change	2020	2021 Increase (Decrease)	2021 Percent Change
<b>Net Cash Provided by (Used in)</b>							
Operating activities	\$ (13,794,347)	\$ (9,427,145)	\$ (4,367,202)	46.33%	\$ (9,758,912)	\$ 331,767	-3.40%
Noncapital financing activities	20,021,426	13,256,388	6,765,038	51.03%	12,248,068	1,008,320	8.23%
Capital and related financing activities	(1,627,698)	(1,981,042)	353,344	-17.84%	(1,106,567)	(874,475)	79.03%
Investing activities	<u>13,091</u>	<u>9,851</u>	<u>3,240</u>	<u>32.89%</u>	<u>10,358</u>	<u>(507)</u>	<u>-4.89%</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>4,612,472</u>	<u>1,858,052</u>	<u>2,754,420</u>	<u>148.24%</u>	<u>1,392,947</u>	<u>465,105</u>	<u>33.39%</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,577,533</u>	<u>3,719,481</u>	<u>1,858,052</u>	<u>49.95%</u>	<u>2,326,534</u>	<u>1,392,947</u>	<u>59.87%</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,190,005</u>	<u>\$ 5,577,533</u>	<u>\$ 4,612,472</u>	<u>82.70%</u>	<u>\$ 3,719,481</u>	<u>\$ 1,858,052</u>	<u>49.95%</u>

## Capital Assets and Debt Administration

As of June 30, 2022, 2021, and 2020, the College had recorded \$58,257,463, \$56,580,360, and \$55,528,523, respectively, in capital assets and \$26,789,300, \$25,113,624, and \$23,728,872, respectively, in accumulated depreciation and amortization on those capital assets.

	2022	2021 (Restated)	2022 Increase (Decrease)	2022 Percent Change	2020	2021 Increase (Decrease)	2021 Percent Change
<b>Capital Assets</b>							
Land	\$ 772,479	\$ 772,479	\$ -	0.00%	\$ 772,479	\$ -	0.00%
Buildings and improvements	42,732,560	42,694,881	37,679	0.09%	42,630,764	64,117	0.15%
Nonstructural improvements	5,557,097	5,384,247	172,850	3.21%	5,453,454	(69,207)	-1.27%
Equipment	6,637,691	6,479,760	157,931	2.44%	5,770,612	709,148	12.29%
Library materials	747,814	747,814	-	0.00%	747,814	-	0.00%
Livestock	102,360	112,900	(10,540)	-9.34%	153,400	(40,500)	-26.40%
Construction in progress	1,288,483	41,496	1,246,987	3005.08%	-	41,496	100.00%
Leased equipment	<u>418,977</u>	<u>346,783</u>	<u>72,194</u>	<u>20.82%</u>	<u>-</u>	<u>346,783</u>	<u>100.00%</u>
	<u>58,257,461</u>	<u>56,580,360</u>	<u>1,677,101</u>	<u>2.96%</u>	<u>55,528,523</u>	<u>1,051,837</u>	<u>1.89%</u>
amortization	<u>(26,789,300)</u>	<u>(25,113,624)</u>	<u>(1,675,676)</u>	<u>6.67%</u>	<u>(23,728,872)</u>	<u>(1,384,752)</u>	<u>5.84%</u>
Net capital assets	<u>\$ 31,468,161</u>	<u>\$ 31,466,736</u>	<u>\$ 1,425</u>	<u>0.00%</u>	<u>\$ 31,799,651</u>	<u>\$ (332,915)</u>	<u>-1.05%</u>

## Long-Term Liabilities

At June 30, 2022, 2021, and 2020, the College had long-term liabilities of \$16,751,830, \$17,901,849, and \$18,577,039, respectively, excluding related unamortized premiums.

	2022	2021 (Restated)	2022 Increase (Decrease)	2022 Percent Change	2020	2021 Increase (Decrease)	2021 Percent Change
OCIA payable	\$ 2,580,870	\$ 2,580,870	\$ -	0.00%	\$ 2,580,870	\$ -	0.00%
ODFA payable	13,889,585	15,007,334	(1,117,749)	-7.45%	15,996,169	(988,835)	-6.18%
Leases payable	259,774	278,903	(19,129)	-6.86%	-	278,903	100.00%
Note payable	21,601	34,742	(13,141)	-37.82%	-	34,742	0.00%
	<u>\$ 16,751,830</u>	<u>\$ 17,901,849</u>	<u>\$ (1,150,019)</u>	-6.42%	<u>\$ 18,577,039</u>	<u>\$ (675,190)</u>	-3.63%

## Economic Factors

During fiscal year 2022, the College's enrollment and revenue were further affected by COVID-19 along with declining numbers statewide in college applicants due to economic and demographic factors. Economic factors reflect more students going into workforce due to higher labor rates. Demographic factors indicate lower numbers of college bound high school graduates. New norms are also indicating much higher demand for online classes than before the pandemic and more part time students vs full time students. In the end, the College's FY enrollment decline of 4,786 credit hours was somewhat offset by the additional online fees and \$1.9M in lost revenue reimbursements. Although this pandemic still had some impact, we still had a fairly productive year in the traditional programs, and the College was able to keep expenses down.

As part of the CARES, CRRSA, & ARP COVID-19 funds, the College received \$6,633,517 in Higher Education Emergency Relief Funds (HEERF) institutional grants along with \$1,154,415 HEERF Minority Serving institutional funds in fiscal year 2020 and fiscal year 2021. The institutional portion can and has been used to provide for additional cleaning services and supplies as well as updating remote learning technology. It is also being used to develop additional distance learning labs, zoom rooms, wireless access locations, and upgrades to our older HVAC systems to prevent spread of COVID in the air handling systems. In addition Connors was able to eliminate barriers to re-enrollment by applying \$2,331,985 to the students outstanding balances in FY22.

Connors also received cumulative \$4,996,371 CARES student scholarship funds which were distributed straight to the College's students; this process is complete and funds are liquidated.

## 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**  
**Statements of Net Position**  
**June 30, 2022 and 2021**

	<u>College</u>		<u>Component Unit</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		(Restated)		
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 5,245,084	\$ 5,073,321	\$ 1,290,392	\$ 1,984,430
Restricted cash and cash equivalents	619,816	444,930	-	-
Investments	-	-	2,525,113	1,892,667
Accounts receivable, net	486,995	667,022	-	-
Other receivables	290,778	-	-	-
Grants and contracts receivable	101,039	154,758	-	-
Total current assets	<u>6,743,712</u>	<u>6,340,031</u>	<u>3,815,505</u>	<u>3,877,097</u>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	4,325,105	59,282	-	-
Restricted net OPEB asset	171,206	11,761	-	-
Capital assets, net	31,468,161	31,466,736	-	-
Total noncurrent assets	<u>35,964,472</u>	<u>31,537,779</u>	<u>-</u>	<u>-</u>
Total assets	<u>42,708,184</u>	<u>37,877,810</u>	<u>3,815,505</u>	<u>3,877,097</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to debt refinance	284,492	313,180	-	-
Deferred outflows related to OPEB	169,102	224,300	-	-
Deferred outflows related to pensions	3,094,863	3,592,229	-	-
Total deferred outflows of resources	<u>3,548,457</u>	<u>4,129,709</u>	<u>-</u>	<u>-</u>

**Connors State College**  
**Statements of Net Position, continued**  
**June 30, 2022 and 2021**

	<u>College</u>		<u>Component Unit</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		(Restated)		
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 429,198	\$ 435,656	\$ -	\$ 28,599
Accrued liabilities	308,278	306,505	-	-
Unearned revenues	173,227	149,552	-	-
Student and other deposits	63,424	53,304	-	-
Current portion of noncurrent liabilities	<u>1,606,553</u>	<u>1,297,326</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>2,580,680</u>	<u>2,242,343</u>	<u>-</u>	<u>28,599</u>
<b>Noncurrent Liabilities, Net of Current Portion</b>				
OPEB liability	515,924	660,887	-	-
Accrued compensated absences	90,089	87,577	-	-
Net pension obligation	6,970,459	11,414,007	-	-
Lease obligation	165,507	206,174	-	-
Note payable obligation	<u>15,227,430</u>	<u>16,666,572</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>22,969,409</u>	<u>29,035,217</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>25,550,089</u>	<u>31,277,560</u>	<u>-</u>	<u>28,599</u>
<b>Deferred Inflows of Resources</b>				
Deferred gain on OCIA debt restructure	76,231	85,662	-	-
Deferred inflows related to OPEB	436,089	254,549	-	-
Deferred inflows related to pensions	<u>4,988,331</u>	<u>1,941,383</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>5,500,651</u>	<u>2,281,594</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	14,750,641	13,595,837	-	-
Restricted for				
Nonexpendable, scholarships, and other	-	-	2,248,278	1,912,613
Expendable				
Scholarships, research, instruction, and other	401,434	401,240	862,461	1,116,553
Loans	3,197	3,197	-	-
Capital projects	4,249,434	-	-	-
OPEB	171,206	11,761	-	-
Unrestricted	<u>(4,370,011)</u>	<u>(5,563,670)</u>	<u>704,766</u>	<u>819,332</u>
Total net position	<u>\$ 15,205,901</u>	<u>\$ 8,448,365</u>	<u>\$ 3,815,505</u>	<u>\$ 3,848,498</u>

