Connors State College

Financial Statements
with Independent Auditors' Reports

June 30, 2016

Contents

Arledge & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Connors State College (the College), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Correction of Error

As discussed in Note 1 to the financial statements, certain errors resulting in overstatement of amounts previously reported for capital assets as of June 30, 2015, were discovered by management of the College during the current year. Accordingly, amounts reported for capital assets have been restated in the 2015 financial statements now presented, and an adjustment has been made to net position as of June 30, 2014, to correct the error. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2016 the College adopted new accounting guidance, GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, 68, and 73. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements of the College are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the Regents that is attributable to the transactions of the College. They do not purport to, and do not present fairly the financial position of the Regents as of June 30, 2016, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the College as of June 30, 2015, were audited by other auditors whose report dated November 2, 2015, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Arledge & Associates, P.C.

October 21, 2016

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, 2016, with fiscal years 2015 and 2014 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 2016, the College early implemented GASB Statement No. 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* This implementation required the removal of the employee's share of OTRS contributions paid by the employer (i.e., the College) from Deferred Outflows of Resources, as was reported in the prior year, thus causing a prior period restatement of $472,500. Also during 2016, College management identified some differences between the fixed asset module and the general ledger. Management immediately prepared the necessary entries to correct the differences that also resulted in a necessary prior period restatement of $1,303,435

During 2015, the College implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* Due to the fact that complete prior year information was not available, the 2014 column in the basic financial statements and information presented in the MD&A have not been restated for comparative purposes.

For the year ended June 30, 2016, the College's net position increased by $1,400,944 when compared to a total net position of $1,825,102 in 2015.

Total revenues increased to $20,961,285 in 2016, from $20,688,715 in 2015, and $20,171,045 in 2014. The College experienced an increase in tuition and fees and OCIA on-behalf payments in 2016.

Total expenses decreased to $19,560,341 in 2016 and $21,466,517 in 2015 from $23,055,112 in 2014. The majority of the current year's expenses decrease was in the area of compensation, supplies and other operating expenses.

Using This Annual Report

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

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

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

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

Financial Analysis of the College as a Whole

A comparative schedule of the College's net position, for the years ended June 30, 2016, 2015, and 2014, is shown below, and includes the percentage of annual change. The amounts are from the statements of net position and are presented on an accrual basis of accounting, whereby capital assets are capitalized and depreciated.

Condensed Statements of Net Position

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

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Net Position

	restated 2015	restated 2014	Increase (Decrease)	Percent Change
Assets				
Current assets	$ 3,335,268	$ 8,007,322	$ (4,672,054)	-58.35%
Noncurrent assets:				
Capital assets, net	36,054,080	27,046,741	9,007,339	33.30%
Restricted cash and cash equivalents	95,328	9,676,421	(9,581,093)	-99.01%
Total assets	$ 39,484,676	$ 44,730,484	$ (5,245,808)	-11.73%
Deferred outflows	$ 724,380	$ 96,961	$ 627,419	647.08%
Liabilities				
Current liabilities	$ 2,703,569	$ 4,938,456	$ (2,234,887)	-45.25%
Noncurrent liabilities	33,270,552	26,173,891	7,096,661	27.11%
Total liabilities	$ 35,974,121	$ 31,112,347	$ 4,861,774	15.63%
Deferred Inflows	$ 2,409,833	$ 151,681	$ 2,258,152	1488.75%
Net Position				
Net investment in capital assets	$ 10,037,139	$ 7,203,036	$ 2,834,103	39.35%
Restricted for expendable	338,654	2,011,023	(1,672,369)	-83.16%
Unrestricted	(8,550,691)	4,349,358	(12,900,049)	-296.60%
Total net position	$ 1,825,102	$ 13,563,417	$ (11,738,315)	-86.54%

During fiscal year 2016, the College's net position increased by $1,400,944, after a decrease of $777,802 in 2015 and a decrease of $2,884,067 in fiscal year 2014. The College did experience an increase in overall revenue and it also had a decrease in overall expenses, which resulted in the College's financial position increasing significantly in fiscal year 2016 when compared to fiscal year 2015.

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2016	restated 2015	Increase (Decrease)	Percent Change
Operating revenues:				
Tuition and fees, net	$ 2,517,427	$ 2,313,009	$ 204,418	8.84%
Federal grants and contracts	2,128,157	855,681	1,272,476	148.71%
State grants and contracts	168,922	156,295	12,627	8.08%
Auxiliary	2,196,094	2,448,746	(252,652)	-10.32%
Other	95,316	207,824	(112,508)	-54.14%
Total operating revenues	7,105,916	5,981,555	1,124,361	18.80%
Less operating expenses	18,523,272	20,524,847	(2,001,575)	-9.75%
Operating loss	(11,417,356)	(14,543,292)	3,125,936	-21.49%
Nonoperating revenue (expenses):				
State appropriations	5,968,043	6,951,650	(983,607)	-14.15%
OTRS on-behalf contributions	505,400	480,225	25,175	5.24%
Federal grants and contracts	4,921,971	4,941,787	(19,816)	-0.40%
State grants and contracts	864,727	876,373	(11,646)	-1.33%
Investment income	2,514	11,085	(8,571)	-77.32%
Interest expenses	(1,037,069)	(941,670)	(95,399)	10.13%
Total nonoperating revenues (expenses)	11,225,586	12,319,450	(1,093,864)	-8.88%
Capital contributions	287,651	157,253	130,398	82.92%
State appropriations for capital	421,648	436,941	(15,293)	-3.50%
OCIA on-behalf contributions	883,415	851,846	31,569	3.71%
Change in net position	1,400,944	(777,802)	2,178,746	-280.12%
Net position, beginning restated	1,825,102	2,602,904	(777,802)	-29.88%
Net position, ending	$ 3,226,046	$ 1,825,102	$ 1,400,944	76.76%

Financial Analysis of the College as a Whole (continued)

Condensed Statements of Revenues, Expenses and Changes in Net Position

	restated 2015	restated 2014	Increase (Decrease)	Percent Change
Operating revenues:				
Tuition and fees, net	$ 2,313,009	$ 2,131,216	$ 181,793	8.53%
Federal grants and contracts	855,681	696,224	159,457	22.90%
State grants and contracts	156,295	158,674	(2,379)	-1.50%
Auxiliary	2,448,746	2,329,770	118,976	5.11%
Other	207,824	213,218	(5,394)	-2.53%
Total operating revenues	5,981,555	5,529,102	452,453	8.18%
Less operating expenses	20,524,847	22,435,170	(1,910,323)	-8.51%
Operating loss	(14,543,292)	(16,906,068)	2,362,776	-13.98%
Nonoperating revenues (expenses):				
State appropriations	6,951,650	6,924,019	27,631	0.40%
OTRS on-behalf contributions	480,225	495,000	(14,775)	-2.98%
Federal grants and contracts	4,941,787	5,333,636	(391,849)	-7.35%
State grants and contracts	876,373	837,689	38,684	4.62%
Investment income	11,085	12,744	(1,659)	-13.02%
Interest expenses	(941,670)	(619,942)	(321,728)	51.90%
Total nonoperating revenues (expenses)	12,319,450	12,983,146	(663,696)	-5.11%
Capital contributions	157,253	44,268	112,985	255.23%
State appropriations for capital	436,941	436,941	-	0.00%
OCIA on-behalf contributions	851,846	557,646	294,200	52.76%
Change in net position	(777,802)	(2,884,067)	2,106,265	-73.03%
Net position, beginning as previously reported	4,378,839	16,447,484	(12,068,645)	-73.38%
Cummulative effect of restatements (explained in Note 1)	(1,775,935)	-	(1,775,935)	100.00%
Net position, beginning	2,602,904	16,447,484	(13,844,580)	-84.17%
Net position, ending	$ 1,825,102	$ 13,563,417	$ (11,738,315)	-86.54%

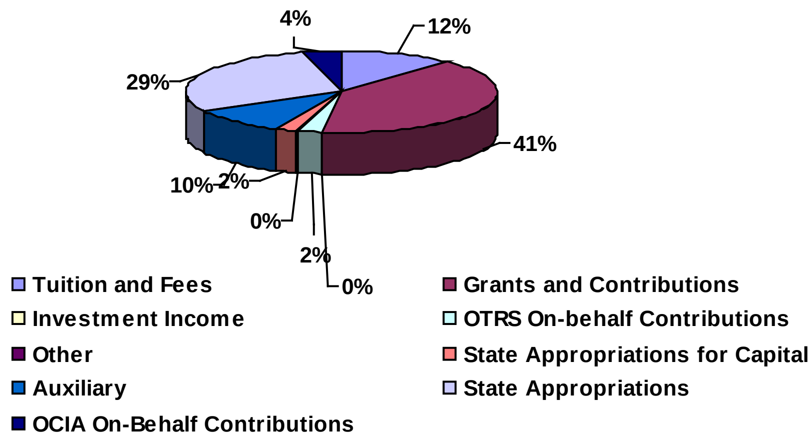
During the year ended June 30, 2016, total revenues increased by $272,570, state appropriations decreased by $998,900, net tuition revenues increased by $204,418, auxiliary revenues decreased by $252,652, grants and contracts increased by $1,272,008, OTRS contributions and OCIA on behalf contributions increased by $56,744, and other revenues increased by $9,319.

