CONNORS STATE COLLEGE

June 30, 2013

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CONNORS STATE COLLEGE

June 30, 2013

AUDITED FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS* AND OMB CIRCULAR A-133

COLE + REED P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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"), a component unit of the State of Oklahoma, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the College's discretely presented component unit, Connors Development Foundation, Inc. (the "Foundation"). Those financial statements were audited by another auditor, 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 audits 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 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.

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Opinion

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Connors State College and its discretely presented component unit, Connors Development Foundation, Inc., as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2013 the College adopted several new accounting pronouncements issued by the Governmental Accounting Standards Board, including GASB Statements No. 63 and 65. The provisions of GASB Statements No. 63 and 65 required the College to retroactively restate its 2012 financial statements upon adoption. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated October 30, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONNORS STATE COLLEGE

For The Years Ended June 30, 2013, 2012, and 2011

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, 2013, with fiscal years 2012 and 2011 data presented for comparative purposes. This analysis is intended to provide you, the reader, with a summary of significant financial activities and information and should be read in conjunction with the College's financial statements and footnotes.

FINANCIAL HIGHLIGHTS

For the year ended June 30, 2013, the College's net assets changed to $16,710,380 from $17,037,274 in 2012 and $18,920,715 in 2011, resulting in a decrease of $326,894 for the fiscal year.

Total revenues increased to $22,431,295 in 2013, $21,597,794 in 2012, and $23,674,856 in 2011. The College increased tuition and fees approximately 5% and experienced an increase in housing occupancy in 2013 leading to an increase in tuition/fees and housing revenue.

Total expenses decreased to $22,758,189 in 2013 and $23,481,235 in 2012 from $22,034,484 in 2011. The current year's expenses decreased in the areas of compensation, utilities, scholarships and other operating expenses during the current year. The largest portion of the decrease is in scholarship expense, which is due to an overall decrease in grant revenue to be expended for scholarships.

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 and liabilities 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, 2013, 2012, and 2011, is shown below, and includes the percentage of annual change. The amounts are from the statements of net position and are presented on an accrual basis of accounting, whereby capital assets are capitalized and depreciated.

CONDENSED STATEMENTS OF NET POSITION

	June 30		Increase	Percent
	2013	2012	(Decrease)	Change
		(Restated)		
CURRENT ASSETS	$ 8,826,686	$ 11,594,494	$ (2,767,808)	-23.9%
NONCURRENT ASSETS				
Capital Assets, net	22,028,128	21,728,004	300,124	1.4%
Restricted cash and cash equivalents	2,148,948	795,919	1,353,029	170.0%
Receivable from state agency	-	812,832	(812,832)	-100%
TOTAL ASSETS	$ 33,003,762	$ 34,931,249	$ (1,927,487)	-5.5%
DEFERRED OUTFLOWS	$ 145,441	$ 193,921	$ (48,480)	-25.0%
CURRENT LIABILITIES	$ 2,255,666	$ 2,664,785	$ (409,119)	-15.4%
NONCURRENT LIABILITIES	14,183,157	15,423,111	(1,239,954)	-8.0%
TOTAL LIABILITIES	$ 16,438,823	$ 18,087,896	$ (1,649,073)	-9.1%
NET POSITION				
Net Investment in Capital Assets	$ 7,451,811	$ 6,114,064	$ 1,337,747	21.9%
Restricted for Expendable	2,668,972	590,197	2,078,775	352.2%
Unrestricted	6,589,597	10,333,013	(3,743,416)	-36.2%
TOTAL NET POSITION	$ 16,710,380	$ 17,037,274	$ (326,894)	-1.9%

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

CONDENSED STATEMENTS OF NET POSITION

	June 30		Increase	Percent
	2012	2011	(Decrease)	Change
	(Restated)			
CURRENT ASSETS	$ 11,594,494	$ 11,674,101	$ (79,607)	-0.7%
NONCURRENT ASSETS				
Capital Assets, net	21,728,004	13,431,978	8,296,026	61.8%
Restricted cash and cash equivalents	795,919	1,121,077	(325,158)	-29.0%
Investments	-	209,300	(209,300)	-100.0%
Receivable from state agency	812,832	1,807,642	(994,810)	-55.0%
TOTAL ASSETS	$ 34,931,249	$ 28,244,098	$ 6,687,151	23.7%
DEFERRED OUTFLOWS	$ 193,921	$ 263,760	$ (69,839)	-26.5%
CURRENT LIABILITIES	$ 2,664,785	$ 1,117,736	$ 1,547,049	138.4%
NONCURRENT LIABILITIES	15,423,111	8,469,407	6,953,704	82.1%
TOTAL LIABILITIES	$ 18,087,896	$ 9,587,143	$ 8,500,753	88.7%
NET POSITION				
Net Investment in Capital Assets	$ 6,114,064	$ 7,118,473	$ (1,004,409)	-14.1%
Restricted for Expendable	590,197	888,257	(298,060)	-33.6%
Unrestricted	10,333,013	10,913,985	(580,972)	-5.3%
TOTAL NET POSITION	$ 17,037,274	$ 18,920,715	$ (1,883,441)	-10.0%

During fiscal year 2013, the College's net position decreased by $326,894, after a decrease of $1,883,441 in 2012 and an increase of $1,640,372 in fiscal year 2011 of revenue over expenses. 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 remaining stable in FY13 when compared to FY12.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

CONNORS STATE COLLEGE

For The Years Ended June 30, 2013, 2012, and 2011

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended June 30 2013	2012 *(Restated)*	Increase (Decrease)	Percent Change
OPERATING REVENUES				
Tuition and fees, net	$ 2,581,611	$ 2,294,359	$ 287,252	12.5%
Federal grants and contracts	994,371	1,087,155	(92,784)	-8.5%
State grants and contracts	129,061	403,794	(274,733)	-68.0%
Auxiliary	2,815,296	2,564,149	251,147	9.8%
Other	231,105	198,229	32,876	16.6%
TOTAL OPERATING REVENUES	6,751,444	6,547,686	203,758	3.1%
Less: Operating expenses	21,999,013	22,767,928	(768,915)	-3.4%
NET OPERATING LOSS	(15,247,569)	(16,220,242)	972,673	-6.0%
NONOPERATING REVENUE (EXPENSES)				
State appropriations	6,829,427	6,784,319	45,108	0.7%
ARRA Funds	-	-	-	0.0%
OTRS on-behalf contributions	509,000	514,390	(5,390)	-1.0%
Federal grants and contracts	6,295,770	6,261,522	34,248	0.5%
State grants and contracts	784,185	820,843	(36,658)	-4.5%
Investment income	33,071	31,258	1,813	5.8%
Interest expenses	(759,176)	(713,307)	(45,869)	6.4%
TOTAL NONOPERATING REVENUES (EXPENSES)	13,692,277	13,699,025	(6,748)	0.0%
			-	
Capital contributions	98,614	-	98,614	100%
State appropriations for capital	481,941	521,596	(39,655)	-7.6%
OCIA on-behalf contributions	647,843	116,180	531,663	457.6%
NET DECREASE IN NET POSITION	(326,894)	(1,883,441)	1,556,547	-82.6%
NET POSITION, BEGINNING OF YEAR	17,037,274	18,920,715	(1,883,441)	-10.0%
NET POSITION, END OF YEAR	$ 16,710,380	$ 17,037,274	$ (326,894)	-1.92%

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended June 30 2012	Years Ended June 30 2011	Increase (Decrease)	Percent Change
	(Restated)			
OPERATING REVENUES				
Tuition and fees, net	$ 2,294,359	$ 2,150,663	$ 143,696	6.7%
Federal grants and contracts	1,087,155	941,388	145,767	15.5%
State grants and contracts	403,794	883,459	(479,665)	-54.3%
Auxiliary	2,564,149	2,610,864	(46,715)	-1.8%
Other	198,229	169,599	28,630	16.9%
TOTAL OPERATING REVENUES	6,547,686	6,755,973	(208,287)	-3.1%
Less: Operating expenses	22,767,928	21,607,247	1,160,681	5.4%
NET OPERATING LOSS	(16,220,242)	(14,851,274)	(1,368,968)	9.2%
NONOPERATING REVENUE (EXPENSES)				
State appropriations	6,784,319	6,821,043	(36,724)	-0.5%
ARRA Funds	-	478,807	(478,807)	-100%
OTRS on-behalf contributions	514,390	477,583	36,807	7.7%
Federal grants and contracts	6,261,522	7,558,651	(1,297,129)	-17.2%
State grants and contracts	820,843	806,776	14,067	1.7%
Investment income	31,258	121,203	(89,945)	-74.2%
Interest expenses	(713,307)	(427,237)	(286,070)	67.0%
TOTAL NONOPERATING REVENUES (EXPENSES)	13,699,025	15,836,826	(2,137,801)	-13.5%
State appropriations for capital	521,596	548,988	(27,392)	-5.0%
OCIA on-behalf contributions	116,180	105,832	10,348	9.8%
NET INCREASE (DECREASE) IN NET POSITION	(1,883,441)	1,640,372	(3,523,813)	-214.8%
NET POSITION, BEGINNING OF YEAR	18,920,715	17,280,343	1,640,372	9.5%
NET POSITION, END OF YEAR	$ 17,037,274	$ 18,920,715	$ (1,883,441)	-10.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

