

Connors State College

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

Audited Financial Report and Report Required by
Government Auditing Standards
June 30, 2015

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RSM US LLP

Independent Auditor's Report

Board of Regents for the 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), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2015, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Connors Development Foundation, Inc. (the Foundation). The Foundation is considered a part of the reporting unit of the College, and accordingly, the Foundation's financial statements are presented with the College's financial statements. The Foundation's 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 of material misstatement. The financial statements of the Foundation were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Connors State College as of June 30, 2015, and the respective changes in its financial position and its cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the College's reporting entity are intended to present the financial position, changes in financial position, and cash flows of only the activities of the College and the Foundation. They do not purport to, and do not, present fairly the financial position of the Regents as of June 30, 2015, the changes in its financial position or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, in 2015 the College adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The provisions of GASB Statements No. 68 and 71 required the College to adjust its net position as of July 1, 2014 upon adoption. Our opinion is not modified with respect to this matter.

Other Matters

The financial statements of the College, as of and for the year ended June 30, 2014, were audited by other auditors whose report dated October 27, 2014, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance. The report for the year ended June 30, 2014 was audited by other auditors and was dated October 27, 2014.

RSM US LLP

Oklahoma City, Oklahoma
November 2, 2015

Connors State College

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

Management's Discussion and Analysis (Unaudited)

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, 2015, with fiscal years 2014 and 2013 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 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, 2015, the College's net position decreased by \$730,539 from actual operations and decreased by \$10,487,991 as a result of the implementation of GASB No. 68 for an overall decrease in net position of \$11,218,530 when compared to a total net position of \$14,866,830 in 2014 and \$16,710,380 in 2013.

Total revenues increased to \$20,688,715 in 2015, from \$20,171,045 in 2014, and \$22,431,295 in 2013. The College experienced an increase in tuition and fees and OCIA on-behalf payments in 2015.

Total expenses decreased to \$21,419,254 in 2015 and \$22,014,595 in 2014 from \$22,758,189 in 2013. The majority of the current year's expenses decrease was in the area of compensation expense due to the implementation of GASB No. 68.

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 to 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, 2015, 2014, and 2013, 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.

Connors State College

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

Management's Discussion and Analysis (Unaudited)**Financial Analysis of the College as a Whole (Continued)****Condensed Statements of Net Position:**

	2015	June 30, 2014*	Increase (Decrease)	Percent Change
Assets				
Current assets	\$ 3,335,268	\$ 8,007,322	\$ (4,672,054)	(58.35%)
Noncurrent assets:				
Capital assets, net	37,392,039	28,350,154	9,041,885	31.89%
Restricted cash and cash equivalents	95,328	9,676,421	(9,581,093)	(99.01%)
Total assets	\$ 40,822,635	\$ 46,033,897	\$ (5,211,262)	(11.32%)
Deferred outflows	\$ 1,209,619	\$ 96,961	\$ 1,112,658	1,147.53%
Liabilities				
Current liabilities	\$ 2,678,253	\$ 4,938,456	\$ (2,260,203)	(45.77%)
Noncurrent liabilities	33,295,868	26,173,891	7,121,977	27.21%
Total liabilities	\$ 35,974,121	\$ 31,112,347	\$ 4,861,774	15.63%
Deferred Inflows	\$ 2,409,833	\$ 151,681	\$ 2,258,152	1,488.75%
Net Position				
Net investment in capital assets	\$ 11,375,098	\$ 8,506,449	\$ 2,868,649	33.72%
Restricted for expendable	338,654	2,011,023	(1,672,369)	(83.16%)
Unrestricted	(8,065,452)	4,349,358	(12,414,810)	(285.44%)
Total net position	\$ 3,648,300	\$ 14,866,830	\$ (11,218,530)	(75.46%)

* prior year amounts not restated for MD&A purposes

	2014	June 30, 2013	Increase (Decrease)	Percent Change
Assets				
Current assets	\$ 8,007,322	\$ 8,826,686	\$ (819,364)	(9.28%)
Noncurrent assets:				
Capital assets, net	28,350,154	22,028,128	6,322,026	28.70%
Restricted cash and cash equivalents	9,676,421	2,148,948	7,527,473	350.29%
Total assets	\$ 46,033,897	\$ 33,003,762	\$ 13,030,135	39.48%
Deferred outflows	\$ 96,961	\$ 145,441	\$ (48,480)	(33.33%)
Liabilities				
Current liabilities	\$ 4,938,456	\$ 2,255,666	\$ 2,682,790	118.94%
Noncurrent liabilities	26,173,891	14,183,157	11,990,734	84.54%
Total liabilities	\$ 31,112,347	\$ 16,438,823	\$ 14,673,524	89.26%
Deferred Inflows	\$ 151,681	\$ -	\$ 151,681	100.00%
Net Position				
Net investment in capital assets	\$ 8,506,449	\$ 7,451,811	\$ 1,054,638	14.15%
Restricted for expendable	2,011,023	2,668,972	(657,949)	(24.65%)
Unrestricted	4,349,358	6,589,597	(2,240,239)	(34.00%)
Total net position	\$ 14,866,830	\$ 16,710,380	\$ (1,843,550)	(11.03%)

Connors State College

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

Management's Discussion and Analysis (Unaudited)**Financial Analysis of the College as a Whole (Continued)**

During fiscal year 2015, the College's net position decreased by \$730,539 in the course of regular operations and \$10,487,991 due to the implementation of GASB No. 68 for a total decrease of \$11,218,530, after a decrease of \$1,843,550 in 2014 and a decrease of \$326,894 in fiscal year 2013. While the College did experience a decrease in overall revenue, it also had a decrease in overall expenses, which resulted in the College's financial position decreasing significantly in fiscal year 2014 when compared to fiscal year 2013.

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

	Year Ended June 30,		Increase	Percent
	2015	2014*	(Decrease)	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	137,928	158,674	(20,746)	(13.07%)
Auxiliary	2,448,746	2,329,770	118,976	5.11%
Other	226,191	213,218	12,973	6.08%
Total operating revenues	5,981,555	5,529,102	452,453	8.18%
Less operating expenses	20,477,584	21,394,653	(917,069)	(4.29%)
Operating loss	(14,496,029)	(15,865,551)	1,369,522	(8.63%)
Nonoperating Revenue (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%)
Other Revenues, Expenses, Gains or (Losses)				
Capital contributions	157,253	44,268	112,985	255.23%
State appropriations for capital purposes	436,941	436,941	-	0.00%
On-behalf state appropriations restricted for debt service	851,846	557,646	294,200	52.76%
Total other revenues, expenses, gains or (losses)	1,446,040	1,038,855	407,185	307.99%
Change in net position	(730,539)	(1,843,550)	1,113,011	(60.37%)
Net Position, beginning of year	14,866,830	16,710,380	(1,843,550)	(11.03%)
Restatement—Implementation of GASB 68 & 71	(10,487,991)	-	(10,487,991)	(100.00%)
Net position, beginning, as restated	4,378,839	16,710,380	(12,331,541)	(73.80%)
Net Position, end of year	\$ 3,648,300	\$ 14,866,830	\$ (11,218,530)	(75.46%)

* prior year amounts not restated for MD&A purposes

Connors State College(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Management's Discussion and Analysis (Unaudited)****Financial Analysis of the College as a Whole (Continued)**