Total liabilities increased from $35,947,121 in fiscal year 2015 to $36,408,725 in fiscal year 2016. The majority of this, approximately $435,000 was due to the change in net pension obligation. Current liabilities increased by approximately $1,073,000 from fiscal year 2015 to fiscal year 2016, of which the majority of were invoices that were outstanding at the end of 2016.

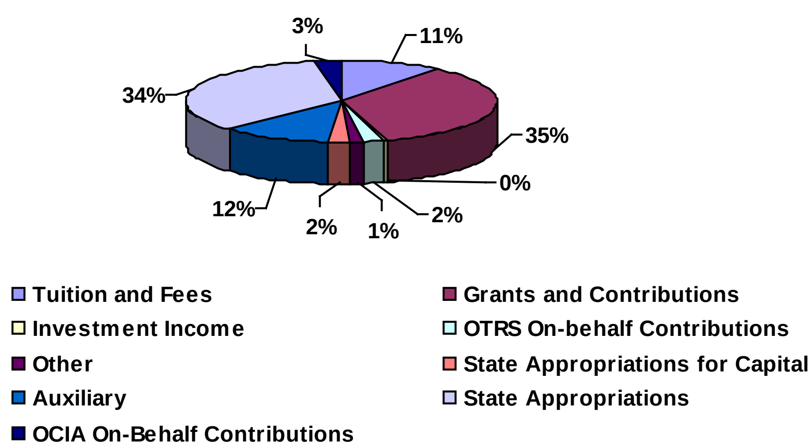
Financial Analysis of the College as a Whole (continued)

During the three-year period, the percentage of revenue furnished by state appropriation was 28% for 2016, 34% for 2015, and 34% in 2014. Net tuition and fees percentage of total revenues was 12% in 2016 and in 2015 was 11% and was 11% in 2014, while Auxiliary Enterprises accounted for 10% in 2016, 12% in 2015, and 12% in 2014. Following is a graphic illustration of the College's revenues for the years ended June 30, 2016, 2015, and 2014:

Total Revenues 2016

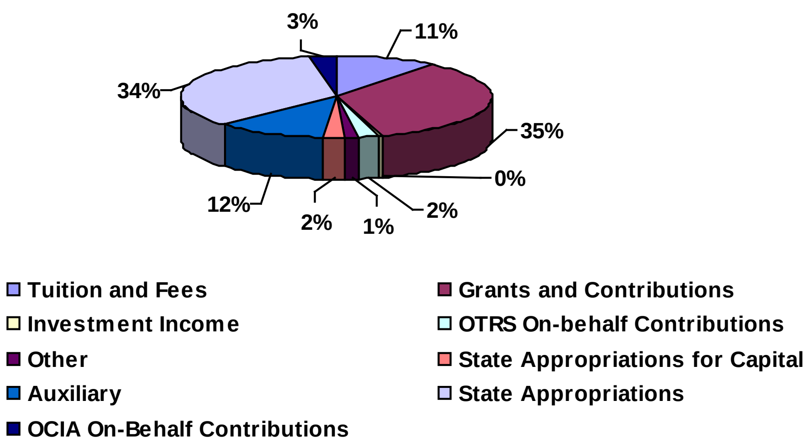


Total Revenues 2015



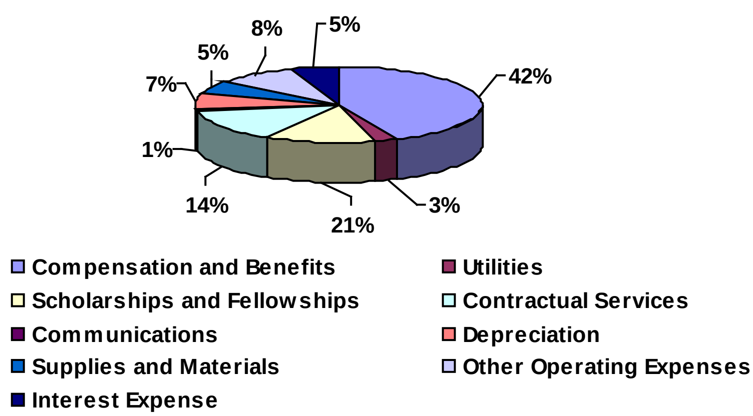
Financial Analysis of the College as a Whole (continued)

Total Revenues 2014



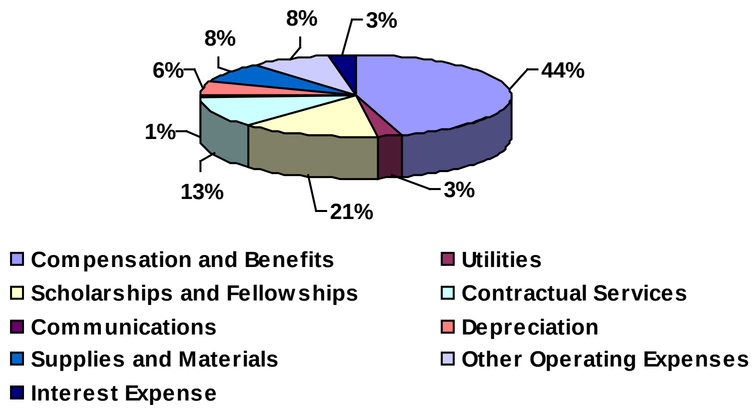
The College's total expenses for the year ended June 30, 2016 decreased by $1,906,176, primarily due to a decrease in compensation, supplies and other operating expenses due to budget cuts. The College experienced an increase in overall grant revenue in fiscal year 2016 due to the receipt of a Title II Grant.

Total Expenses 2016

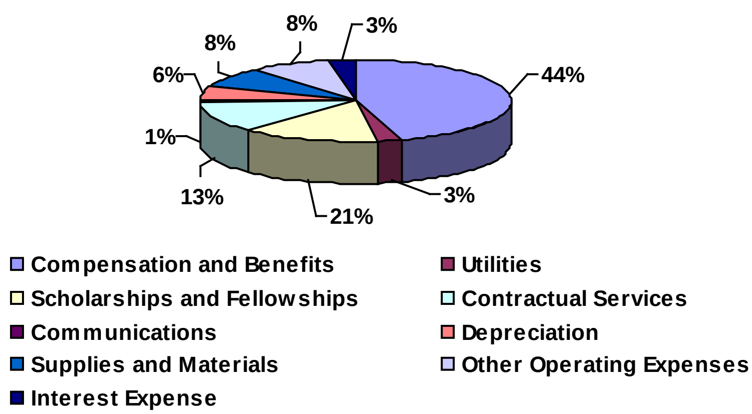


Financial Analysis of the College as a Whole (continued)

Total Expenses 2015



Total Expenses 2014



During the period July 1, 2015 to June 30, 2016, the College's net position increased overall by $1,400,944. For fiscal year 2016, the net investment in capital assets increased by $2,034,357 compared to an increase of $2,834,103 in 2015. In 2016, unrestricted net position decreased by $783,451, while restricted net position increased by $150,038. In 2015 unrestricted net position decreased by $12,900,049 due to the implementation of GASB No. 68, while restricted net position decreased by $1,672,369 in 2015.