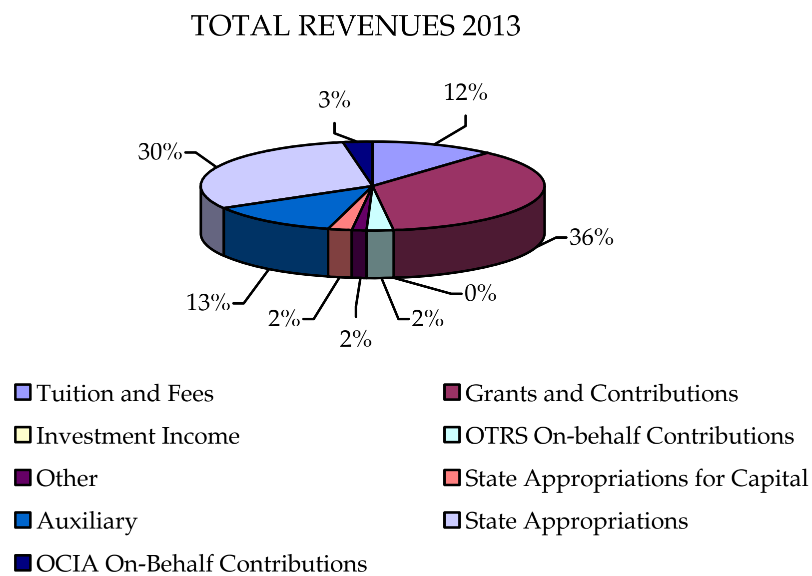
CONNORS STATE COLLEGE

For The Years Ended June 30, 2013, 2012, and 2011

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

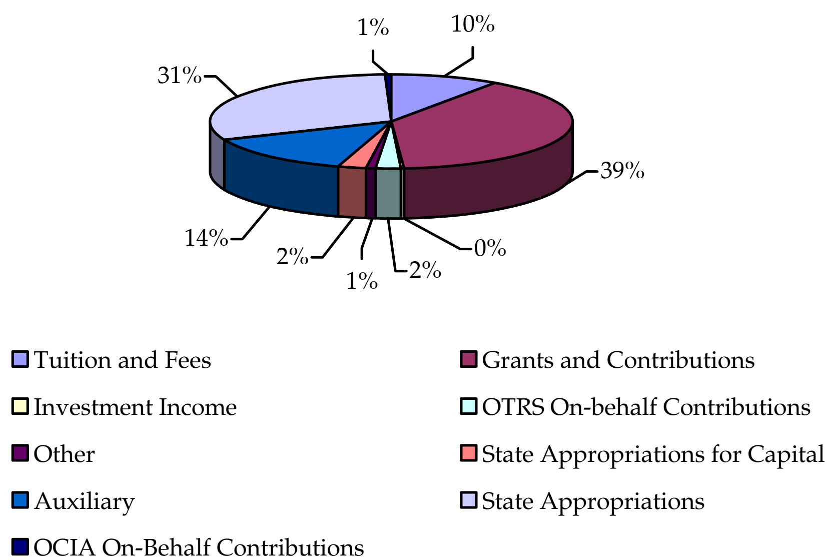
During the year ended June 30, 2013, total revenues increased by $833,500, state appropriations increased by $5,453, net tuition revenues increased by $287,252, auxiliary revenues decreased by $251,147, grants and contracts decreased by $369,927, and OTRS contributions and OCIA on behalf contributions increased by $526,273.

During the two-year period, the percentage of revenue furnished by state appropriation was 32% for 2013, 32% for 2012, and 30% in 2011. Net tuition and fees percentage of total revenues changed in 2013 to 12% and in 2012 to 13% from 12% in 2011, while Auxiliary Enterprises accounted for 13% in 2013, 13% in 2012, and 11% in 2011. Following is a graphic illustration of the College's revenues for the years ended June 30, 2013, 2012, and 2011:

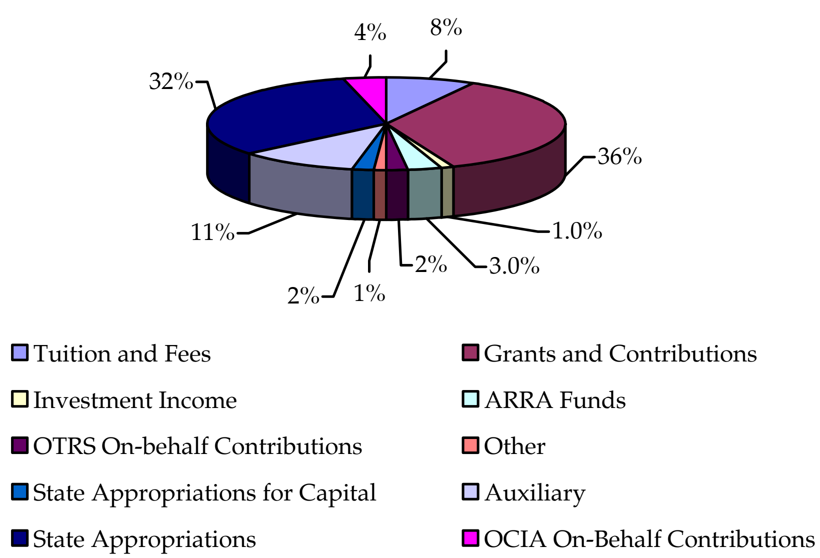


FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

TOTAL REVENUES 2012



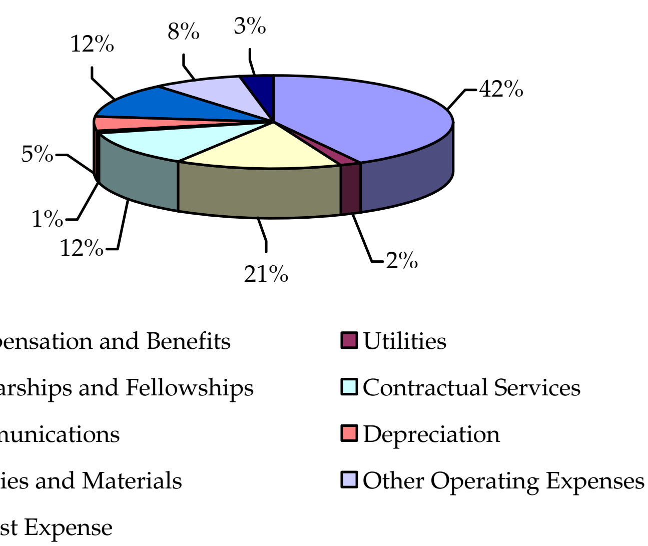
TOTAL REVENUES 2011



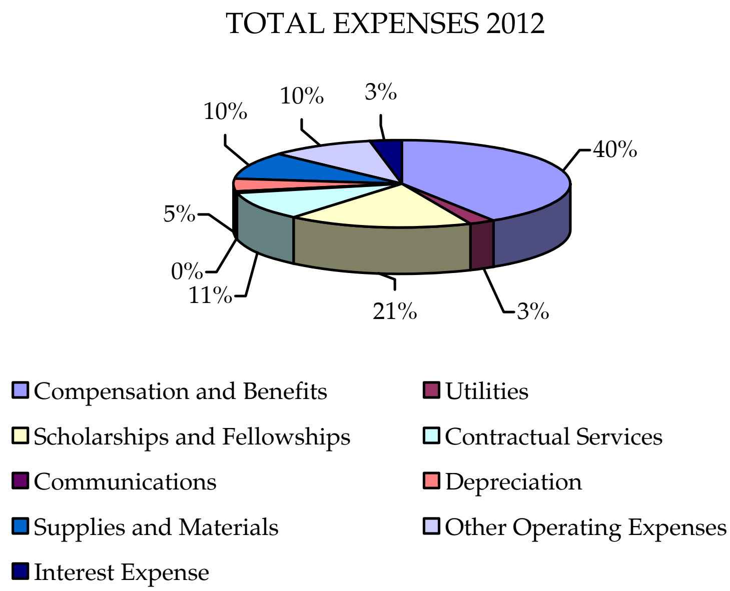
FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

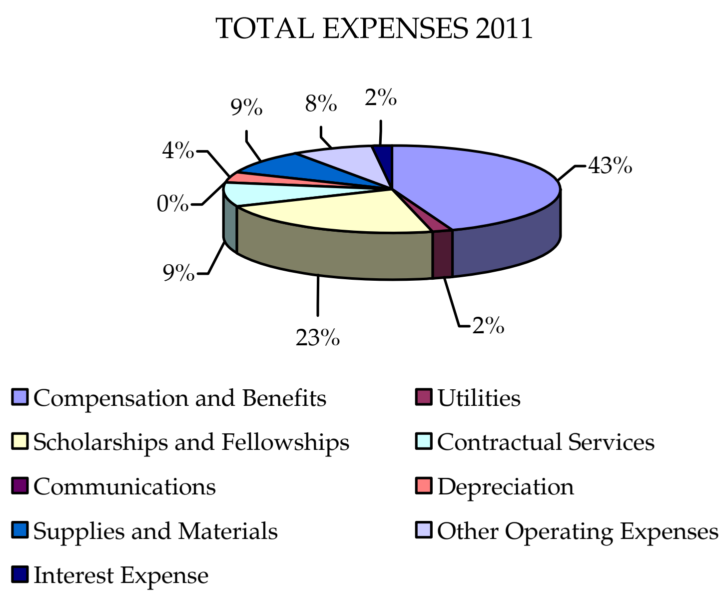
The College's total expenses for the year ended June 30, 2013, decreased by $723,046, due to a decrease in the overall operations of the College. The College experienced a decrease in overall grant revenue in FY13, which resulted in a corresponding decrease in scholarship expense during the fiscal year. Student activities on all campuses continued as a priority in FY13 to address the historically underfunded activity needs of our students. All campuses in FY13 participated in fall/spring festivals, health fairs, and various other activities. The Warner campus once again hosted a free concert to end the spring semester, featuring Bart Crow, JB and the Moonshine Band and Kinsey Sadler.