	Year Ended June 30,		Increase	Percent
	2014	2013	(Decrease)	Change
Operating Revenues:				
Tuition and fees, net	\$ 2,131,216	\$ 2,581,611	\$ (450,395)	(17.45%)
Federal grants and contracts	696,224	994,371	(298,147)	(29.98%)
State grants and contracts	158,674	129,061	29,613	22.94%
Auxiliary	2,329,770	2,815,296	(485,526)	(17.25%)
Other	213,218	231,105	(17,887)	(7.74%)
Total operating revenues	5,529,102	6,751,444	(1,222,342)	(18.10%)
Less operating expenses	21,394,653	21,999,013	(604,360)	(2.75%)
Operating loss	(15,865,551)	(15,247,569)	(617,982)	4.05%
Nonoperating Revenue (Expenses):				
State appropriations	6,924,019	6,829,427	94,592	1.39%
OTRS on-behalf contributions	495,000	509,000	(14,000)	(2.75%)
Federal grants and contracts	5,333,636	6,295,770	(962,134)	(15.28%)
State grants and contracts	837,689	784,185	53,504	6.82%
Investment income	12,744	33,071	(20,327)	(61.46%)
Interest expenses	(619,942)	(759,176)	139,234	(18.34%)
Total nonoperating revenues (expenses)	12,983,146	13,692,277	(709,131)	(5.18%)
Other Revenues, Expenses, Gains or (Losses)				
Capital contributions	44,268	98,614	(54,346)	(55.11%)
State appropriations for capital purposes	436,941	481,941	(45,000)	(9.34%)
On-behalf state appropriations restricted for debt service	557,646	647,843	(90,197)	(13.92%)
Total other revenues, expenses, gains or (losses)	1,038,855	1,228,398	(189,543)	(78.37%)
Change in net position	(1,843,550)	(326,894)	(1,516,656)	463.96%
Net Position, beginning of year	16,710,380	17,037,274	(326,894)	(1.92%)
Net Position, end of year	\$ 14,866,830	\$ 16,710,380	\$ (1,843,550)	(11.03%)

During the year ended June 30, 2015, total revenues increased by \$517,670, state appropriations increased by \$27,631, net tuition revenues increased by \$181,793, auxiliary revenues increased by \$118,976, grants and contracts decreased by \$214,454, OTRS contributions and OCIA on behalf contributions increased by \$279,425, and other revenues increased by \$124,299.

Total liabilities increased from \$31,112,347 in fiscal year 2014 to \$35,974,121 in fiscal year 2015. The majority of this approximately \$4,862,000 increase was due to the implementation of GASB No. 68. Current liabilities decreased by approximately \$2,260,000 from fiscal year 2014 to fiscal year 2015, of which the majority of were invoices related to the construction/renovation of the new buildings that were outstanding at the end of 2014 that were fully paid in 2015.

Connors State College

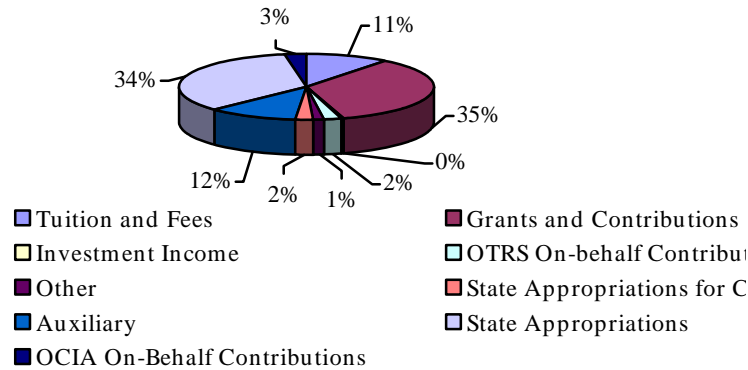
(An Organizational Unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges)

Management’s Discussion and Analysis (Unaudited)

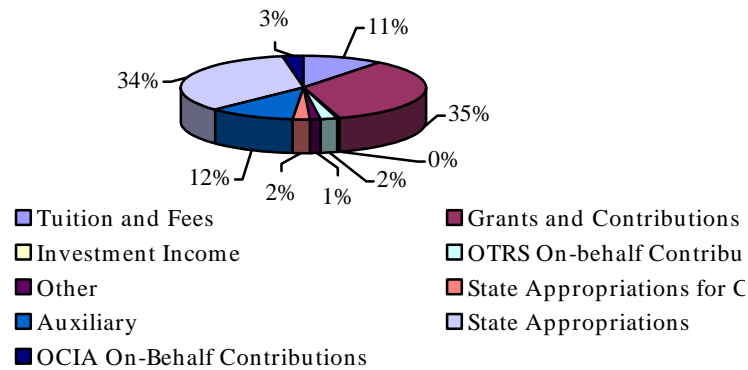
Financial Analysis of the College as a Whole (Continued)

During the three-year period, the percentage of revenue furnished by state appropriation was 34 percent for 2015, 34 percent for 2014, and 30 percent in 2013. Net tuition and fees percentage of total revenues was 11 percent in 2015 and in 2014 was 11 percent and was 12 percent in 2013, while Auxiliary Enterprises accounted for 12 percent in 2015, 12 percent in 2014, and 13 percent in 2013. Following is a graphic illustration of the College's revenues for the years ended June 30, 2015, 2014, and 2013:

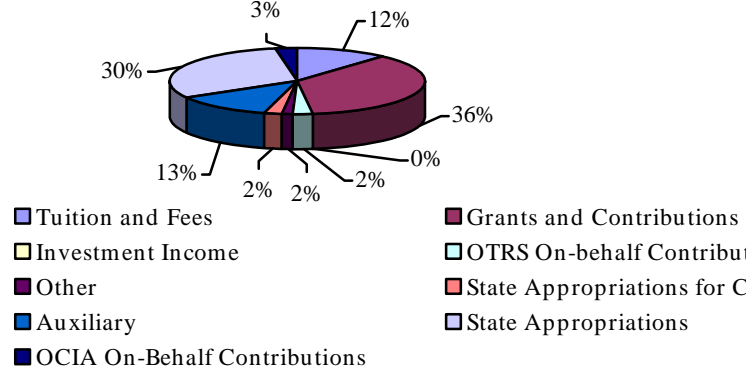
Total Revenues 2015:



Total Revenues 2014:



Total Revenues 2013:



Connors State College

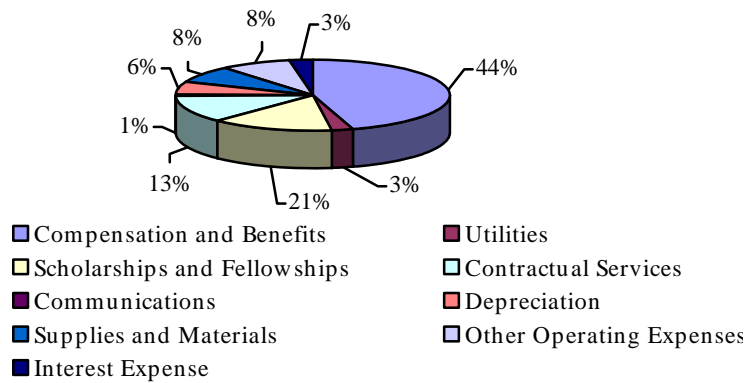
(An Organizational Unit of the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges)

Management’s Discussion and Analysis (Unaudited)

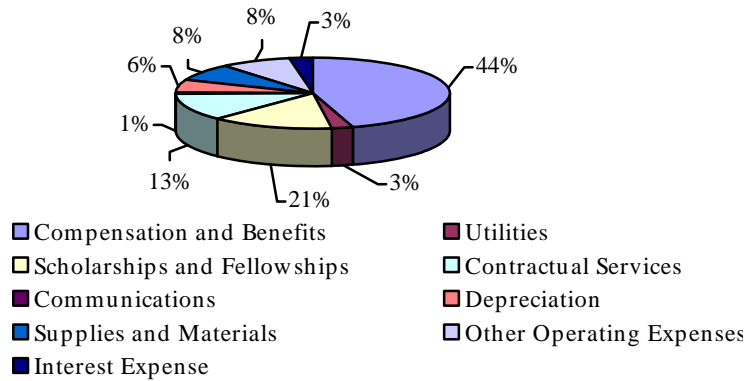
Financial Analysis of the College as a Whole (Continued)

The College's total expenses for the year ended June 30, 2014 decreased by \$595,341, primarily due to the decrease in compensation expense due to the implementation of GASB No. 68 in 2015. The College experienced a slight decrease in overall grant revenue in fiscal year 2015, which resulted in a corresponding decrease in scholarship expense during the fiscal year.