Financial Analysis of the College as a Whole (continued)

Analysis of Net Position

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

	June 30, restated 2015	June 30, restated 2014	Increase (Decrease)	Percent Change
Net position				
Net investment in capital assets	$ 10,037,139	$ 7,203,036	$ 2,834,103	39.35%
Restricted cash, expendable	338,654	2,011,023	(1,672,369)	-83.16%
Unrestricted	(8,550,691)	4,349,358	(12,900,049)	-296.60%
Total position	$ 1,825,102	$ 13,563,417	$ (11,738,315)	-86.54%

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

During the period ended June 30, 2015, the College's overall cash and cash equivalents decreased by $13,575,123. This change was largely due to the proceeds received in 2014 for the completion of the Student Union and Nursing Allied Health buildings being spent during 2015.

Condensed Statements of Cash Flows

	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase (Decrease)	Percent Change
Cash Provided by (Used in):				
Operating activities	$ (8,981,255)	$ (13,559,154)	$ 4,577,899	-33.76%
Noncapital financing activities	12,042,392	12,883,913	(841,521)	-6.53%
Investing activities	658,625	707,895	(49,270)	-6.96%
Capital and related financing activities	(3,261,441)	(13,607,777)	10,346,336	-76.03%
Net increase (decrease) in cash	458,321	(13,575,123)	14,033,444	-103.38%
Cash and cash equivalents:				
Beginning	1,416,597	14,991,720	(13,575,123)	-90.55%
Ending	$ 1,874,918	$ 1,416,597	$ 458,321	32.35%

Financial Analysis of the College as a Whole (continued)

	Year Ended June 30, 2015	2014	Increase (Decrease)	Percent Change
Cash Provided by (Used in):				
Operating activities	$ (13,559,154)	$ (11,549,339)	$ (2,009,815)	17.40%
Noncapital financing activities	12,883,913	13,109,612	(225,699)	-1.72%
Investing activities	707,895	7,373	700,522	9501.18%
Capital and related financing activities	(13,607,777)	5,443,075	(19,050,852)	-350.00%
Net increase (decrease) in cash	(13,575,123)	7,010,721	(20,585,844)	-293.63%
Cash and cash equivalents:				
Beginning	14,991,720	7,980,999	7,010,721	87.84%
Ending	$ 1,416,597	$ 14,991,720	$ (13,575,123)	-90.55%

Capital Assets and Debt Administration

As of June 30, 2016, 2015 and 2014, the College had recorded $53,865,875, $51,858,939 and $42,045,141, respectively, in capital assets and $17,181,291, $15,804,859 and $14,998,400, respectively, in accumulated depreciation on those capital assets. In fiscal year 2016, the College had CIP projects outstanding at June 30 totaling $1,505,497.

	Year Ended June 30, 2016	restated 2015	Increase (Decrease)	Percent Change
Capital assets:				
Land	$ 769,729	$ 769,729	$ -	0.00%
Buildings and improvements	40,385,051	24,994,413	15,390,638	61.58%
Nonstructural improvements	5,273,236	4,892,446	380,790	7.78%
Equipment	5,056,848	4,836,653	220,195	4.55%
Library materials	747,814	747,814	-	0.00%
Livestock	127,700	341,250	(213,550)	-62.58%
Construction in-progress	1,505,497	15,276,634	(13,771,137)	-90.15%
Total capital assets	53,865,875	51,858,939	2,006,936	3.87%
Less accumulated depreciation	(17,181,291)	(15,804,859)	(1,376,432)	8.71%
Net capital assets	$ 36,684,584	$ 36,054,080	$ 630,504	1.75%

Financial Analysis of the College as a Whole (continued)

	Year Ended June 30, restated 2015	Year Ended June 30, restated 2014	Increase (Decrease)	Percent Change
Capital assets:				
Land	$ 769,729	$ 769,729	$ -	0.00%
Buildings and improvements	24,994,413	25,121,879	(127,466)	-0.51%
Nonstructural improvements	4,892,446	4,135,218	757,228	18.31%
Equipment	4,836,653	4,523,894	312,759	6.91%
Library materials	747,814	747,814	-	0.00%
Livestock	341,250	233,500	107,750	46.15%
Construction in-progress	15,276,634	6,513,107	8,763,527	134.55%
Total capital assets	51,858,939	42,045,141	9,813,798	23.34%
Less accumulated depreciation	(15,804,859)	(14,998,400)	(806,459)	5.38%
Net capital assets	$ 36,054,080	$ 27,046,741	$ 9,007,339	33.30%

Long-Term Liabilities

During 2016, the College did not issue any new debt. During 2015, the College issued the ODFA 2014C-D debt with the proceeds to be used to refinance the ODFA Series 2004B. During 2014, the College issued the ODFA 2014C debt with the proceeds to be used to renovate the Student Union and the construction of the Nursing Allied Health Building on the Muskogee campus. At June 30, 2016, 2015 and 2014, the College had long-term liabilities of $24,117,833, $25,611,135 and $27,303,119, respectively.

	Year Ended June 30, 2016	Year Ended June 30, 2015	Increase (Decrease)	Percent Change
OCIA capital lease	$ 3,905,834	$ 4,507,613	$ (601,779)	-13.35%
ODFA capital lease	20,211,999	21,103,522	(891,523)	-4.22%
Total long-term debt	$ 24,117,833	$ 25,611,135	$ (1,493,302)	-5.83%

	Year Ended June 30, 2015	Year Ended June 30, 2014	Increase (Decrease)	Percent Change
OCIA capital lease	$ 4,507,613	$ 5,246,203	$ (738,590)	-14.08%
ODFA capital lease	21,103,522	22,056,916	(953,394)	-4.32%
Total long-term debt	$ 25,611,135	$ 27,303,119	$ (1,691,984)	-6.20%

Contacting the College's Financial Management

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

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Net Position
June 30, 2016 and 2015

	College		Component Unit	
		restated		
Assets	2016	2015	2016	2015
Current Assets:				
Cash and cash equivalents	$ 1,096,871	$ 822,492	$ 801,840	$ 1,699,867
Restricted cash and cash equivalents	760,898	498,777	-	-
Investments	-	656,111	501,322	29,387
Accounts receivable, net	914,443	1,007,773	341,593	-
Grants and contracts receivable	163,737	189,982	-	-
Other current assets	55,545	160,133	-	-
Total current assets	2,991,494	3,335,268	1,644,755	1,729,254
Noncurrent Assets:				
Restricted cash and cash equivalents	17,149	95,328	-	-
Capital assets, net	36,684,584	36,054,080	-	-
Total noncurrent assets	36,701,733	36,149,408	-	-
Total assets	$ 39,693,227	$ 39,484,676	$ 1,644,755	$ 1,729,254
Deferred Outflows of Resources,				
Deferred charge on OCIA lease restructure	$ -	$ 48,481	$ -	$ -
Deferred outlfows related to pensions	1,102,137	675,899	-	-
Total deferred outflows	$ 1,102,137	$ 724,380	$ -	$ -

(Continued)

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Net Position (Continued)
June 30, 2016 and 2015

	College		Component Unit	
		restated		
Liabilities and Net Position	2016	2015	2016	2015
Current Liabilities:				
Accounts payable	$ 1,435,976	$ 844,113	$ 6,140	$ 13,961
Accrued liabilities	283,449	2,134	-	-
Other current liabilities	-	469	-	-
Unearned revenues	150,594	145,800	-	-
Student and other deposits	-	8,588	-	-
Current portion of noncurrent liabilities	1,906,328	1,702,465	-	-
Total current liabilities	3,776,347	2,703,569	6,140	13,961
Noncurrent Liabilities, net of current portion:				
Accrued pension benefit and OPEB obligation	54,047	54,047	-	-
Accrued compensated absences	112,371	123,665	-	-
Premium on capital lease obligation	298,397	323,713	-	-
Net pension obligation	9,838,802	8,733,960	-	-
ODFA capital lease obligation	19,133,666	20,129,333	-	-
OCIA capital lease obligation	3,195,095	3,905,834	-	-
Total noncurrent liabilities	32,632,378	33,270,552	-	-
Total liabilities	$ 36,408,725	$ 35,974,121	$ 6,140	$ 13,961
Deferred Inflows of Resources,				
Deferred credit on OCIA lease restructure	$ 140,209	$ 152,104	$ -	$ -
Deferred inflows related to pensions	1,020,384	2,257,729	-	-
Total deferred inflows	$ 1,160,593	$ 2,409,833	$ -	$ -
Net Position:				
Net investment in capital assets	$ 12,071,496	$ 10,037,139	$ -	$ -
Restricted for:				
Nonexpendable, scholarships and other	-	-	637,125	669,650
Expendable:				
Scholarships, research, instruction and other	485,497	335,466	436,178	361,727
Loans	3,195	3,188	-	-
Unrestricted	(9,334,142)	(8,550,691)	565,312	683,916
Total net position	$ 3,226,046	$ 1,825,102	$ 1,638,615	$ 1,715,293

See Notes to Financial Statements.