TOTAL EXPENSES 2013



FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued





FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

During the period July 1, 2012, to June 30, 2013, the College's net position decreased overall by $326,894. For fiscal year 2013, the net investment in capital assets increased by $1,337,747, compared to a decrease of $1,004,409 in 2012. Unrestricted net position decreased by $3,743,416, while restricted net position increased by $2,078,775 in 2013. In 2012, unrestricted net position decreased by $580,972, while restricted net position decreased by $298,060.

ANALYSIS OF NET POSITION

	June 30 2013	June 30 2012	Increase (Decrease)	Percent Change
NET POSITION		*(Restated)*		
Net Investmnet in Capital Assets	$ 7,451,811	$ 6,114,064	$ 1,337,747	22%
Restricted Cash:				
Expendable	2,668,972	590,197	2,078,775	352.2%
Unrestricted	6,589,597	10,333,013	(3,743,416)	-36.2%
TOTAL POSITION	$ 16,710,380	$ 17,037,274	$ (326,894)	-1.9%

	June 30 2012	June 30 2011	Increase (Decrease)	Percent Change
NET POSITION	*(Restated)*			
Net Investment in Capital Assets	$ 6,114,064	$ 7,118,473	$ (1,004,409)	-14.1%
Restricted Cash:				
Expendable	590,197	888,257	(298,060)	-33.6%
Unrestricted	10,333,013	10,913,985	(580,972)	-5.3%
TOTAL POSITION	$ 17,037,274	$ 18,920,715	$ (1,883,441)	-10.0%

FINANCIAL ANALYSIS OF THE COLLEGE AS A WHOLE--Continued

During the period ended June 30, 2013, the College's overall cash and cash equivalents decreased by $1,043,356. This change was largely due to the early retirement of the revenue bond in October of 2012.

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended June 30 2013	Years Ended June 30 2012	Increase (Decrease)	Percent Change
CASH PROVIDED BY (USED IN)		*(Restated)*		
Operating Activities	$ (13,217,765)	$ (12,627,896)	$ (589,869)	4.7%
Non-Capital Financing Activities	13,909,382	13,866,684	42,698	0.3%
Investing Activities	246,987	22,736	224,251	986.3%
Capital and Related Financing Activities	(1,981,960)	42,711	(2,024,671)	-4740.4%
NET INCREASE (DECREASE) IN CASH	(1,043,356)	1,304,235	(2,347,591)	-180.0%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,024,355	7,720,120	1,304,235	16.9%
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,980,999	$ 9,024,355	$ (1,043,356)	-11.6%

	Years Ended June 30 2012	Years Ended June 30 2011	Increase (Decrease)	Percent Change
CASH PROVIDED BY (USED IN)	*(Restated)*			
Operating Activities	$ (12,627,896)	$ (14,552,329)	$ 1,924,433	-13.2%
Non-Capital Financing Activities	13,866,684	16,279,261	(2,412,577)	-14.8%
Investing Activities	22,736	-	22,736	100.0%
Capital and Related Financing Activities	42,711	(962,935)	1,005,646	-104.4%
NET INCREASE IN CASH	1,304,235	763,997	540,238	70.7%
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,720,120	6,956,123	763,997	11.0%
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,024,355	$ 7,720,120	$ 1,304,235	16.9%

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2013, 2012, and 2011, the College had recorded $37,608,216, $36,633,121, and $27,178,885, respectively, in capital assets and $15,580,088, $14,905,117, and $13,746,907, respectively, in accumulated depreciation on those capital assets. In fiscal year 2013, the College performed renovations to Holloway Hall in the amount of $195,390 and had multiple CIP projects outstanding at June 30 totaling $282,326, including the Student Union Project and the Nursing and Allied Health Building Project. Furthermore, in fiscal year 2006 the College began receiving the benefit of Capital Bonds issued by the State of Oklahoma for capital expenditures. The total amount allocated for the College was $7,025,000. As of June 30, 2013 all of the proceeds totaling $7,991,235, which includes interest, had been drawn and expended on projects specified for funding under the bond issue.

CAPITAL ASSETS, net

	Years Ended June 30 2013	Years Ended June 30 2012	Increase (Decrease)	Percent Change
Land	$ 769,729	$ 761,729	$ 8,000	1.1%
Buildings and improvements	28,004,362	27,561,074	443,288	1.6%
Non-structural improvements	3,016,933	2,833,984	182,949	6.5%
Equipment	4,519,788	4,487,964	31,824	0.7%
Library materials	810,000	810,000	-	0%
Livestock	205,078	137,175	67,903	50%
Construction in-progress	282,326	41,195	241,131	585.3%
TOTAL	37,608,216	36,633,121	975,095	2.7%
Less: accumulated depreciation	(15,580,088)	(14,905,117)	(674,971)	4.5%
TOTAL CAPITAL ASSETS, NET	$ 22,028,128	$ 21,728,004	$ 300,124	1.4%

CAPITAL ASSETS AND DEBT ADMINISTRATION--Continued

CAPITAL ASSETS, net

	Years Ended June 30 2012	Years Ended June 30 2011	Increase (Decrease)	Percent Change
Land	$ 761,729	$ 761,729	$ -	0.0%
Buildings and improvements	27,561,074	17,074,268	10,486,806	61.4%
Non-structural improvements	2,833,984	2,732,818	101,166	3.7%
Equipment	4,487,964	3,671,040	816,924	22.3%
Library materials	810,000	810,000	-	0.0%
Livestock	137,175	137,770	(595)	-0.4%
Construction in-progress	41,195	1,991,260	(1,950,065)	-97.9%
TOTAL	36,633,121	27,178,885	9,454,236	34.8%
Less: accumulated depreciation	(14,905,117)	(13,746,907)	(1,158,210)	8.4%
TOTAL CAPITAL ASSETS, NET	$ 21,728,004	$ 13,431,978	$ 8,296,026	61.8%

The College shows a long-term liability during fiscal year 2011 for the debt incurred by issuance of bonds or capital expenditures. The State of Oklahoma will be making the payments on these bonds for the benefit of the College as they were used for each of five specified projects listed below:

- Gatlin Hall One Stop Enrollment - Center Warner Campus
- Classroom and Lab Renovation - Warner Campus
- Roof replacement and asbestos abatement - Warner Campus
- Fine Arts Building Renovation - Warner Campus
- Expansion and Renovation - Muskogee Campuses

During 2013, the College paid off the revenue bond early, thus causing the 10.5% decrease in long-term liabilities. During 2012, the College entered into two new ODFA Capital Leases for a capital improvement project and for taking possession of Miller's Crossing from CDF Student Housing, L.L.C. At June 30, 2013, 2012, and 2011, the College had long-term liabilities of $15,141,329, $16,918,889 and $8,425,207, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION--Continued

LONG-TERM LIABILITIES

	Years Ended June 30 2013	Years Ended June 30 2012	Increase (Decrease)	Percent Change
OCIA Capital Lease	$ 202,711	$ 230,851	$ (28,140)	-12.2%
OCIA Series Bonds	5,670,702	5,930,538	(259,836)	-4.4%
Revenue Bonds Payable	-	1,050,000	(1,050,000)	-100%
ODFA Capital Lease	9,267,916	9,707,500	(439,584)	-4.5%
TOTAL	$ 15,141,329	$ 16,918,889	$ (1,777,560)	-10.5%

	Years Ended June 30 2012	Years Ended June 30 2011	Increase (Decrease)	Percent Change
OCIA Capital Lease	$ 230,851	$ 257,669	$ (26,818)	-10.4%
OCIA Series Bonds	5,930,538	5,930,538	-	0.0%
Revenue Bonds Payable	1,050,000	1,195,000	(145,000)	-12.1%
ODFA Capital Lease	9,707,500	1,042,000	8,665,500	831.6%
TOTAL	$ 16,918,889	$ 8,425,207	$ 8,493,682	100.8%

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.