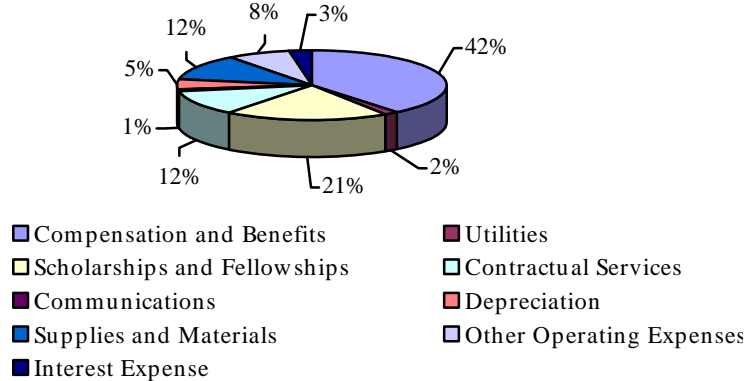
Total Expenses 2015:



Total Expenses 2014:



Total Expenses 2013:



Connors State College

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

Management's Discussion and Analysis (Unaudited)**Financial Analysis of the College as a Whole (Continued)**

During the period July 1, 2014 to June 30, 2015, the College's net position decreased overall by \$11,218,530, of which \$730,539 was due to normal operations and \$10,487,991 was due to the implementation of GASB No. 68. For fiscal year 2015, the net investment in capital assets increased by \$2,868,649 compared to an increase of \$1,054,638 in 2014. Unrestricted net position decreased by \$12,414,810 due to the implementation of GASB No. 68, while restricted net position decreased by \$1,672,369 in 2015. In 2014, unrestricted net position decreased by \$2,240,239, while restricted net position increased by \$657,949.

Analysis of Net Position:

	June 30,		Increase (Decrease)	Percent Change
	2015	2014		
Net Position				
Net investment in capital assets	\$ 11,375,098	\$ 8,506,449	\$ 2,868,649	33.72%
Restricted cash, expendable	338,654	2,011,023	(1,672,369)	(83.16%)
Unrestricted	(8,065,452)	4,349,358	(12,414,810)	(285.44%)
Total position	<u>\$ 3,648,300</u>	<u>\$ 14,866,830</u>	<u>\$ (11,218,530)</u>	<u>(75.46%)</u>

	June 30,		Increase (Decrease)	Percent Change
	2014	2013		
Net Position				
Net investment in capital assets	\$ 8,506,449	\$ 7,451,811	\$ 1,054,638	14.15%
Restricted cash, expendable	2,011,023	2,668,972	(657,949)	(24.65%)
Unrestricted	4,349,358	6,589,597	(2,240,239)	(34.00%)
Total position	<u>\$ 14,866,830</u>	<u>\$ 16,710,380</u>	<u>\$ (1,843,550)</u>	<u>(11.03%)</u>

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.

Connors State College(An Organizational Unit of the Board of Regents for the
Oklahoma Agricultural and Mechanical Colleges)**Management's Discussion and Analysis (Unaudited)****Financial Analysis of the College as a Whole (Continued)****Condensed Statements of Cash Flows:**

	Year Ended June 30,		Increase	Percent
	2015	2014	(Decrease)	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	9,501.18%
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, beginning of year	14,991,720	7,980,999	7,010,721	87.84%
Cash, end of year	\$ 1,416,597	\$ 14,991,720	\$ (13,575,123)	(90.55%)

	Year Ended June 30,		Increase	Percent
	2014	2013	(Decrease)	Change
Cash Provided by (Used in):				
Operating activities	\$ (11,549,339)	\$ (13,217,765)	\$ 1,668,426	(12.62%)
Noncapital financing activities	13,109,612	13,909,382	(799,770)	(5.75%)
Investing activities	7,373	246,987	(239,614)	(97.01%)
Capital and related financing activities	5,443,075	(1,981,960)	7,425,035	(374.63%)
Net increase (decrease) in cash	7,010,721	(1,043,356)	8,054,077	(771.94%)
Cash, beginning of year	7,980,999	9,024,355	(1,043,356)	(11.56%)
Cash, end of year	\$ 14,991,720	\$ 7,980,999	\$ 7,010,721	87.84%

Connors State College

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

Management's Discussion and Analysis (Unaudited)

Financial Analysis of the College as a Whole (Continued)

Capital Assets and Debt Administration: As of June 30, 2015, 2014 and 2013, the College had recorded \$54,946,162, \$44,591,549 and \$37,608,217, respectively, in capital assets and \$17,554,123, \$16,241,395 and \$15,580,089, respectively, in accumulated depreciation on those capital assets. In fiscal year 2015, the College performed multiple nonstructural improvements totaling \$397,711 had multiple CIP projects outstanding at June 30 totaling \$15,276,634, including the Student Union Project and the Nursing and Allied Health Building Project.

	Year Ended June 30,		Increase	Percent
	2015	2014	(Decrease)	Change
Capital assets:				
Land	\$ 769,729	\$ 769,729	\$ -	0.00%
Buildings and improvements	28,255,770	28,138,858	116,912	0.42%
Nonstructural improvements	4,622,700	3,569,035	1,053,665	29.52%
Equipment	4,870,079	4,557,320	312,759	6.86%
Library materials	810,000	810,000	-	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	54,946,162	44,591,549	10,354,613	23.22%
Less accumulated depreciation	(17,554,123)	(16,241,395)	(1,312,728)	8.08%
Net capital assets	\$ 37,392,039	\$ 28,350,154	\$ 9,041,885	31.89%
	2014	2013	Increase	Percent
			(Decrease)	Change
Capital assets:				
Land	\$ 769,729	\$ 769,729	\$ -	0.00%
Buildings and improvements	28,138,858	28,004,362	134,496	0.48%
Nonstructural improvements	3,569,035	3,016,934	552,101	18.30%
Equipment	4,557,320	4,519,788	37,532	0.83%
Library materials	810,000	810,000	-	0.00%
Livestock	233,500	205,078	28,422	13.86%
Construction in-progress	6,513,107	282,326	6,230,781	2,206.95%
Total capital assets	44,591,549	37,608,217	6,983,332	18.57%
Less accumulated depreciation	(16,241,395)	(15,580,089)	(661,306)	4.24%
Net capital assets	\$ 28,350,154	\$ 22,028,128	\$ 6,322,026	28.70%

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. During 2013, the College paid off the revenue bond early, thus causing the 10.5 percent decrease in long-term liabilities from fiscal year 2012. At June 30, 2015, 2014 and 2013, the College had long-term liabilities of \$25,611,135, \$27,303,119 and \$15,141,329, respectively.

Connors State College

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

Management's Discussion and Analysis (Unaudited)**Financial Analysis of the College as a Whole (Continued)****Long-Term Liabilities:**

	Year Ended June 30,		Increase	Percent
	2015	2014	(Decrease)	Change
OCIA capital lease	\$ -	\$ 173,159	\$ (173,159)	(100.00%)
OCIA series bond	4,507,613	5,073,044	(565,431)	(11.15%)
ODFA capital lease	21,103,522	22,056,916	(953,394)	(4.32%)
Total long-term debt	<u>\$ 25,611,135</u>	<u>\$ 27,303,119</u>	<u>\$ (1,691,984)</u>	<u>(6.20%)</u>
	Year Ended June 30,		Increase	Percent
	2014	2013	(Decrease)	Change
OCIA capital lease	\$ 173,159	\$ 202,711	\$ (29,552)	(14.58%)
OCIA series bond	5,073,044	5,670,702	(597,658)	(10.54%)
ODFA capital lease	22,056,916	9,267,916	12,789,000	137.99%
Total long-term debt	<u>\$ 27,303,119</u>	<u>\$ 15,141,329</u>	<u>\$ 12,161,790</u>	<u>80.32%</u>

Economic Outlook

The College continues to see an increase in enrollment converse to traditional trends as the economy improves. The Oklahoma economy has suffered due to declining oil and gas revenues causing a 3.5 percent decrease in state appropriations for fiscal year 2016. Reduced state support has resulted in a greater reliance on revenue from student tuition and fees to fund increases in mandatory costs and salaries to retain qualified faculty and staff. The College used revolving funds to update the aging infrastructure including facilities and technology across both campuses to minimum standards. Management continues to monitor expenditures to ensure resources are used in the most effective and efficient manner. The College remains fully committed to increasing and improving student success and student learning inside and outside the classroom while continuing to be an engaged partner with common education, business, industry, civic and government organizations.