**Connors State College**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2022 and 2021**

	<u>College</u>		<u>Component Unit</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		(Restated)		
<b>Operating Revenues</b>				
Student tuition and fees, net of scholarship 2022 – \$3,076,000, 2021 – \$3,551,000	\$ 4,362,057	\$ 3,463,896	\$ -	\$ -
Federal grants and contracts	893,704	1,246,783	-	-
State and local grants and contracts	1,841,422	1,544,561	-	-
Auxiliary enterprise charges				
Housing, net of scholarship allowances; 2022 – \$522,000, 2021 – \$540,000	721,149	548,190	-	-
Food services, net of scholarship allowances; 2022 – \$335,000, 2021 – \$358,000	461,991	363,711	-	-
Bookstore, net of scholarship allowances; 2022 – \$62,000, 2021 – \$36,000	72,323	40,298	-	-
Student Union	462,748	516,114	-	-
Other	398,623	452,368	-	-
Gifts and contributions	-	-	938,955	1,496,636
Other operating revenues	142,100	72,116	-	-
Total operating revenues	<u>9,356,117</u>	<u>8,248,037</u>	<u>938,955</u>	<u>1,496,636</u>
<b>Operating Expenses</b>				
Compensation and employee benefits	7,610,250	8,952,409	-	-
Contractual services	2,475,103	2,472,957	-	-
Supplies and materials	1,337,391	1,030,787	72,210	74,387
Utilities	582,559	498,086	-	-
Communications	160,526	99,840	-	-
Other operating expenses	2,081,339	1,814,219	597,328	639,184
Scholarships and fellowships	8,586,576	4,337,133	21,700	38,507
Depreciation and amortization	1,675,676	1,633,401	-	-
Total operating expenses	<u>24,509,420</u>	<u>20,838,832</u>	<u>691,238</u>	<u>752,078</u>
<b>Operating Income (Loss)</b>	<u>(15,153,303)</u>	<u>(12,590,795)</u>	<u>247,717</u>	<u>744,558</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	5,453,446	5,140,925	-	-
OTRS on-behalf contributions	372,222	392,654	-	-
Federal grants and contracts	13,928,680	7,260,489	-	-
State grants and contracts	639,300	854,974	-	-
Insurance recoveries	1,053,202	-	-	-
Investment income	13,091	9,851	(280,710)	306,819
Interest expense	(575,467)	(461,739)	-	-
Total nonoperating revenues (expenses)	<u>20,884,474</u>	<u>13,197,154</u>	<u>(280,710)</u>	<u>306,819</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, and Losses</b>	5,731,171	606,359	(32,993)	1,051,377
<b>Other Revenues, Expenses, Gains, and Losses</b>				
Capital contributions	3,443	45,456	-	-
State appropriations restricted for capital purposes	900,000	741,542	-	-
OCIA on-behalf payments	122,922	122,922	-	-
<b>Increase (Decrease) in Net Position</b>	6,757,536	1,516,279	(32,993)	1,051,377
<b>Net Position, Beginning of Year</b>	<u>8,448,365</u>	<u>6,932,086</u>	<u>3,848,498</u>	<u>2,797,121</u>
<b>Net Position, End of Year</b>	<u>\$ 15,205,901</u>	<u>\$ 8,448,365</u>	<u>\$ 3,815,505</u>	<u>\$ 3,848,498</u>



**Connors State College**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<b>2022</b>	<b>2021</b>
		(Restated)
<b>Operating Activities</b>		
Tuition and fees	\$ 4,515,411	\$ 3,400,866
Grants and contracts	2,788,845	3,133,782
Auxiliary enterprise charges	2,167,182	1,931,237
Other operating receipts	142,100	72,116
Payments to employees for salaries and benefits	(8,198,593)	(8,005,042)
Payments to suppliers	(15,209,292)	(9,960,104)
	<u>(13,794,347)</u>	<u>(9,427,145)</u>
<b>Net cash used in operating activities</b>		
<b>Noncapital Financing Activities</b>		
State appropriations	5,453,446	5,140,925
Federal grants and contracts	13,928,680	7,363,418
State and local grants and contracts	639,300	752,045
	<u>20,021,426</u>	<u>13,256,388</u>
<b>Net cash provided by noncapital financing activities</b>		
<b>Capital and Related Financing Activities</b>		
Cash paid for capital assets	(1,687,641)	(1,125,852)
Capital contributions	3,443	45,456
Insurance proceeds	762,424	-
Capital appropriations received	900,000	741,542
Proceeds of capital debt and leases	72,195	5,245,904
Repayments of capital debt and leases	(1,222,215)	(6,533,655)
Interest paid on capital debt and leases	(455,904)	(354,437)
	<u>(1,627,698)</u>	<u>(1,981,042)</u>
<b>Net cash used in capital and related financing activities</b>		
<b>Investing Activities</b>		
Interest received on investments	13,091	9,851
	<u>13,091</u>	<u>9,851</u>
<b>Net cash provided by investing activities</b>		
<b>Increase in Cash and Cash Equivalents</b>	4,612,472	1,858,052
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>5,577,533</u>	<u>3,719,481</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,190,005</u>	<u>\$ 5,577,533</u>

**Connors State College**  
**Statements of Cash Flows, continued**  
**Years Ended June 30, 2021 and 2020**

	<b>2022</b>	<b>2021</b>
		(Restated)
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>		
Current assets		
Cash and cash equivalents	\$ 5,245,084	\$ 5,073,321
Restricted cash and cash equivalents	619,816	444,930
Noncurrent assets		
Restricted cash and cash equivalents	4,325,105	59,282
Total cash and cash equivalents	\$ 10,190,005	\$ 5,577,533
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (15,153,303)	\$ (12,590,795)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	1,675,676	1,633,401
Loss on disposal of asset	10,540	105,056
OTRS on-behalf contributions	372,222	392,654
Changes in net assets and liabilities		
Accounts and other receivables	233,746	245,779
Deferred outflows related to OPEB	55,198	(81,702)
Deferred outflows related to pensions	497,366	(1,908,008)
Restricted net OPEB asset	(159,445)	71,996
Accounts payable and accrued liabilities	(4,685)	141,143
Deferred inflows related to OPEB	181,540	(46,776)
Deferred inflows related to pensions	3,046,948	161,261
Total OPEB liability	(144,963)	44,509
Net pension obligation	(4,443,548)	2,318,472
Unearned revenues	23,675	44,185
Student and other deposits	10,120	28,713
Accrued compensated absences	4,566	12,967
Net cash used in operating activities	\$ (13,794,347)	\$ (9,427,145)
<b>Noncash Investing, Noncapital Financing, and Capital and Related Financing Activities</b>		
Interest on capital debt paid by state agency on behalf of the College	\$ 122,922	\$ 122,922
Principal on capital debt paid by state agency on behalf of the College	\$ -	\$ -

# **Connors State College**

## **Notes to Financial Statements**

### **June 30, 2022 and 2021**

#### **Note 1: Nature of Operations and 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 part of the Oklahoma Agricultural and Mechanical Colleges, which is a member of the Oklahoma State System of Higher Education, a component unit of the State of Oklahoma, and is included in the annual comprehensive financial report of the State of Oklahoma as part of the Higher Education component unit.

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; 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, that 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 Codifications (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,

# Connors State College

## Notes to Financial Statements

### June 30, 2022 and 2021

standalone financial statements, which may be obtained by contacting the Foundation's management.

#### ***Financial Statement Presentation***

GASB is the recognized standard-setting body for accounting principles generally accepted in the United States of America 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. Revenues, expenses, gains, losses, assets and deferred outflows of resources, and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant inter-agency transactions have been eliminated.

#### ***Cash Equivalents***

For purposes of the statements of cash flows, the College considers all 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.