STATEMENTS OF NET POSITION

CONNORS STATE COLLEGE

	University		Component Unit	
	June 30		June 30	
	2013	2012	2013	2012
		(Restated)		
CURRENT ASSETS				
Cash and cash equivalents	$ 5,586,186	$ 7,845,246	$ 1,124,590	$ 875,331
Restricted cash and cash equivalents	245,865	383,190	-	-
Investments	1,347,550	1,561,466	33,391	25,687
Accounts receivable, net	892,802	666,184	-	-
Grants and contracts receivable	140,380	404,097	-	-
Inventories	536,773	656,613	-	-
Other current assets	77,130	77,698	-	-
TOTAL CURRENT ASSETS	8,826,686	11,594,494	1,157,981	901,018
NONCURRENT ASSETS				
Restricted cash and cash equivalents	2,148,948	795,919	-	-
Receivable from state agency	-	812,832	-	-
Capital assets, net	22,028,128	21,728,004	-	-
TOTAL NONCURRENT ASSETS	24,177,076	23,336,755	-	-
TOTAL ASSETS	$ 33,003,762	$ 34,931,249	$ 1,157,981	$ 901,018
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on OCIA lease restructure	$ 145,441	$ 193,921	$ -	$ -

STATEMENTS OF NET POSITION--Continued

CONNORS STATE COLLEGE

	University		Component Unit	
	June 30		June 30	
	2013	2012	2013	2012
		(Restated)		
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	$ 769,229	$ 596,017	$ 12,796	$ 6,697
Accrued liabilities	12,952	4,402	-	-
Other current liabilities	11,077	18,294	-	-
Unearned revenues	145,832	145,534	-	-
Student and other deposits	30,156	15,278	-	-
Current portion of noncurrent liabilities	1,286,420	1,885,260	-	-
TOTAL CURRENT LIABILITIES	2,255,666	2,664,785	12,796	6,697
NONCURRENT LIABILITIES, net of current portion				
Accrued pension benefit obligation	107,414	129,767	-	-
Accrued compensated absences	109,579	130,415	-	-
Premium on capital lease obligation	18,900	21,600	-	-
ODFA capital lease obligation	8,818,916	9,267,916	-	-
OCIA capital lease obligation	5,128,348	5,873,413	-	-
TOTAL NONCURRENT LIABILITIES	14,183,157	15,423,111	-	-
TOTAL LIABILITIES	$ 16,438,823	$ 18,087,896	$ 12,796	$ 6,697
NET POSITION				
Net investment in capital assets	7,451,811	6,114,064	-	-
Restricted for:				
Nonexpendable - scholarships and other	-	-	644,661	612,521
Expendable:				
Scholarships, research, instruction, and other	957,165	43,473	347,313	229,139
Loans	3,164	3,156	-	-
Capital projects	1,708,643	151,705	-	-
Debt service	-	391,863	-	-
Unrestricted	6,589,597	10,333,013	153,211	52,661
TOTAL NET POSITION	$ 16,710,380	$ 17,037,274	$ 1,145,185	$ 894,321

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

CONNORS STATE COLLEGE

	University		Component Unit	
	Year Ended June 30		Year Ended June 30	
	2013	2012 (Restated)	2013	2012
OPERATING REVENUES				
Student tuition and fees, net of scholarship allowances of $2,083,000 and $2,226,000 in 2013 and 2012, respectively	$ 2,581,611	$ 2,294,359	$ -	$ -
Federal grants and contracts	994,371	1,087,155	-	-
State and local grants and contracts	129,061	403,794	-	-
Sales and services of education departments	25,082	22,204	-	-
Auxiliary enterprise charges:				
Housing, net of scholarship allowances of $448,000 and $392,000 in 2013 and 2012, respectively	555,832	402,226	-	-
Food services, net of scholarship allowances of $261,000 and $269,000 in 2013 and 2012, respectively	329,431	277,110	-	-
Bookstore, net of scholarship allowances of $882,000 and $848,000 in 2013 and 2012, respectively	851,469	877,103	-	-
Student Union	497,430	516,452	-	-
All other	581,134	491,258	-	-
Gifts and contributions	-	-	508,326	189,463
Other operating revenues	206,023	176,025	-	-
TOTAL OPERATING REVENUES	6,751,444	6,547,686	508,326	189,463
OPERATING EXPENSES				
Compensation and employee benefits	9,542,592	9,644,990	-	-
Contractual services	2,731,490	2,539,895	-	-
Supplies and materials	2,658,893	2,345,390	14,016	21,126
Utilities	489,712	654,156	-	-
Communications	105,108	102,716	-	-
Other operating expenses	1,861,948	2,162,485	204,957	169,145
Scholarships and fellowships	3,394,854	4,160,086	46,650	17,760
Depreciation	1,214,416	1,158,210	-	-
TOTAL OPERATING EXPENSES	21,999,013	22,767,928	265,623	208,031
OPERATING INCOME (LOSS)	(15,247,569)	(16,220,242)	242,703	(18,568)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	6,829,427	6,784,319	-	-
OTRS on-behalf contributions	509,000	514,390	-	-
Federal grants and contracts	6,295,770	6,261,522	-	-
State grants and contracts	784,185	820,843	-	-
Investment income	33,071	31,258	8,161	7,454
Interest expense	(759,176)	(713,307)	-	-
NET NONOPERATING REVENUES (EXPENSES)	13,692,277	13,699,025	8,161	7,454
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS AND LOSSES	(1,555,292)	(2,521,217)	250,864	(11,114)
Capital contributions	98,614	-	-	-
State appropriations restricted for capital purposes	481,941	521,596	-	-
OCIA on-behalf payments	647,843	116,180	-	-
CHANGE IN NET POSITION	(326,894)	(1,883,441)	250,864	(11,114)
NET POSITION, BEGINNING OF YEAR	17,037,274	18,920,715	894,321	905,435
NET POSITION, END OF YEAR	$ 16,710,380	$ 17,037,274	$ 1,145,185	$ 894,321

See notes to financial statements.

STATEMENTS OF CASH FLOWS

CONNORS STATE COLLEGE

	Years Ended June 30 2013	2012 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 2,519,366	$ 2,022,076
Grants and contracts	1,387,149	2,538,792
Auxiliary enterprise charges	2,651,221	3,020,239
Other operating receipts	231,673	1,274,064
Payments to employees for salaries and benefits	(9,083,576)	(9,218,388)
Payments to suppliers	(10,923,598)	(12,264,679)
NET CASH USED IN OPERATING ACTIVITIES	(13,217,765)	(12,627,896)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	6,829,427	6,784,319
Federal grants and contracts	6,295,770	6,261,522
State grants and contracts	784,185	820,843
Federal Direct Student Loan receipts	5,484,005	5,297,896
Federal Direct Student Loan disbursements	(5,484,005)	(5,297,896)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	13,909,382	13,866,684
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital assets	(1,418,157)	(9,502,051)
Cash received from sale of capital assets	-	47,815
Capital appropriations received	481,941	521,596
Proceeds of capital debt and leases	812,832	9,830,110
Repayments of capital debt and leases	(1,489,584)	(290,500)
Interest paid on capital debt and leases	(368,992)	(564,259)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(1,981,960)	42,711
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(16,909)	(24,063)
Proceeds from sales and maturities of investments	209,300	-
Interest received on investments	54,596	46,799
NET CASH PROVIDED BY INVESTING ACTIVITIES	246,987	22,736
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,043,356)	1,304,235
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,024,355	7,720,120
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,980,999	$ 9,024,355

STATEMENTS OF CASH FLOWS--Continued

CONNORS STATE COLLEGE

	Years Ended June 30 2013	2012 (Restated)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (15,247,569)	$ (16,220,242)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,214,416	1,158,210
Loss on disposal of asset	2,231	-
On-behalf contributions to teachers' retirement system	509,000	514,390
Changes in net assets and liabilities:		
Accounts and other receivables	37,099	831,584
Inventories	119,840	(173,741)
Other assets	568	(67,198)
Ground lease receivable	-	1,336,177
Accounts payable and accrued expenses	167,655	36,383
Unearned revenues	298	(10,158)
Student and other deposits	14,878	2,707
Compensated absences	(36,181)	(36,008)
NET CASH USED IN OPERATING ACTIVITIES	$ (13,217,765)	$ (12,627,896)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest on capital debt paid by state agency on behalf of the College	$ 359,867	$ 89,362
Principal on capital debt paid by state agency on behalf of the College	$ 287,976	$ 26,818
Capital assets received as gifts and contributions	$ 98,614	$ -
Capital assets purchased via the issuance of bonds	$ -	$ 8,811,000
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Current assets:		
Cash and cash equivalents	$ 5,586,186	$ 7,845,246
Restricted cash and cash equivalents	245,865	383,190
Noncurrent assets:		
Restricted cash and cash equivalents	2,148,948	795,919
TOTAL CASH AND CASH EQUIVALENTS	$ 7,980,999	$ 9,024,355

See notes to financial statements.

NOTE A--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 financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading.