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, 2015 and 2014**

Assets	College		Foundation	
	2015	2014	2015	2014
Current Assets				
Cash and cash equivalents	\$ 822,492	\$ 4,621,334	\$ 1,699,867	\$ 1,197,854
Restricted cash and cash equivalents	498,777	693,965	-	-
Investments	656,111	1,352,921	29,387	39,380
Accounts receivable, net	1,007,773	1,083,646	-	-
Grants and contracts receivable	189,982	255,456	-	-
Other current assets	160,133	-	-	-
Total current assets	3,335,268	8,007,322	1,729,254	1,237,234
Noncurrent Assets				
Restricted cash and cash equivalents	95,328	9,676,421	-	-
Capital assets, net	37,392,039	28,350,154	-	-
Total noncurrent assets	37,487,367	38,026,575	-	-
Total assets	\$40,822,635	\$46,033,897	\$ 1,729,254	\$ 1,237,234
Deferred Outflows of Resources				
Deferred charge on OCIA Lease restructure	\$ 48,481	\$ 96,961	\$ -	\$ -
Deferred outflows for pensions	1,161,138	-	-	-
Total deferred outflows	\$ 1,209,619	\$ 96,961	\$ -	\$ -

(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, 2015 and 2014

Liabilities and Net Position	College		Foundation	
	2015	2014	2015	2014
Current Liabilities				
Accounts payable	\$ 844,113	\$ 2,894,978	\$ 13,961	\$ 18,626
Accrued liabilities	2,134	17,698	-	-
Other current liabilities	469	17,614	-	-
Unearned revenues	145,800	142,450	-	-
Student and other deposits	8,588	82,597	-	-
Current portion of noncurrent liabilities	1,677,149	1,766,851	-	-
Total current liabilities	2,678,253	4,938,456	13,961	18,626
Noncurrent Liabilities, net of current portion				
Accrued pension benefit and OPEB obligation	54,047	83,591	-	-
Accrued compensated absences	123,665	154,637	-	-
Net pension liability	8,733,960	-	-	-
ODFA capital lease obligation, net of premium	20,478,362	21,463,391	-	-
OCIA capital lease obligation	3,905,834	4,488,540	-	-
Total noncurrent liabilities	33,295,868	26,173,891	-	-
Total liabilities	\$35,974,121	\$31,112,347	\$ 13,961	\$ 18,626
Deferred Inflows of Resources				
Deferred charge on OCIA Lease restructure	\$ 152,104	\$ 151,681	\$ -	\$ -
Deferred inflows related to pensions	2,257,729	-	-	-
Total deferred inflows	\$ 2,409,833	\$ 151,681	\$ -	\$ -
Net Position				
Net investment in capital assets	\$11,375,098	\$ 8,506,449	\$ -	\$ -
Restricted for:				
Nonexpendable, scholarships and other	-	-	669,650	663,769
Expendable:				
Scholarships, research, instruction and other	335,466	451,634	361,727	320,942
Loans	3,188	3,187	-	-
Capital projects	-	1,556,202	-	-
Unrestricted	(8,065,452)	4,349,358	683,916	233,897
Total net position	\$ 3,648,300	\$14,866,830	\$ 1,715,293	\$ 1,218,608

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, 2015 and 2014**

	College		Foundation	
	2015	2014	2015	2014
Operating Revenues:				
Student tuition and fees, net of scholarship allowances of \$2,715,000 and \$2,472,000 for 2015 and 2014, respectively	\$ 2,313,009	\$ 2,131,216	\$ -	\$ -
Federal grants and contracts	855,681	696,224	-	-
State and local grants and contracts	137,928	158,674	-	-
Sales and services of education departments	18,367	20,761	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship allowances of \$591,000 and \$540,000 for 2015 and 2014, respectively	550,014	465,233	-	-
Food services, net of scholarship allowances of \$370,000 and \$346,000 for 2015 and 2014, respectively	342,796	298,213	-	-
Bookstore, net of scholarship allowances of \$97,000 and \$356,000 for 2015 and 2014, respectively	74,901	306,936	-	-
Student Union	623,776	584,153	-	-
All other	857,259	675,235	-	-
Gifts and contributions	-	-	1,084,758	402,130
Other operating revenues	207,824	192,457	-	-
Total operating revenues	5,981,555	5,529,102	1,084,758	402,130
Operating Expenses:				
Compensation and employee benefits	9,048,933	9,949,430	-	-
Contractual services	2,843,328	2,763,300	-	-
Supplies and materials	1,535,060	1,712,631	29,702	30,122
Utilities	585,209	550,930	-	-
Communications	120,070	113,960	-	-
Other operating expenses	2,239,986	1,849,778	438,135	186,618
Scholarships and fellowships	2,751,870	3,185,587	111,012	118,473
Depreciation	1,353,128	1,269,037	-	-
Total operating expenses	20,477,584	21,394,653	578,849	335,213
Operating income (loss)	(14,496,029)	(15,865,551)	505,909	66,917
Nonoperating Revenues (Expenses):				
State appropriations	6,951,650	6,924,019	-	-
OTRS on-behalf contributions	480,225	495,000	-	-
Federal grants and contracts	4,941,787	5,333,636	-	-
State grants and contracts	876,373	837,689	-	-
Investment income (loss)	11,085	12,744	(9,224)	6,506
Interest expense	(941,670)	(619,942)	-	-
Total net nonoperating revenues (expenses)	12,319,450	12,983,146	(9,224)	6,506
Income (loss) before other revenues, expenses, gains or (losses)	(2,176,579)	(2,882,405)	496,685	73,423

(Continued)

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, 2015 and 2014**

	College		Foundation	
	2015	2014	2015	2014
Other Revenues, Expenses, Gains or (Losses)				
Capital contributions	157,253	44,268	-	-
State appropriations restricted for capital purposes	436,941	436,941	-	-
On-behalf state appropriations restricted for debt service	851,846	557,646	-	-
Total other revenues, expenses, gains or (losses)	1,446,040	1,038,855	-	-
Change in net position	(730,539)	(1,843,550)	496,685	73,423
Net Position, beginning of year	14,866,830	16,710,380	1,218,608	1,145,185
Restatement—Implementation of GASB 68 & 71	(10,487,991)	-	-	-
Net position, beginning, as restated	4,378,839	16,710,380	1,218,608	1,145,185
Net Position, end of year	\$ 3,648,300	\$14,866,830	\$ 1,715,293	\$ 1,218,608

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, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Tuition and fees	\$ 2,567,924	\$ 2,248,084
Grants and contracts	1,059,083	739,822
Auxiliary enterprise charges	2,273,055	2,018,676
Other operating receipts	66,057	290,348
Payments to employees for salaries and benefits	(9,327,568)	(9,391,583)
Payments to suppliers	(10,197,705)	(9,681,260)
Net cash (used in) operating activities	(13,559,154)	(13,775,913)
Cash Flows from Noncapital Financing Activities:		
State appropriations	6,951,650	6,924,019
Federal grants and contracts	4,941,787	5,333,636
State grants and contracts	876,373	837,689
Miscellaneous	114,103	14,268
Federal direct student loan receipts	4,207,471	4,554,202
Federal direct student loan disbursements	(4,207,471)	(4,554,202)
Net cash provided by noncapital financing activities	12,883,913	13,109,612
Cash Flows from Capital and Related Financing Activities:		
Cash paid for capital assets	(12,371,700)	(5,334,489)
Capital appropriations received	436,941	436,941
Proceeds of capital debt and leases	833,679	13,578,503
Repayments of capital debt and leases	(1,706,394)	(517,000)
Interest paid on capital debt and leases	(800,303)	(494,306)
Net cash provided by (used in) capital and related financing activities	(13,607,777)	7,669,649
Cash Flows from Investing Activities:		
Purchase of investments	(9,594)	(8,684)
Proceeds from sales and maturities of investments	700,000	-
Interest received on investments	17,489	16,057
Net cash provided by investing activities	707,895	7,373
Net change in cash and cash equivalents	(13,575,123)	7,010,721
Cash and Cash Equivalents, beginning of year	14,991,720	7,980,999
Cash and Cash Equivalents, end of year	\$ 1,416,597	\$ 14,991,720