#### ***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 accompanying statements of revenues, expenses, and changes in net position.

#### ***Accounts Receivable***

Accounts receivable consist of tuition and fees charged 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 receivables are credited to the allowance for doubtful accounts.

# **Connors State College**

## **Notes to Financial Statements**

### **June 30, 2022 and 2021**

A student account 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 receivable.

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

#### ***Restricted Cash and Cash Equivalents***

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

#### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition or acquisition 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 seven years for library materials and equipment. Leases assets are amortized over the life of the associated contract.

#### ***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.

#### ***Leases***

The College is a party as lessee for various non-cancellable long-term leases of equipment and vehicles. The corresponding lease payables are recorded in an amount equal to the present value of the expected future minimum lease payments discounted by an applicable interest rate.

# Connors State College

## Notes to Financial Statements

### June 30, 2022 and 2021

#### ***Compensated Absences***

Employee vacation pay is accrued at year-end for financial statement purposes and is earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. The liability and expense incurred are recorded at year-end as accrued compensated absences in the accompanying statements of net position and as a component of compensation and benefit expense in the accompanying statements of revenues, expenses, and changes in net position.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments, such as Social Security and Medicare taxes, computed using rates in effect at that date.

#### ***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 toward restricted resources and then toward 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

# Connors State College

## Notes to Financial Statements

### June 30, 2022 and 2021

those estimates. For leases the College uses an estimate based on municipal bond rate yield curves as the discount rate unless the rate that the lessor/vendor charges is known.

#### **Income Taxes**

As a state institution of higher education, the College is generally exempt from federal income taxes under Section 115(l) of the Internal Revenue Code (IRC), as amended. However, the College may be subject to income taxes on unrelated business income under IRC Section 511(a)(2)(B).

#### **Classification of Revenues**

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

- **Operating Revenues** – Operating revenues include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship discounts and allowances; 2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and 3) most federal, state, and local grants and contracts meeting certain criteria.
- **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 accompanying 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 of resources are the consumption of net position by the College that are applicable to a future reporting period. The College's deferred outflows of resources were comprised of deferred outflows related to pensions and other postemployment benefits (OPEB) and deferred outflow related to ODFA debt refinancing.

# Connors State College

## Notes to Financial Statements

### June 30, 2022 and 2021

#### ***Deferred Inflows of Resources***

Deferred inflows of resources are the acquisition of net position by the College that are applicable to a future reporting period. The College's deferred inflows of resources were comprised of a deferred gain on an Oklahoma Capital Improvement Authority (OCIA) debt restructure and deferred inflows related to pensions and OPEB.

#### ***Defined Benefit Pension Plan***

The College participates in a cost-sharing, multiple-employer defined benefit pension plan. The fiduciary net position of the Oklahoma Teachers Retirement System (OTRS) has been determined using the economic resources measurement focus and the accrual basis of accounting.

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

#### ***Single-Employer Defined Benefit Other Postemployment Benefit Plan***

The College has a single-employer defined benefit OPEB plan, the CSC Retiree Health Insurance and Death Benefits Plan (the CSC OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CSC OPEB Plan and additions to/deductions from the CSC OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the CSC OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

#### ***Cost-Sharing Defined Benefit Other Postemployment Benefit Plan***

The College participates in a cost-sharing, multiple-employer defined benefit OPEB plan, the OTRS Supplemental Health Insurance Plan (the OTRS OPEB Plan). For purposes of measuring the net OPEB liability (asset), deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OTRS OPEB Plan and additions to/deductions from the OTRS OPEB Plan'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.

#### ***New Accounting Pronouncement Adopted in Fiscal Year 2022***

The College adopted the following new accounting pronouncement during the year ended June 30, 2022:



# Connors State College

## Notes to Financial Statements

### June 30, 2022 and 2021

#### **GASB Statement No. 87, *Leases***

GASB 87 was issued in June 2017; the primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The College adopted GASB 87 for the June 30, 2022, reporting year and the implementation had an immaterial effect net on the College's financials.

#### ***Restatement***

The College implemented GASB 87 *Leases* in 2022. Due to this implementation the College restated ending net position for 2021 as noted for the addition of leased capital assets and lease liabilities and the corresponding annual lease payment activity. This resulted in an increase in capital assets of \$278,000 and an increase in current portion of long-term debt of \$72,164 and long-term leases liability of \$206,174 for a total liability of \$278,338 and a corresponding change in FY21 ending net position of a decrease of \$338.

## **Note 2: Deposits and Investments**

#### ***Deposits***

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

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

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

**Connors State College**  
**Notes to Financial Statements**  
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	<b>2022</b>	<b>2021</b>
Deposits with State Treasurer	\$ 10,185,705	\$ 5,573,233
Change funds	4,300	4,300
	<b>\$ 10,190,005</b>	<b>\$ 5,577,533</b>

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 \$10,190,005 and \$5,573,233 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2022 and 2021, respectively, \$1,279,836 and \$1,160,945, 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 annual comprehensive 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.

**Note 3: Accounts Receivable**

Accounts receivable consisted of the following at June 30:

	<b>2022</b>	<b>2021</b>
Student tuition and fees	\$ 869,697	\$ 1,691,694
Auxiliary enterprises and other student activities	198,326	452,559
Less allowance for doubtful accounts	(581,028)	(1,477,231)
	<b>\$ 486,995</b>	<b>\$ 667,022</b>

**Connors State College**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Note 4: Capital Assets**

Following are the changes in capital assets for the year ended June 30, 2022:

	<b>Balance, June 30, 2021</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Balance, June 30, 2022</b>
	(restated)				
Capital assets not being depreciated					
Land	\$ 772,479	\$ -	\$ -	\$ -	\$ 772,479
Livestock	112,900	-	-	(10,540)	102,360
Construction in progress	41,496	1,284,666	(37,679)	-	1,288,483
<b>Total capital assets not being depreciated</b>	<b>926,875</b>	<b>1,284,666</b>	<b>(37,679)</b>	<b>(10,540)</b>	<b>2,163,322</b>
Capital assets being depreciated					
Buildings and improvements	42,694,881	-	37,679	-	42,732,560
Nonstructural improvements	5,384,247	172,850	-	-	5,557,097
Equipment	6,479,760	157,931	-	-	6,637,691
Library materials	747,814	-	-	-	747,814
<b>Total capital assets being depreciated</b>	<b>55,306,702</b>	<b>330,781</b>	<b>37,679</b>	<b>-</b>	<b>55,675,162</b>
Less accumulated depreciation					
Buildings and improvements	(15,832,950)	(1,073,687)	-	-	(16,906,637)
Nonstructural improvements	(3,160,454)	(220,369)	-	-	(3,380,823)
Equipment	(5,303,623)	(289,965)	-	-	(5,593,588)
Library materials	(747,814)	-	-	-	(747,814)
<b>Total accumulated depreciation</b>	<b>(25,044,841)</b>	<b>(1,584,021)</b>	<b>-</b>	<b>-</b>	<b>(26,628,862)</b>
Lease assets					
Equipment	346,783	72,194	-	-	418,977
<b>Total capital assets being amortized</b>	<b>346,783</b>	<b>72,194</b>	<b>-</b>	<b>-</b>	<b>418,977</b>
Less lease accumulated amortization					
Equipment	(68,783)	(91,655)	-	-	(160,438)
<b>Total accumulated amortization</b>	<b>(68,783)</b>	<b>(91,655)</b>	<b>-</b>	<b>-</b>	<b>(160,438)</b>
<b>Capital assets, net</b>	<b>\$ 31,466,736</b>	<b>\$ 11,965</b>	<b>\$ -</b>	<b>\$ (10,540)</b>	<b>\$ 31,468,161</b>

**Connors State College**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

Following are the changes in capital assets for the year ended June 30, 2021 (restated):