The accompanying financial statements include the accounts and funds of the College. The College is part of the State of Oklahoma Higher Education System, which is under the governance of the Oklahoma State Regents for Higher Education (the "OSRHE"). The College is a component unit of the State of Oklahoma and is included in the general-purpose financial statements of the State as part of the Higher Education component unit.

Discretely Presented Component Unit: Connors Development Foundation, Inc. (the "Foundation"), is a legally separate, tax-exempt component unit of the College. The Foundation is organized for the purpose of receiving and administering gifts intended for the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College, and its financial statements are discretely presented in the College's financial statements.

As of and for the year ended June 30, 2011, CDF Student Housing, L.L.C. (the "LLC") was considered a component unit of the College. As discussed in Note J, in September 2011, the College took ownership of Miller's Crossing and the LLC ceased to exist.

Financial Statement Presentation: The College's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Financial Statement Presentation--Continued: Under GASB Statements No. 34 and No. 35, the College is required to present a statement of net position classified between current and noncurrent assets and liabilities and deferred outflows and inflows, a statement of revenues, expenses and changes in net position, with separate presentation for operating and nonoperating revenues and expenses and a statement of cash flows using the direct method.

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

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

Deposits and Investments: The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, the College has disclosed its deposit and investment policies related to the risks identified in GASB Statement No. 40. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements 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.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Accounts Receivable--Continued: 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.

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

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

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

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

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

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 and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

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

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

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

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

Reclassifications: Certain amounts in the 2012 financial statements have been reclassified to conform to the current year presentation.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

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

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

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

Deferred Outflows of Resources: Deferred outflows are the consumption of net position by the College that are applicable to a future reporting period. At June 30, 2013 and 2012, the College's deferred outflows of resources were comprised of deferred charges on an OCIA lease restructure.

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, 2013 and 2012, the College has no deferred inflows of resources.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements Adopted in Fiscal Year 2013: The College adopted several new accounting pronouncements during the year ended June 30, 2013 as follows:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

  GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The College will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

- Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34*

  GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The adoption of GASB No. 61 did not have an impact on the College's financial statement presentation.

- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

  GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The adoption of GASB No. 62 did not have an impact on the College's financial position, changes in financial position, cash flows, or its financial statement presentation.

- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

  GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement has required the College to make changes in its financial statement presentation, and required certain financial statement elements previously reported as assets to be reported as deferred outflows of resources.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements Adopted in Fiscal Year 2013--Continued:

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*

  GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The College has chosen to early adopt GASB Statement No. 65 in 2013. Financial statement elements previously classified as assets at June 30, 2012 and totaling $193,921 were reclassified to deferred outflows of resources. As a result of the adoption of GASB Statement No. 65, the College's net position as of July 1, 2012 decreased by $183,818 from amounts previously reported, and the changes in net position for the year ended June 30, 2012 decreased by $183,818 from amounts previously reported. Net Position as of June 30, 2012 decreased from $17,221,092 as originally reported to $17,037,274, a decrease of $183,818.

New Accounting Pronouncements Issued Not Yet Adopted: The GASB has also issued several new accounting pronouncements which will be effective to the College in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the College's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2014

- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

  GASB No. 70 requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The government is required to report the guaranteed obligation until it is legally released as an obligor, and when it is legally released, it should recognize revenue as a result of this release. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for certain disclosure requirements which may be applied prospectively, the provisions of this Statement are required to be applied retroactively. The College has not yet evaluated the effects that GASB No. 70 will have on its financial statements.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

New Accounting Pronouncements Issued Not Yet Adopted--Continued:

Fiscal 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. GASB No. 68 was issued in June 2012, and implementation guidance is expected to be issued in November 2013. Although the College has not yet quantified the impact that GASB No. 68 will have on its financial statements, it believes that adoption will result in a significant decrease in its net position.

- Statement No. 69, *Government Combinations and Disposals of Government Operations*

  GASB No. 69 was issued in January 2013 and establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Government combinations can include a variety of transactions, including mergers, acquisitions and transfers of operations. A disposal of a government's operations results in the removal of specific activities of a government. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

NOTE B--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.

NOTE B--DEPOSITS AND INVESTMENTS--Continued

Deposits--Continued: 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.

The carrying amount of the College's deposits with the State Treasurer and other financial institutions at June 30, 2013, and 2012, was $7,570,886 and $8,369,392, respectively. These amounts consisted of deposits with the State Treasurer ($6,936,374 and $7,687,662), U.S. financial institutions ($586,612 and $675,000), and change funds ($47,900 and $6,730), respectively, as of June 30, 2013, and 2012.

At June 30, 2013, and 2012, the related balances of the College's deposits totaled $7,980,999 and $9,024,355, respectively.

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

	2013	2012
Money Fund	$ 120,514	$ 33,837
Trust Fund	1,227,036	1,527,629
Total Investments	$ 1,347,550	$ 1,561,466

Investment maturities were as follows at June 30, 2013:

Investment Type	Fair Value	Not Applicable	Less Than One	One to Five	Six to Ten	More Than Ten
Money Funds	$ 120,514	$ 120,514	$ -	$ -	$ -	$ -
Trust Fund	1,227,036	-	292,586	699,754	67,511	167,185
	$ 1,347,550	$ 120,514	$ 292,586	$ 699,754	$ 67,511	$ 167,185

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: 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 Oklahoma State Treasurer's Office. Generally, these include direct obligations of the United States Government and its agencies, certificates of deposit, and demand deposits.

NOTE C--ACCOUNTS RECEIVABLE

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

	2013	2012
Student tuition and fees	$ 927,677	$ 591,370
Auxiliary enterprises and other student activities	721,918	568,781
Less: allowance for doubtful accounts	(756,793)	(493,967)
Accounts receivable, net	$ 892,802	$ 666,184

The College has $0 and $812,832 of receivables restricted for capital projects as of June 30, 2013, and 2012, respectively, which relate to private gifts and governmental grants and contracts for ongoing and planned capital projects at the College. These receivable balances are classified as noncurrent assets in the statements of net position as they are restricted for long-term purposes.

NOTE D--CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Transfers	Retirements	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$ 761,729	$ 8,000	$ -	$ -	$ 769,729
Livestock	137,175	184,169	-	(116,266)	205,078
Construction in progress	41,195	241,131	-	-	282,326
Total capital assets not being depreciated	$ 940,099	$ 433,300	$ -	$ (116,266)	$ 1,257,133
Other capital assets:					
Buildings and improvements	27,561,074	492,189	-	(48,901)	28,004,362
Nonstructural improvements	2,833,984	182,950	-	-	3,016,934
Equipment	4,487,964	524,598	-	(492,774)	4,519,788
Library materials	810,000	-	-	-	810,000
Total other capital assets	35,693,022	1,199,737	-	(541,675)	36,351,084
Less: accumulated depreciation for:					
Buildings and improvements	(9,245,435)	(625,800)	-	46,670	(9,824,565)
Nonstructural improvements	(1,432,268)	(192,680)	-	-	(1,624,948)
Equipment	(3,438,379)	(374,971)	-	492,774	(3,320,576)
Library materials	(789,035)	(20,965)	-	-	(810,000)
Total accumulated depreciation	(14,905,117)	(1,214,416)	-	539,444	(15,580,089)
Capital assets, net	$ 21,728,004	$ 418,621	$ -	$ (118,497)	$ 22,028,128

NOTE D--CAPITAL ASSETS--Continued

At June 30, 2013, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Nonstructural Improvements	Total
Cost	$ 7,731,325	$ 1,414,000	$ 9,145,325
Less: accumulated depreciation	946,172	795,136	1,741,308
	$ 6,785,153	$ 618,864	$ 7,404,017

Following are the changes in capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated:					
Land	$ 761,729	$ -	$ -	$ -	$ 761,729
Livestock	137,770	47,220	-	(47,815)	137,175
Construction in progress	1,991,260	41,195	(1,991,260)	-	41,195
Total capital assets not being depreciated	$ 2,890,759	$ 88,415	$ (1,991,260)	$ (47,815)	$ 940,099
Other capital assets:					
Buildings and improvements	17,074,268	8,495,546	1,991,260	-	27,561,074
Nonstructural improvements	2,732,818	101,166	-	-	2,833,984
Equipment	3,671,040	816,924	-	-	4,487,964
Library materials	810,000	-	-	-	810,000
Total other capital assets	24,288,126	9,413,636	1,991,260	-	35,693,022
Less: accumulated depreciation for:					
Buildings and improvements	(8,560,284)	(685,151)	-	-	(9,245,435)
Nonstructural improvements	(1,300,901)	(131,367)	-	-	(1,432,268)
Equipment	(3,175,070)	(263,309)	-	-	(3,438,379)
Library materials	(710,652)	(78,383)	-	-	(789,035)
Total accumulated depreciation	(13,746,907)	(1,158,210)	-	-	(14,905,117)
Capital assets, net	$ 13,431,978	$ 8,343,841	$ -	$ (47,815)	$ 21,728,004

At June 30, 2012, the cost and related accumulated depreciation of assets held under capital lease obligations was as follows:

	Buildings	Nonstructural Improvements	Total
Cost	$ 7,731,325	$ 1,414,000	$ 9,145,325
Less: accumulated depreciation	634,489	700,869	1,335,358
	$ 7,096,836	$ 713,131	$ 7,809,967