(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, 2015 and 2014

	2015	2014
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (14,496,029)	\$ (15,865,551)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,353,128	1,269,037
On-behalf contributions to teachers' retirement system	480,225	495,000
Changes in net assets and liabilities:		
Accounts and other receivables	141,347	(305,920)
Inventories	-	536,773
Deferred outflows related to pensions	(29,463)	-
Other assets	(160,133)	77,130
Accounts payable and accrued expenses	(93,281)	(113,365)
Deferred inflows related to pensions	2,257,729	-
Net pension liability	(2,885,706)	-
Unearned revenues	3,350	(3,382)
Student and other deposits	(74,009)	52,441
Compensated absences	(56,312)	81,924
Net cash used in operating activities	\$ (13,559,154)	\$ (13,775,913)
Noncash Capital and Related Financing Activities:		
Interest on capital debt paid by state agency on behalf of the College	\$ 125,163	\$ 84,475
Principal on capital debt paid by state agency on behalf of the College	726,683	473,171
Capital assets received as gifts and contributions	43,150	30,000
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Current assets:		
Cash and cash equivalents	\$ 822,492	\$ 4,621,334
Restricted cash and cash equivalents	498,777	693,965
Noncurrent assets, restricted cash and cash equivalents	95,328	9,676,421
Total cash and cash equivalents	\$ 1,416,597	\$ 14,991,720

See Notes to Financial Statements.

Connors State College

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

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.

In prior years, the College reported itself as a component unit of the State of Oklahoma. Based on an evaluation performed by management during 2015 it was determined that the College is not a legally separate entity, and therefore it is not a component unit of the State. The College is an organizational unit of the Board of Regents as mentioned above.

Connors Development Foundation: 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.

Connors State College

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Inventories: Inventories consist primarily of books and supplies held for resale. Inventories are carried at the lower of cost (first-in, first-out) or market. Effective August 1, 2013, a third party took over ownership and operation of the bookstore. This transaction did not constitute a service concession arrangement in accordance with GASB Statement No. 60.

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.

Costs incurred during construction of long-lived assets are recorded as construction in progress and are not depreciated until placed in service. The College capitalizes interest as a component of capital assets constructed for its own use. There was no capitalized interest in 2015 or 2014.

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.

Connors State College

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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

Pensions: For purposes of measuring the net pension liability, deferred inflows and outflows of resources related to pensions, pension expense, information about the fiduciary net position of the Oklahoma Teacher's Retirement System (OTRS) and additions to/deductions from OTRS's fiduciary net position have been determined on the same basis as 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 held by OTRS are reported at fair value.

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 said resources in accordance with restrictions imposed by external third parties or through enabling legislation.

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

Unrestricted net position: Unrestricted net position represent 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.

Connors State College

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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: As a state institution of higher education the income of the College is generally 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). Such amounts have historically been insignificant.

Classification of revenues and expenses: The College has classified its revenues and expenses 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 educational departments and of auxiliary enterprises, and (3) certain federal, state, and nongovernmental grants and contracts that relate specifically to revenues used for student financial assistance.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB, such as state appropriations, certain governmental grants, and investment income.

Operating expenses: Operating expenses are those expenses directly related to providing the students services and include items such as compensation, supplies, scholarships and utilities.

Nonoperating expenses: Nonoperating expenses is comprised entirely of interest expense on long-term liabilities.

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, 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, 2015, the College's deferred inflows of resources were comprised of credits realized on an OCIA lease restructure and deferred inflows related to pensions.

Connors State College

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

New accounting pronouncements adopted in fiscal year 2015: The College adopted the following new accounting pronouncement during the year ended June 30, 2015:

Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27 (GASB No. 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. The provisions of the statement are effective for fiscal periods beginning after June 15, 2014. The adoption of GASB No. 68 resulted in a decrease in net position of \$10,487,991 as of July 1, 2014.

Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date— an amendment of GASB Statement No. 68 (GASB No. 71) was issued in November 2013 and amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement were required to be adopted simultaneously with the adoption of GASB Statement 68. The adoption of GASB No. 71 resulted in the recording of a deferred outflow of \$1,131,675 for contributions and an increase in net position as of July 1, 2014.

The College did not restate its 2014 financial statements because information concerning the net pension liability at July 1, 2013, was not available.

New accounting pronouncements issued not yet adopted: The GASB has also issued several new accounting pronouncements which will be effective for 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:

Statement No. 72, Fair Value Measurement and Application: Issued February 2015, 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. This statement is effective for financial statements for periods beginning after June 15, 2015.

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: Issued June 2015, will be effective for the College beginning with its fiscal year ending June 30, 2016. Those provisions of the statement that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective beginning with fiscal year ending June 30, 2017. The Statement establishes requirements 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.

Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans: Issued in June 2015 and replaces Statements No. 43 Financial Reporting for Postemployment Benefits Plans Other than Pension Plans, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The provisions of Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions: Issued June 2015, will be effective for the College 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.

Statement No. 76, The Hierarchy of Generally Accepted accounting Principles for State and Local Governments: Issued in June 2015 and supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The College is currently evaluating the impact that these new standards will have on its financial statements.

Note 2. Deposits and Investments

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

Oklahoma Statutes require the State Treasurer to ensure that all State funds either be insured by Federal Deposit Insurance, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations. The College's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in financial institutions or invested as the 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, collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. Government obligations in the College's name. As of June 30, 2015 and 2014 the College's deposits were not exposed to custodial credit risk.

The carrying amount of the College's deposits with the State Treasurer and other financial institutions at June 30, 2015 and 2014 were \$1,416,597 and \$14,991,720, respectively. These amounts consisted of deposits with the State Treasurer of \$1,316,969 and \$5,176,606, U.S. financial institutions of \$95,328 and \$9,810,814 and change funds of \$4,300 and \$4,300, respectively, as of June 30, 2015 and 2014.

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

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Notes to Financial Statements**Note 2. Deposits and Investments (Continued)**

Of funds on deposit with the State Treasurer, amounts invested in *OK INVEST* totaled \$43,055 in 2015 and \$0 in 2014.

For financial reporting purposes, deposits with the State Treasurer that are invested in *OK INVEST* are classified as cash equivalents.

At June 30, 2015 and 2014, the distribution of deposits in *OK INVEST* is as follows:

OK INVEST Portfolio	2015		2014	
	Cost	Fair Value	Cost	Market Value
U.S. Agency securities	\$ 17,148	\$ 17,129	\$ -	\$ -
Certificates of deposit	5,362	5,362	-	-
Money market mutual funds	864	864	-	-
End of day commercial paper sweep	1,166	1,166	-	-
Mortgage backed agency securities	16,756	16,970	-	-
Municipal bonds	592	642	-	-
Foreign bonds	329	329	-	-
U.S. Treasury Obligations	494	593	-	-
Total	<u>\$ 42,711</u>	<u>\$ 43,055</u>	<u>\$ -</u>	<u>\$ -</u>

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 which establish the framework for the day to day *OK INVEST* management with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and specify the types and maturities of allowable investments, and the specifics regarding these policies can be found on the State Treasurer's website at <http://www.treasurer.state.ok.us/>.