	<b>Balance, June 30, 2020 (Restated)</b>	<b>Additions</b>	<b>Transfers</b>	<b>Retirements</b>	<b>Balance, June 30, 2021</b>
Capital assets not being depreciated					
Land	\$ 772,479	\$ -	\$ -	\$ -	\$ 772,479
Livestock	153,400	-	-	(40,500)	112,900
Construction in progress	-	41,496	-	-	41,496
<b>Total capital assets not being depreciated</b>	<b>925,879</b>	<b>41,496</b>	<b>-</b>	<b>(40,500)</b>	<b>926,875</b>
Capital assets being depreciated					
Buildings and improvements	42,630,764	209,639	-	(145,521)	42,694,882
Nonstructural improvements	5,453,454	89,951	-	(159,158)	5,384,247
Equipment	5,770,612	717,673	-	(8,525)	6,479,760
Library materials	747,814	-	-	-	747,814
<b>Total capital assets being depreciated</b>	<b>54,602,644</b>	<b>1,017,263</b>	<b>-</b>	<b>(313,204)</b>	<b>55,306,703</b>
Less accumulated depreciation					
Buildings and improvements	(14,892,632)	(1,083,178)	-	142,860	(15,832,950)
Nonstructural improvements	(3,039,034)	(218,684)	-	97,263	(3,160,455)
Equipment	(5,049,392)	(262,756)	-	8,525	(5,303,623)
Library materials	(747,814)	-	-	-	(747,814)
<b>Total accumulated depreciation</b>	<b>(23,728,872)</b>	<b>(1,564,618)</b>	<b>-</b>	<b>248,648</b>	<b>(25,044,842)</b>
Lease assets					
Equipment	279,690	67,093	-	-	346,783
<b>Total capital assets being amortized</b>	<b>279,690</b>	<b>67,093</b>	<b>-</b>	<b>-</b>	<b>346,783</b>
Less lease accumulated amortization					
Equipment	-	(68,783)	-	-	(68,783)
<b>Total accumulated amortization</b>	<b>-</b>	<b>(68,783)</b>	<b>-</b>	<b>-</b>	<b>(68,783)</b>
<b>Capital assets, net</b>	<b>\$ 32,079,341</b>	<b>\$ (507,549)</b>	<b>\$ -</b>	<b>\$ (105,056)</b>	<b>\$ 31,466,736</b>

**Connors State College**  
**Notes to Financial Statements**  
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**Note 5: Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<b>Balance, June 30, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2022</b>	<b>Amounts Due Within One Year</b>
Long-term obligations					
OCIA 2014A Series	\$ 2,580,870	\$ -	\$ -	\$ 2,580,870	\$ 240,582
ODFA 2014C Series – Student Union	3,929,251	-	(238,167)	3,691,084	252,167
ODFA 2014C Series – Nursing Allied Health	5,718,917	-	(350,250)	5,368,667	365,417
ODFA 2014C–D	229,500	-	(92,333)	137,167	96,333
ODFA 2020D	5,129,667	-	(437,000)	4,692,667	448,500
Tractor note payable (direct borrowing)	34,742	-	(13,141)	21,601	13,527
Leases payable	278,338	72,194	(91,323)	259,209	93,702
Premium on notes payable	197,132	-	(22,616)	174,516	22,616
Total long-term obligations	<u>18,098,417</u>	<u>72,194</u>	<u>(1,244,830)</u>	<u>16,925,781</u>	<u>1,532,844</u>
Other liabilities					
Accrued compensated absences	159,232	103,558	(98,992)	163,798	73,709
Total other liabilities	<u>159,232</u>	<u>103,558</u>	<u>(98,992)</u>	<u>163,798</u>	<u>73,709</u>
Total long-term obligations and liabilities	<u>\$ 18,257,649</u>	<u>\$ 175,752</u>	<u>\$ (1,343,822)</u>	<u>\$ 17,089,579</u>	<u>\$ 1,606,553</u>

Long-term liability activity for the year ended June 30, 2021, was as follows:

	<b>Balance, June 30, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2021</b>	<b>Amounts Due Within One Year</b>
	(Restated)				
Long-term obligations					
OCIA 2014A Series	\$ 2,580,870	\$ -	\$ -	\$ 2,580,870	\$ -
ODFA 2011A Series	68,750	-	(68,750)	-	-
ODFA 2011E Series	5,398,334	-	(5,398,334)	-	-
ODFA 2014C Series – Student Union	4,158,918	-	(229,667)	3,929,251	238,167
ODFA 2014C Series – Nursing Allied Health	6,052,334	-	(333,417)	5,718,917	350,250
ODFA 2014C–D	317,833	-	(88,333)	229,500	92,333
ODFA 2020D	-	5,471,000	(341,333)	5,129,667	437,000
Tractor note payable (direct borrowing)	-	40,118	(5,376)	34,742	13,141
Leases payable	279,690	67,092	(68,444)	278,338	72,164
Premium on notes payable	222,448	-	(25,316)	197,132	22,616
Total long-term obligations	<u>19,079,177</u>	<u>5,578,210</u>	<u>(6,558,970)</u>	<u>18,098,417</u>	<u>1,225,671</u>
Other liabilities					
Accrued compensated absences	146,265	97,411	(84,444)	159,232	71,655
Total other liabilities	<u>146,265</u>	<u>97,411</u>	<u>(84,444)</u>	<u>159,232</u>	<u>71,655</u>
Total long-term obligations and liabilities	<u>\$ 19,225,442</u>	<u>\$ 5,675,621</u>	<u>\$ (6,643,414)</u>	<u>\$ 18,257,649</u>	<u>\$ 1,297,326</u>

**Connors State College**  
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**Note Payable Obligations**

**ODFA Higher Education Program – Series 2014C – Student Union**

In April 2014, the College entered into a note payable obligation (Series 2014C – Student Union) in the amount of \$5,421,000. 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 were used to renovate the College’s Student Union.

As of June 30, 2022, future aggregate maturities of principal and interest requirements on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	252,167	136,022	388,189
2024	265,750	123,857	389,607
2025	274,667	112,648	387,315
2026	282,833	104,035	386,868
2027	292,750	94,843	387,593
2028-2032	1,619,917	315,866	1,935,783
2033-2034	703,000	39,184	742,184
	<u>\$ 3,691,084</u>	<u>\$ 926,455</u>	<u>\$ 4,617,539</u>

**ODFA Higher Education Program – Series 2014C – Nursing Allied Health**

In April 2014, the College entered into a note payable obligation (Series 2014C – Nursing Allied Health) in the amount of \$7,885,000. 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 were used to build the College’s Nursing Allied Health building on the Muskogee campus.

As of June 30, 2022, future aggregate maturities of principal and interest requirements on the note payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	365,417	197,750	563,167
2024	382,500	180,137	562,637
2025	400,000	164,037	564,037
2026	412,167	151,494	563,661
2027	426,083	138,099	564,182
2028-2032	2,359,167	459,936	2,819,103
2033-2034	1,023,333	57,041	1,080,374
	<u>\$ 5,368,667</u>	<u>\$ 1,348,494</u>	<u>\$ 6,717,161</u>

**Connors State College**  
**Notes to Financial Statements**  
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**ODFA Higher Education Program – Series 2014C–D**

In December 2014, the College entered into a note payable obligation (Series 2014C–D) in the amount of \$753,000. 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 payoff the ODFA Series 2004B. This refinancing resulted in an aggregate difference in principal and interest between the original agreement and the refinanced agreement of \$73,076, which approximates the economic savings of the transaction.

As of June 30, 2022, future aggregate maturities of principal and interest requirements on the note payable are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	96,333	5,487	101,820
2024	40,834	1,633	42,467
	<b>\$ 137,167</b>	<b>\$ 7,120</b>	<b>\$ 144,287</b>

**ODFA Higher Education Program – Series 2020D**

In October 2020, the College entered into a note payable obligation (Series 2020D) in the amount of \$5,471,000. Payments over the term of the agreement, including interest, total approximately \$6,086,772. Payments began November 15, 2020, and go through May 15, 2032, and are made monthly ranging from \$42,237 to \$51,139. Proceeds from the obligation were used to refinance the ODFA Series 2011E that was used to purchase the Miller’s Crossing building.

As of June 30, 2022, future aggregate maturities of principal and interest requirements on the note payable are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 448,500	\$ 75,842	\$ 524,342
2024	454,333	71,839	526,172
2025	458,250	67,113	525,363
2026	461,417	61,728	523,145
2027	466,833	54,995	521,828
2028-2032	2,403,334	147,099	2,550,433
	<b>\$ 4,692,667</b>	<b>\$ 478,616</b>	<b>\$ 5,171,283</b>

**Connors State College**  
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**OCIA Obligation**

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 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. Concurrent with the allocation, the College entered into an agreement with OCIA for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent payable are to provide for capital improvements at the College.

During 2014, the College's remaining 2005 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 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 agreement with OCIA was automatically restructured to secure the new bond issues. The 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 18 years. As of June 30, 2022 and 2021, the unamortized gain totaled \$76,231 and \$85,662, respectively.

Principal and interest payments to OCIA, totaling \$122,922 and \$122,922 during the years ended June 30, 2022 and 2021, respectively, were made by the State on behalf of the College. These payments have been recorded as OCIA on-behalf payments in the accompanying statements of revenues, expenses, and changes in net position.