NOTE E--LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
Bonds payable and capital lease obligations:					
Revenue bonds payable	$ 1,050,000	$ -	$ (1,050,000)	$ -	$ -
OCIA capital lease obligation	230,851	-	(28,140)	202,711	29,552
OCIA 2005F Series	3,748,353	-	(259,836)	3,488,517	272,107
OCIA 2010a Series	1,420,030	-	-	1,420,030	-
OCIA 2010b Series	762,155	-	-	762,155	443,406
ODFA 2004b Series	979,000	-	(61,000)	918,000	63,000
ODFA 2011a Series	590,166	-	(58,167)	531,999	60,167
ODFA 2011e Series	8,138,334	-	(320,417)	7,817,917	325,833
Total bonds and capital leases	16,918,889	-	(1,777,560)	15,141,329	1,194,065
Other liabilities:					
Premium on lease obligation	24,300	-	(2,700)	21,600	2,700
Accrued pension obligation	129,767	-	(22,353)	107,414	-
Accrued compensated absences	235,415	100,102	(136,283)	199,234	89,655
Total other liabilities	389,482	100,102	(161,336)	328,248	92,355
Total long-term liabilities	$ 17,308,371	$ 100,102	$ (1,938,896)	$ 15,469,577	$ 1,286,420

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts due within one year
Bonds payable and capital lease obligations:					
Revenue bonds payable	$ 1,195,000	$ -	$ (145,000)	$ 1,050,000	$ 1,050,000
OCIA capital lease obligation	257,669	-	(26,818)	230,851	28,140
OCIA 2005F Series	3,748,353	-	-	3,748,353	259,836
OCIA 2010a Series	1,420,030	-	-	1,420,030	-
OCIA 2010b Series	762,155	-	-	762,155	-
ODFA 2004b Series	1,042,000	-	(63,000)	979,000	61,000
ODFA 2011a Series	-	646,000	(55,834)	590,166	58,167
ODFA 2011e Series	-	8,165,000	(26,666)	8,138,334	320,417
Total bonds and capital leases	8,425,207	8,811,000	(317,318)	16,918,889	1,777,560
Other liabilities:					
Premium on lease obligation	-	27,000	(2,700)	24,300	2,700
Accrued pension obligation	152,120	-	(22,353)	129,767	-
Accrued compensated absences	271,423	155,950	(191,958)	235,415	105,000
Total other liabilities	423,543	182,950	(217,011)	389,482	107,700
Total long-term liabilities	$ 8,848,750	$ 8,993,950	$ (534,329)	$ 17,308,371	$ 1,885,260

NOTE E--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable: The College issued its $2,500,000 Student Facilities Revenue Bonds, Series 1998, on March 1, 1998, the proceeds of which were to be used for construction of a women's residence hall and attendant equipment and furnishings. The bonds are payable in annual installments of $45,000 to $200,000, with interest payable each June 1 and December 1, at 4.50%t to 6.75%. The bonds mature June 1, 2018. The bonds are secured by a pledge of 1) net receipts of room and board, married student housing, student parking fees, vending machine receipts, and student union fees and 2) earnings from the reserve account. The bonds do not represent a general obligation of the State of Oklahoma. Interest on the bonds is exempt from federal income taxes. The bonds were retired 5 years early and paid off in full in October 2012.

Pursuant to the bond indenture creating the bond issue, the College was required to establish various accounts with the bond trustee and the State Treasurer, as follows:

Revenue Fund - This fund is used for the deposit of pledged revenues, separate and apart from all other funds, to be maintained in the custody of the State Treasurer.

Bond Funds - The bond funds will be maintained by the bond trustee and will include the following accounts:

Principal and interest account: This account will be used to make bond principal and interest payments when due. The State Treasurer will transfer funds from the revenue account to the principal and interest account on a semi-annual basis.

Reserve account: The trustee shall set up a reserve account equal to the lesser of 1) maximum annual principal and interest on the bonds, 2) 125% of the average annual principal and interest on the bonds, or 3) 10% of the proceeds for the bonds. Monies in the reserve account shall be used to cover deficiencies in the principal and interest accounts for payment of bond principal and interest.

Project Account - A project account was established with the State Treasurer into which the proceeds from the sale of the bonds were deposited. Construction expenditures and costs of issuance were paid out of the account.

Funds on deposit for the reserve account as of June 30, 2012, were $209,300.

NOTE E--LONG-TERM LIABILITIES--Continued

Revenue Bonds Payable: The bond indenture requires net revenues pledged be at least 1.25 times the average annual debt service requirements of approximately $212,000 per fiscal year over 20 years. During the year ended June 30, 2012 the pledged revenues provided net revenues as follows:

Revenues		$ 1,370,153
Expenses		728,271
	Net revenues	$ 641,882
Debt service requirements		$ 198,670
Rate covenant - 125 percent		1.25
	Net revenue requirement	$ 248,338

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 will be used for non-structural improvements to buildings and facilities. The College has pledged Section Thirteen revenues to support payments of this lease obligation.

As of June 30, 2013, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

Years Ending June 30:	Principal	Interest	Total
2014	$ 63,000	$ 45,349	$ 108,349
2015	70,000	42,750	112,750
2016	70,000	39,250	109,250
2017	75,000	35,750	110,750
2018	80,000	32,000	112,000
2019-2023	455,000	96,500	551,500
2024-2025	105,000	5,250	110,250
	$ 918,000	$ 296,849	$ 1,214,849

NOTE E--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Capital Improvement Authority Lease Obligations ("OCIA")

In September 1999, the OCIA issued its OCIA Bond Issues, 1999 Series A, B, and C. Of the total bond indebtedness, the State Regents for Higher Education (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 are to provide 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 College policy. Lease payments to OCIA totaling $39,756 and $39,775 during the years ended June 30, 2013, and 2012, respectively, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

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.

Through June 30, 2013, 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. Lease payments to OCIA totaling $608,087 and $76,405 during the years ended June 30, 2013, and 2012, respectively, were made by the State of Oklahoma on behalf of the College. These payments have been recorded as on-behalf payments for OCIA capital leases in the statements of revenues, expenses, and changes in net position.

NOTE E--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued:

Oklahoma Capital Improvement Authority Lease Obligations ("OCIA")--Continued

In 2011, the College's 2005F lease agreement with OCIA was restructured through a partial refunding of OCIA's 2005F bond debt. OCIA issued two new bonds, Series 2010A and 2010B. The lease agreements with OCIA secure the OCIA bond debt and any future debt that might be issued to refund earlier bond issues. OCIA issued this new debt to provide budgetary relief for fiscal years 2011 and 2012 by extending and restructuring debt service. Consequently, the lease agreement with OCIA was automatically restructured to secure the new bond issues. This lease restructuring has extended certain principal payments into the future, resulting in a cost on restructuring. The College has recorded a charge of $642,631 on restructuring as a deferred outflow of resources that will be amortized over a period of six years.

As of June 30, 2013, and 2012, the unamortized cost totaled $145,441 and $193,921, respectively and is recorded as a deferred charge on debt restructure in the statements of net position. This restructuring resulted in an aggregate debt service difference for principal and interest between the original lease agreement and the restructured lease agreement of $521,564, which also approximates the economic cost of the lease. Although this restructuring resulted in a cost to the College, it is anticipated that the on-behalf payments provided to cover the original lease agreement will also cover the deferred lease restructuring charge.

At June 30, 2013, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

Years Ending June 30:	Principal	Interest	Total
2014	$ 745,065	$ 343,880	$ 1,088,945
2015	771,809	322,276	1,094,085
2016	503,132	211,508	714,640
2017	527,143	188,780	715,923
2018	551,660	164,270	715,930
2019-2023	559,796	669,345	1,229,141
2024-2028	1,505,109	409,205	1,914,314
2029-2031	709,699	53,600	763,299
	$ 5,873,413	$ 2,362,864	$ 8,236,277

NOTE E--LONG-TERM LIABILITIES--Continued

Capital Lease Obligations--Continued

ODFA Higher Education Master Lease Program - Series 2011A

In July 2011, the College entered into a capital lease obligation Series 2011A in the amount of $646,000. Lease payments over the term of the agreement, including interest, total $779,803. Payments 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 will be used for structural improvements to the College's waste management system. As of June 30, 2013, the college has $587,000 in restricted cash for the use of the project.

As of June 30, 2013, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

Years Ending June 30:	Principal	Interest	Total
2014	$ 60,167	$ 18,570	$ 78,737
2015	62,167	16,765	78,932
2016	64,167	14,900	79,067
2017	66,167	12,975	79,142
2018	68,167	11,009	79,176
2019-2022	211,164	19,347	230,511
	$ 531,999	$ 93,566	$ 625,565

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, 2013, future aggregate maturities of principal and interest requirements on bonds payable are as follows:

Years Ending June 30:	Principal	Interest	Total
2014	$ 325,833	$ 262,290	$ 588,123
2015	335,000	255,773	590,773
2016	335,833	249,073	584,906
2017	345,417	242,356	587,773
2018	350,833	235,375	586,208
2019-2023	1,879,167	1,036,075	2,915,242
2024-2028	2,211,667	696,348	2,908,015
2029-2033	2,034,167	216,839	2,251,006
	$ 7,817,917	$ 3,194,129	$ 11,012,046

NOTE F--RETIREMENT PLANS

The College's academic and non-academic 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 Oklahoma Teachers' Retirement System ("OTRS"), 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. 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.