The State Treasurer, at his discretion, may further limit or restrict such investments on a day to day basis. *OK INVEST* includes a substantial investment in securities with an overnight maturity as well as in U.S. Government securities with a maturity of up to ten years. *OK INVEST* maintains an overall weighted average maturity of no more than four years.

Participants in *OK INVEST* maintain an interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/default risk, liquidity risk, and U.S. Government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher. Credit/default risk is the risk that an issuer or guarantor of a security, or a bank or other financial institution that has entered into a repurchase agreement, may default on its payment obligations.

Liquidity risk is the risk that *OK INVEST* will be unable to pay redemption proceeds within the stated time period because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

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Notes to Financial Statements**Note 2. Deposits and Investments (Continued)**

U.S. Government securities risk is the risk that the U.S. Government will not provide financial support to U.S. Government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Various investment restrictions and limitations are enumerated in the State Treasurer's Investment Policy to mitigate those risks; however, any interest in *OK INVEST* is not insured or guaranteed by the State, the FDIC or any other government agency.

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

	2015	2014
Oklahoma State University investment pool	\$ 656,111	\$ 1,352,921
OK Invest internal investment pool (classified as cash equivalents in the statement of net position)	43,055	-
	<u>\$ 699,166</u>	<u>\$ 1,352,921</u>

The Oklahoma State University investment pool includes various U.S. Government securities and mortgage-backed securities.

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

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

Concentration of credit risk: 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.

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

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

Connors State College(An Organizational Unit of the Board of Regents for the
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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:

	2015	2014
Student tuition and fees	\$ 1,592,993	\$ 1,050,774
Auxiliary enterprises and other student activities	1,208,704	1,033,012
Less allowance for doubtful accounts	(1,793,924)	(1,000,140)
	<u>\$ 1,007,773</u>	<u>\$ 1,083,646</u>

Note 4. Capital Assets

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

	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	<u>7,516,336</u>	<u>9,707,080</u>	<u>(655,953)</u>	<u>(179,850)</u>	<u>16,387,613</u>
Capital assets being depreciated:					
Buildings and improvements	28,138,858	116,912	-	-	28,255,770
Nonstructural improvements	3,569,035	397,712	655,953	-	4,622,700
Equipment	4,557,320	353,159	-	(40,400)	4,870,079
Library materials	810,000	-	-	-	810,000
Total capital assets being depreciated	<u>37,075,213</u>	<u>867,783</u>	<u>655,953</u>	<u>(40,400)</u>	<u>38,558,549</u>
Less accumulated depreciated for:					
Buildings and improvements	(9,987,292)	(695,119)	-	-	(10,682,411)
Nonstructural improvements	(1,838,371)	(252,087)	-	-	(2,090,458)
Equipment	(3,605,732)	(405,922)	-	40,400	(3,971,254)
Library materials	(810,000)	-	-	-	(810,000)
Total accumulated depreciation	<u>(16,241,395)</u>	<u>(1,353,128)</u>	<u>-</u>	<u>40,400</u>	<u>(17,554,123)</u>
Capital assets, net	<u>\$28,350,154</u>	<u>\$9,221,735</u>	<u>\$ -</u>	<u>\$ (179,850)</u>	<u>\$37,392,039</u>

Connors State College(An Organizational Unit of the Board of Regents for the
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Following are the changes in capital assets for the year ended June 30, 2014:

	Balance				Balance
	June 30, 2013	Additions	Transfers	Retirements	June 30, 2014
Capital assets not being depreciated:					
Land	\$ 769,729	\$ -	\$ -	\$ -	\$ 769,729
Livestock	205,078	138,172	-	(109,750)	233,500
Construction in progress	282,326	6,641,043	(410,262)	-	6,513,107
Total capital assets not being depreciated	1,257,133	6,779,215	(410,262)	(109,750)	7,516,336
Capital assets being depreciated:					
Buildings and improvements	28,004,362	248,332	362,527	(476,363)	28,138,858
Nonstructural improvements	3,016,934	504,366	47,735	(131,368)	3,437,667
Equipment	4,519,788	168,900	-	-	4,688,688
Library materials	810,000	-	-	-	810,000
Total capital assets being depreciated	36,351,084	921,598	410,262	(607,731)	37,075,213
Less accumulated depreciated for:					
Buildings and improvements	(9,824,565)	(639,090)	-	476,363	(9,987,292)
Nonstructural improvements	(1,624,948)	(213,423)	-	-	(1,838,371)
Equipment	(3,320,576)	(416,524)	-	131,368	(3,605,732)
Library materials	(810,000)	-	-	-	(810,000)
Total accumulated depreciation	(15,580,089)	(1,269,037)	-	607,731	(16,241,395)
Capital assets, net	\$22,028,128	\$6,431,776	\$ -	\$ (109,750)	\$28,350,154

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Notes to Financial Statements

Note 5. Long-Term Liabilities

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

	Balance			Amounts	
	June 30, 2014	Additions	Reductions	Balance June 30, 2015	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
Premium on ODFA lease obligations	289,142	80,679	(20,792)	349,029	-
Total bonds and capital leases	27,592,261	994,931	(2,627,028)	25,960,164	1,575,968
Other liabilities:					
Net pension liability-OTRS	-	11,619,666	(2,885,706)	8,733,960	-
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	364,749	11,715,163	(3,067,059)	9,012,853	101,181
Total long-term liabilities	\$ 27,957,010	\$ 12,710,094	\$ (5,694,087)	\$ 34,973,017	\$ 1,677,149

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance			Amounts	
	June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Bonds payable and capital lease obligations:					
OCIA capital lease obligation	\$ 202,711	\$ -	\$ (29,552)	\$ 173,159	\$ 30,980
OCIA 2005F Series	3,488,517	-	(2,930,158)	558,359	272,107
OCIA 2010A Series	1,420,030	-	-	1,420,030	135,827
OCIA 2010B Series	762,155	-	(443,406)	318,749	318,749
OCIA 2014A Series	-	2,775,906	-	2,775,906	-
ODFA 2004B Series	918,000	-	(63,000)	855,000	70,000
ODFA 2011A Series	531,999	-	(60,167)	471,832	62,167
ODFA 2011E Series	7,817,917	-	(325,833)	7,492,084	335,000
ODFA 2014C Series—Student Union	-	5,421,000	(27,692)	5,393,308	169,224
ODFA 2014C Series—Nursing Allied Health	-	7,885,000	(40,308)	7,844,692	246,276
Premium on ODFA lease obligations	21,600	272,503	(4,961)	289,142	-
Total bonds and capital leases	15,162,929	16,354,409	(3,925,077)	27,592,261	1,640,330
Other liabilities:					
Accrued pension obligation	107,414	-	(23,823)	83,591	-
Accrued compensated absences	199,234	164,896	(82,972)	281,158	126,521
Total other liabilities	306,648	164,896	(106,795)	364,749	126,521
Total long-term liabilities	\$ 15,469,577	\$ 16,519,305	\$ (4,031,872)	\$ 27,957,010	\$ 1,766,851

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Notes to Financial Statements**Note 5. Long-Term Liabilities (Continued)****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 begin 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 the 2015, these bonds were refinanced with the issuance of the ODFA Series 2014C-D.

ODFA Higher Education Master Lease Program—Series 2011A: In July 2011, the College entered into a capital lease obligation Series 2011A in the amount of \$646,000. Lease payments over the term of the agreement, including interest, total \$779,803. Payments begin August 15, 2011, and go through May 15, 2021, and will be made monthly ranging from \$6,597 to \$7,094. Proceeds from the obligation were used for structural improvements to the College's waste management system. As of June 30, 2015, the College has \$17,148 in restricted cash for the use of the project.

As of June 30, 2015, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 64,167	\$ 14,900	\$ 79,067
2017	66,166	12,975	79,141
2018	68,166	11,009	79,175
2019	70,166	9,160	79,326
2020	72,250	6,832	79,082
2021	68,750	3,355	72,105
	<u>\$ 409,665</u>	<u>\$ 58,231</u>	<u>\$ 467,896</u>

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 \$11,837,229. Payments begin October 15, 2011, and go through May 15, 2032, and will be made monthly ranging from \$27,251 to \$49,820. Proceeds from the obligation were used in the purchase of the Miller's Crossing building from the LLC.