At June 30, 2022, future aggregate maturities of principal and interest requirements on the OCIA payable are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	240,582	122,922	\$ 363,504
2024	252,811	111,331	364,142
2025	259,318	99,010	358,328
2026	270,292	88,057	358,349
2027	283,541	74,775	358,316
2028–2031	1,274,326	158,919	1,433,245
	\$ 2,580,870	\$ 655,014	\$ 3,235,884

**Tractor Note Payable**

In December 2020, the College entered into a note payable obligation in the amount of \$40,117 for the purchase of a new tractor which serves as collateral. Payments over the term of the agreement, including interest, total approximately \$41,922. Payments began February 28, 2021, and go through January 31, 2024, and are made monthly in the amount of \$1,164.51. In the event of



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default the College will be required to pay the amount applicable to the remaining value of the tractor during the remainder of the term when and if the financial exigency conditions are lifted.

At June 30, 2022, future aggregate maturities of principal and interest requirements on the tractor note payable are as follows:

	<b>Principal</b>	<b>Direct Borrowing Interest</b>	<b>Total</b>
2023	13,527	447	13,974
2024	8,074	78	8,152
	\$ 21,601	\$ 525	\$ 22,126

**Leases Payable**

The College as a lessee, has entered into lease agreements involving various equipment and vehicles summarized below.

Leases of equipment, such as copiers, vehicles, etc.: Annual installments totaling \$96,895 with interest rates ranging from 0.40% to 4.00%, and due dates ranging from July 2024 to June 2026.

\$ 259,209

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	93,702	3,192	\$ 96,894
2024	94,879	2,015	96,894
2025	61,796	849	62,645
2026	8,831	136	8,967
	\$ 259,208	\$ 6,192	\$ 265,400

**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 OTRS, which is a State of Oklahoma public employee retirement system, and the Supplemental Retirement Plan, which is a single-employer public employee retirement system. The College does not maintain the accounting records of, hold the investments for, or administer these plans.

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**Summary of Net Pension Obligation**

	<b>Net Pension Obligation</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>Pension Expense</b>
<b>2022</b>				
Supplemental retirement obligation	\$ 103,399	\$ -	\$ -	\$ (27,670)
OTRS net pension obligation	<u>6,867,060</u>	<u>3,094,863</u>	<u>4,988,331</u>	<u>128,842</u>
Total	<u>\$ 6,970,459</u>	<u>\$ 3,094,863</u>	<u>\$ 4,988,331</u>	<u>\$ 101,172</u>
<b>2021</b>				
Supplemental retirement obligation	\$ 143,143	\$ -	\$ -	\$ 22,274
OTRS net pension obligation	<u>11,270,864</u>	<u>3,592,229</u>	<u>1,941,383</u>	<u>1,572,855</u>
Total	<u>\$ 11,414,007</u>	<u>\$ 3,592,229</u>	<u>\$ 1,941,383</u>	<u>\$ 1,595,129</u>

**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 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](http://www.ok.gov/TRS).

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

- Members who join OTRS after July 1, 1991, become fully vested in retirement benefits earned to date after five years of credited service. Members who join OTRS on or after November 1, 2017, become fully vested after seven years of credited service. Any member who has attained age 55 or who has completed 30 years of creditable service, or for any person who initially became a member prior to July 1, 1992, whose age and number of years of creditable service total 80 may be retired upon proper application for retirement on forms established by OTRS and executing a retirement contract. Any person who became a member after June 30, 1992, but prior to November 1, 2011, whose age and number of years of creditable service total 90 may be retired upon proper application for retirement and executing a retirement contract. Any person who becomes a member on or after November 1, 2011, who attains the age of 65 years or who reaches a normal retirement date having attained a minimum age of 60 years may be retired upon proper application for retirement and executing a retirement contract.
- Final compensation for members who joined OTRS prior to July 1, 1992, is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992, is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The

# Connors State College

## Notes to Financial Statements

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final average compensation is limited for service credit accumulated prior to July 1, 1995, to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995, are calculated based on each member's final average compensation except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

- Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under IRC Section 403(b).

**Contributions** – The contribution requirements of the plan are at an established rate determined by Oklahoma Statute, as amended by the State Legislature, and are not based on actuarial calculations. Employees are required to contribute 7.0% of their annual pay. Participating employers are required to contribute 9.5% of the employees' annual pay and an additional 7.7% for any employees' salaries covered by federal funds for 2022 and 2021. Contributions to the pension plan from the College were \$616,110 and \$618,912 for the years ended June 30, 2022 and 2021, respectively. The State also made on-behalf contributions to OTRS totaling \$372,222 and \$392,654 during 2022 and 2021, 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.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources**

**Related to Pensions** – At June 30, 2022 and 2021, the College reported a liability of \$6,867,060 and \$11,270,864, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and 2020. 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, 2021 and 2020. Based upon this information, the College's proportion was 0.1344% and 0.1188% for June 30, 2022 and 2021, respectively.

For the years ended June 30, 2021 and 2021, the College recognized pension expense of \$128,842 and \$1,941,383, respectively.

**Connors State College**  
**Notes to Financial Statements**  
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At June 30, the College reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2022</b>		
Difference between expected and actual experience	\$ 452,794	\$ 255,363
Change of assumptions	1,068,237	68,387
Net difference between projected and actual earnings on pension plan investments	-	3,566,668
Changes in proportion and differences between the College's contributions and proportionate share of contributions	957,722	1,044,452
College contributions at the measurement date	-	53,461
College contributions subsequent to the measurement date	<u>616,110</u>	<u>-</u>
Total	<u>\$ 3,094,863</u>	<u>\$ 4,988,331</u>
<b>2021</b>		
Difference between expected and actual experience	\$ 548,687	\$ 190,893
Change of assumptions	1,382,230	162,836
Net difference between projected and actual earnings on pension plan investments	971,553	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	70,847	1,556,902
College contributions at the measurement date	-	30,752
College contributions subsequent to the measurement date	<u>618,912</u>	<u>-</u>
Total	<u>\$ 3,592,229</u>	<u>\$ 1,941,383</u>

The \$616,110 and \$618,912 reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date for June 30, 2022 and 2021, respectively, will be recognized as a reduction of the net pension liability in the years ended June 30, 2023 and 2022, respectively.

**Connors State College**  
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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense for the years ending June 30 as follows:

2023	\$ (701,310)
2024	(434,946)
2025	(495,160)
2026	(924,243)
2027	46,081
	<u>\$ (2,509,578)</u>

**Actuarial Assumptions** – The total pension liability as of June 30, 2021 and 2020, was determined based on an actuarial valuation prepared as of June 30, 2021 and 2020, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.25%
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 2.25% for inflation, including 0.75% for 2021 & 2.50% for 2020 price inflation, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00%
- Retirement Age - — Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members –Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

**Connors State College**  
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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, 2022 and 2021, are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	<u>100.00%</u>	

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

**Discount Rate** – A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2022 and 2021, respectively. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed 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 percentage 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 College’s proportionate share of the net pension liability calculated using the respective discount rate for 2022 and 2021, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>2022</b>			
College’s proportionate share of the net pension liability	\$ 11,224,322	\$ 6,867,060	\$ 3,259,839

**Connors State College**  
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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>2021</b>			
College's proportionate share of the net pension liability	\$ 15,042,775	\$ 11,270,864	\$ 8,148,308

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of OTRS, which can be located at [www.ok.gov/TRS](http://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 years ended June 30, 2022 and 2021, the College made benefit payments of \$12,074 and \$11,838, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** – At June 30, 2022 and 2021, the College reported a liability of \$103,399 and \$143,143, respectively, for its net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the College recognized pension expense (benefit) of (\$27,670) and \$22,274, respectively.