Funding Policy: The College is required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 9.5% of covered salaries and fringe benefits in 2013, 2012, and 2011, is applied to annual compensation and is determined by State Statute.

Employees' contributions are also determined by State Statute. For all employees, the contribution rate was 7% of covered salaries and fringe benefits in 2013, 2012, and 2011, respectively. These contributions were made directly by the College for 2013, 2012, and 2011.

The College's contributions to OTRS for the years ended June 30, 2013, 2012, and 2011, were approximately $1,135,000, $1,029,000, and $1,244,000 respectively, equal to the required contributions for each year. These contributions include the College's statutory contribution and the share of the employee's contribution paid directly by the College.

The State of Oklahoma is also required to contribute to OTRS on behalf of the participating employers. For 2013 and 2012, the State of Oklahoma contributed 5% of State revenues from sales and use taxes and individual income taxes, to OTRS on behalf of participating employers. The College has estimated the amounts contributed to OTRS by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for OTRS for the year by the applicable percentage of taxes collected during the year.

NOTE F--RETIREMENT PLANS--Continued

Oklahoma Teachers' Retirement System--Continued

Funding Policy--Continued: For the years ended June 30, 2013, and 2012, the total amounts contributed to OTRS by the State of Oklahoma on behalf of the College were approximately $509,000 and $514,000, respectively. These on-behalf payments have been recorded as non-operating State appropriations revenues and operating compensation and employee benefits expenses in the statements of revenues, expenses, and changes in net position.

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, 2013, and 2012, respectively.

Annual Pension Cost and Net Pension Obligation: The annual required contribution for the current year was determined as part of the June 30, 2013, actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) a discount rate of 8% per year to determine the present value of future benefit payments, (b) retirement at age 65, (c) an 8% rate of return on investments, (d) projected salary increases of 2.0% per year, and (e) a 5.25% interest rate for post-retirement individual annuity settlement benefits. The Plan is an unfunded Plan, and accordingly, no assets have been accumulated, and no investment income is earned. The unfunded actuarial accrued liability is being amortized using the level dollar amortization method on a closed basis over ten (10) years.

NOTE F--RETIREMENT PLANS--Continued

Annual Pension Cost and Net Pension Obligation--Continued: The annual pension cost and net pension obligation to the Plan were as follows at June 30:

	2013	2012
Annual required contributions	$ 27,759	$ 27,759
Interest on net pension obligation (asset)	11,637	11,637
Adjustment to annual contribution	(14,875)	(14,875)
Annual pension cost	24,521	24,521
Contributions made	(49,522)	(49,522)
Increase (decrease) in net pension obligation (asset)	(25,001)	(25,001)
Net pension obligation (asset) at beginning of year	118,285	143,286
Net pension obligation (asset) at end of year	$ 93,284	$ 118,285

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013, was as follows:

Actuarial accrued liability (AAL)	$ 222,884
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 222,884
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Annual covered payroll (active plan members)	$ -
UAAL as a percentage of annual covered payroll	0.00%

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

Fiscal Year Ended June 30,	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2011	$ 20,119	225.5%	$ 143,286
2012	24,521	202.0%	118,285
2013	24,521	202.0%	93,284

NOTE G--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, 2013, there were approximately 138 active employees and 91 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, 2013, actuarial valuation using the projected unit credit method. The actuarial assumption included an 8% 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 year ended June 30 were as follows:

	2013	2012
Annual required contribution	$ 4,315	$ 4,315
Adjustment to annual required contribution	-	-
Annual life insurance cost	4,315	4,315
Contributions made	1,667	1,667
Increase (decrease) in net obligation	2,648	2,648
Net obligation, beginning of year	11,482	8,834
Net obligation, end of year	$ 14,130	$ 11,482

The net obligation at June 30, 2013, is included in accrued pension obligation.

NOTE G--OTHER POST-EMPLOYMENT INSURANCE BENEFITS--Continued

Funded Status and Funding Progress: The funded status of the plan as of June 30, 2013, was as follows:

Actuarial accrued liability (AAL)	$	36,156
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	$	36,156
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Annual covered payroll (active plan members)	$	6,991,329
UAAL as a percentage of annual covered payroll		0.52%

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

Fiscal Year Ended June 30,		Annual Pension Cost	Percentage of APC Contributed		Net Pension Obligation
2011	$	2,988	48%	$	8,834
2012		4,315	39%		11,482
2013		4,315	39%		14,130

NOTE H--RELATED PARTY TRANSACTIONS

The Foundation is a tax-exempt organization whose objective is the betterment of the College and its related activities. The College is the ultimate beneficiary of the Foundation. The College has entered into a written agreement with the Foundation whereby the College agrees to provide certain administrative services to the Foundation in exchange for scholarships, endowments, grants, bequests, and payment of services for the benefit of the College. During the years ended June 30, 2013, and 2012, the Foundation awarded scholarships to students totaling approximately $47,000 and $18,000 for 2013 and 2012, respectively.

The College received in-kind contributions of approximately $16,000 during both years.

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, 2013 and 2012 were approximately $183,000 and $149,000, respectively.

NOTE I--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.

During the course of ordinary business, the College may be subjected to various lawsuits and civil action claims. There was one pending lawsuit or claim against the College at June 30, 2013, that management believes will not result in a material loss to the College in the event of an adverse outcome.

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

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

NOTE J--LEASING ARRANGEMENTS

The Board of Regents of the College previously entered into a ground lease agreement with the LLC that owned and operated Miller's Crossing, a student housing facility located on the College campus. The LLC was a wholly owned subsidiary of the Foundation. The College was leasing to the LLC the property upon which Millers Crossing is located. The ground lease was effective through November 1, 2041. Under the terms of the ground lease, the College was entitled to receive annual rent each November 1st equal to the net available cash flow of the student housing facility, as defined in the ground lease. In September 2011, the College took ownership of Miller's Crossing and the LLC ceased to exist. All assets and liabilities were transferred to the College. See Note E for a discussion on the financing for this transaction.

NOTE K--CONNORS DEVELOPMENT FOUNDATION, INC.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS

The Foundation's investments consist of equity securities with quoted market prices in an active market maintained with a brokerage company, all Level 1 investments. The Foundation uses the market approach to value marketable securities with readily determinable fair values based on quoted prices in active markets.

Restricted endowment investment income and losses are recorded as temporarily restricted revenues unless the terms of the gift require that they be added to the principal of a permanent or term endowment fund. If the funds are temporarily restricted, any expenditure is subject to the intended use of the funds as indicated in the gift instrument.

ENDOWMENTS FUNDS

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

The Foundation's endowment consists of approximately 29 individual funds established primarily for scholarship and academic program support. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

NET ASSETS

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

NOTE K--CONNORS DEVELOPMENT FOUNDATION, INC.--Continued

NET ASSETS--Continued

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

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

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

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

Reconciliation of the change in permanently restricted net assets for the year ended June 30, 2013:

	Beginning Endowment Balance	Contributions and Earnings	Ending Endowment Balance
Scholarships	$ 573,030	$ 21,148	$ 594,178
Academic Programs	39,491	10,992	50,483
	$ 612,521	$ 32,140	$ 644,661

Reconciliation of the change in permanently restricted net assets for the year ended June 30, 2012:

	Beginning Endowment Balance	Contributions and Earnings	Ending Endowment Balance
Scholarships	$ 556,643	$ 16,387	$ 573,030
Academic Programs	39,491	-	39,491
	$ 596,134	$ 16,387	$ 612,521

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION--UNAUDITED

CONNORS STATE COLLEGE

June 30, 2013

SCHEDULE OF FUNDING PROGRESS FOR SUPPLEMENTAL RETIREMENT PLAN

Actuarial Valuation Date	Acturial Accrued 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%

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 POST-EMPLOYMENT LIFE INSURANCE BENEFITS

Actuarial Valuation Date	Acturial Accrued 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%

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.

REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

Independent Auditors' Report
on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of Connors State College (the "College"), a component unit of the State of Oklahoma, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2013. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of Connors Development Foundation, Inc. (the "Foundation"), the College's discretely presented component unit, as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2013-01 to be a material weaknesses.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-01.