As of June 30, 2015, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 335,833	\$ 249,073	\$ 584,906
2017	345,417	242,356	587,773
2018	350,833	235,375	586,208
2019	360,417	227,406	587,823
2020	366,250	218,320	584,570
2021-2025	1,990,000	919,028	2,909,028
2026-2030	2,377,917	519,678	2,897,595
2031-2032	1,030,417	64,830	1,095,247
	<u>\$ 7,157,084</u>	<u>\$ 2,676,066</u>	<u>\$ 9,833,150</u>

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Notes to Financial Statements**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 were used to renovate the College's Student Union. As of June 30, 2015, the College had drawn down all available funds for this project.

As of June 30, 2015, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 203,417	\$ 184,213	\$ 387,630
2017	208,417	179,990	388,407
2018	213,333	174,126	387,459
2019	217,417	169,860	387,277
2020	222,583	165,326	387,909
2021-2025	1,260,417	678,451	1,938,868
2026-2030	1,512,333	423,347	1,935,680
2031-2034	1,386,167	130,581	1,516,748
	<u>\$ 5,224,084</u>	<u>\$ 2,105,894</u>	<u>\$ 7,329,978</u>

ODFA Higher Education Master Lease Program—Series 2014C—Nursing Allied Health: In April 2014, the College entered into a capital lease obligation Series 2014C-Nursing Allied Health in the amount of \$7,885,000. Lease payments over the term of the agreement, including interest, total \$7,749,763. Payments began May 15, 2014, and go through May 15, 2034, and will be made monthly ranging from \$42,957 to \$47,100. Proceeds from the obligation will be used to build the College's Nursing Allied Health Building on the Muskogee Campus. As of June 30, 2015, the College has \$78,181 in restricted cash for the use of the project.

As of June 30, 2015, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 295,333	\$ 267,905	\$ 563,238
2017	299,917	261,777	561,694
2018	310,500	253,350	563,850
2019	316,583	247,140	563,723
2020	323,750	240,539	564,289
2021-2025	1,831,583	987,074	2,818,657
2026-2030	2,202,333	616,467	2,818,800
2031-2034	2,018,417	190,103	2,208,520
	<u>\$ 7,598,416</u>	<u>\$ 3,064,355</u>	<u>\$ 10,662,771</u>

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Notes to Financial Statements**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.

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 601,779	\$ 281,636	\$ 883,415
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
2021-2025	752,711	579,108	1,331,819
2026-2030	1,486,687	304,881	1,791,568
2031-2031	341,472	16,869	358,341
	<u>\$ 4,507,613</u>	<u>\$ 1,759,338</u>	<u>\$ 6,266,951</u>

Oklahoma Capital Improvement Authority Lease Obligations (OCIA): Oklahoma Capital Improvement Authority Lease Obligations: The Oklahoma Capital Improvement Authority (OCIA) periodically issues bonds, which are allocated to the State Regents for Higher Education (the State Regents), to be used for specific projects at Oklahoma higher education institutions. The College has participated in these projects as discussed below. In each of the transactions, OCIA and the College have entered into a lease agreement with terms characteristic of a capital lease. As a result, the College recognizes its share of the liability and the related assets in connection with the projects being constructed or acquired, in its financial statements. Annually, the State Legislature appropriates funds to the State Regents to make the monthly lease principal and interest payments on-behalf of the College.

In September 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents allocated \$500,612 to the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA for the project being funded by the OCIA bonds. The lease agreement provides for the College to make specified monthly payments to OCIA over the respective terms of the agreements, which is for approximately 20 years. The proceeds for the bonds and subsequent leases were provided for capital improvements at the College.

The College has drawn-down 100 percent of its total allotment for expenditures incurred in connection with the specific projects. These expenditures have been capitalized as investments in capital assets, in accordance with the College's policy.

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 by the State of Oklahoma on behalf of the College. Concurrently with the allocation, the College entered into a lease agreement with OCIA, for the projects being funded by the OCIA bonds. The proceeds of the bonds and subsequent leases are to provide for capital improvements at the College.

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Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

Through June 30, 2015, the College has drawn-down all of its total allotment, which includes interest, for expenditures incurred in connection with the specific projects. These expenditures have been capitalized as investments in capital assets or recorded as operating expenses, in accordance with the College's policy.

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 deferred outflow of resources of \$642,631, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2015 and 2014, the unamortized cost totaled \$48,481 and \$96,961, respectively. 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.

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. The College has recorded a deferred inflow of resources of \$154,039, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2015, the remaining deferred inflow of resources totaled \$142,250. 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. The College has recorded a deferred inflow of resources of \$11,097, which is the difference between the reacquisition price and the net carrying amount of the old debt that is being amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. As of June 30, 2015, the remaining deferred inflow of resources totaled \$9,854. 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.

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Notes to Financial Statements

Note 5. Long-Term Liabilities (Continued)

During the years ended June 30, 2015 and 2014, the State Regents made lease interest and principal payments totaling \$851,846 and \$557,646, respectively, on behalf of the College. These on-behalf payments have been recorded as on-behalf state appropriations restricted for debt service in the College's statement of revenues, expenses, and changes in net position. As stated above, the on-behalf payments are subject to annual appropriations by the State Legislature.

At June 30, 2015, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 75,439	\$ 28,072	\$ 103,511
2017	75,750	26,185	101,935
2018	78,750	23,463	102,213
2019	81,750	20,401	102,151
2020	84,750	17,059	101,809
2021-2024	317,834	29,372	347,206
	<u>\$ 714,273</u>	<u>\$ 144,552</u>	<u>\$ 858,825</u>

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 contributes to the OTRS, which is a cost-sharing multiple-employer defined benefit pension plan sponsored by the State of Oklahoma. OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. The benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma Statutes, Sections 17-101 through 17-116.9, as amended, assigns the authority for management and operation of the plan to the Board of Trustees of OTRS. OTRS does not provide for a cost-of-living adjustment. OTRS issues a publicly available financial report that includes financial statements and supplementary information for OTRS. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the OTRS website at www.trs.state.ok.us.

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

Members become 100 percent 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 percent of final compensation for each year of credited service.

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Notes to Financial Statements

Note 6. Retirement Plans (Continued)

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 percent 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 percent of final average compensation for the applicable years of credited service.

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

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Employees Group Insurance Division (EGID), depending on the members' years of service during 2014.

Contributions: The contributions requirements of OTRS 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 compensation. The College pays the employee contributions as a pre-tax benefit for the employees. The College's contribution rate is 9.5% of the employees' annual pay and an additional 8.25% for any employees' salaries covered by federal funds for the years ended June 30, 2015 and 2014. The College's contributions to OTRS in 2015, including both the employer share and the employee share, was approximately \$1,132,000, equal to the required contributions. In addition, the State of Oklahoma also contributed 5 percent of State revenues from sales, use and individual income taxes to OTRS. The amounts contributed on-behalf of the College and recognized in the College's Statement of Revenues, Expenses and Changes in Net Position as both revenues and compensation and employee benefit expense in 2015 was \$480,225. These on-behalf payments did not meet the criteria of a special funding situation.

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions: At June 30, 2015, the College reported a liability of \$8,733,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 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, 2014. Based upon this information, the College's proportion was 0.1623 percent.

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Notes to Financial Statements**Note 6. Retirement Plans (Continued)**

For the year ended June 30, 2015, the College recognized pension expense of \$983,923. 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	\$ -	\$ 143,962
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan	-	2,113,767
College contributions subsequent to the measurement date	1,161,138	-
Total	<u>\$ 1,161,138</u>	<u>\$ 2,257,729</u>

Deferred pension outflows totaling \$1,161,138 resulting from the College's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows totaling \$2,113,767 resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$143,962 resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are estimated at 6.32 years at June 30, 2014 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (555,503)
2017	(555,503)
2018	(555,503)
2019	(555,502)
2020	(27,061)
Thereafter	(8,657)
	<u>\$ (2,257,729)</u>

Actuarial Assumptions: The total pension liability as of June 30, 2014, 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 percent
- Salary Increases—Composed of 3.00 percent inflation, plus 1.00 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return—8.00 percent
- 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—RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90 percent for males and 80 percent for females.