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	College		Component Unit	
	2016	restated 2015	2016	2015
Operating revenues:				
Student tuition and fees, net of scholarship allowances in 2016 of $2,968,000 and in 2015 of $2,715,000	$ 2,517,427	$ 2,313,009	$ -	$ -
Federal grants and contracts	2,128,157	855,681	-	-
State and local grants and contracts	168,922	137,928	-	-
Sales and services of education departments	-	18,367	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship allowances in 2016 of $530,000 and in 2015 of $591,000	473,116	550,014	-	-
Food services, net of scholarship allowance in 2016 of $324,000 and in 2015 of $370,000	275,065	342,796	-	-
Bookstore, net of scholarship allowances in 2016 of $92,000 and in 2015 of $97,000	76,063	74,901	-	-
Student Union	627,128	623,776	-	-
All other	744,722	857,259	-	-
Gifts and contributions	-	-	754,735	1,084,758
Other operating revenues	95,316	207,824	-	-
Total operating revenues	7,105,916	5,981,555	754,735	1,084,758
Operating expenses:				
Compensation and employee benefits	8,466,564	9,061,672	-	-
Contractual services	2,724,658	2,843,328	-	-
Supplies and materials	1,053,702	1,535,060	28,757	29,702
Utilities	508,062	585,209	-	-
Communications	129,435	120,070	-	-
Other operating expenses	1,839,584	2,367,178	654,561	438,135
Scholarships and fellowships	2,424,835	2,751,870	133,271	111,012
Depreciation	1,376,432	1,260,460	-	-
Total operating expenses	18,523,272	20,524,847	816,589	578,849
Operating income (loss)	(11,417,356)	(14,543,292)	(61,854)	505,909
Nonoperating revenues (expenses):				
State appropriations	5,968,043	6,951,650	-	-
OTRS on-behalf contributions	505,400	480,225	-	-
Federal grants and contracts	4,921,971	4,941,787	-	-
State grants and contracts	864,727	876,373	-	-
Investment income	2,514	11,085	(14,824)	(9,224)
Interest expense	(1,037,069)	(941,670)	-	-
Total nonoperating revenues (expenses)	11,225,586	12,319,450	(14,824)	(9,224)
Income (loss) before other revenues, expenses, gains and losses	(191,770)	(2,223,842)	(76,678)	496,685
Capital contributions	287,651	157,253	-	-
State appropriations restricted for capital purposes	421,648	436,941	-	-
OCIA on-behalf payments	883,415	851,846	-	-
Change in net position	1,400,944	(777,802)	(76,678)	496,685
Net position, beginning (restated)	1,825,102	2,602,904	1,715,293	1,218,608
Net position, ending	$ 3,226,046	$ 1,825,102	$ 1,638,615	$ 1,715,293

See Notes to Financial Statements.

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Tuition and fees	$ 2,060,117	$ 2,567,924
Grants and contracts	2,323,324	1,059,083
Auxiliary enterprise charges	2,751,528	2,273,055
Other operating receipts	199,904	66,057
Payments to employees for salaries and benefits	(8,259,126)	(9,327,568)
Payments to suppliers	(8,057,002)	(10,197,705)
Net cash (used in) operating activities	(8,981,255)	(13,559,154)
Cash Flows from Noncapital Financing Activities:		
State appropriations	5,968,043	6,951,650
Federal grants and contracts	4,921,971	4,941,787
State grants and contracts	864,727	876,373
Miscellaneous	287,651	114,103
Federal direct student loan receipts	4,134,053	4,207,471
Federal direct student loan disbursements	(4,134,053)	(4,207,471)
Net cash provided by noncapital financing activities	12,042,392	12,883,913
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(2,047,404)	(12,371,700)
Capital appropriations received	421,648	436,941
Proceeds of capital debt and leases	-	833,679
Repayments of capital debt and leases	(891,523)	(1,706,394)
Interest paid on capital debt and leases	(744,162)	(800,303)
Net cash provided by (used in) capital and related financing activities	(3,261,441)	(13,607,777)
Cash Flows from Investing Activities:		
Purchase of investments	(430)	(9,594)
Proceeds from sales and maturities of investments	655,663	700,000
Interest received on investments	3,392	17,489
Net cash provided by investing activities	658,625	707,895
Net increase (decrease) in cash and cash equivalents	458,321	(13,575,123)
Cash and cash equivalents:		
Beginning	1,416,597	14,991,720
Ending	$ 1,874,918	$ 1,416,597

(Continued)

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

	2016	2015
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	$ (11,417,356)	$ (14,543,292)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,376,432	1,260,460
Loss on disposal of asset	-	127,192
On-behalf contributions to teachers' retirement system	505,400	480,225
Changes in net assets and liabilities:		
Accounts and other receivables	119,575	141,347
Deferred outflows related to pensions	(426,238)	(16,724)
Other assets	104,588	(160,133)
Accounts payable and accrued expenses	913,177	(93,281)
Deferred inflows related to pensions	(1,237,345)	2,257,729
Net pension obligation	1,104,842	(2,885,706)
Unearned revenues	4,794	3,350
Student and other deposits	(8,588)	(74,009)
Compensated absences	(20,536)	(56,312)
Net cash used in operating activities	$ (8,981,255)	$ (13,559,154)
Noncash Capital and Related Financing Activities:		
Interest on capital debt paid by state agency on behalf of the College	$ 281,636	$ 125,163
Principal on capital debt paid by state agency on behalf of the College	601,779	726,683
Capital assets received as gifts and contributions	263,957	43,150
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 1,096,871	$ 822,492
Restricted cash and cash equivalents	760,898	498,777
Noncurrent assets, restricted cash and cash equivalents	17,149	95,328
Total cash and cash equivalents	$ 1,874,918	$ 1,416,597

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

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

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

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

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

Discretely-presented component unit: Connors Development Foundation, Inc. (the Foundation), is a legally separate, Oklahoma not-for-profit corporation organized for the purpose of receiving and administering gifts intended for the College. Because the restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the College's management believes that presenting the Foundation's financial statements as part of the College reporting entity provides user's relevant and timely information about resources available to the College. The Foundation reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information for these differences. The Foundation prepares separate, standalone financial statements which may be obtained by contacting the Foundation's management.

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

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

Cash equivalents: For purposes of the statements of cash flows, the College considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State Treasurer's Cash Management Program are considered cash equivalents.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

A student account receivable and student loan receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days after the end of the semester. Interest and late charges are not generally assessed and, if they are assessed, are not included in income or trade accounts receivables. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the College. Accounts receivable also include amounts due from the federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grant and contracts.

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

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

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

Unearned revenues: Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated absences: Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the statements of net position and as a component of compensation and benefit expense in the statements of revenues, expenses and changes in net position.

Note 1. Summary of Significant Accounting Policies (Continued)

Noncurrent liabilities: Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) federal loans liability; (3) amounts for accrued compensated absences; (4) net pension liability; and (5) other liabilities that will not be paid within the next fiscal year. Bond discounts and premiums are amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bond issuance costs are expensed as incurred regardless of whether they are included in bond proceeds.

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

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Deferred outflows of resources: Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2016 and 2015, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure and deferred outflows related to pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the College that are applicable to a future reporting period. At June 30, 2016 and 2015, the College's deferred inflows of resources were comprised of a deferred credit on an OCIA lease restructure and deferred inflows related to pensions.

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

Prior Period Adjustments:
Beginning net position was restated as of June 30, 2015 as follows:

	Fiscal Year 2015
Beginning net position, as previously reported	$ 4,378,839
Overstatement of capital assets	(1,303,435)
Early implementation of GASB Statement No. 82	(472,500)
Beginning net positions, restated	$ 2,602,904

The early implementation of GASB Statement 82 required the removal of the employee's share of OTRS contributions paid by the employer (i.e., the College) from Deferred Outflows of Resources, as was reported in the prior year.