College's Response to Finding

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

Purpose of this Report

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2013

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Connors State College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-02. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2012-01, that we consider to be a significant deficiency.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the College as of and for the year ended June 30, 2013, and have issued our report thereon dated October 30, 2013, which contained an unmodified opinion on the financial statements. 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 the 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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 30, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CONNORS STATE COLLEGE

June 30, 2013

	CFDA Number	Amount Expended
U.S. Department of Education		
Student Financial Aid Cluster:		
Federal Pell Grant Program	84.063	$ 5,930,383
Federal Supplemental Education Opportunity Grants	84.007	131,962
Federal Work Study Program	84.033	108,651
Federal Direct Student Loan	84.268	5,484,005
Total Student Financial Aid Cluster		11,655,001
TRIO Cluster:		
TRIO Upward Bound	84.047	118,747
TRIO Veterans Upward Bound	84.047	77,718
TRIO Student Support Services	84.042	232,805
Total TRIO Cluster		429,270
Passed through from Oklahoma State Regents for Higher Education:		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	55,257
Temporary Assistance for Needy Families	93.558	125,066
Passed through from Oklahoma Department of Vocational and Technical Education:		
Carl D. Perkins Grant	84.048	75,514
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 12,340,108

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CONNORS STATE COLLEGE

Year Ended June 30, 2013

NOTE A--BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal awards activity of Connors State College (the "College") and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--FEDERAL DIRECT STUDENT LOAN PROGRAM

Under the Federal Direct Student Loan Program ("Direct Loan Program"), the U.S. Department of Education makes loans to enable a student or parent to pay the costs of the student's attendance at a postsecondary school. The Direct Loan Program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly from the U.S. Department of Education rather than through private lenders. The College began participation in the Direct Loan Program on July 1, 2010. The College administers the origination and disbursement of the loans to eligible students or parents. The College is not responsible for the collection of these loans.

NOTE C--SUBRECIPIENTS

During the year ended June 30, 2013, the College did not provide any federal awards to subrecipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONNORS STATE COLLEGE

Year Ended June 30, 2013

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? __X__ yes _____ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes __X__ none reported

Noncompliance material to financial statements noted? __X__ yes _____ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? __X__ yes _____ none reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? __X__ yes _____ no

Identification of major programs:

Program/Cluster	CFDA Number
Student Financial Aid Cluster	*
TRIO Cluster	*

* See the Schedule of Expenditures of Federal Awards for identification of CFDA numbers applicable to the major programs.

Dollar threshold used to distinguish between type A and type B programs: $300,000

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

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

FINDING 2013-01

Deficiency:
Existing purchasing controls were intentionally circumvented by the former Vice President for Fiscal Affairs (the "VP"). The College has a Board of Regents approved contract and Purchase Order (PO) with a third-party contractor (the "Contractor") for custodial, operations and maintenance (O&M) services. This contract does not extend to renovation ("small jobs") and construction related activities. However, the VP entered into a separate agreement directly with the Contractor for work related to renovation of a facility on campus for $195,390 without Board approval and without soliciting an open competitive bidding process.

Requirement:
State Statute §61-103 requires that all public construction contracts exceeding $50,000 shall be let and awarded to the lowest responsible bidder, by open competitive bidding after solicitation for sealed bids, in accordance with the provisions of the Public Competitive Bidding Act of 1974. Furthermore, the Board of Regents requires approval of contracts in excess of $35,000.

Effect of the Condition:
As there was not a competitive bidding process it is possible that the College did not award the contract to the lowest responsible bidder. Upon further examination of the related invoices from the Contractor it was also determined that approximately $258,000 in construction related costs were originally expensed by the College, but should have been capitalized. In addition, there were $48,000 in expenses from this same contractor and $139,000 from various other vendors that were not recorded as liabilities by the College as of June 30, 2013.

Cause of the Condition:
The VP requested approval from the Board to increase the approved PO with the Contractor for the custodial and O&M services, but did not request approval for construction and renovation projects needed on campus. The approved PO for the Contractor was completely exhausted during the current fiscal year. Invoices were altered by removing all details and changing dates to match the approved PO and effectively gave the appearance that $48,000 in expenses related to a subsequent fiscal year.

Recommendation:
We recommend that management of the College review and emphasize compliance with all existing controls, policies, and procedures surrounding potential construction and renovation projects to ensure all College employees adhere to State Statutes and Board purchasing requirements. As a second level of review and approval the President should sign off on all contracts in excess of a predetermined amount.

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

FINDING 2013-01--Continued

Views of a Responsible Official:
Management acknowledges the finding and have intensely reviewed existing construction projects to ensure that the College adheres to State Regulations and Board purchasing requirements. In the future, any contract in excess of $35,000 will require the President's signature. In addition, the college will create a Request for Approval form for small construction projects in fiscal year 2014 to ensure compliance with State Statute 61-03.

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133:

FINDING 2013-02

Program CFDA No:
84.268

CFDA Program Title:
Federal Direct Student Loans

Federal Award Year:
June 30, 2013

Questioned Costs: $33,698

Finding:
In our student file testing we noted a student who was a first year, first time borrower, whose loan funds were disbursed 18 days after the first day of class. Due to the College's cohort rate, they are required to disburse loan funds at least 30 days after the first day of class for first year, first time borrowers.

As a result of the student identified in our testing above, we requested that the College review all first year, first time borrowers to quantify the magnitude of the exception. Of the 187 first year, first time borrowers of Stafford loans, 25 students were disbursed early during the 2012-2013 school year. The total amount of Direct Loans disbursed early to these students was $33,698.

Cause:
The errors were caused due to the College having a number of employees that left the institution near the beginning of the 2012-2013 school year, which left the school with a shortage of programmers. One of the programmers who left the College was the individual who ran the report that identified all first year, first time borrowers. Based on this report the College would wait and disburse loan funds to those students after the 30 day requirement. The new employees could not get the same reports to run so multiple reports were used to try and identify these students; however, some students were missed during this process.

Criteria:
In accordance with 34 CFR 682.604 (c) (5) "A school may not release the first installment of a Stafford loan for endorsement to a student who is enrolled in the first year of an undergraduate program of study and who has not previously received a Stafford, SLS, Direct Subsidized, or Direct Unsubsidized loan until 30 days after the first day of the student's program of study unless- For loans first disbursed on or after October 1, 2011, the school in which the student is enrolled has a cohort default rate, calculated under either subpart M or subpart N of 34 CFR part 668 of less than 15 percent for each of the three most recent fiscal years for which data are available."

Section III--Findings Required to be Reported in Accordance with OMB Circular A-133:--Continued

FINDING 2013-02--Continued

Effect:
First year, first time borrowers who received their Stafford loans earlier than they should have, could have resulted in refunds due to students earlier than expected.

Context:
The Financial Aid office did not identify all first year, first time borrowers in advance of disbursing funds which resulted in these students receiving funds prior to the 30 day waiting period.

Recommendation:
We recommend that the College ensure the reports they are using correctly identify first year, first time borrowers. If this is unable to be completed, the College should not disburse loan funds to any freshmen until 30 days after classes begin.

Views of a Responsible Official:
Two full time programmers have been added to the IT staff at the College which will help ensure that reporting is completed in a timely manner. To further ensure compliance with 34 CFR 682.604(c)(5) reporting will include identifying all freshman students and delay the disbursement of all freshman student loans until at least the 30^{th} calendar day after the start of any standard or non-standard term according to the College's academic calendar.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CONNORS STATE COLLEGE

Year Ended June 30, 2013

FINDING 2012-01

Deficiency:
The College did not disclose in its Schedule of Expenditures of Federal Awards ('SEFA") federal funds expended under the Gear-Up Program CFDA #84.334 or Plus Student Loans CFDA #84.268.

Requirement:
OMB Circular A-133 section .310(b)(5) requires the auditee to prepare a SEFA that provides the total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available.

Effect of the Condition:
Total expenditures of federal awards as reported on the SEFA were understated by approximately $83,000. Although this amount is not in and of itself significant, by not properly identifying all federal awards on the SEFA a significant federal program could potentially go unaudited. As a result the auditee is not fulfilling its responsibility to ensure that the required audits are being properly performed in accordance with OMB Circular A-133 section .300(e).

Cause of the Condition:
Lack of internal control and review over preparation of the SEFA.

Recommendation:
We recommend that management of the College perform a detail review of the Statement of Revenues, Expenses, and Changes in Net Assets ("SRECNA") to ensure that all amounts expended in relation to federal awards are identified and properly reported on the SEFA. In addition, when grants and contracts are received management should make appropriate inquiries of the grantor to determine if the amounts are to be reported in accordance with OMB Circular A-133.

Views of a Responsible Official:
Management will develop procedures to perform periodic reviews of amounts expended in relation to federal awards to ensure yearend preparation of the SEFA is accurate. Management will also adopt procedures to verify that federal grants awarded to the College are identified and reported in accordance with OMB Circular A-133.

Current Status:
This finding is repeated in 2013 as appropriate procedures and controls have not been implemented to ensure that all Federal awards are included in the SEFA. For the years ended June 30, 2013 and 2012, the College did not disclose $125,066 and $132,485, respectively, in federal funds expended under the Temporary Assistance for Needy Families program CFDA #93.558.

FINDING 2012-01--Continued

Current Views of a Responsible Official:
In fiscal year 2013, management of the College implemented a process to ensure that all new Federal awards are appropriately recorded in the SEFA. Due to the recent discovery that the Temporary Assistance for Needy Families program had been improperly classified for several years, management at the College will review all awards, both new and existing, to ensure compliance with OMB Circular A-133 section .301(b)(5).