**Schedule of Changes in Total Pension Liability** – The College’s changes in total pension liability are as follows as of June 30:

**Connors State College**  
**Notes to Financial Statements**  
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	<b>2022</b>	<b>2021</b>
Beginning total pension liability	\$ 143,143	\$ 132,707
Interest	3,003	3,373
Change of assumptions	(11,547)	16,033
Difference between actual and expected experience	(19,126)	2,868
Benefit payments	(12,074)	(11,838)
Ending total pension liability	\$ 103,399	\$ 143,143

**Actuarial Assumptions** – The total pension liability as of June 30, 2022 and 2021, was determined based on an actuarial valuation prepared as of June 30, 2022 and 2021, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Amortization Method – Three-year closed period
- Discount Rate – 4.09% and 2.19% for 2022 and 2021, respectively (based on Bond Buyers General Municipal Bond Index)
- Mortality Rates After Retirement – RP-2014 with fully generational improvements from 2006 based on assumptions from Scale MP 2021 and 2020 for 2022 and 2021, respectively

**Sensitivity of the Total Pension Liability to Change in the Discount Rate** – The following presents the total pension liability of the College calculated using the discount rate each year, as well as what the College’s total 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:

	<b>1% Decrease (3.09%)</b>	<b>Current Discount Rate (4.09%)</b>	<b>1% Increase (5.09%)</b>
<b>2022</b>			
Total pension liability	\$ 109,633	\$ 103,399	\$ 97,764
	<b>1% Decrease (1.19%)</b>	<b>Current Discount Rate (2.19%)</b>	<b>1% Increase (3.19%)</b>
<b>2021</b>			
Total pension liability	\$ 153,425	\$ 143,143	\$ 133,946



**Connors State College**  
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**Note 7: Other Postemployment Benefits**

Currently, the College provides postemployment benefits to retirees under two OPEB plans:

1. OTRS Supplemental Health Insurance Program – a cost-sharing, multiple-employer defined benefit OPEB plan administered by OTRS
2. CSC Retiree Health Insurance and Death Benefits Plan – a single-employer defined benefit health insurance and death benefit plan

**Summary of Net OPEB Obligation**

	<b>Net OPEB Obligation (Asset)</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>	<b>OPEB Expense (Benefit)</b>
<b>2022</b>				
CSC OPEB Plan	\$ 515,924	\$ 130,074	\$ 307,384	\$ (8,723)
OTRS OPEB Plan	(171,206)	39,028	128,705	(25,147)
Total	<u>\$ 344,718</u>	<u>\$ 169,102</u>	<u>\$ 436,089</u>	<u>\$ (33,870)</u>
<b>2021</b>				
CSC OPEB Plan	\$ 660,887	\$ 161,315	\$ 228,569	\$ 19,459
OTRS OPEB Plan	(11,761)	62,985	25,980	2,558
Total	<u>\$ 649,126</u>	<u>\$ 224,300</u>	<u>\$ 254,549</u>	<u>\$ 22,017</u>

**OTRS OPEB Plan**

**Plan Description** – The College, as the employer, participates in the OTRS Supplemental Health Insurance Program—a cost-sharing, multiple-employer defined benefit OPEB plan administered by OTRS. Title 74 O.S. Section 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/TRS](http://www.ok.gov/TRS).

**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 10 years of Oklahoma service prior to retirement.

**Contributions** – Employer and employee contributions are made based upon the OTRS OPEB 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 OTRS OPEB Plan. The cost of the OTRS OPEB Plan averages 0.12% and 0.15% of normal cost, as determined by an actuarial valuation as of June 30, 2021 and 2020,

**Connors State College**  
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respectively. Contributions allocated to the OTRS OPEB Plan from the College were \$7,616 and \$1,166 for 2022 and 2021, respectively.

**OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB** – At June 30, 2022 and 2021, the College reported an asset of \$171,206 and \$11,761, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021 and 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021 and 2020. The College’s proportion of the net OPEB asset was based on the College’s contributions received by the OTRS OPEB Plan relative to the total contributions received by the OTRS OPEB Plan for all participating employers as of June 30, 2021 and 2020. Based upon this information, the College’s proportion was 0.1344% and 0.1188% for June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, the College recognized OPEB expense (benefit) of (\$25,147) and \$2,558, respectively.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2022</b>		
Difference between expected and actual experience	\$ -	\$ 26,803
Change of assumptions	23,271	-
Net difference between projected and actual earnings on pension plan investments	-	91,823
Changes in proportion and differences between the College’s contributions and proportionate share of contributions	4,605	4,110
College contributions at the measurement date	3,536	5,969
College contributions subsequent to the measurement date	7,616	-
Total	\$ 39,028	\$ 128,705
<b>2021</b>		
Difference between expected and actual experience	\$ -	\$ 25,837
Change of assumptions	25,446	-
Net difference between projected and actual earnings on pension plan investments	25,686	-
Changes in proportion and differences between the College’s contributions and proportionate share of contributions	5,809	-
College contributions at the measurement date	4,878	143
College contributions subsequent to the measurement date	1,166	-
Total	\$ 62,985	\$ 25,980

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The \$7,616 and \$1,166 reported as deferred outflows of resources related to OPEB resulting from college contributions subsequent to the measurement date for June 30, 2022 and 2021, will be recognized as a reduction of the net OPEB asset in the years ended June 30, 2023 and 2022, respectively.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense for the years ending June 30 as follows:

2023	\$ (24,773)
2024	(20,119)
2025	(21,385)
2026	(28,384)
2027	(2,021)
Thereafter	<u>(97,293)</u>
	<u>\$ (193,975)</u>

**Actuarial Assumptions** – The total OPEB liability (asset) as of June 30, 2021 and 2020, was determined based on an actuarial valuation prepared as of June 30, 2021 and 2020, respectively, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.25%
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 2.25% for inflation, including 0.75% for 2021 & 2.50% for 2020 price inflation, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return – 7.00%
- Retirement Age - — Experience-based table of rates based on age, service, and gender. Adopted by the Board in July 2020 in conjunction with the five year experience study for the period ending June 30, 2019
- Mortality Rates after Retirement – Males and females: 2020 GRS Southwest Region Teacher Mortality Table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020
- Mortality Rates for Active Members –Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2010

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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, 2021 and 2020, are summarized below:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	43.5%	4.3%
International Equity	19.0%	5.2%
Fixed Income	22.0%	0.4%
Real Estate**	9.0%	4.3%
Alternative Assets	6.5%	6.5%
Total	100.00%	

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

**Discount Rate** – A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2022 and 2021, respectively. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the OTRS 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 the OTRS OPEB Plan's 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 percentage of projected member payroll based on the past five years of actual contributions.

**Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate** – The following presents the College's proportionate share of the net OPEB liability (asset) of the employer calculated using the respective discount rate for 2022 and 2021, as well as what the College's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>2022</b>			
College's proportionate share of the net OPEB asset	\$ (109,991)	\$ (171,206)	\$ (223,075)

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1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
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**2021**

College's proportionate share of the net  
OPEB asset

\$ 42,693	\$ (11,761)	\$ (57,936)
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**Pension Plan Fiduciary Net Position** – Detailed information about the OTRS OPEB Plan's fiduciary net position is available in the separately issued financial report of OTRS, which can be located at [www.ok.gov/TRS](http://www.ok.gov/TRS).

**CSC OPEB Plan**

**Plan Description** – The CSC OPEB Plan provides OPEB to eligible retirees and their dependents. The Board of Regents has the authority to establish and amend benefit provisions. No assets that meet the criteria in GASB 75, Paragraph 4, are accumulated in a trust.

**Benefits Provided** – The College provides medical and death 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. The College also 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.

**Employees Covered by Benefit Terms** – At June 30, the following employees were covered by the benefit terms:

	2022	2021
Active employees (participants)	112	112
Retired participants (health benefits)	-	2
Retired participants (death benefits)	105	101

**Total OPEB Liability** – The College's total OPEB liability of \$515,924 and \$660,887 at June 30, 2022 and 2021, respectively, was measured as of June 30, 2022 and 2021, and was determined by an actuarial valuation as of those dates.