Note 1. Summary of Significant Accounting Policies (Continued)

During 2016, College management identified some differences between the fixed asset module and the general ledger. Management immediately prepared the necessary entries to correct the differences that resulted in the necessary restatement.

New accounting pronouncements adopted in fiscal year 2016: The University adopted the following new accounting pronouncement during the year ended June 30, 2016:

Statement No. 72, Fair Value Measurement and Application

GASB No. 72 requires investments to be measured at fair value. Investments are defined as any security or other asset that (a) the government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. The statement requires measurement at acquisition value for donated capital assets, donated works of art, historical treasures and similar assets and capital assets received in a service concession arrangement.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73

GASB No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

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

GASB No. 73, issued June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the College beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements

Note 1. Summary of Significant Accounting Policies (Continued)

for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

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

GASB No. 74 was issued in June 2015, and will be effective for the University beginning with its fiscal year ending June 30, 2017. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.

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

GASB No. 75 was issued in June 2015, and will be effective for the University beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

GASB Statement No. 77, Tax Abatement Disclosures

GASB 77 was issued in August 2015, and establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The University has not yet determined the impact that implementation of GASB 77 will have on its net position.

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

GASB 78, issued in December 2015, amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers

Note 1. Summary of Significant Accounting Policies (Continued)

and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The statement does not affect the University's financial statements.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants

GASB 79 was issued in December 2015, and addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. At this time, the impact to the University is unknown.

GASB Statement No. 80, Blending Requirements for Certain Component Units

An Amendment of GASB Statement No. 14 – GASB 80 was issued in January 2016, and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. At this time, the impact to the University is unknown.

GASB Statement No. 81, Irrevocable Split-Interest Agreements

GASB 81 was issued in March 2016, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The University does not believe that GASB No. 81 will have significant impact on its financial statements.

Note 2. Deposits and Investments

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

Note 2. Deposits and Investments (Continued)

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

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

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

	2016	2015
Deposits with the State Treasurer	$ 1,853,469	$ 1,316,969
U.S. financial institutions	17,149	95,328
Change funds	4,300	4,300
TOTAL DEPOSITS	$ 1,874,918	$ 1,416,597

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

Of the $1,853,469 and $1,316,969 in cash and cash equivalents on deposit with the State Treasurer as of June 30, 2016 and June 30, 2015, respectively, $64,711 and $42,711, respectively, represent amounts held within *OK INVEST*, an internal investment pool. Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in *OK INVEST*. Oklahoma statutes and the State Treasurer establish the primary objectives 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.

Investments: The University had the following investments as of June 30:

Types of Investment	Fair Value Heirarchy	Credit Rating	Maturities	2016	2015
Oklahoma State University investment pool:					
US Agency mortgage-backed securities	Level 2	Not Rated	Less than One	$ -	$ 656,111
Total investments				$ -	$ 656,111

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

Note 2. Deposits and Investments (Continued)

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

Concentration of credit risk: The College's general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The College's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities and obtain a reasonable rate of return.

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

Fair Value Measurement: GASB establishes a fair value hierarchy for valuation inputs that gives the highest priority to quote prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

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

Note 3. Accounts Receivable

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

	2016	2015
Student tuition and fees	$ 1,052,062	$ 1,592,993
Auxiliary enterprises and other student activities	653,270	1,208,704
Less allowance for doubtful accounts	(790,889)	(1,793,924)
	$ 914,443	$ 1,007,773

Note 4. Capital Assets

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

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

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

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

Note 4. Capital Assets (Continued)

Following are the changes in capital assets for the year ended June 30, 2015:

	(Restated) Balance June 30, 2014	Additions	Transfers	Retirements	Balance June 30, 2015
Capital assets not being depreciated:					
Land	$ 769,729	$ -	$ -	$ -	$ 769,729
Livestock	233,500	287,600	-	(179,850)	341,250
Construction in progress	6,513,107	9,419,480	(655,953)	-	15,276,634
Total capital assets not being depreciated	7,516,336	9,707,080	(655,953)	(179,850)	16,387,613
Other capital assets:					
Buildings and improvements	25,121,879	116,911	-	(244,378)	24,994,412
Nonstructural improvements	4,135,218	397,712	655,953	(296,436)	4,892,447
Equipment	4,523,894	353,159	-	(40,400)	4,836,653
Library materials	747,814	-	-	-	747,814
Total other capital assets	34,528,805	867,782	655,953	(581,214)	35,471,326
Less accumulated depreciation for:					
Buildings and improvements	(9,367,744)	(647,512)	-	225,880	(9,789,376)
Nonstructural improvements	(1,692,316)	(207,026)	-	187,743	(1,711,599)
Equipment	(3,190,548)	(405,922)	-	40,400	(3,556,070)
Library materials	(747,814)	-	-	-	(747,814)
Total accumulated depreciation	(14,998,422)	(1,260,460)	-	454,023	(15,804,859)
Capital assets, net	$ 27,046,719	$ 9,314,402	$ -	$ (307,041)	$ 36,054,080

At June 30, 2015, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Infrastructure	Total
Cost	$ 13,982,422	$ 2,069,953	$ 16,052,375
Less: accumulated depreciation	(1,576,071)	(994,603)	(2,570,674)
	$ 12,406,351	$ 1,075,350	$ 13,481,701

Note 5. Long-Term Liabilities

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds payable and capital lease obligations:					
OCIA 2005F Series	$ 286,252	$ -	$ (286,252)	$ -	$ -
OCIA 2010A Series	1,284,203	-	(287,225)	996,978	493,080
OCIA 2014A Series	2,775,906	-	-	2,775,906	186,100
OCIA 2014B Series	161,252	-	(28,302)	132,950	31,559
ODFA 2011A Series	409,665	-	(58,667)	350,998	71,667
ODFA 2011E Series	7,157,084	-	(307,083)	6,850,001	374,167
ODFA 2014C Series - Student Union	5,224,084	-	(186,083)	5,038,001	225,750
ODFA 2014C Series - Nursing Allied Health	7,598,416	-	(270,416)	7,328,000	324,833
ODFA 2014C-D	714,273	-	(69,273)	645,000	81,917
Total bonds and capital leases	25,611,135	-	(1,493,301)	24,117,834	1,789,073
Other liabilities:					
Premium on lease obligation	349,029	-	(25,316)	323,713	25,316
Accrued pension obligation	54,047	-	-	54,047	-
Accrued compensated absences	224,846	67,337	(87,873)	204,310	91,939
Total other liabilities	627,922	67,337	(113,189)	582,070	117,255
Total long-term liabilities	$ 26,239,057	$ 67,337	$ (1,606,490)	$ 24,699,904	$ 1,906,328

Note 5. Long-Term Liabilities (Continued)

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable and capital lease obligations:					
OCIA capital lease obligation	$ 173,159	$ -	$ (173,159)	$ -	$ -
OCIA 2005F Series	558,359	-	(272,107)	286,252	286,252
OCIA 2010A Series	1,420,030	-	(135,827)	1,284,203	287,225
OCIA 2010B Series	318,749	-	(318,749)	-	-
OCIA 2014A Series	2,775,906	-	-	2,775,906	-
OCIA 2014B Series	-	161,252	-	161,252	28,302
ODFA 2004B Series	855,000	-	(855,000)	-	-
ODFA 2011A Series	471,832	-	(62,167)	409,665	64,167
ODFA 2011E Series	7,492,084	-	(335,000)	7,157,084	335,833
ODFA 2014C Series - Student Union	5,393,308	-	(169,224)	5,224,084	203,417
ODFA 2014C Series - Nursing Allied Health	7,844,692	-	(246,276)	7,598,416	295,333
ODFA 2014C-D	-	753,000	(38,727)	714,273	75,439
Total bonds and capital leases	27,303,119	914,252	(2,606,236)	25,611,135	1,575,968
Other liabilities:					
Premium on lease obligation	289,142	80,679	(20,792)	349,029	25,316
Accrued pension obligation	83,591	-	(29,544)	54,047	-
Accrued compensated absences	281,158	95,497	(151,809)	224,846	101,181
Total other liabilities	653,891	176,176	(202,145)	627,922	126,497
Total long-term liabilities	$ 27,957,010	$ 1,090,428	$ (2,808,381)	$ 26,239,057	$ 1,702,465

Capital Lease Obligations:

ODFA Higher Education Master Lease Program - Series 2004B

On August 1, 2004, the College entered into a capital lease obligation Series 2004B in the amount of $1,414,000. Lease payments over the term of the agreement, including interest, total $2,201,603. Payments began December 1, 2004, and go through June 1, 2024, and will be made semi-annually ranging from $2,625 to $107,625. Proceeds from the obligation were used for nonstructural improvements to buildings and facilities. The College has pledged Section Thirteen revenues to support payments of this lease obligation. During fiscal year 2015 these bonds were refinanced with the issuance of the ODFA Series 2014C-D.