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Notes to Financial Statements**Note 6. Retirement Plans (Continued)**

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.

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	100.00%	

* 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 percent was used to measure the total pension liability as of June 30, 2013 and June 30, 2014. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00 percent. 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 percent, 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 percent) or 1-percentage-point higher (9 percent) than the current rate:*

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Employers' net pension liability	\$ 12,270,068	\$ 8,733,960	\$ 5,749,364

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.

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Notes to Financial Statements**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, 2015 and 2014.

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 percent per year to determine the present value of future benefit payments, (b) retirement at age 65, (c) a 6.5 percent rate of return on investments, (d) projected salary increases of 3.5 percent per year, and (e) a 6.5 percent 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 years.

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

	2015	2014
Annual required contribution	\$ 21,936	\$ 21,936
Interest on net pension obligation	7,369	7,369
Adjustment to annual contribution	(10,444)	(11,610)
Annual pension cost	18,861	17,695
Contributions made	(50,463)	(50,463)
Decrease in net pension obligation	(31,602)	(32,768)
Net Pension Obligation, beginning of year	60,516	93,284
Net Pension Obligation, end of year	<u>\$ 28,914</u>	<u>\$ 60,516</u>

Funded status and funding progress: The funded status of the plan as of June 30, 2015, was as follows:

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

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Notes to Financial Statements**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:

<u>Year Ending June 30:</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 24,521	202.0%	\$ 93,284
2014	17,695	285.2%	60,516
2015	18,861	267.6%	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, 2015, 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 percent 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.

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

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 3,725	\$ 1,421
Adjustment to annual required contribution	-	11,249
Annual life insurance cost	3,725	12,670
Contributions made	1,667	3,725
Increase in net obligation	2,058	8,945
Net OPEB Obligation, beginning of year	23,075	14,130
Net OPEB Obligation, end of year	<u>\$ 25,133</u>	<u>\$ 23,075</u>

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Notes to Financial Statements**Note 7. Other Post-Employment Insurance Benefits (Continued)**

The net obligation at June 30, 2015, is included in accrued pension and OPEB obligation in the statements of net position.

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

Actuarial accrued liability (AAL)	\$ 25,133
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 25,133</u>
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	0.46%

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

Trend information

<u>Year Ending June 30:</u>	<u>Annual OPEB Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 4,315	39%	\$ 14,130
2014	12,670	29%	23,075
2015	3,725	45%	25,133

Note 8. Connors Development Foundation, Inc.

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, 2015 and 2014 the Foundation awarded scholarships to students totaling approximately \$111,000 and \$118,000 for 2015 and 2014, respectively.

The College received in-kind contributions of approximately \$157,000 and \$44,000 during 2015 and 2014, 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, 2015 and 2014 were approximately \$177,000 and \$141,000, respectively.

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Notes to Financial Statements

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. The College does not have any exposure for claims in excess of premiums.

Required Supplementary Information

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Required Supplementary Information (Unaudited)
June 30, 2015

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)
6/30/2008	\$ -	\$ 247,766	\$ 247,766	0.00%	\$ -	0.00%
6/30/2009	-	236,447	236,447	0.00%	-	0.00%
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.

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Required Supplementary Information (Unaudited)
Schedule of the College's Proportionate Share of the Net Pension Liability
Oklahoma Teachers' Retirement System (OTRS)
Last 10 Fiscal Years*

College's proportion of the net pension liability	0.1623%
College's proportionate share of the net pension liability	\$ 8,733,960
College's covered-employee payroll	6,967,930
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125%
Plan fiduciary net position as a percentage of the total pension liability	72.43%

Notes to Schedule:

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

Connors State College

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Required Supplementary Information**Schedule of the College's Contributions (Unaudited)****Oklahoma Teachers' Retirement System (OTRS)****Last 10 Fiscal Years**

	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,161,138	\$ 1,131,675	\$ 1,134,962	\$ 1,188,389	\$ 1,216,717
Contributions in relation to the contractually required contribution	1,161,138	1,131,675	1,134,962	1,188,389	1,216,717
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 6,967,930	\$ 6,785,277	\$ 6,755,262	\$ 6,991,329	\$ 7,408,262
Contributions as a percentage of covered-employee payroll	16.66%	16.68%	16.80%	17.00%	16.42%
	2010	2009	2008	2007	2006
Contractually required contribution	\$ 1,091,794	\$ 996,787	\$ 962,682	\$ 884,478	\$ 806,644
Contributions in relation to the contractually required contribution	1,091,794	996,787	962,682	884,478	806,644
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 6,730,173	\$ 6,337,092	\$ 6,344,348	\$ 6,191,242	\$ 5,758,988
Contributions as a percentage of covered-employee payroll	16.22%	15.73%	15.17%	14.29%	14.01%

**Report Required by
*Government Auditing Standards***

**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***

Independent Auditor's Report

Board of Regents for the 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), a component unit of the State of Oklahoma, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 2, 2015. Our report includes emphasis of matters paragraphs describing the adoption of new accounting standards in the fiscal year ended June 30, 2015, and that the College is an organizational unit of the Regents and these financial statements reflect only the assets, liabilities and revenues and expenses of the College and not the Regents as a whole. The Connors Development Foundation (the Foundation) has been presented as part of the reporting entity. This legally separate organization was audited by other auditors. The Foundation was not audited in accordance with *Government Auditing Standards*.

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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2015-01, 2015-02 and 2015-03 that we consider to be significant deficiencies.

College's Responses to Findings

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

Compliance and Other Matters

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

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.

RSM US LLP

Oklahoma City, Oklahoma
November 2, 2015

Connors State College

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

Schedule of Findings and Responses Year Ended June 30, 2015

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, 2013. Furthermore the accounts payable detail did not agree to the trial balance.

Cause: In order to determine accounts payable at year-end, the College receives a report from a third party that contains all invoices dated prior to year-end but paid after year-end. These invoices are then recorded in accounts payable as of year-end. However, the College does not perform a review to ensure that all invoices received after year end are actually included in the report.

The accounts payable detail did not agree to the trial balance due to unapplied student payments being booked to accounts payable instead of accounts receivable.

Context: Accounts payable that should be accrued at year end.

Effect: Capital assets and supplies & materials expenses were understated by \$289,564 and \$28,037, respectively. Accounts payable was overstated by a net amount of \$39,888 (understatement of \$317,602 and overstatement of \$357,490).

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 detail to the trial balance to ensure that the amount reported on the trial balance for accounts payable is correct.

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.

Cause: The College is manually tracking various capital assets that are acquired or constructed. A building that was still under construction as of June 30, 2015 was erroneously placed into service and depreciated.

Context: Construction in progress at year end.

Connors State College

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

Schedule of Findings and Responses Year Ended June 30, 2015

Effect: Accumulated depreciation and the related depreciation expense were overstated by approximately \$177,000. Also construction in progress was understated by approximately \$14,130,000 and buildings and improvements were overstated by the same amount.

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 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.

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.

Cause: Adequate reconciliation procedures and training had not been established and consistently applied in prior fiscal years dating back to 2006. This condition created a backlog of unresolved transactions.

Context: Cash transactions.

Effect: Cash could be misstated or misappropriation of assets could occur.

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.

Response and Corrective Action Plan: The Colleges' Human Resources office is working with the Office of Management and Enterprise Services payroll personnel to obtain the reports that break down the transactions with sufficient data to reconcile these items. It is anticipated that all items from fiscal year 2015 and prior will be reconciled by February 2016. The routine bank reconciliations are being performed monthly again now that the Banner reports have been programmed to support this function.