**Actuarial Assumptions** – The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2022 and 2021, using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age Normal
- Discount Rate – 4.09% and 2.19% for 2022 and 2021, respectively, based on published Bond Buyer Go-20 bond index

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- Health Care Cost Trend Rates – 7.5% for 2022 and 8.0% for 2021, decreasing 0.50% annually to an ultimate rate of 4.50%
- RP-2014 with fully generational improvements from 2006 based on assumptions from Scale MP 2021 and 2020 for 2022 and 2021, respectively

**Changes in Total OPEB Liability** – The following table reports the components of changes in total OPEB liability as of June 30:

	<u>2022</u>	<u>2021</u>
Beginning total OPEB liability	\$ 660,887	\$ 616,378
Service cost	13,465	10,542
Interest	14,483	16,242
Change of assumptions	(139,728)	59,193
Difference between actual and expected experience	(6,999)	(8,644)
Benefit payments	<u>(26,184)</u>	<u>(32,824)</u>
Ending total OPEB liability	<u>\$ 515,924</u>	<u>\$ 660,887</u>

**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 respective discount rate, 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 or 1-percentage-point higher than the current rate:

	<b>1% Decrease (3.09%)</b>	<b>Current Discount Rate (4.09%)</b>	<b>1% Increase (5.09%)</b>
<b>2022</b>			
Total OPEB liability	\$ 583,006	\$ 515,924	\$ 460,210
<b>2021</b>			
Total OPEB liability	\$ 760,862	\$ 660,887	\$ 579,498

**Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate** – The following presents the total OPEB liability (asset) of the employer calculated using the health care cost trend rate of 7.5% for 2022 and 8.0% for 2021, decreasing by 0.50% annually to 4.50%, as well as what the plan’s total OPEB liability (asset) would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**Connors State College**  
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	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
<b>2022</b>			
Total OPEB liability	\$ 503,819	\$ 515,924	\$ 530,609
	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
<b>2021</b>			
Total OPEB liability	\$ 646,085	\$ 660,887	\$ 678,937

**OPEB Expense** – For the years ended June 30, 2022 and 2021, the College recognized OPEB expense (benefit) of (\$8,723) and \$19,459, respectively.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>2022</b>		
Differences between expected and actual experience	\$ 37,298	\$ 177,066
Change of assumptions	92,776	130,318
Total	\$ 130,074	\$ 307,384
<b>2021</b>		
Differences between expected and actual experience	\$ 44,076	\$ 206,207
Change of assumptions	117,239	22,362
Total	\$ 161,315	\$ 228,569

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Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense for the years ending June 30 as follows:

2023	\$ (37,238)
2024	(35,731)
2025	(35,729)
2026	(45,172)
2027	(23,440)
Thereafter	-
	\$ (177,310)

**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, 2022 and 2021, the Foundation awarded scholarships to students totaling approximately \$22,000 and \$39,000, 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, 2022 and 2021, were approximately \$485,000 and \$538,000, respectively.

**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, 2022 and 2021, 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.



**Connors State College**  
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**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.

During FY21 the President's House became impaired when it burned down. Due to this unfortunate event the College received insurance recoveries from the Oklahoma Risk Management Program to help cover the cost of replacement of the house; however the proceeds were not approved by the State of Oklahoma and received by the College until FY22.

**Note 11: Connors Development Foundation, Inc.**

The following are significant disclosures of the Foundation:

***Summary of Significant Accounting Policies***

**Cash and Cash Equivalents**

The Foundation considers all 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**

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 with donor restrictions 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 classified as with donor restrictions, any expenditure is subject to the donor-restricted use of the funds as indicated in the gift instrument.

**Fair Value Measurements**

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

# Connors State College

## Notes to Financial Statements

### June 30, 2022 and 2021

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

The Foundation's investments consist of marketable certificates of deposit, equity securities, and mutual funds, all with quoted market prices in an active market; therefore, all are classified as Level 1 investments.

#### **Endowment Funds**

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

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

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

#### **Net Assets**

The *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA) was enacted by the State effective November 1, 2007. The Board of Trustees (the Trustees) of the Foundation has interpreted 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, 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 the following as net assets with donor restrictions:

- Original value of gifts donated to the permanent endowment

**Connors State College**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

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

The remaining portion of the donor-restricted endowment funds that is not classified in 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.

Net assets with donor restrictions consist of the following for the years ended June 30:

	<b>2022</b>	<b>2021</b>
Scholarships to students – held in perpetuity	\$ 2,017,911	\$ 1,111,207
Academic programs – held in perpetuity	230,367	801,406
Scholarships to students	83,409	281,059
Other support to the College	836,129	835,494
Other support to the College	(57,077)	-
	<b>\$ 3,110,739</b>	<b>\$ 3,029,166</b>

Endowment activity for the years ended June 30 is summarized as follows:

	<b>2022</b>	<b>2021</b>
Beginning balance	\$ 2,416,065	\$ 1,376,198
Investment return		
Interest and dividends	(260)	35,216
Net increase (decrease) in fair value	(280,450)	266,842
Total investment return	(280,710)	302,058
New contributions	268,059	824,903
Appropriations of endowment assets for expenditures	(12,168)	(87,094)
Ending balance	<b>\$ 2,391,246</b>	<b>\$ 2,416,065</b>

In 2020, the board established a board-designated quasi-endowment fund totaling \$500,000 for direct match for new scholarship endowments. While quasi-endowment funds have been established by the governing board for the same purposes as permanent endowment funds, any portion of the quasi-endowment funds may be expended at the discretion of the governing board and, therefore, is without donor restrictions.

**Connors State College**  
**Notes to Financial Statements**  
**June 30, 2022 and 2021**

**Note 12: Current Economic Conditions**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen that may negatively affect the financial position, results of operations, and cash flows of the College. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

## **Required Supplementary Information**

**Connors State College**  
**Schedule of the College's Proportionate Share of the Net Pension Liability**  
**Oklahoma Teachers Retirement System**  
**Last 10 Fiscal Years\***

	2022	2021	2020	2019	2018	2017	2016	2015
College's proportion of the net pension liability	0.1344%	0.1188%	0.1354%	0.1444%	0.1523%	0.1485%	0.1620%	0.1623%
College's proportionate share of the net pension liability	\$ 6,867,060	\$ 11,270,864	\$ 8,962,828	\$ 8,725,399	\$ 10,086,061	\$ 12,395,679	\$ 9,838,802	\$ 8,733,960
College's covered-employee payroll	\$ 6,063,224	\$ 5,593,934	\$ 5,728,313	\$ 6,210,429	\$ 6,102,886	\$ 6,486,210	\$ 6,967,930	\$ 6,785,277
College's proportion of the net pension liability as a percentage of its covered-employee payroll	113.26%	201.48%	156.47%	140.50%	165.27%	191.11%	141.20%	128.72%
Plan fiduciary net position as a percentage of the total pension liability	80.80%	63.47%	71.56%	72.74%	69.32%	62.24%	70.31%	72.43%

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

**Note to Schedule**

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Connors State College**  
**Schedule of the College's Pension Contributions**  
**Oklahoma Teachers Retirement System**  
**Last 10 Fiscal Years**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 616,110	\$ 618,912	\$ 577,366	\$ 597,540	\$ 617,964	\$ 610,502	\$ 631,024	\$ 675,899
Contributions in relation to the contractually required contribution	<u>616,110</u>	<u>618,912</u>	<u>577,366</u>	<u>597,540</u>	<u>617,964</u>	<u>610,502</u>	<u>631,024</u>	<u>675,899</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 6,187,038	\$ 6,063,224	\$ 5,593,934	\$ 5,728,313	\$ 6,210,429	\$ 6,102,886	\$ 6,486,210	\$ 6,967,930
Contributions as a percentage of covered-employee payroll	9.96%	10.21%	10.32%	10.43%	9.95%	10.00%	9.73%	9.70%

**Note to Schedule**

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Benefit Changes**

There were no changes to benefit terms for the years presented.

**Changes of Assumptions**

There were no changes in assumptions in the valuation report for the years ended June 30, 2022.

Actuarial assumptions used in the June 30, 2021 valuation were changed as follows:

- Inflation was decreased to 2.25%.
- Investment rate of return was decreased to 7.00%.
- Salary increases were composed of 2.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

There were no changes in assumptions in the valuation report for the years ended June 30, 2020, 2019, or 2018.

Actuarial assumptions used in the June 30, 2017 valuation were changed as follows:

- Salary increases were composed of 3.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

- Inflation was increased to 2.50%.
- Investment rate of return was decreased to 7.50%.

There were no changes in assumptions in the valuation report for the year ended June 30, 2015.

**Connors State College**  
**Schedule of the College's Proportionate Share of the Net OPEB Liability (Asset)**  
**Supplemental Health Insurance Program**  
**Last 10 Fiscal Years\***

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
College's proportion of the net OPEB liability (ass	0.1344%	0.1188%	0.1354%	0.1444%	0.1523%
College's proportionate share of the net OPEB liability (asset)	\$ (171,206)	\$ (11,761)	\$ (83,757)	\$ (93,303)	\$ (67,927)
College's covered-employee payroll	\$ 6,063,224	\$ 5,593,934	\$ 5,728,313	\$ 6,210,429	\$ 6,102,886
College's proportion of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-2.82%	-0.21%	-1.46%	-1.50%	-1.11%
Plan fiduciary net position as a percentage of the net OPEB liability (asset)	129.91%	102.30%	115.07%	115.41%	110.40%

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

**Note to Schedule**

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.