Note 5. Long-Term Liabilities (Continued)

ODFA Higher Education Master Lease Program - Series 2011A

In July 2011, the College entered into a capital lease obligation Series 2011A in the amount of $646,000. Lease payments over the term of the agreement, including interest, total $779,803. Payments began August 15, 2011, and go through May 15, 2021, and will be made monthly ranging from $6,597 to $7,094. Proceeds from the obligation were used for structural improvements to the College's waste management system. As of June 30, 2016, the College has $17,149 in restricted cash for the use of the project.

As of June 30, 2016, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	$ 71,667	$ 12,975	$ 84,642
2018	68,166	11,009	79,175
2019	70,165	9,160	79,325
2020	72,250	6,832	79,082
2021	68,750	3,355	72,105
	$ 350,998	$ 43,331	$ 394,329

ODFA Higher Education Master Lease Program - Series 2011E

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

As of June 30, 2016, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	$ 374,167	$ 262,601	$ 636,768
2018	350,833	235,375	586,208
2019	360,417	227,406	587,823
2020	366,250	218,320	584,570
2021	379,583	208,169	587,752
2022 - 2026	2,051,667	850,713	2,902,380
2027 - 2031	2,472,084	423,617	2,895,701
2032	495,000	21,038	516,038
	$ 6,850,001	$ 2,447,239	$ 9,297,240

Note 5. Long-Term Liabilities (Continued)

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

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

As of June 30, 2016, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	$ 225,750	$ 195,031	$ 420,781
2018	213,333	174,126	387,459
2019	217,417	169,860	387,277
2020	222,583	165,326	387,909
2021	229,667	158,332	387,999
2022 - 2026	1,313,583	624,154	1,937,737
2027 - 2031	1,564,583	371,293	1,935,876
2032 - 2034	1,051,085	78,600	1,129,685
	$ 5,038,001	$ 1,936,722	$ 6,974,723

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

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

As of June 30, 2016, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	$ 324,833	$ 283,652	$ 608,485
2018	310,500	253,350	563,850
2019	316,583	247,140	563,723
2020	323,750	240,539	564,289
2021	333,417	230,368	563,785
2022 - 2026	1,910,333	908,200	2,818,533
2027 - 2031	2,278,667	540,663	2,819,330
2032 - 2034	1,529,917	114,413	1,644,330
	$ 7,328,000	$ 2,818,325	$ 10,146,325

Note 5. Long-Term Liabilities (Continued)

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

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

As of June 30, 2016, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	$ 81,917	$ 28,475	$ 110,392
2018	78,750	23,463	102,213
2019	81,750	20,401	102,151
2020	84,750	17,059	101,809
2021	88,333	13,072	101,405
2022-2024	229,500	16,300	245,800
	$ 645,000	$ 118,770	$ 763,770

Oklahoma Capital Improvement Authority Lease Obligations (OCIA)

In 2005, the OCIA issued its State Facilities Revenue Bonds (Higher Education Project) Series 2005F. Of the total bond indebtedness, the State Regents allocated $7,025,000 to the College. Total lease payments over the term of the agreement including principal and interest, beginning July 1, 2006, through July 1, 2030, will be $14,373,397. Payments will be made annually ranging from $192,596 to $1,676,268. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

In 2011, the College's 2005F lease agreement with OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a cost on restructuring. The College has recorded a charge of $642,631 on restructuring as a deferred outflow of resources that will be amortized over a period of six years. As of June 30, 2016 and 2015, the unamortized cost totaled $0 and $48,481, respectively, and is recorded as a deferred charge on debt restructure in the statements of net position. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $521,564, which also approximates the economic cost of the lease. Although this restructuring resulted in a cost to the College, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

Note 5. Long-Term Liabilities (Continued)

During 2014, the College's remaining 2005 lease agreement with OCIA was restructured through a partial refunding of the Series 2005F bonds. OCIA issued new bonds, Series 2014A, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $154,039 on restructuring as a deferred inflow of resources that will be amortized over a period of eighteen years. As of June 30, 2016 and 2015 the unamortized gain totaled $132,818 and $142,250, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $407,408, which approximates the economic savings of the transaction.

During 2015, the College's remaining 2004 lease agreement with OCIA was restructured through a refunding of the Series 2004A bonds. OCIA issued new bonds, Series 2014B, to accomplish the refunding. The restructured lease agreement with OCIA secures the OCIA bond indebtedness and any future indebtedness that might be issued to refund earlier bond issues. The College's aforementioned lease agreement with OCIA was automatically restructured to secure the new bond issues. The lease restructuring resulted in a reduction of principal, thus the College has recorded a credit of $11,907 on restructuring as a deferred inflow of resources that will be amortized over a period of eighteen years. As of June 30, 2016 and 2015 the unamortized gain totaled $7,391 and $9,854, respectively. This refinancing resulted in an aggregate difference in principal and interest between the original lease agreement and the refinanced lease agreement of $26,006, which approximates the economic savings of the transaction.

Lease principal and interest payments to OCIA, totaling $883,415 and $851,846 during the years ended June 30, 2016, and 2015, respectively, were made by the State of Oklahoma on behalf of the University. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

At June 30, 2016, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2017	$ 710,739	$ 177,483	$ 888,222
2018	536,378	150,155	686,533
2019	39,585	125,409	164,994
2020	38,262	123,797	162,059
2021	-	122,922	122,922
2022 - 2026	1,023,004	544,243	1,567,247
2027 - 2031	1,557,866	233,692	1,791,558
	$ 3,905,834	$ 1,477,701	$ 5,383,535

Note 6. Retirement Plans

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

Oklahoma Teachers' Retirement System

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

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

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

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to $40,000 or $25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.

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

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

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

Note 6. Retirement Plans (Continued)

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

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

Contributions: The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute, amended by the Oklahoma Legislature, and are not based on actuarial calculations. Employees are required to contribute 7% percent of their annual pay. Participating employers are required to contribute 9.50% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds. Contributions to the pension plan from the College were $631,024 and $675,899 for June 30, 2016 and 2015, respectively. The State also made on-behalf contributions to OTRS, of which $505,400 and $480,225, during 2016 and 2015 respectively, was recognized by the College; these on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: - At June 30, 2016 and 2015, the College reported a liability of $9,838,802 and $8,733,960, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014. 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 pension plan for all participating employers as of June 30, 2015 and 2014. Based upon this information, the College's proportion was 0.1620154 percent and 0.1623453 percent for June 30, 2016 and 2015, respectively.

For the years ended June 30, 2016 and 2015, the College recognized pension expense of $577,683 and $511,423.

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

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

Note 6. Retirement Plans (Continued)

At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 214,950
Net difference between projected and actual earnings on pension plan investments	-	3,156,078
College contributions subsequent to the measurement date	675,899	-
Total	$ 675,899	$ 3,371,028

The $631,024 and $675,899 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date for June 30, 2016 and 2015, respectively will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year ended June 30:	
2016	$ (829,424)
2017	(829,424)
2018	(829,424)
2019	(829,424)
2020	(40,404)
Thereafter	(12,928)
	$ (3,371,028)

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

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.75% inflation, including 3.00% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60% and female rates multiplied by 50%.

Note 6. Retirement Plans (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	6.0%
Domestic Large Cap Equity	10.0%	5.3%
Domestic Mid Cap Equity	13.0%	6.1%
Domestic Small Cap Equity	10.0%	6.6%
International Large Cap Equity	11.5%	5.8%
Internationa Small Cap Equity	6.0%	5.8%
Core Plus Fixed Income	17.5%	1.8%
High-yield Fixed Income	6.0%	4.1%
Private Equity	5.0%	7.6%
Real Estate**	7.0%	5.5%
Master Limited Partnerships	7.0%	7.6%
Total	100%	

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

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

The total pension liability as of June 30, 2015, was determined based on an actuarial valuation prepared as if June 30, 2014 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age
- Amortization Method - Level Percentage of Payroll
- Inflation - 3.00%
- Salary Increases - Composed of 3.00% inflation, plus 1.00% productivity increase, rate, plus step-rate promotional increases for members with less than 25 years of service
- Investment Rate of Return - 8.00%
- Retirement Age - Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality tables, projected to 2016 using Scale AA, multiplied by 90% for males and 80% for females.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 2007 to June 2011.

Note 6. Retirement Plans (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic All Cap Equity*	7.0%	8.9%
Domestic Large Cap Equity	10.0%	8.5%
Domestic Mid Cap Equity	13.0%	9.2%
Domestic Small Cap Equity	10.0%	9.2%
International Large Cap Equity	11.5%	9.2%
Internationa Small Cap Equity	6.0%	9.2%
Core Plus Fixed Income	17.5%	4.3%
High-yield Fixed Income	6.0%	6.7%
Private Equity	5.0%	10.1%
Real Estate**	7.0%	7.8%
Master Limited Partnerships	7.0%	10.1%
Total	100%	

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

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

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

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

For June 30, 2016:	1% Decrease (7%)	Current Discount Rate (8%)	1% Decrease (9%)
Employers' net pension liability	$ 13,601,120	$ 9,838,802	$ 6,676,403

For June 30, 2015:	1% Decrease (7%)	Current Discount Rate (8%)	1% Decrease (9%)
Employers' net pension liability	$ 13,601,120	$ 9,838,802	$ 6,676,403

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

Note 6. Retirement Plans (Continued)

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. The College paid approximately $50,000 to retirees under the Plan during the years ended June 30, 2016 and 2015.

Annual pension cost and net pension obligation: The annual required contribution for the current year was determined as part of the June 30, 2014, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) a discount rate of 6.5% per year to determine the present value of future benefit payments, (b) retirement at age 65, (c) a 6.5% rate of return on investments, (d) projected salary increases of 3.5% per year, and (e) a 6.5% interest rate for post-retirement individual annuity settlement benefits. The Plan is an unfunded Plan, and accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over ten (10) years.

The annual pension cost and net pension obligation to the Plan were as follows at June 30:

	2016	2015
Annual required contribution	$ 21,936	$ 21,936
Interest on net pension obligation	7,369	7,369
Adjustment to annual contribution	(10,444)	(10,444)
Annual pension cost	18,861	18,861
Contributions made	(18,861)	(50,463)
Decrease in net pension obligation	-	(31,602)
Net pension obligation, beginning of year	28,914	60,516
Net pension obligation, end of year	$ 28,914	$ 28,914

Funded status and funding progress: The funded status of the plan as of June 30, 2016, was as follows:

Actuarial accrued liability (AAL)	$ 219,861
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 219,861
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	$ -
UAAL as a percentage of annual covered payroll	0%

Note 6. Retirement Plans (Continued)

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

Trend information:

	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
Years ending June 30:			
2014	17,695	285.2%	60,516
2015	18,861	267.6%	28,914
2016	18,861	100.0%	28,914

Note 7. Other Post-Employment Insurance Benefits

Plan description: The College pays life insurance premiums for individuals who meet the specified criteria to be considered a retiree as of the last day of continuous regular employment. Eligible retirees must meet the OTRS guidelines. In addition, the individual must also have been enrolled in the College's life insurance program prior to retirement. Each retiree is eligible to receive $6,000 of life insurance coverage at a cost to the College of $.26 per $1,000 of coverage. As of June 30, 2016, there were approximately 138 active employees and 112 retirees covered under the life insurance program. Authority to establish and amend benefit provisions rests with the Board of Regents. The Other Post-Employment Insurance Benefits (OPEB) Plan does not issue a stand-alone financial report.

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

Annual cost and net obligation: The annual required contribution for the current year was determined as part of the June 30, 2014, actuarial valuation using the projected unit credit method. The actuarial assumption included a 6.5% investment rate of return. The assumption also included postretirement benefit increases, which will be funded by the College when granted. The Plan is an unfunded plan, and accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized over fifteen years using the level dollar amortization method on a closed basis.

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

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

	2016	2015
Annual required contribution	$ 3,725	$ 3,725
Adjustment to annual required contribution	-	-
Annual life insurance cost	3,725	3,725
Contributions made	3,725	1,667
Increase in net obligation	-	2,058
Net pension obligation, beginning of year	25,133	23,075
Net pension obligation, end of year	$ 25,133	$ 25,133

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2015, was as follows:

Actuarial accrued liability (AAL)	$ 23,075
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 23,075
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	$ 5,422,062
UAAL as a percentage of annual covered payroll	0.43%

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

Trend information:

	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
Years ending June 30:			
2014	12,670	29%	23,075
2015	3,725	45%	25,133
2016	3,725	100%	25,133

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, 2016 and 2015 the Foundation awarded scholarships to students totaling approximately $133,000 and $111,000, respectively.

Note 8. Related-Party Transactions (continued)

The College received in-kind contributions of approximately $288,000 and $157,000 during 2016 and 2015, 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, 2016 and 2015 were approximately $200,000 and $177,000, respectively.

Note 9. Risk Management

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.

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

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

Note 10. Connors Development Foundation, Inc.

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

Summary of significant accounting policies

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

<u>Investments</u>*:* The Foundation's investments consist of equity securities with quoted market prices in an active market maintained with a brokerage company, all Level 1 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 temporarily restricted revenues unless the terms of the gift require that they be added to the principal of a permanent or term endowment fund. If the funds are temporarily restricted, any expenditure is subject to the intended use of the funds as indicated in the gift instrument.

Note 10. Connors Development Foundation, Inc. (Continued)

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

The Foundation's endowment consists of approximately 29 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: In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117- 1, Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1). This statement provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

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

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

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

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

Note 10. Connors Development Foundation, Inc. (Continued)

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

	Beginning Endowment Balance	Contributions and Earnings	Ending Endowment Balance
Scholarships	$ 610,073	$ (29,697)	$ 580,376
Academic Programs	59,577	(2,828)	56,749
	$ 669,650	$ (32,525)	$ 637,125

Reconciliation of the change in permanently restricted net assets for the year ended June 30, 2015:

	Beginning Endowment Balance	Contributions and Earnings	Ending Endowment Balance
Scholarships	$ 606,212	$ 3,861	$ 610,073
Academic Programs	57,557	2,020	59,577
	$ 663,769	$ 5,881	$ 669,650

Required Supplementary Information

Connors State College
(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)
Required Supplementary Information - Unaudited
June 30, 2016

Schedule of Funding Progress for Supplemental Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2010	$ -	$ 229,415	$ 229,415	0.00%	$ -	0.00%
6/30/2012	-	222,884	222,884	0.00%	-	0.00%
6/30/2014	-	219,861	219,861	0.00%	-	0.00%

The actuarial accrued liability is based on the projected unit credit method.
The College obtains actuarial valuations biannually in accordance with the provisions of GASB No. 27.

Schedule of Funding Progress for Other Postemployment Life Insurance Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a)/(c)
6/30/2010	$ -	$ 58,916	$ 58,916	0.00%	$ 6,686,250	0.88%
6/30/2012	-	36,156	36,156	0.00%	6,991,329	0.52%
6/30/2014	-	23,075	23,075	0.00%	4,813,389	0.48%

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

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

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

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

Notes to Schedule:

Only the current and prior fiscal year is presented because 10-year data is not yet available.
* Contributions and covered-employee payroll amounts restated for the early implementation of GASB Statement No. 82.

Schedules of Required Supplementary Information
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
Last 10 Fiscal Years (Dollar amounts in thousands)

	2015	2016
Contractually required contribution	$ 675,899	$ 631,024
Contributions in relation to the contractually required contribution	675,899	631,024
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 6,967,930	$ 6,931,980
Contribuions as a percentage of covered-employee payroll	10%	9%

Notes to Schedule:

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

Reports Required by *Government Auditing Standards* and Uniform Guidance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Connors State College (the College), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, and its discretely presented component unit, that comprise the statement of net position, as of June 30, 2016, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 21, 2016. Our report includes paragraphs related to a correction of an error, a change in accounting principle, and a reference to other auditors who audited the financial statements of Connors Development Foundation, Inc. (the Foundation), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2016-01 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The College's Response to Finding

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

Purpose of this Report

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

Arledge & Associates, P.C.