**Connors State College**  
**Schedule of the College's OPEB Contributions**  
**Supplemental Health Insurance Program**  
**Last 10 Fiscal Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 7,616	\$ 1,166	\$ 1,087	\$ 4,031	\$ 9,812
Contributions in relation to the contractually required contribution	<u>7,616</u>	<u>1,166</u>	<u>1,087</u>	<u>4,031</u>	<u>9,812</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 6,187,038	\$ 6,063,224	\$ 5,593,934	\$ 5,728,313	\$ 6,210,429
Contributions as a percentage of covered-payroll	0.12%	0.02%	0.02%	0.07%	0.16%

**Note to Schedule**

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Benefit Changes**

There were no changes to benefit terms for the years presented.

**Changes of Assumptions**

There were no changes in assumptions in the valuation report for the years ended June 30, 2022.

Actuarial assumptions used in the June 30, 2021 valuation were changed as follows:

- Inflation was decreased to 2.25%.
- Investment rate of return was decreased to 7.00%.
- Salary increases were composed of 2.25% inflation, including 2.50% plus a service-related component ranging from 0.00% to 8.00% based on years of service.

**Connors State College**  
**Schedule of Changes in the College's Total OPEB Liability and Related Ratios**  
**CSC Retiree Health Insurance and Death Benefit Plan**  
**(Unaudited)**  
**Last 10 Fiscal Years\***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 13,465	\$ 10,542	\$ 8,453	\$ 6,830	\$ 99,284
Interest	14,483	16,242	19,584	31,260	23,596
Change of assumptions	(139,728)	59,193	59,015	42,852	(37,666)
Difference between actual and expected experience	(6,999)	(8,644)	(2,355)	(296,153)	71,188
Benefit payments	<u>(26,184)</u>	<u>(32,824)</u>	<u>(35,297)</u>	<u>(32,995)</u>	<u>(114,840)</u>
Net change in OPEB liability	(144,963)	44,509	49,400	(248,206)	41,562
Total OPEB liability, beginning of year	<u>660,887</u>	<u>616,378</u>	<u>566,978</u>	<u>815,184</u>	<u>773,622</u>
Total OPEB liability, end of year	<u>\$ 515,924</u>	<u>\$ 660,887</u>	<u>\$ 616,378</u>	<u>\$ 566,978</u>	<u>\$ 815,184</u>
Covered-employee payroll	\$ 4,677,343	\$ 4,538,496	\$ 4,486,584	\$ 4,291,944	\$ 6,210,429
Total OPEB liability as a percentage of covered-employee payroll	11.03%	14.56%	13.74%	13.21%	13.13%
Discount rate used	4.09%	2.19%	2.66%	3.51%	3.88%

**Note to Schedule**

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**Benefit Changes**

There were no changes to benefit terms for the years presented.

**Changes of Assumptions**

In 2022, the health care cost trend rate was changed from a rate of 8.0% in 2021 to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.

In 2021, the health care cost trend rate was changed from a rate of 7.50% in 2020 to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.

In 2020, the health care cost trend rate was changed from an initial rate of 8.0% in 2019 to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5%.

In 2019, the mortality table was changed to the SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 from the RP-2000 Combined Mortality Table projected to 2020 used in 2018.

In 2019, the health care cost trend rate was changed from a flat 5.0% in 2018 to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%.

**Connors State College**  
**Schedule of Changes in the College's Total OPEB Liability and Related Ratios**  
**CSC Retiree Health Insurance and Death Benefit Plan**  
**(Unaudited)**  
**Last 10 Fiscal Years\***

In 2019, the assumed rates of employee turnover were changed from the T-3 Table used in 2018 to the rates used in the OTRS actuarial valuation study as of June 30, 2016. The assumed rates of retirement were changed from 100% at age 65 (health care) and age 63 (life insurance) to the rates used in the OTRS actuarial valuation study as of June 30, 2016.

**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, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Student Financial Assistance Cluster</b>			
<b>U.S. Department of Education</b>			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 119,262
Federal Work-Study Program	84.033	N/A	98,627
Federal Pell Grant Program	84.063	N/A	3,910,508
Federal Direct Student Loans	84.268	N/A	<u>2,952,260</u>
Total Student Financial Assistance Cluster			<u>7,080,657</u>
<b>TRIO Program Cluster</b>			
<b>U.S. Department of Education</b>			
TRIO – Student Support Services	84.042	N/A	<u>309,151</u>
Total TRIO Program Cluster			<u>309,151</u>
<b>Other Programs</b>			
<b>U.S. Department of Education</b>			
Higher Education Institutional Aid	84.031X	N/A	168,426
Strengthening Minority-Serving Institutions	84.382C	N/A	131,953
<i>Pass-through from Oklahoma Department of Vocational and Technical Education:</i>			
Career and Technical Education – Basic Grants to States	84.048	CP-PS-422-4821	12,325
COVID-19 Higher Education Emergency Relief Fund	84.425E	N/A	3,210,829
COVID-19 Higher Education Emergency Relief Fund	84.425F	N/A	5,660,329
COVID-19 Higher Education Emergency Relief Fund	84.425L	N/A	<u>947,940</u>
84.425 Total			9,819,098
Total U.S. Department of Education			<u>10,131,802</u>
<b>U.S. Department of Health and Human Services</b>			
<b>National Institute for Health</b>			
<i>Pass-through from Oklahoma State Regents for Higher Education</i>			
Temporary Assistance for Needy Families	93.558	N/A	<u>88,477</u>
Total U.S. Department of Health and Human Services			<u>88,477</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 17,610,087</u>

**Connors State College**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all federal award activity of the College under programs of the federal government for the year ended June 30, 2022. 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 2: 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% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3: Federal Direct Student Loans Program**

The College participates in the Federal Direct Student Loans Program (the Program), CFDA number 84.268, which includes Federal Subsidized Direct Loans, Federal Unsubsidized Direct Loans, Federal Graduate Student PLUS Direct Loans and Federal Direct Parent Loans for Undergraduate Students. The 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 4: Subrecipients**

During the year ended June 30, 2022, the College did not provide any federal awards to subrecipients.



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

Oklahoma Agricultural and Mechanical Colleges Board of Regents  
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 business-type activity of Connors State College, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Connors State College's basic financial statements, and have issued our report thereon dated. Our report includes a reference to other auditors who audited the financial statements of the Connors State College Development Foundation (discretely presented component unit), as described in our report on Connors State College's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Connors State College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Connors State College's internal control. Accordingly, we do not express an opinion on the effectiveness of Connors State 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Connors State 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 financial statements. 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*.

***Connors State College's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Connors State College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
October 28, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

OSU A&M Board of Regents  
Connors State College  
Warner, Oklahoma

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Connors State College's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Connors State College's major federal program for the year ended June 30, 2022. Connors State College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Connors State College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Connors State College (the Organization) and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Connors State College's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of



laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Connors State College's federal program.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Connors State College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Connors State College's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Connors State College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Connors State College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Connors State College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



**CliftonLarsonAllen LLP**

St. Louis, Missouri  
October 28, 2022

**CONNORS STATE COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

***Section I – Summary of Auditors’ Results***

***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes        x   no

***Identification of Major Federal Programs***

**Assistance Listing Number**

84.425

**Name of Federal Program or Cluster**

COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no

**CONNORS STATE COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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***Section II – Financial Statement Findings***

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**2022 – 001**

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

**Condition:** Connors State College (CSC) has not remediated previously identified segregation of duties issues within their accounting system, Banner, over journal entries, and cash disbursements. Additionally, there were segregation of duties issues within the Banner payroll system.

**Criteria or specific requirement:** The College operates their financial system in the Banner software. Within Banner, there should be user access controls to prevent potential override of controls through exploitation of incompatible duties within the system.

**Context:** During user access testing procedures the following user access conflicts were identified:

- Four individual Oklahoma State University (OSU) users who had incompatible duties in the College’s cash disbursement process within Banner
- Two individual CSC users had incompatible duties in the cash disbursement process and journal entry posting process within Banner
- Four individual OSU users who had incompatible duties in the College’s journal entry posting process within Banner
- Twenty-seven OSU users who had incompatible duties in the College’s payroll process within Banner

**Effect:** The lack of controls in place to ensure policies and procedures are followed increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

**Cause:** The OSU Finance and Administration Office has provided overly broad user access for OSU accounting and payroll personnel on the College’s accounting system. CSC has also provisioned incompatible user access within their accounting system, Banner, for the College’s employees. Furthermore, there is not a policy restricting incompatible system access.

**Recommendation:** The College should work with the Oklahoma State University Finance and Administration Office to implement user access controls to remove incompatible user access. Further, the Oklahoma State System should develop a policy to ensure proper provisioning of user access within the accounting system.

**Views of responsible officials:** There is no disagreement with the audit finding.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).