October 21, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Connor State College's (the College), an organizational unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the Regents), which is a component unit of the State of Oklahoma, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the College, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated October 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Arledge + Associates, P.C.

October 21, 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, 2016

Federal Grantor/Pass-Through Grantor/Program Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. DEPARTMENT OF EDUCATION			
Student financial aid cluster			
Federal Pell Grants	84.063	N/A	$ 4,766,417
Federal Supplemental Education Opportunity Grants	84.007	N/A	153,221
Federal Work Study Program	84.033	N/A	83,612
Federal Direct Loan Program	84.268	N/A	4,102,096
Total Student Financial Aid Cluster			9,105,346
TRIO program cluster			
TRIO--Student Support Services	84.042	N/A	250,008
Total TRIO program cluster			250,008
Other Programs			
Title III - Higher Education Institutional Aid	84.031	N/A	1,424,769
Pass-through from Oklahoma State Regents for Higher Education			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S110011	53,815
Pass-through from Oklahoma Department of Vocational and Technical Education			
Carl D. Perkins Grant	84.048	N/A	135,278
Total Other Programs			1,613,862
TOTAL U.S. DEPARTMENT OF EDUCATION			**10,969,216**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Institute for Health			
Pass-through from Oklahoma State Regents for Higher Education			
Temporary Assistance for Needy Families	93.558	N/A	134,687
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			**134,687**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 11,103,903**

See notes to schedule of expenditures of federal awards.

CONNORS STATE COLLEGE
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of Connors State College (the "College") under programs of the federal government for the year ended June 30, 2016. The information in this SEFA 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 SEFA 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 assets, or cash flows of the College.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-21, Cost Principles for Educational Institutions, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C --FEDERAL DIRECT STUDENT LOAN PROGRAM

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

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2016, the College did not provide any federal awards to subrecipients.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__X__ yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	__X__ none reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	__X__ no

Identification of major programs:

Program	CFDA Number
Student Financial Aid Cluster	*
Higher Education Institutional Aid	84.031

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

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	_____ yes	__X__ no

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

Finding 2016-01: Purchasing Cards

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

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

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

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

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

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

None to report for the June 30, 2016, period.

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

Year Ended June 30, 2016

2015-01

Finding: The College's system of internal controls over cash disbursements did not identify all expenses paid subsequent to year end that should have been accrued.

Criteria: The Accounts payable detail should be reconciled to the trial balance. In addition, liabilities incurred prior to the end of the fiscal year should be accrued at their actual or estimated amounts.

Condition: During our testing of accounts payable, we noted multiple invoices for services performed or goods received during the year paid subsequently to year-end that were not recorded as liabilities as of June 30, 2015. Furthermore, the accounts payable detail did not agree to the trial balance.

Recommendation: A review process should be established to reconcile the account payable detail to the trial balance in order to ensure that all accounts have been properly recorded. We recommend that the college establish procedures that are sufficient to ensure that all invoices for services performed or goods received during the year are included in accounts payable as of year-end. These procedures may include modifying the report generated, installing an additional process designed to detect items not included in the report, and ensuring that proper oversight surrounding the process is in place.

Response and Corrective Action Plan: Management will review actual invoices paid after the fiscal year-end to confirm that all applicable invoices are on report and the accounts payable accrual is correct. Management will also reconcile accounts payable detailed to the trial balance to ensure that the amount reported on the trial balance for accounts payable is correct.

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

2015-02

Finding: Capital assets and construction in progress are not being properly tracked or recorded in the accounting software.

Criteria: Costs incurred during construction of long-lived assets should be recorded as construction in progress and not depreciated until completed and placed in service.

Condition: Capital assets and construction in progress are not being properly tracked or recorded in the accounting software.

Recommendation: We recommend that the College maintain detailed capital asset records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for all assets. In addition, we recommend that a campus wide inventory be performed to ensure that the capital asset records are updated for all currently maintained assets. Furthermore a system should be put in place to properly track the status of construction in progress.

Response and Corrective Action Plan: Management will ensure that all assets not previously entered or entered incorrectly in the system are entered and will verify that they are coded correctly to ensure that the depreciation is calculated properly. The College now has access to the new financial software to make these entries and will complete this task during FY2016. Management will also perform an inventory analysis to ensure that all records are correct. Additionally, the College's management will confirm that all construction projects are completed and final invoices received before placing a building into service.

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

2015-03

Finding: Cash reconciliations were not completed timely and did not include investigation of reconciling items.

Criteria: All bank accounts should be reconciled monthly and all suspicious reconciling items should be promptly investigated and adjusted with adequate explanations.

Condition: During our review of the cash reconciliations, we noted all 80 reconciling items from the treasury and clearing funds from fiscal years prior to 2015 had been cleared by the College's staff. These 80 reconciling items represent $1,077,858 in cleared debits and $966,484 in cleared credits.

While substantial progress has been made regarding these prior year reconciling transactions, there remains 44 unreconciled payroll clearing and payroll holding account transactions from prior years dating back to 2006. These remaining prior year payroll-related transactions have a net credit total of $8,500, which represent $60,265 in debit transactions and $68,775 in credit transactions. In addition there is a clearing account of approximately $50,000 containing unapplied payments that needs to be resolved and posted to the appropriate accounts.

Recommendation: There was a similar finding in the prior year (see Prior Year Finding 2014-01). We noted during the current fiscal year that the College had implemented processes to identify and clear a significant number of the older reconciling items. We recommend that the College continue this process with the goal of having it completed in fiscal year 2016.

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

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

Year Ended June 30, 2016

2015-04

Program CFDA No:
Federal Direct Student Loans (84.268)
Federal Supplemental Educational Opportunity Grants (84.007)

Federal Award Year: 2014-2015

Finding: The institution requested and drew down funds in excess of expenditures for the Federal Direct Loan Program and Federal Supplemental Educational Opportunity Grants.

Criteria: In accordance with 34 CFR 668.166(a)(1), - …an institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either SFA Funds or institutional funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to ED. Excess cash includes any funds received from ED that are deposited or transferred to the institution's Federal account as a result of an award adjustment, cancellation, or recovery.

Condition: Miscommunications occurred on the amounts to be drawn which resulted in the individual responsible for the drawdowns to drawdown the whole amount rather than up to a certain amount. Additionally, for Direct Loans, excess funds drawn were erroneously returned back via check instead of via G5 which resulted in further delay in returning back the funds.

Recommendation: We recommend that the institution develop appropriate procedures to carefully review funds previously drawn and compare to reconciled expenditures to ensure excess cash position does not occur. In case any excess funds are drawn over disbursements, these funds need to be either disbursed to students or returned back to the ED via G5 within 3 business days of the receipt of funds by the institution.

Response and corrective Action Plan: Each department with financial aid responsibilities has updated its policies and procedures to assure that our drawdown process is compliant with all federal regulations. A form has been developed that has been in use since March 2015 to assure that all reconciliations are verified before the drawdown is done by the business office. This form encompasses Pell, Direct Loan, FSEOG, and Federal Work Study. The first step is a reconciliation between our system (SCT) and the Department of Education's Common Origination and Disbursement web site (COD). Detail sheets are attached showing our disbursements to each student. After that reconciliation is completed, a financial aid officer reconciles the balanced amounts in each fund against our current cash levels that have been drawn down through the G system. The cash levels are verified and detail sheets are attached. A summary page contains formulas to calculate the amounts that are to be drawn down and the journal entries that must be made. After the form has been completed by the financial aid officer, it is sent to the business office to be verified. After the business officer verifies that the cash levels and amounts are correct he draws down the correct amounts through G5 and makes the appropriate journal entries. When that is complete, he attaches the G5 summaries to the form and sends them back to the financial aid office for final verification. Since August 2015, the College reconciles weekly and drawdowns are done within a ten day window.

This process prevents overdraws from occurring; however, if an overdraw were to occur in the future, a process has been in place since March 2015 to return excess cash to the Department of Education directly through G5 within the required 3 day window.

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